

Water Committee

Meeting Minutes

January 7, 2002

Present:

Jim Davis

Rick Johnson

Will Potter

Mike Shelton

John Woods

- A. CLYDE YOUNG COMPANY REPORT: Clyde Young anticipates having his engineering report completed by Friday, January 11, 2002. He will forward a copy to the Metro District Board and to the District's legal counsel. Preliminary indication is that the report will confirm the Metro District's position stated at the Annual Town Meeting, with some recommendations concerning a few valves and pump operation.
- B. VERN JASCHKE: Vern is awaiting the Clyde Young Company report to include with his as-built drawings for inclusion with his engineering segment of the water system registration application to the State. The Metro District must add the required financial information and the application will be submitted.
- C. LEGAL COUNSEL: Attorney Robert Winter is notifying the bonding company of the pending completion of the engineering study, together with our final statement of position. A meeting will be held with our attorney prior to the end of the month to get that position letter composed and out to the bonding company. They will be given appropriate time to review and respond. We are prepared to sign a contract with another contractor and begin completion construction in February.
- D. METRO DISTRICT DEBT COUPON BOOKS: Colorado Community First Bank is ordering the new coupon books to be sent out to property owners. They will contain the next three years of coupons on the Metro District bond issue payments. The Metro District Board will prepare a cover letter to accompany the books which will summarize the bond issue and the use of the coupon books. In addition, it will explain the timing, amount and interest savings available to property owners who decide to prepay the balance of principal at our first opportunity to do so in September of 2004.
- E. DELINQUENT PROPERTY OWNER ACCOUNTS: Property owners who are more than six months delinquent on their payments to the Metro District debt will most likely see that amount added to their property tax bill from Las Animas County this spring. If not paid, the County will pursue collection through property sale for delinquent taxes.
- F. MOBILE STORAGE UNIT FOR EXCESS PARTS: The original information that a portion of the lease payments we have made on the mobile storage unit used to store excess materials ordered by OPEC was in error. It was originally felt that purchase of that unit would be feasible under that scenario. Since the material being stored was material ordered in excess of specs and need by OPEC, the Committee recommends to the Metro District Board to add that expense to the receivable due from OPEC.
- G. STATEMENT OF POSITION TO BONDING COMPANY: All those who have been asked to contribute their information and support documents and data for the "statement of position" should forward the material either directly to attorney Robert Winter or to Mike Shelton for forwarding to Mr. Winter as soon as possible. We would like Mr. Winter to be able to "absorb" it prior to our summit meeting later this month.

- H. ASSIGNMENT OF POWER ACCOUNT FUNDS: Attorney John Mitchell, who authored the original assignments of the water and telephone account funds from the POA to the Metro District has been asked to draft an identical assignment agreement for the power fund account. As soon as it is drawn up, it will be submitted to the POA for signature and the funds will transferred to the Metro District Construction Escrow Account at Community First Bank to fund the additional costs to completion. A commitment from the Metro District to the POA to return those funds, if they are recovered through litigation, will be added to that agreement.
- I. NEXT COMMITTEE MEETING: Wednesday, January 23, 2002 at 4pm at Jim Davis house.

Water Committee
Meeting Minutes
January 23, 2002

Present:

Jim Davis
Will Potter
Mike Shelton
Harriet Vaugeois
John Woods

Guest:

Bill Wenstrom

1. Clyde Young Company had expected to have the engineering study completed by this meeting, but due to an emergency on another project, was unable to complete it. They received the information needed from Vern Jaschke and also information from the manufacturer of the pump station components. Clyde's preliminary, verbal report is that outside of a few questions concerning the placement of some valves and not knowing if the pumps will function automatically, everything else seems to look pretty good.
2. Vern Jaschke has completed his analysis of the OPEC position and is forwarding his comments to attorney Robert Winter. Vern is also nearing completion of the application to register our water system with the State of Colorado and awaits the Clyde Young report for incorporation in the filing.
3. The other former and current committee members have or are completing their respective responses to the OPEC position letter and are forwarding them to attorney Robert Winter.
4. John Woods reported that he is having difficulty getting the appropriate information from Bill Quigley's files to complete the reconciliation of the invoices from and payments to OPEC, as requested by the bonding company. Bill Wenstrom related that there are additional Metro District records in Quigley's office located in different files. John will get together again with the Quigley staff.
5. John Mitchell suggested that we draft the assignment agreement for the power account fund balance ourselves, using the original transfer agreement for the telephone and water account funds as the model. He will then review and we will save some attorney fees. Jim Davis will do the draft.
6. The question was asked as to how soon we can get a new contractor started after the Clyde Young report is completed. The contractor Clyde has recommended will be able to begin as soon as he is notified of our desire to engage him. However, the bonding company has requested sufficient time to review the engineering report and our response to OPEC's position before we sign a new construction contract. We feel that two weeks should give them sufficient time to perform or be sued.
7. The next committee meeting will be Wednesday, February 13, at 4pm at the Davis home.

Water Committee
Meeting Minutes
February 13, 2002

Present:

Jim Davis
John Woods
Will Potter
Harriet Vaugeois
Clyde Young - by telephone

Summary

1. Clyde Young reported by telephone that his engineering study has been completed and will be mailed to the Committee the beginning of next week (Feb 18th) as well as two copies to our attorney, Bob Winter. Clyde gave a general description of his report which covered the following items:
 - a. A model of the storage tanks and their operation under different scenarios of use.
 - b. A model of the pump stations and their operation under different scenarios of use.
 - c. A model of the entire pipeline and its performance under different scenarios of user volume.
 - d. A model of the existing air reduction and pressure reductions valves and their performance under different scenarios of user volume.
 - e. An analysis of chlorine retention levels under various levels of user volume.

These aspects of the report include charts and graphs, as well as map overlays of the system, identifying locations, elevations, pressures and chlorine residuals, as they are expected to be. His study was done on the basis that OPEC installed the system as instructed, using the materials called for and where they were called for under the specifications of the contract. Clyde's models were run for under 25 users, 220 users and 450 users. His conclusions are that the system will work under all three scenarios. He also concludes that the system will work safely as to water quality, with monitoring and coordination with homeowners until we reach 170 users, at which time the chlorine residuals will maintain proper levels by the volume of use itself. The full text of his report will be available to property owners at Bill Quigley's office as soon as our attorney approves its release. The report also states that the pipes installed will also work, as long as they were installed correctly, despite having sat for some time.

2. A copy of the report will be given to Vern Jaschke so he can attach it to the application to register the system with the State.
3. A meeting will be set up with Attorney Bob Winter to submit the report and position of the POA and Metro District on completion of the system and our expectations of the bonding company to fulfill their obligations under the policy, with or without OPEC. An alternative contractor is prepared to begin as soon as we are ready to sign a new contract.
4. The Committee will review and update its plans for installation of meter pits and water service immediately, as it is now apparent that when the lines from each storage tank are tested, fixed if needed and sanitized, that homes fed from those lines can be put into service.

5. The time and date for the next meeting has not been established, as it may take place with our attorney to prepare our final submission to the bonding company. If a meeting is to be held on the Ranch, notice will be given.

Water Committee Meeting

Meeting Minutes

April 19, 2002

Present:

Jim Davis

Rick Johnson

Will Potter

Tom Stephens

John Woods

Harriet Vaugeois

Summary

1. On Wednesday, April 17, 2002, a revised engineering study was received from Clyde Young Company. When Vern Jaschke reviewed the report, he realized that Clyde Young had not been furnished with the correct information on the amount, location and specifications on the Poly pipe, which OPEC chose to substitute for PVC and use. The amended report reflected that information and copies were also sent to Bob Winter. A copy was circulated to the Committee members and the Metro District Board for their review.
2. A copy of Clyde Young's letter to Ciarlo Excavating, requesting a bid for the completion work of the water system, outlining the scope of work was shared with the Committee. As of Friday, the 19th, no response had been received by Clyde Young Company.
3. A copy of Bob Winter's correspondence to the bonding company was discussed. Mr. Winter had sent the letter after reviewing the engineering study of Clyde Young Company and after reviewing the volumes of "input" and documents he received from current and former Committee members and the transcript of the Town Hall Meeting last October. Basically, it said that OPEC's positions have been adequately addressed and are without merit and requested action, without delay, by the bonding company.
4. The brief response to Mr. Winter's letter from the bonding company was discussed. In essence, it gave no indication of action on their part, other than to advise us to not proceed with a new contractor. After consulting with Mr. Winter concerning this response, it was determined that the best interests of the Metro District and the POA would be served by completing the system and seeking compensation in court.
5. As Clyde Young's study concluded that the system will work as designed and engineered, but drew no stated conclusion as to why the system is not operating today, it was determined that we ask Clyde Young Company to render a professional opinion in that regard. Mr Young was contacted and is preparing that opinion as further evidence for our case.
6. Mr. Young, with the assistance of Mr. Jaschke, will be asked by the Committee to immediately prepare the protocol for completion of the system. Mr. Jaschke had prepared such a protocol in the Spring of 2001 for OPEC, which they first agreed to, then walked away from and failed to return to.

7. A follow-up letter is being prepared by Mr. Winter which will notify the bonding company of the Metro District's engagement of a new contractor, recommended by Clyde Young Company, to complete OPEC's responsibilities, together with Mr. Young's concluding opinion.
8. The new contractor has been asked to submit his contract for the Committee, the engineers and the Metro District Board to review, approve and sign. It is estimated that work will commence one week after signing. The Committee is aiming at the week of May 13.
9. As the new protocol for completion will allow water service to commence once a section is tested, sanitized and receives certification, property owners will again be notified of pending service, together with the details for signing up for service, costs for the tap and installation. The process will proceed the north end to the south. The contractor completing the system is also preparing a quote to install the meter pits, as he has such experience also.
10. Members of the Committee recently met with San Isabel Electric and U.S. Filter Corporation to finalize the materials and specifications for the water meter and meter pits at each property. As there is a brief lead time for delivery of the pre-assembled components, it was recommended that any property owner who has not yet indicated their intent to hook into the system, contact Bill Quigley's office to get on the list.
11. Tom Stephens recently attended a seminar on the operations of a water system in preparation for our resolution of how to manage and operate the system, once the completion work is done in the first section and service be provided. Committee members are pursuing a few leads for such a qualified operator. It has been determined that outside management of the system is necessary.
12. Security, with respect to our current relationship with OPEC, was also discussed. All steps necessary will be taken to insure the integrity and efficiency of the completion process. All steps necessary will be taken to prevent interference with the completing contractor's work. As the completion experience, itself, will be material to our ultimate resolution with OPEC and the bonding company, it is imperative to take this course.
13. It is hopeful that the funds available from the original Power Account will allow us to complete this task. However, until we get into the process, we will not know. The Committee will continue to look for and access further sources of funds, should the completion work unveil greater deficiencies in the original construction work than we anticipate.

**Santa Fe Trail Ranch
Metropolitan District
Board of Directors Meeting
December 30, 2002, 6:00 PM
Minutes**

Board Members	Members Absent
Jim Davis	None
Will Potter	
John Woods	
Tom Stevens	
Dennis Scott	

I. CALL TO ORDER

- A. Jim Davis called the meeting to order on Monday, December 30, 2002 at 6:00 p.m. at 109 West Main Street, Trinidad, CO 81082.

II. ROLL CALL

- A. Present Members: Jim Davis, Will Potter, John Woods, Tom Stevens, and Dennis Scott were all present.
- B. No one else was in attendance at the time the board meeting began.

III. DISCLOSURE OF POTENTIAL CONFLICTS OF INTERESTS

- A. This refers to any transactions with the District that may be considered by the board members as a possible conflict of interest.
1. Jim Davis wanted to make known although he doesn't feel like it is a conflict of interest, he wanted to show for the record that he is acting as a consultant for Coastal Trinidad, LLC, which is the master developer for the Stone Ridge Subdivision. Pete Schrepfer is one of the principals in the Coastal Trinidad, LLC; and Schrepfer Industries is also the contractor that the Metro District Board chose to do the completion work on the Santa Fe Trail Ranch Water System.
 2. He would also like the record to reflect that Schrepfer Industries was chosen after reviewing the bids of six contractors which had submitted bids or proposals to Clyde Young & Associates, the independent engineer that the Metro District hired to evaluate the water system and make recommendations on the completion.
 3. In his capacity as consultant to Coastal Trinidad, LLC, Jim Davis is paid a consulting fee, but the two situations are non-related.

IV. APPROVAL OF MINUTES FROM LAST MEETING

- A. It was mentioned that the last meeting took place on December 28, 2001, at 109 West Main Street, Trinidad, CO 81082. The purpose of that meeting was to conduct a hearing on the budget amendment for fiscal year 2001 and for the budget for fiscal year 2002. Second, it was to consider for approval of a resolution to amend the 2001 budget if necessary. Third was to consider for approval the proposed 2002 budget and to approve the procreation of funds.
- B. Under the category of financials, they did amend the 2001 fiscal year budget because the water system was not active, and therefore the budget came up zeroed with the exception of the continuing constructions funds that they extended in 2001 with the original contractor. Second was to consider approval of a resolution to amend the 2001 budget that took place. Then they had an approval of the proposed 2002 budget in which they voted to approve the same budget that they had in 2001 on the assumption that the water system will be activated in 2002.
- C. Additionally, they considered an approval of resolution calling for the May 7, 2002 regular pre-election. That election was due to the fact that Jim Davis, Will Potter, and David Schroepfer's terms of office expired on May 7, 2002. The Board of Directors did so order the election.
 - 1. Present at that meeting were James Davis, William Potter, John Woods, and Tom Stevens. Absent was David Schroepfer. They also had a Ranch resident June Stevens present at that meeting.

These were the actions that took place at that meeting. Will Potter motioned to have an approval of the prior meeting's minutes. John Woods seconded. No opposition. Motion passed.

V. APPROVAL OF THE COMPLETION - ASSESSMENT B RESOLUTION

- A. The purpose of this resolution is to state the authority under the Colorado statutes that the Metropolitan District has the right and authority to take this action in this manner. So, in keeping with the sharing per 35-acre lot, Jim Davis sought legal counsel with the Metro District attorney.
- B. Jim Davis also mentioned that under this resolution, they would assess an equal fee for each 35-acre lot to pay the cost to complete the water system. It does not address the return of those funds, which the Metro District will reimburse to each property owner, from the proceeds of any successful litigation. They will give the bank a copy of this resolution as part of the closing process of a completion loan.
- C. They are trying to do this on a construction loan so that they can only carry interest costs and accrue it until it was completed and then it would be fixed. One of the components of this, on which they still haven't heard a response from the Department of Local Affairs in Denver, is their application for either a grant or energy impact loan from the state of Colorado.
- D. Based on the costs of the work completed thus far plus the estimated costs for sanitization, the

water needed for testing and completing, sanitizing and beginning inventory, and the estimate of legal fees, it was stated for the record that the figure of \$505,360 was as accurate as possible at this time.

Dennis Scott motioned to adopt the resolution. Tom Stevens seconded. No opposition. Motion passed.

VI. AMENDMENT ON 2002 BUDGET

A. Budget has to be amended for the following two reasons:

1. The budget was not in operation or wasn't in the system so the budget sent out was not relevant; and
2. They need to add the contribution the POA made of \$51,000. In expenditure of the \$51,000, \$8000 went to Clyde Young & Associates for the independent engineer study, and secondly approximately \$43,000 was spent for beginning completion costs for labor to Schrepfer Industries, administrative costs to Century Small Business Solutions, and for rent of the storage unit for spare parts.

Will Potter made a motion to adopt these changes. Dennis Scott seconded. No opposition. Motion passed.

VII. ADOPTION OF FISCAL YEAR 2003 BUDGET

A. Budget that has been modified to reflect the rate change and projected costs of water by the City of Trinidad.

Will Potter made a motion to approve this proposed operating budget. Dennis Scott seconded. No opposition. Motion passed.

VIII. NEW BUSINESS

A. Financing

1. For brief history, they convened a Metro District Advisory Committee, which was made up of some of the Metro District Water Committee, some of the POA and Metro District board members, and also some volunteers from the Ranch. They met June 25, 2002. At that meeting, they set goals to:
 - a. To determine the amount of money that they needed to complete the system;
 - b. Discuss and determine viable sources of those funds;
 - c. Create an action plan for obtaining those funds;
 - d. Obtain the necessary forms and documents for grants and/or loans; and

- e. Establish an agenda for the next meeting
2. At that meeting, the Committee also met with Todd Greig, President of Community First, Fred Eannes, Regional Director of Rural Development, and people from the Council of Governments for the loan application. At that meeting, a consensus was determined that some form of grant and/or loan was possible through a conventional bank or through the State Rural Development Office.
3. The State Rural Development may not be able to help in the matter in which it hoped, so the District was left with was most likely not a grant possibility but an economic impact loan. An economic impact loan is a low interest loan, which is amortized over a 20-year period of time. The bank entertains a 10-year financing of funds to complete the project. They have been given the last three years of financials, history of the installation of the water system (a copy of the debt financing initially created), and information on the litigation, which Metro has filed against the original contractor and the bonding company. Community First Bank to date has not yet come back with a determination as to whether or not they will do the loan. In the meantime, they were introduced to International Bank with the possibility of establishing the same thing. International Bank was provided the same information. The International Bank's Board met prior to Christmas and approved a loan to Santa Fe Ranch Metropolitan District for the completion funds. They are currently working on the structure of that loan. Their legal counsel is Steve McConnell in Raton. Jim Davis will be contacting Steve McConnell and Grimshaw and Herring Attorney, David Edstrom, who can direct him to the proper paperwork for tax-exempt loan, which should reduce the interest rate from a conventional loan to a tax-exempt level. Differential on that is about 30% approximately. They anticipated on their loan that they could close prior to January 1, however, Jim Davis informed the board members that due to some personnel changes at International Bank, they are a little behind so closing won't take place until all necessary paperwork is complete.
4. Pete Schrepfer told Jim Davis that if Metro receives a verbal commitment from International Bank, that he would start up again with a number of crews to expedite completion of this. He was comfortable doing this.

IX. OLD BUSINESS

- A. The lawsuit was served on Opec and XL Surety. Opec responded to the service of notice through their bankruptcy attorney in which they found that Opec had filed for Chapter 11 Bankruptcy Protection on September 11, 2002. Opec's Bankruptcy Attorney petitioned our district court, where the lawsuit was filed, as they are entitled to the rules under Chapter 11. December 16 was the last filing date for the creditors to claim against Opec, and proof of claim was filed by Robert Winter, the Metro District's Attorney, with the bankruptcy court on December 16. Mr. Winter filed a claim for \$500,000. They also received proof of service from XL Surety. Jim Davis recently received a copy of XL Surety's response whereby they deny any liability from the allegations, any breaches of contract, and they maintained statute of limitations. It also states that the District failed to mitigate damages along with numerous other things. They also request a jury trial in

court.

- B. Jim Davis received a copy of a letter that he requested from Don Keysser, the Senior Vice-President of Fixed Income Investment Banking at the time of issuing the Metro District bond. Rick Johnson was in receipt of an email from Dan Krammer requesting Rick to look into an allegation made in an anonymous, unsigned email sent to his Inbox. The email contained a direct accusation that one or more of the Metro District Board Members shared in the fees and commissions that were generated by the financing back in 1999. Century Small Business Solutions drew every check that was written on the construction account that required at least two signatures. Those checks were drawn after a request, which was on a specific form commonly used in construction, was approved by Vern Jaschke as the number of linear feet being completed. So Jaschke signed off on the draw request. Bill Quigley's office drew the check, so Bill Quigley can testify that no check was written from the proceeds of the financing to anyone. The only exception were checks that were written were for long distance bills and some materials that Tom Stevens submitted because he was assisting on the oversight of the project. In 2000, Jim Davis was reimbursed tuition for an all-day seminar on the changes in election laws for 2000. In the audit year of 2000 of the Santa Fe Trail Ranch Metropolitan District, the auditors can verify by going through the check register any discrepancies such as in the letter did not exist. Jim Davis will give a copy of this letter to Rick Johnson who in turn will give it to Mr. Krammer to deal with the anonymous individual. No idea about who it might be is known at this time.

X. ADJOURNMENT

- A. Tom Stevens made a motion to adjourn the meeting. Will Potter seconded. No opposition. Meeting adjourned.