

RECORD OF PROCEEDINGS

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF**

DEEP CREEK WATER AND SANITATION DISTRICT

HELD: the 5th day of June, 2008, at 8:00 a.m. at 1700 Lincoln Street, Suite 3800,
Denver, Colorado

ATTENDANCE:

A regular meeting of the Board of Directors of Deep Creek Water and Sanitation District, Mineral County, Colorado, was called and held as shown above and in accordance with the applicable statutes of the State of Colorado, with the following directors present and acting (via conference call):

John Parker, President
Ann Parker, Secretary/Treasurer
William Parker, Assistant Secretary

There are two existing vacancies on the Board of Directors, as Carol and Jim Parker did not re-run office and their terms expired in May of 2008. No members of the Board were absent. Marcus A. McAskin, Grimshaw & Harring, P.C., was present in person at the location noted above. Margaret and Ethan Hampton were also present via conference call (appointed to the Board during the meeting).

CALL TO ORDER:

President Parker noted that a quorum was present for the purpose of conducting a meeting of the Board of Directors of the Deep Creek Water and Sanitation District and called the regular meeting of the Board of Directors of the District to order at 8:05 a.m.

APPROVAL OF THE AGENDA:

Upon motion duly made, seconded and unanimously approved, the Board approved the agenda for the meeting as amended.

MEETING LOCATION:

Mr. McAskin commented that the location of the regular meeting had appeared on the agenda (as posted) and that the Board had adopted a resolution at its December 6, 2007 meeting regarding the location for the District meetings in 2008.

CONFLICTS OF INTEREST:

The Directors present noted for the record that they have financial interests in entities active in developing property within the boundaries of the District, or are employed by such entities, and that such interests may be affected from time to time by actions of the District's Board of Directors. In accordance with state law, the Directors have filed written disclosures describing such potential conflicts of interest with the Secretary of State, and the Directors present verbally reaffirmed such disclosures on the record of this meeting.

PUBLIC COMMENT:

None.

VACANCIES ON THE BOARD:

The floor was opened to receive nominations to fill the two vacant seats on the Board. The name of Margaret Hampton was placed in nomination. Upon motion duly made, seconded and unanimously carried, the Board approved the appointment of Ms. Hampton to fill the vacancy created by the failure of Carol Parker to run for office, to serve until the next regular election in 2010, at which time the position will be open for a four year term.

The name of Ethan Hampton was placed in nomination. Upon motion duly made, seconded and unanimously carried, the Board approved the appointment of Mr. Hampton to fill the vacancy created by the failure of Jim Parker to run for office, to serve until the next regular election in 2010, at which time the position will be open for a four year term.

The Board authorized President Parker to execute the Certificates of Appointment. Oaths of Office were administered to Margaret Hampton and Ethan Hampton by President Parker, after which they took their place as directors on the Boards.

MINUTES:

The Board considered the minutes from the special meeting of the Board held December 6, 2007. Upon motion duly made, seconded, and unanimously approved, the Board approved the minutes as presented and authorized Secretary Parker to execute a copy thereof.

DESIGNATION OF OFFICIAL POSTING LOCATION:

The Boards discussed the meeting schedule discussed at the December 6, 2007 special meeting (the 1st Thursday of the months of March, June, September and December, at 8:00 a.m., with said meetings to be held at the offices of Grimshaw & Haring, P.C., 1700 Lincoln Street, Suite 3800, Denver, CO 80203 in accordance with the resolution regarding meeting location adopted by the Board on December 6, 2007). It was noted for the record that the March regular meeting had been canceled. Upon motion duly made, seconded, and unanimously approved, the Board ratified the 2008 meeting schedule and selected the following as the official posting locations for the District:

- 1) 8' x 4' real estate sign at Imperious & Airport Road
- 2) Fence post located across street from real estate sign noted above
- 3) Door at well house

President Parker noted for the record that a notice board may be installed during 2008 at the location of the real estate sign.

FINANCIALS:

President Parker provided a brief overview of the District's accounts, noting that the District has approximately \$9,528.88 on deposit, and further noting that the District's accountant is in the process of moving her office. Discussion of District financial items was tabled by the Board until the September regular meeting.

Mr. McAskin noted that the application for exemption from audit had been prepared and filed prior to the March 31, 2008 deadline. Upon motion duly made, seconded, and unanimously approved, the Board ratified the form of the application for exemption from audit.

DIRECTOR ITEMS:

A. Fairchild Settlement and Ratification of Form of Easement.

President Parker noted for the record that the District had obtained a 20' easement from the Fairchilds, and that the same has been recorded in the real property records of Mineral County. The District has also negotiated a second easement from the Fairchilds (for the southerly 24.9 feet of Lot 1, in Block C of Creede Haven No. 2). Mr. McAskin noted that upon receipt of the fully executed document, his office would arrange to have the same recorded in the Mineral County records. Upon motion duly

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made, seconded, and unanimously approved, the Board approved the acquisition of the aforementioned easements by the District.

B. Engage Whitmore Financial Planning.

Upon motion duly made, seconded, and unanimously approved, the District engaged Debbie Whitmore (Whitmore Computer & Consulting Services) to perform customer account management services and monthly billing for the District, with compensation to be paid to Whitmore on an hourly basis. A copy of the agreement is attached to these minutes.

C. Engage Commodore Cabin Care.

Upon motion duly made, seconded, and unanimously approved, the Board engaged Commodore Cabin Care ("CCC") as the District's Operator in Responsible Charge for the District's systems and facilities. Mr. McAskin noted that the District would execute the service agreement following the date on which CCC obtained the requisite certificates of insurance naming the District as an additional insured.

D. Engage Diamondback Engineering as District Engineer.

Upon motion duly made, seconded, and unanimously approved, the Board engaged Diamondback Engineering as the District's engineer.

E. Zimmerman Parcel.

President Parker provided a brief overview to the Board regarding the potential sale of property in the District to Mr. Zimmerman. No official action on this item was taken.

ATTORNEY ITEMS:

Mr. McAskin noted that the current intergovernmental agreement with the City of Creede regarding sewage treatment and disposal would be expiring on May 22, 2009. Upon motion duly made, seconded, and unanimously approved, the Board directed Mr. McAskin and Diamondback Engineering to prepare a draft of a new intergovernmental agreement with the City of Creede.

OTHER BUSINESS:

District Acquisition of Water Rights / Water and Sewer Lines in CH-1 and CH-2:

President Parker provided an overview of the transfer of assets from Navajo Development Co., Inc. ("Navajo") to the District. Upon motion duly made, seconded and unanimously approved, with President Parker abstaining, the Board: (1) approved the transfer of the water rights within CH-1 and CH-2 from Navajo to the District; and (2) approved the acquisition of the water and sewer systems within CH-1 and CH-2 by the District, subject to Navajo's agreement to warrant the same for a period of one (1) year following the date of transfer, and further subject to CDPHE's approval of the water system within CH-2.

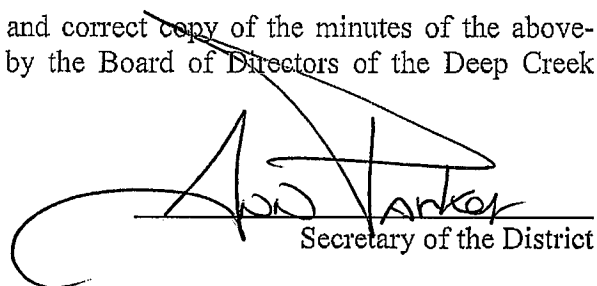
Revocable License Agreement:

President Parker provided an overview of the need for a license agreement by and between the District (as licensee) and Mineral County (as licensor), for a water line and sewer line that are constructed through and across the Mineral County Memorial Airport. Upon motion duly made, seconded, and unanimously approved, the Board authorized President Parker to finalize the form of license agreement and to execute the same on behalf of the District prior to the next regular meeting of the Board. The Board requested that an executed copy of the license agreement be attached to the minutes of this meeting.

ADJOURNMENT:

There being no further business at said special meeting, and following a motion duly made, seconded, and unanimously approved, the Board adjourned the special meeting of the Board of Directors of Deep Creek Water and Sanitation District at approximately 9:10 a.m.

The foregoing minutes constitute a true and correct copy of the minutes of the above-referenced meeting and were approved by the Board of Directors of the Deep Creek Water and Sanitation District.


Secretary of the District

• D e b b i e W h i t m o r e •
C o m p u t e r & C o n s u l t i n g S e r v i c e s

April 3, 2008

John Parker
Deep Creek Water & Sanitation District
2043 S Washington St.
Denver CO 80210

Dear John,

I want to confirm my understanding of the terms and objectives of my engagement with you and the nature of the bookkeeping services I will provide.

I will perform the following services:

1. Print invoices for district customers and make and record deposits.
2. Review, print or email Accounts Rec. Aging and Deposit Report monthly
3. Any other services we mutually agree upon during the year. Such other services do not include financial planning services. As you know I have a financial planning business which is separate from my bookkeeping business. I would be happy to provide such services for you, but such an arrangement would require a separate written engagement of such services.

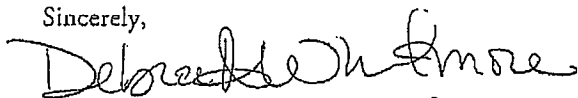
The fee for these bookkeeping services will be charged at a rate of \$40.00 per hour. The minimum charge is 2 hours per month.

Deep Creek Water & Sanitation District is responsible for timely filing of any tax deposits and reports.

Please indicate your acceptance by signing below.

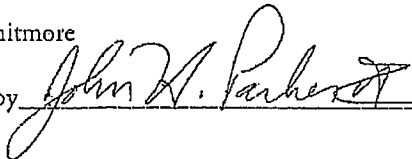
If you have any questions, please call me. I will be happy discuss this letter with you.

Sincerely,



Debbie Whitmore

Accepted by



Date 6/2/08

REVOCABLE LICENSE

THIS LICENSE, made this 7th day of July 2008, between Mineral County, Colorado, a body politic (the "County" herein) and the Deep Creek Water and Sanitation District, a special district organized and existing under the laws of the State of Colorado whose legal address is c/o Grimshaw & Harring, P.C., 1700 Lincoln Street, Suite 3800, Denver, CO 80203 (the "District" herein), WITNESSETH:

WHEREAS, the County, through its Board of County Commissioners, is the owner of the Mineral County Memorial Airport described below (the "Property" herein); and

WHEREAS, the Board of County Commissioners is duly authorized to issue this Revocable License; and

WHEREAS, District has constructed one water line and one sewer line across the Property, located 10 feet apart, specifically on the property herein licensed for the sole uses described herein, being a part of the Property first described below, for the purpose of the placement, maintenance, replacement and repair of such lines; and

WHEREAS, County must impose limitations with respect to the grant of this License, including underground use of the license only, under or within thirty feet of the paved portion of the runway, height limitations with respect to any other portions of the property herein licensed and indemnification of the County, all as more specifically set forth herein; and the District, by accepting this License, acknowledges and accepts all such limitations and agrees to remain bound to the terms hereof.

NOW THEREFORE, the County, for and in consideration of the sum of Ten Dollars (\$10.00), the benefits to Creede Haven 1 and Creede Haven 2, being subdivisions within the County other good and valuable consideration, the receipt whereof is hereby confessed and acknowledged, does hereby issue to the District the following License to occupy (underground only except as described herein) a portion of the Property for the sole purposes herein set forth, which Property is described as follows:

A tract of land located in the SW 1/4 Section 6 and the NW 1/4 Section 7, T. 41 N., R. 1 E., N.M.P.M., Mineral County, Colorado, containing 27.40 acres, more or less, which tract is more particularly described by metes and bounds as follows, to-wit: Beginning at the SW corner of said Section 6; thence N. 1 degree 02' E., 201.97 feet along the west line of said Section 6 as determined by the Dependent Resurvey of 1941 of said Township; thence N. 83 degrees 02' E., 1315.97 feet; thence N. 10 degrees 23' W., 658.21 feet; thence N. 79 degrees 37' E., 700.00 feet to the West Right of Way Limits of Deep Creek Road; thence S. 10 degrees 23' E., 1200.89 feet along the West Right of Way Limits of said road; thence S. 83 degrees 02' W., 700.00 feet to a point on the west line of the NE 1/4 NW 1/4 of said Section 7; thence N. 3 degrees 28' W., 147.46 feet along the west line of the NE 1/4 NW 1/4 of said Section 7 to the NW corner of the NE 1/4 NW 1/4 of said Section 7; thence

S. 89 degrees 20' W., 1392.60 feet along the north line of said Section 7 to the place of beginning.

The specific property, within the above described Property, that the District is hereby Licensed to occupy is approximately described as follows: Thirty feet in width commencing at a point on the south boundary of the Property, 38 feet west of the Section corner between sections 1, 6, 12 and 7 and thence approximately N 6° 59' 19" W a distance of approximately 500 feet to the north boundary of the Property.

This License is granted for the sole purpose of the placement, maintenance, repair and replacement of one water line and one sewer line across the Property. The License herein granted includes no portion of the air space above the Property, including the paved runway and other paved areas utilized by the District as of the date of this License, to maintain the integrity of the runway and other paved areas and due to the hazard to aircraft. The District may utilize necessary airspace on a temporary basis for maintenance, repair and replacement of its lines only with the express consent of the County, subject to the express limitations of the County and never the airspace over the runway as now existing or here after expanded or the airspace located within thirty feet of each side of the runway. Any repairs, maintenance or replacement of the lines within that restricted area must be accomplished by boring under the runway and only with the express written consent of the County. The District shall never disturb the surface or underground support of the runway or any other paved area.

The Revocable License herein granted is for the exclusive use of the District. No rights given to the District may be sold, conveyed or assigned to any party not specifically named in this License, and the rights given to the District may not pass by operation of law. Any attempt by any person to violate this prohibition and limitation shall forthwith and automatically cause the revocation of this License.

The County reserves the right to revoke this License at any time, if, in the sole judgment of the County, revocation is necessary and in the best interests of the County. Revocation of this License shall be by written instrument and upon revocation, this License shall be void ab initio.

District acknowledges that County's title to the Property is fee simple determinable and that if the airport located on the Property ceases to exist, County will be divested of its fee simple title to such tract, in which case District's rights hereunder will terminate. The issuance and acceptance of this License is premised upon each party's bona fide belief that the same will not violate the restriction of use attached to the conveyance of said property to County. In the event this License is ever determined by a court of competent jurisdiction, or any other authorized arbiter of the applicable law, to violate said limitation, this License shall forthwith and automatically be deemed to be void ab initio and all uses and changes to the premises made by District shall be deemed a trespass by District at the sufferance of County, but not subject to retroactive damages. District, at its sole expense shall remove the lines and, subject to the express written consent of the County, may place the lines along the west boundary of the Airport Road, pursuant to a replacement license.

District shall at all times comply with airport zoning and use regulations as may be promulgated by County from time to time, with respect to any ~~use~~ use of the airspace.

The District further agrees that it does hereby indemnify and hold harmless the County, its Board of County Commissioners, its elected and appointed officials, employees, agents and taxpayers of and from any claims or damages of any kind or character of any person, firm or entity whomsoever or whatsoever, including damages and attorneys' fees, arising from the issuance of this License or District's use or occupancy of the property herein licensed. In addition, District shall promptly repair any damage to the surface or subsurface of the Property caused by the District's use or occupancy of the Property and the property herein licensed.

Use of the Licensed property by the District shall be conclusive evidence of the District's acceptance of all of the provisions hereof.

IN WITNESS WHEREOF, Mineral County, Colorado, by its Board of County Commissioners, has executed and issued this Revocable License on or about the date set forth above.

SEAL

MINERAL COUNTY, COLORADO, BY ITS BOARD OF COUNTY COMMISSIONERS

Attest:

[Signature]
Mineral County Clerk & Recorder



[Signature]
Commissioner/Chairman

[Signature]
Commissioner

[Signature]
Commissioner

Accepted:
DEEP CREEK WATER
AND SANITATION DISTRICT

By: [Signature]
It's duly authorized chairperson and
President