

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE FALCON HIGHLANDS METROPOLITAN DISTRICT HELD JUNE 25, 2013

A special meeting of the Board of Directors of Falcon Highlands Metropolitan District was held on Tuesday, June 25, 2013 at the offices of CliftonLarsonAllen LLP, 102 S. Tejon St., 1st Floor, Annex Conference Room, Colorado Springs, CO 80903 at 1:00 p.m. The meeting was open to the public.

Attendance Directors in attendance were:

Timothy Ladd
Heather Knuffke
Al Smith

Others in attendance:

David Peak; CliftonLarsonAllen LLP
Carrie Bartow; CliftonLarsonAllen LLP
Kevin Collins; CliftonLarsonAllen LLP
Barbara Vander Wall, Esq.; Seter & Vander Wall, P.C.
Jeffrey Erb, Esq.; Seter & Vander Wall, P.C.
Scott Barnett; Mulhern MRE, Inc.
PJ Anderson; Cygnet Land, LLC
Brian Bahr; Challenger Homes, Inc.
Tom Napolilli; Kennedy/Jenks Consultants

Introductions

Attendees gave a brief introduction. Mr. Peak noted that the special meeting had been properly noticed and that there would be no official Board action taken.

Monumentation

The discussion centered on the need of signage for community identity. Two issues have limited the construction of monuments. The first is the difficulty in identifying land available for construction of a monument. The second is a lack of funding. The District did not budget for monument construction, opting to use its funds for road repairs and other issues. Mr. Anderson indicated that Cygnet would be willing to work with the District to identify locations for installation of monuments.

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Situation and Condition of Roads in Filing 1 & 2

Mr. Barnett gave a summary report on the roads in Filing 1 & 2. The worst road conditions are in the east half of Filing 2. The roads in the west half of Filing 2 are being repaired by a contractor hired by District. Mr. Barnett indicated that it was his understanding that once these street repairs have been made, El Paso County would take ownership and be responsible for future maintenance of the roads. Mr. Anderson noted that he went through a similar process with El Paso County for different roads and that he was able to have the warranty period waived since the roads were older than the warranty time period and any problems with the roads would have surfaced by now.

Following the repairs of the west half of Filing No. 2, the District hopes to go through the same process for the roads in Filing No. 1.

Lack of HOA

Ms. Vander Wall explained to the attendees that the District does not have any standing or authority to enforce the covenants in Filing No. 1 or No 2. The ability of the District to enforce covenants, while authorized by statute, was not granted to the District in its service plan. Furthermore, the covenants do not identify the District as the enforcing authority. The covenants can be enforced by homeowners against each other, but each individual will need to fund the enforcement individually.

Water

Mr. Napolilli distributed a chart showing the residential and commercial water consumption over the last 2½ years. Preliminarily, it appears the water restriction program that was adopted in April 2013 may be helping to reduce the water consumption rate this summer. However, the June and July meter readings will give a more accurate picture. Mr. Napolilli also distributed a draft report regarding the water owned by the District, the water demand in the District, and water availability in relation to the actual consumption of water. The report is incomplete at this time and will require further validation by water attorney's research.

Mr. Napolilli discussed the potential drilling of a fourth District well to access the Denver aquifer. The District has substantial water rights in this aquifer and has not used any of them. Mr. Anderson stated that, based on his experience, Denver aquifer wells are poor water producers in Falcon. Mr. Napolilli will perform additional research to determine the potential production of a Denver aquifer well. The estimated costs for a Denver aquifer well is \$425,000.

Finally, Mr. Napolilli noted that the District may want to begin exploring options to obtain renewable water for the District. Mr. Anderson indicated that he is

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aware of a few projects that might be available and offered to attend a future District Board meeting to discuss.

Challenger Homes – Filing 3

Mr. Bahr indicated that Challenger Homes hopes to increase the number of lots platted in Filing 3 from 158 to 240. After hearing the District's water availability report, Mr. Bahr said that Challenger Homes will re-evaluate their options for developing Filing 3.

Wind Energy Easement

Ms. Vander Wall reported that Fowler Wind Energy's easement proposal was still being reviewed and background information is being obtained. The parcel where the easement will be located was purchased by the District for \$504,000.

Mr. Anderson indicated that Cygnet Land might be interested in purchasing the property. He will inquire with his client about this possibility.

Adjournment

The meeting was adjourned at 4:15 p.m.

Respectfully submitted,

By: David Penke
Secretary for the Meeting