

RECORD OF PROCEEDINGS

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

DEEP CREEK WATER AND SANITATION DISTRICT

HELD: the 4th day of December, 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:

John Parker, President
Ann Parker, Secretary/Treasurer
Ethan Hampton, Assistant Secretary
Margaret Hampton, Assistant Secretary
William Parker, Assistant Secretary (via conf call)

No members of the Board were absent. Marcus A. McAskin of Grimshaw & Haring, P.C., was also present.

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 meeting of the Board of Directors of the District to order at 8:08 a.m. President Parker noted for the record that notice of this regular meeting had been posted in accordance with Section 32-1-903(2), C.R.S. and that the Board continues to meet at Grimshaw & Haring, P.C. in accordance with the resolution regarding meeting location previously adopted by the Board.

APPROVAL OF THE AGENDA:

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

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

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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.

MINUTES:

The Board considered the minutes from the regular meeting of the Board held June 5, 2008. Upon motion duly made, seconded, and unanimously approved, the Board approved the minutes as presented and authorized Secretary Parker to execute a copy thereof.

CONSIDER PETITION FOR EXCLUSION:

A public hearing was opened at 8:12 a.m. by the Board of Directors of the District to consider comments on that certain petition for exclusion filed with the District by Francis A. DeTure and Linda R. DeTure (the "Petitioners"). There being no public in attendance that wished to comment on the petition submitted by the Petitioners, the public hearing on the petition for exclusion was closed. Mr. McAskin noted for the record that public notice of the hearing on the petition for exclusion had been duly published, discussed with the Board the petition for exclusion received from Petitioners and presented a resolution for approval. Upon motion duly made, seconded, and unanimously approved, the Board of Directors of the District approved the resolution approving the petition for exclusion of land owned by the Petitioners, and instructed Mr. McAskin to submit a proper motion and proposed order to the District Court for and in Mineral County, Colorado.

FINANCIALS:

Discussion of District financial items was tabled by the Board pending discussion of the 2008 budget amendment and 2009 budget.

2008 BUDGET AMENDMENT:

President Parker declared the public hearing on the 2008 budget amendment opened at approximately 8:17 a.m. Mr. McAskin reported that the notice of the public hearing on the 2008 budget amendment had been published in accordance with Colorado Statutes. Seeing no public present, President Parker declared the public hearing on the 2008 budget amendment closed at approximately 8:18 a.m. Mr. McAskin reviewed for the Board the

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specifics of the proposed 2008 budget amendment, as prepared by Rosemary Gentry, CPA, and noted that the 2008 budget amendment is required given that general fund expenses in 2008 were originally budgeted at \$29,091.00 and actual expenditures for calendar 2008 will be approximately \$39,925.00.

Mr. McAskin presented for the Board's consideration a form of resolution indicating the adoption of the amended budget as shown and appropriation of the funds as shown. Upon motion duly made, seconded and unanimously carried, the Board approved and adopted the resolution amending the 2008 budget in the form presented.

2009 BUDGET:

President Parker declared the public hearing on the 2009 budget opened at approximately 8:23 a.m. Mr. McAskin reported that the notice of the public hearing had been published in accordance with Colorado Statutes. Seeing no public present, President Parker declared the public hearing on the 2009 budget closed at approximately 8:23 a.m. Mr. McAskin reviewed for the Board the specifics of the proposed 2009 budget, as prepared by Rosemary Gentry, CPA, noting that the District expects a revenue shortfall in calendar 2009 and that an operating advance from Navajo Development Co., Inc. will be required in order to allow the District to continue proper operations in 2009.

Mr. McAskin presented for the Board's consideration a form of resolution indicating the adoption of the budget as shown, appropriation of the funds as shown and certification of District tax levies. Upon motion duly made, seconded and unanimously carried, the Board (1) approved and adopted the 2009 budget as presented, (2) approved the appropriation and expenditure of funds as shown therein; (3) approved and adopted a 0.000 mill levy to be certified for the District for collection in 2009, (4) authorized Director Parker as President and Director Parker as Secretary to sign the necessary documentation, and (5) directed Mr. McAskin, attorney for the District, to submit the certification of the tax levies to the Board of County Commissioners of Mineral County no later than December 12, 2008, and file the 2009 budget with the Division of Local Government prior to January 31, 2009.

DIRECTOR ITEMS:

Davis Engineering Litigation:

President Parker summarized for the Board the potential action that will be brought against Davis Engineering for deficient and negligent design related to the sanitary sewer system installed within the District. Matt Dillman at Burns, Figa & Will, P.C. has been retained by Navajo Development Co., Inc. with respect to this matter. Mr. McAskin noted that he would contact Mr. Dillman in order to ensure that the District remains apprised as to the progress made in this matter.

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Repairs to Water System - Creede Haven II (MVE):

President Parker summarized work (by Navajo Development Co., Inc.) to date on addressing the concerns of CDPHE set forth in the June 10, 2008 correspondence, including increasing the chlorine contact time in CH-2, noting that plans to install approximately ninety feet (90') of 24" pipe have been finalized and installation will proceed following final design work being completed by the engineer and weather permitting. Discussion ensued. No official action on this item was taken.

Water System - Development of Operation and Maintenance Manual:

President Parker noted that Diamondback Engineering and Ron Carpenter (Commodore Cabin Care) are in the process of development the O&M Manual for the District, which O&M Manual will include normal operating procedures for the water system and emergency line break repair and disinfection procedures. Discussion ensued. No official action on this item was taken.

ATTORNEY ITEMS:

IGA with City of Creede:

Mr. McAskin noted that a final draft of the proposed intergovernmental agreement with the City of Creede had been finalized and noted that he and President Parker would conduct a final review of the same prior to delivering to the City for review and comment.

Reimbursement Agreement:

Mr. McAskin reviewed the Reimbursement Agreement with the Board, noting that advances made to the District by Navajo Development Co., Inc. are subject to reimbursement by the District in future years as revenues become available to make such reimbursements. Discussion ensued. Upon motion duly made, seconded, and unanimously approved, with President Parker and Secretary Parker abstaining, the Board approved the Reimbursement Agreement in the form presented and authorized the President and Secretary to execute the same on behalf of the District.

Rules and Regulations:

Mr. McAskin presented the proposed Rules and Regulations of the District to the Board for their review. The Board reviewed the same and discussion ensued. Upon motion duly made, seconded, and unanimously approved, the Board approved the Rules and Regulations in the form presented and authorized the President and Secretary to execute the same on behalf of the District. President Parker requested that Mr. McAskin forward a copy of the Rules and Regulations (as adopted) to him via email so that he could post a copy of the same on the community website.

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OTHER BUSINESS:

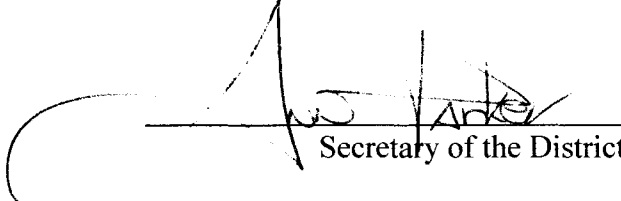
2009 Meeting Schedule:

Upon motion duly made, seconded and unanimously approved, the Board selected the following dates in 2009 on which to conduct the regular meetings of the District Board: 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 & Harring, 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.

ADJOURNMENT:

There being no further business at said regular meeting, and following a motion duly made, seconded, and unanimously approved, the Board adjourned the meeting of the Board of Directors of Deep Creek Water and Sanitation District at approximately 9:00 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