

## RECORD OF PROCEEDINGS

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MINUTES OF A SPECIAL MEETING OF  
THE BOARD OF DIRECTORS OF THE  
BACA GRANDE WATER AND SANITATION DISTRICT  
HELD  
DECEMBER 23, 2008

A special meeting of the Board of Directors of the Baca Grande Water and Sanitation District (referred to hereafter as "Board") was held on Tuesday, the 23rd day of December, 2008, at 3:30 p.m. at the offices of the District, BGWS&D Shop, 57 Baca Grant Way South, Crestone, Colorado. The meeting was open to the public.

### ATTENDANCE

#### Directors In Attendance Were:

Christine Canaly, Chairman  
Vicki Matthews, Secretary/Treasurer  
Lisa Cyriacks, Assistant Secretary  
Parvin J. Johnson, Sr., Assistant Secretary

Following discussion, upon motion duly made by Director Matthews, seconded by Director Cyriacks and, upon vote, unanimously carried, the absence of Philip Madonna, was excused.

#### Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.  
- via speakerphone

Jennifer Gruber Tanaka, Esq.; White, Bear and Ankele Professional Corporation - via speakerphone

Steven Harrell; District General Manager

Olga Coello; District Administrator

Tom Bishop; D.A. Davidson & Co. - via speakerphone

Blake Jordan; Sherman & Howard, P.C. - via speakerphone

### DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Ms. Tanaka noted that conflicts

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were filed for applicable directors at least 72 hours prior to the meeting. Chairman Canaly noted that a quorum was present and requested members of the Board to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting.

### ADMINISTRATIVE MATTERS

Agenda: Mr. Beckman reviewed the proposed agenda for the District's regular Board meeting.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the agenda was approved.

### LEGAL MATTERS

Financial with Negotiations: Bond Issuance: EXECUTIVE SESSION: Pursuant to Section 24-6-402(b) of the Colorado Revised Statutes, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 3:10 p.m. for the sole purpose of discussing financial matters and matters subject to negotiation as authorized by Sections 24-6-402(b) C.R.S.

Furthermore, pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of those portions of the executive session that, in the opinion of the Board's attorney, constitute privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 4:21 p.m.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Resolution No. 2008-12-10, authorizing the issuance by the Baca Grande Water and Sanitation District of its General Obligation Bonds, in the approximate principle amount of \$3,000,000 and execution of all documents in connection therewith, and authorizing and directing the execution thereof, with Director Cyriacks and Canaly having approval authority. A copy of the adopted Resolution is attached hereto and incorporated

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herein by this reference.

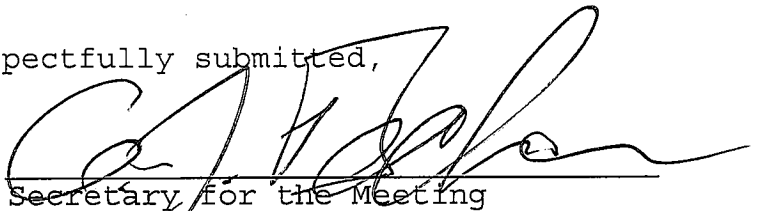
The Board directed Mr. Beckman to direct Mr. Bishop to simultaneously pursue Lease Purchase Financing and Bond Issuance in the amount of \$800,000 to \$1,000,000.

### ADJOURNMENT


There being no further business to come before the Board at this time, upon motion duly made and seconded and, upon vote, unanimously carried, the meeting was adjourned.

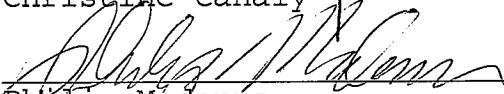
Respectfully submitted,

By

  
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL DECEMBER 23, 2008 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
Christine Canaly

  
Philip Madonna

  
Vicki Matthews

  
Lisa Cyriacks

\_\_\_\_\_  
Parvin J. Johnson, Sr.

**CERTIFIED RECORD  
OF  
PROCEEDINGS**

**BACA GRANDE WATER AND SANITATION DISTRICT  
SAGUACHE COUNTY, COLORADO  
GENERAL OBLIGATION BONDS, SERIES 2008  
IN THE PRINCIPAL AMOUNT OF  
\$3,000,000**

(Attach copy of notice of meeting, as posted)

STATE OF COLORADO )  
 )  
SAGUACHE COUNTY )  
 )  
BACA GRANDE WATER AND SANITATION )  
DISTRICT )

The Board of Directors of Baca Grande Water and Sanitation District, Saguache County, Colorado, met in special session at 57 Baca Grant Way South, in Crestone, Colorado, on Tuesday, the 23rd day of December, 2008, at the hour of 3:30 P.M.

In accordance with §11-57-211, C.R.S., one or more of the members of the Board participated in this meeting and voted through the use of a conference telephone, and there was at least one person physically present at the designated meeting area to ensure that the public meeting was in fact accessible to the public.

The following members of the Board of Directors were present, constituting a quorum:

President and Chairman:	Christine Canaly (via conference call)??
Secretary/Treasurer	Vicki Matthews (via conference call)
Directors:	Parvin Johnson, Sr. (via conference call)
	Lisa Cyriacks
Absent:	Phillip Madonna

Thereupon there was introduced the following resolution:

## RESOLUTION

**WHEREAS**, Baca Grande Water and Sanitation District, Saguache County, Colorado (the "District"), is a quasi-municipal corporation duly organized and existing as a special district under the constitution and laws of the State of Colorado; and

**WHEREAS**, at an election of the qualified electors of the District, duly called and held on Tuesday, November 4, 2008 (the "2008 Election"), in accordance with law and pursuant to due notice, a majority of those qualified to vote and voting at the 2008 Election voted in favor of, *inter alia*, the issuance of general obligation indebtedness and the imposition of taxes for the payment thereof, for the purpose of providing certain improvements and facilities, the questions relating thereto being as follows:

### BACA GRANDE WATER AND SANITATION DISTRICT BALLOT ISSUE 5B

SHALL BACA GRANDE WATER AND SANITATION DISTRICT DEBT BE INCREASED \$3,000,000, WITH A REPAYMENT COST OF \$9,000,000 AND SHALL BACA GRANDE WATER AND SANITATION DISTRICT TAXES BE INCREASED \$450,000 ANNUALLY, OR BY SUCH LESSER ANNUAL AMOUNT AS MAY BE NECESSARY TO PAY THE DISTRICT'S DEBT: SUCH DEBT TO CONSIST OF GENERAL OBLIGATION BONDS OR OTHER OBLIGATIONS, INCLUDING CONTRACTS, ISSUED OR INCURRED FOR THE PURPOSE OF PAYING, REIMBURSING, OR FINANCING ALL OR ANY PART OF THE COSTS OF ACQUIRING, CONSTRUCTING, RELOCATING, INSTALLING, COMPLETING, AND OTHERWISE PROVIDING, WITHIN OR WITHOUT THE BOUNDARIES OF THE DISTRICT, A COMPLETE POTABLE AND NON-POTABLE WATER SUPPLY, STORAGE, TRANSMISSION, AND DISTRIBUTION SYSTEM, INCLUDING TRANSMISSION LINES, DISTRIBUTION MAINS AND LATERALS, IRRIGATION FACILITIES, AND STORAGE FACILITIES, TOGETHER WITH ALL NECESSARY, INCIDENTAL, AND APPURTENANT FACILITIES, EQUIPMENT, LAND, AND EASEMENTS, AND EXTENSIONS OF AND IMPROVEMENTS TO SAID FACILITIES, SUCH DEBT TO BEAR INTEREST AT A NET EFFECTIVE INTEREST RATE NOT IN EXCESS OF 8.50% PER ANNUM, SUCH INTEREST TO BE PAYABLE AT SUCH TIME OR TIMES AND WHICH MAY COMPOUND PERIODICALLY AS MAY BE DETERMINED BY THE DISTRICT BOARD, SUCH DEBT TO BE SOLD IN ONE SERIES OR MORE AT A PRICE ABOVE, BELOW, OR EQUAL TO THE PRINCIPAL AMOUNT OF SUCH DEBT AND ON SUCH TERMS AND CONDITIONS AS THE DISTRICT MAY DETERMINE, INCLUDING PROVISIONS FOR REDEMPTION OF THE DEBT PRIOR TO MATURITY WITH OR WITHOUT PAYMENT OF PREMIUM IN AN AMOUNT NOT IN EXCESS OF 5% OF THE PRINCIPAL AMOUNT BEING REDEEMED, SUCH DEBT TO BE PAID FROM ANY LEGALLY AVAILABLE MONEYS OF THE DISTRICT, INCLUDING THE PROCEEDS OF AD VALOREM PROPERTY TAXES; SUCH TAXES TO CONSIST OF AN AD VALOREM MILL LEVY IMPOSED ON ALL

TAXABLE PROPERTY OF THE DISTRICT, WITHOUT LIMITATION OF RATE OR WITH SUCH LIMITATIONS AS MAY BE DETERMINED BY THE DISTRICT BOARD, AND IN AMOUNTS SUFFICIENT TO PRODUCE THE ANNUAL INCREASE SET FORTH ABOVE OR SUCH LESSER AMOUNT AS MAY BE NECESSARY, TO BE USED SOLELY FOR THE PURPOSE OF PAYING THE PRINCIPAL OF, PREMIUM IF ANY, AND INTEREST ON THE DISTRICT'S DEBT; AND SHALL THE PROCEEDS OF ANY SUCH DEBT AND THE PROCEEDS OF SUCH TAXES, ANY OTHER REVENUE USED TO PAY SUCH DEBT, AND INVESTMENT INCOME THEREON, BE COLLECTED AND SPENT BY THE DISTRICT AS A VOTER-APPROVED REVENUE CHANGE, WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED AND SPENT BY THE DISTRICT?

#### BACA GRANDE WATER AND SANITATION DISTRICT BALLOT ISSUE 5C

SHALL BACA GRANDE WATER AND SANITATION DISTRICT DEBT BE INCREASED \$3,000,000, WITH A REPAYMENT COST OF \$9,000,000; AND SHALL BACA GRANDE WATER AND SANITATION DISTRICT TAXES BE INCREASED \$450,000 ANNUALLY, OR BY SUCH LESSER ANNUAL AMOUNT AS MAY BE NECESSARY TO PAY THE DISTRICT'S DEBT: SUCH DEBT TO CONSIST OF GENERAL OBLIGATION BONDS OR OTHER OBLIGATIONS, INCLUDING CONTRACTS, ISSUED OR INCURRED FOR THE PURPOSE OF PAYING, REIMBURSING, OR FINANCING ALL OR ANY PART OF THE COSTS OF ACQUIRING, CONSTRUCTING, RELOCATING, INSTALLING, COMPLETING, AND OTHERWISE PROVIDING, WITHIN OR WITHOUT THE BOUNDARIES OF THE DISTRICT, A COMPLETE LOCAL SANITARY SEWAGE COLLECTION AND TRANSMISSION SYSTEM, INCLUDING COLLECTION MAINS AND LATERALS, TRANSMISSION LINES, TREATMENT FACILITIES, STORM SEWER, FLOOD, AND SURFACE DRAINAGE FACILITIES AND SYSTEMS, AND DETENTION AND RETENTION PONDS, TOGETHER WITH ALL NECESSARY, INCIDENTAL, AND APPURTENANT FACILITIES, EQUIPMENT, LAND, AND EASEMENTS, AND EXTENSIONS OF AND IMPROVEMENTS TO SAID FACILITIES, SUCH DEBT TO BEAR INTEREST AT A NET EFFECTIVE INTEREST RATE NOT IN EXCESS OF 8.50% PER ANNUM, SUCH INTEREST TO BE PAYABLE AT SUCH TIME OR TIMES AND WHICH MAY COMPOUND PERIODICALLY AS MAY BE DETERMINED BY THE DISTRICT BOARD, SUCH DEBT TO BE SOLD IN ONE SERIES OR MORE AT A PRICE ABOVE, BELOW, OR EQUAL TO THE PRINCIPAL AMOUNT OF SUCH DEBT AND ON SUCH TERMS AND CONDITIONS AS THE DISTRICT MAY DETERMINE, INCLUDING PROVISIONS FOR REDEMPTION OF THE DEBT PRIOR TO MATURITY WITH OR WITHOUT



PAYMENT OF PREMIUM IN AN AMOUNT NOT IN EXCESS OF 5% OF THE PRINCIPAL AMOUNT BEING REDEEMED, SUCH DEBT TO BE PAID FROM ANY LEGALLY AVAILABLE MONEYS OF THE DISTRICT, INCLUDING THE PROCEEDS OF AD VALOREM PROPERTY TAXES; SUCH TAXES TO CONSIST OF AN AD VALOREM MILL LEVY IMPOSED ON ALL TAXABLE PROPERTY OF THE DISTRICT, WITHOUT LIMITATION OF RATE OR WITH SUCH LIMITATIONS AS MAY BE DETERMINED BY THE DISTRICT BOARD, AND IN AMOUNTS SUFFICIENT TO PRODUCE THE ANNUAL INCREASE SET FORTH ABOVE OR SUCH LESSER AMOUNT AS MAY BE NECESSARY, TO BE USED SOLELY FOR THE PURPOSE OF PAYING THE PRINCIPAL OF, PREMIUM IF ANY, AND INTEREST ON THE DISTRICT'S DEBT; AND SHALL THE PROCEEDS OF ANY SUCH DEBT AND THE PROCEEDS OF SUCH TAXES, ANY OTHER REVENUE USED TO PAY SUCH DEBT, AND INVESTMENT INCOME THEREON, BE COLLECTED AND SPENT BY THE DISTRICT AS A VOTER-APPROVED REVENUE CHANGE, WITHOUT REGARD TO ANY SPENDING, REVENUE-RAISING, OR OTHER LIMITATION CONTAINED WITHIN ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION, AND WITHOUT LIMITING IN ANY YEAR THE AMOUNT OF OTHER REVENUES THAT MAY BE COLLECTED AND SPENT BY THE DISTRICT?

**WHEREAS**, the returns of the 2008 Election were duly canvassed and the result thereof duly declared; and

**WHEREAS**, the result of the 2008 Election was certified by the District by certified mail to the board of county commissioners of each county in which the District is located or to the governing body of a municipality that has adopted a resolution of approval of the special district pursuant to §32-1-204.5, C.R.S., and with the division of securities created by §11-51-701, C.R.S. within forty-five days after the election; and

**WHEREAS**, the District has not heretofore issued any of the indebtedness authorized by the 2008 Election; and

**WHEREAS**, the Board has determined and does hereby determine that it is necessary to acquire, construct, and install a portion of the facilities for which the debt was approved by the 2008 Election (the "Project"); and

**WHEREAS**, the Board has determined and hereby determines that it is in the best interests of the District, and the residents and taxpayers thereof, that the Project be financed by the issuance of bonds, and that for such purpose there shall be issued bonds of the District in the maximum aggregate principal amount of \$3,000,000 (as more particularly defined hereafter, the "Bonds"); and

**WHEREAS**, the total principal amount of general obligation debt of the District issued on or after July 1, 1991, including the maximum principal amount of the Bonds, is

\$3,000,000, and the valuation for assessment of the taxable property in the District, as certified by the Saguache County assessor, is \$14,053,311; and

**WHEREAS**, the total principal amount of general obligation debt of the District issued on or after July 1, 1991, does not at the time of issuance exceed the greater of \$2,000,000 or 50% of the valuation for assessment of the taxable property in the District, as certified by the Saguache County assessor; and

**WHEREAS**, the allocation of the Bonds to the authorized but unissued indebtedness from the 2008 Election shall be as set forth in the Sale Certificate (as defined hereafter) or in such other documents or certificates as may be executed by the District in connection with the issuance of the Bonds, and shall be determined based upon the expected use of the proceeds thereof as of the date of issuance of the Bonds; and

**WHEREAS**, for purposes of the 2008 Election and the maximum annual repayment amounts and maximum total repayment amounts authorized thereby, it is hereby determined by the Board that the amount thereof which is allocated to the repayment of the Bonds shall be an amount which bears the same proportion to such maximum amounts as the principal amount of the Bonds for each purpose bears to the total principal amounts authorized by the 2008 Election for each purpose; and

**WHEREAS**, the Board has been presented with a proposal in the form of a Bond Purchase Agreement from D.A. Davidson & Co., of Denver, Colorado (the "Underwriter"), to purchase the Bonds upon the terms and conditions set forth in the Bond Purchase Agreement; and

**WHEREAS**, after consideration, the Board has determined that the sale of the Bonds to the Underwriter upon the terms and conditions set forth in the Bond Purchase Agreement is in the best interests of the District and the residents thereof; and

**WHEREAS**, none of the members of the Board have any potential conflicting interests in connection with the authorization, issuance, or sale of the Bonds, or the use of the proceeds thereof; and

**WHEREAS**, the Bonds shall be issued pursuant to the provisions of Title 32, Article 1, Part 11, C.R.S., and all other laws thereunto enabling; and

**WHEREAS**, the Board specifically elects to apply the provisions of Title 11, Article 57, Part 2, C.R.S., to the Bonds; and

**WHEREAS**, there has been presented to this meeting of the Board: (i) the Preliminary Official Statement; (ii) the form of the Paying Agent and Registrar Agreement; (iv) the form of the Continuing Disclosure Obligation; (iii) the Letter of Representations; and (iv) the Bond Purchase Agreement (all as defined hereafter); and

**WHEREAS**, the Board desires to authorize the issuance and sale of the Bonds, the execution of the Sale Certificate, and the execution of the foregoing documents;

**THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF  
BACA GRANDE WATER AND SANITATION DISTRICT:**

**Section 1. Definitions.** As used herein, the following capitalized terms shall have the respective meanings set forth below, unless the context indicates otherwise.

2008 Election: the election held within the District on November 4, 2008.

Authorized Officer: the person or persons authorized to sign the Sale Certificate, the Bond Purchase Agreement, and other documents authorized hereby, which shall be any member of the Board of Directors of the District.

Beneficial Owner: any person for which a Participant acquires an interest in the Bonds.

Board: the Board of Directors of the District.

Bonds: the General Obligation Bonds, Series 2008, issued in the maximum aggregate principal amount of \$3,000,000, as authorized by this Bond Resolution.

Bond Fund: the "Baca Grande Water and Sanitation District General Obligation Bond, Series 2008, Bond Fund", established by the provisions hereof for the purpose of paying the principal of, premium if any, and interest on the Bonds.

Bond Insurer: the issuer of any Policy, and its successors.

Bond Purchase Agreement: the agreement between the District and the Underwriter concerning the purchase of the Bonds by the Underwriter, as approved by an Authorized Officer pursuant to the Delegated Authority.

Bond Registrar: UMB Bank, n.a., in Denver, Colorado, or its successor, which shall perform the function of registrar with respect to the Bonds.

Bond Resolution: this resolution which authorizes the issuance of the Bonds.

Capital Lease: a lease or similar contract treated as a "capital lease" under generally accepted accounting standards (including without limitation the Statement of Financial Accounting Standards No. 13 published by the Financial Accounting Standards Board of the Financial Accounting Foundation), wherein the District is the lessee of the leased property, notwithstanding that such lease does not constitute a debt and all District obligations thereunder are subject to annual appropriation.

Cede: Cede & Co., the nominee of DTC as record owner of the Bonds, or any successor nominee of DTC with respect to the Bonds.

Certified Public Accountant: a certified public accountant within the meaning of §12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State of Colorado.

Code: the Internal Revenue Code of 1986, as amended to the date of issuance of the Bonds.

Continuing Disclosure Obligation: an agreement, certificate, or undertaking of the District to provide certain post-issuance information as described in the Preliminary Official Statement.

C.R.S.: the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

Delegated Authority: the authority delegated by this Bond Resolution to any Authorized Officer to sign the Bond Purchase Agreement and to make the following determinations with respect to the Bonds in the Sale Certificate, which determinations shall be subject to the restrictions and parameters set forth below:

- (1) the rate or rates of interest on the Bonds;
- (2) the conditions on which and the prices at which the Bonds may be redeemed before maturity;
- (3) the existence and amount of any capitalized interest or reserve funds;
- (4) the price or prices at which the Bonds will be sold;
- (5) the principal amount and denominations of the Bonds;
- (6) the amount of principal maturing in any particular year;
- (7) the dates on which principal and interest shall be paid; and
- (8) whether the Bonds will be secured by a Policy or other assurance of payment as described in §11-57-207(2), C.R.S., and the terms of any agreement with the third party providing the Policy or other assurance of payment.

The foregoing authority shall be subject to the following restrictions and parameters:

- (1) the interest rate or rates on the Bonds shall be such that the Bonds bear interest at a net effective interest rate which does not exceed 8.50%;
- (2) the total repayment cost of the Bonds and the maximum annual repayment costs thereof shall not exceed, respectively, the total repayment cost and maximum annual tax increase limitations of the 2008 Election;
- (3) the sale price of the Bonds shall be an amount not less than 95% of the aggregate principal amount of the Bonds;
- (4) the Bonds shall mature not later than December 1, 2035; and

(5) the principal amount of the Bonds shall not exceed \$3,000,000.

Depository: any securities depository as the District may provide and appoint, in accordance with the guidelines of the Securities and Exchange Commission, which shall act as securities depository for the Bonds.

District: Baca Grande Water and Sanitation District, Saguache County, Colorado.

DTC: the Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default: any one or more of the events set forth in the Section hereof entitled "Events of Default".

Federal Securities: direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the principal of and interest on which are guaranteed by, the United States of America, which obligations shall be non-callable and not subject to redemption at the option of the issuer.

Letter of Representations: the letter of representations from the District to DTC to induce DTC to accept the Bonds as eligible for deposit at DTC.

Official Statement: the final version of the Preliminary Official Statement.

Owner: the registered owner of any Bond, as shown by the registration books maintained by the Bond Registrar.

Participants: any broker-dealer, bank, or other financial institution from time to time for which DTC or another Depository holds the Bonds.

Paying Agent: UMB Bank, n.a., in Denver, Colorado, or its successor, which shall perform the function of paying agent with respect to the Bonds.

Paying Agent and Registrar Agreement: the agreement between the District and the Paying Agent/Bond Registrar, concerning the registration, transfer, exchange, and payment of the Bonds.

Permitted Investments: shall mean any investment or deposit the District is permitted to make under then-applicable law; provided that if a Policy is issued, the term "Permitted Investments" shall be deemed to be limited to such investments or deposits, if any, as may be required by the Bond Insurer and permitted under then-applicable law.

Policy: any municipal bond insurance policy, financial guaranty, or similar instrument issued by a municipal bond insurance company, insuring or guaranteeing the payment of the principal of and interest on the Bonds, which Policy shall constitute an assurance of payment as described in §11-57-207(2), C.R.S.

Preliminary Official Statement: the Preliminary Official Statement concerning the Bonds and the District.

Project: the acquisition, construction, and installation of a portion of the facilities for which the debt was approved by the 2008 Election, including without limitation necessary or appropriate equipment.

Project Costs: the District's costs properly attributable to the Project or any part thereof, including without limitation:

- (a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work;
- (b) the costs of insurance premiums, including the premium due in connection with a Policy, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed;
- (c) administrative and general overhead costs;
- (d) the costs of reimbursing funds advanced by the District in anticipation of reimbursement from Bond proceeds, including any intrafund or interfund loan;
- (e) the costs of surveys, appraisals, plans, designs, specifications, and estimates;
- (f) the costs, fees, and expenses of printers, engineers, architects, financial consultants, legal advisors, or other agents or employees;
- (g) the costs of publishing, reproducing, posting, mailing, or recording documents;
- (h) the costs of contingencies or reserves;
- (i) the costs of issuing the Bonds;
- (j) the costs of amending any resolution or other instrument relating to the Bonds or the Project;
- (k) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans;
- (l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, and franchises;
- (m) the costs of demolition, removal, and relocation; and
- (n) all other lawful costs as determined by the Board.

Project Fund: the "Baca Grande Water and Sanitation District General Obligation Bonds, Series 2008, Project Fund", established by the provisions hereof for the purpose of paying the Project Costs.

Record Date: if interest on the Bonds is payable on the first day of any month, the fifteenth (15th) day of the calendar month next preceding each interest payment date; if interest on the Bonds is payable on the 15th day of any month, the last day of the calendar month next preceding each interest payment date; and if interest on the Bonds is payable on any other day of the month, a date which is 15 days prior to such payment date.

Required Reserve: upon issuance of the Bonds, the amount, if any, set forth in the Sale Certificate.

Reserve Fund: a special fund of the District designated as the "General Obligation Bonds, Series 2008, Reserve Fund", created by this Bond Resolution for the purpose of paying, if necessary, the principal of, premium if any, and interest on the Bonds. The Reserve Fund will be funded to the extent so provided in the Sale Certificate.

Sale Certificate: a certificate executed by an Authorized Officer pursuant to the Delegated Authority, dated on or before the date of delivery of the Bonds, setting forth the matters to be determined pursuant to the Delegated Authority.

Special Record Date: the record date for determining Bond ownership for purposes of paying defaulted interest, as such date may be determined pursuant to this Bond Resolution.

Supplemental Act: the "Supplemental Public Securities Act", being Title 11, Article 57, Part 2, C.R.S.

Underwriter: D.A. Davidson & Co., of Denver, Colorado, the original purchasers of the Bonds.

**Section 2. Authorization.** In accordance with the Constitution of the State of Colorado; the Supplemental Act; the 2008 Election; Title 32, Article 1, Part 11, C.R.S.; and all other laws of the State of Colorado thereunto enabling, there shall be issued the Bonds for the purpose of: (i) paying the Project Costs; and (ii) paying issuance and other costs in connection with the Bonds. The Bonds shall constitute general obligations of the District, and the full faith and credit of the District is hereby pledged for their payment. The District hereby elects to apply all of the provisions of the Supplemental Act to the Bonds.

**Section 3. Bond Details.** The Bonds shall be issued only as fully registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, provided that no individual Bond may be in an amount which exceeds the principal amount coming due on any maturity date. Unless the District shall otherwise direct, the registered Bonds shall be numbered separately from 1 upward, with the number of each Bond preceded by "R-". The Bonds shall be dated as of the date of issuance.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound semiannually on each interest payment date, at the rate then borne by the Bond; provided however, that notwithstanding anything herein to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

The maximum net effective interest rate authorized for this issue of Bonds is 8.50% per annum, and the actual net effective interest rate of the Bonds shall not exceed such maximum rate.

**Section 4. Payment of Bonds; Paying Agent and Bond Registrar.** The principal of and premium, if any, on the Bonds are payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Paying Agent. The interest on any Bond is payable to the person in whose name such Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Bond Registrar, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Bond Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten (10) days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Bond Registrar on a date selected by the Bond Registrar. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such defaulted interest.

Interest payments shall be paid by check or draft of the Paying Agent mailed on or before the interest payment date to the Owners. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Paying Agent; provided that the District shall not be required to make funds available to the Paying Agent prior to the dates on which such interest would otherwise be payable hereunder, nor to incur any expenses in connection with such alternative means of payment.

The principal of, premium if any, and interest on the Bonds shall be paid in accordance with the terms of the Paying Agent and Registrar Agreement and the Letter of Representations.

**Section 5. Prior Redemption.** The Bonds shall be subject to redemption prior to maturity on the date or dates, and at the prices, and on the terms and conditions, as may be set forth in the Sale Certificate.



With respect to each maturity of the Bonds subject to mandatory sinking fund redemption, if any, on or before forty-five (45) days prior to each sinking fund installment date for such maturity as set forth above, the Bond Registrar shall select for redemption, by lot in such manner as the Bond Registrar may determine, from the outstanding Bonds of that maturity, a principal amount of such Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of any Bonds of that maturity which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, shall be applied in such year or years as may be determined by the District.

If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Bond Registrar shall determine. The Bonds shall be redeemed only in integral multiples of \$5,000. In the event a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$5,000. In the event a portion of any Bond is redeemed, the Bond Registrar shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Bond Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than thirty (30) days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the Bond Registrar. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice. All Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

**Section 6. Book-Entry System.** The Bonds shall be initially issued in the form of single, certificated, fully registered Bonds for each maturity and interest rate. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede.

With respect to Bonds registered in the name of Cede or held by a Depository, the District, the Bond Registrar, and the Paying Agent shall have no responsibility or obligation to any Participant or Beneficial Owner including, without limitation, any responsibility or obligation with respect to: (i) the accuracy of the records of the Depository or any Participant concerning any ownership interest in the Bonds; (ii) the delivery to any Participant, Beneficial Owner, or person other than the Owner, of any notice concerning the Bonds, including notice of redemption; or (iii) the payment to any Participant, Beneficial Owner, or person other than the Owner, of the principal of and interest on or in connection with the Bonds. The District, the

Bond Registrar, and the Paying Agent may treat the Owner of any Bond as the absolute owner of such Bond for the purpose of payment of the principal of, premium if any, and interest with respect to such Bond, for purposes of giving notices of redemption and other matters with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium if any, and interest on or in connection with the Bonds only to or upon the order of the Owners, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to the payment of the same. No person, other than an Owner, shall receive a certificated Bond evidencing the obligations of the District pursuant to this Bond Resolution.

DTC may determine to discontinue providing its service as Depository with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law. Additionally, the Board may terminate the services of DTC if it determines in its sole and absolute discretion, that DTC is unable to discharge its responsibilities with respect to the Bonds or that continuation of the system of book entry transfers through DTC is not in the best interests of the Beneficial Owners or the District. Such termination shall be effected by written notice of the same from the District to DTC and to the Bond Registrar and Paying Agent. Upon the termination of the services of DTC, a substitute Depository which is willing and able to undertake the system of book-entry transfers upon reasonable and customary terms may be engaged by the District or, if the Board determines in its sole and absolute discretion that it is in the best interests of the Beneficial Owners or the District that the Beneficial Owners be able to obtain certificated Bonds, the Bonds shall no longer be restricted to being registered in the name of Cede or other nominee of a Depository but shall be registered in whatever name or names the Beneficial Owners shall designate at that time, and fully registered Bond certificates shall be delivered to the Beneficial Owners.

**Section 7. Form and Execution of Bonds.** The Bonds shall be signed with the facsimile or manual signature of the President or Vice President of the District, sealed with a facsimile or manual impression of the seal of the District, and attested by the facsimile or manual signature of the Secretary or an Assistant Secretary of the District. Should any officer whose facsimile or manual signature appears on the Bonds cease to be such officer before delivery of the Bonds to a purchaser, such facsimile or manual signature shall nevertheless be valid and sufficient for all purposes.

The Bonds may contain a reproduction of the opinion of nationally recognized municipal bond counsel as to the Bonds and a certification of such opinion by the Secretary or an Assistant Secretary of the District. In addition, the Bonds may contain a legend regarding any Policy, in the form provided by the Bond Insurer.

The Bonds shall recite that they are issued under the authority of Title 11, Article 57, Part 2, C.R.S. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value.

The Bonds shall be in substantially the form set forth as Exhibit A attached hereto.

**Section 8. Authentication.** No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Bond Resolution unless and until a certificate of authentication on such Bond substantially in the form set forth herein shall have been duly executed by the Bond Registrar, and such executed certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Bond Resolution. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereunder.

**Section 9. Delivery of Bonds.** Upon the adoption of this Bond Resolution, the District shall execute the Bonds and deliver them to the Bond Registrar, and the Bond Registrar shall authenticate the Bonds and deliver them to the purchasers thereof, as directed by the District, and in accordance with the Bond Purchase Agreement.

**Section 10. Registration, Exchange, and Transfer of Bonds; Persons Treated as Owners.** The Bond Registrar shall maintain the books of the District for the registration of ownership of each Bond as provided in this Bond Resolution. Bonds may be exchanged at the principal office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity and interest rate of other authorized denominations. Bonds may be transferred upon the registration books upon delivery of the Bonds to the Bond Registrar, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Owner of the Bonds to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Bonds, along with the social security number or federal employer identification number of such transferee. No transfer of any Bond shall be effective until entered on the registration books.

In all cases of the transfer of a Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the Owner of a Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The District and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date; or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the District, evidencing the same obligation as the Bonds surrendered, shall be secured by this Bond Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The District, the Paying Agent, and the Bond Registrar may deem and treat the registered Owner of any Bond as the absolute owner thereof for all purposes (whether or not such Bond shall be overdue), and any notice to the contrary shall not be binding upon the District, the Paying Agent, or the Bond Registrar.

**Section 11. Cancellation of Bonds.** Whenever any Bond shall be delivered to the Bond Registrar for cancellation pursuant to this Bond Resolution and upon payment of the principal amount and interest represented thereby, or whenever any Bond shall be delivered to the Bond Registrar for transfer or exchange pursuant to the provisions hereof, such Bond shall be cancelled by the Bond Registrar and counterparts of a certificate of cancellation evidencing such cancellation shall be furnished by the Bond Registrar to the District.

**Section 12. Lost Bonds.** Any Bond that is lost, stolen, destroyed, or mutilated may be replaced by the Bond Registrar in accordance with and subject to the limitations of applicable law. The applicant for any such replacement Bond shall post such security, pay such costs, and present such proof of ownership and loss as may be required by applicable law, or in the absence of specific requirements, as may be required by the Bond Registrar.

**Section 13. Disposition and Investment of Proceeds; Tax Covenants.** The Bonds shall be issued and sold for the purposes aforesaid. Neither the Underwriter nor any subsequent Owners of the Bonds shall be responsible for the application or disposal by the District or any of its officers of the funds derived from the sale thereof.

The District covenants for the benefit of the Owners that it will not take any action or omit to take any action with respect to the Bonds, any funds of the District, or any facilities financed with the proceeds of the Bonds, if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause interest on the Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code except to the extent such interest is required to be included in the adjusted current earnings adjustments applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income, or (iii) would cause interest on the Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present Colorado law.

The payment of any rebate amounts pursuant to Section 148(f) of the Code which may be required by the covenants in this Section supersedes all other provisions of this Bond Resolution concerning the deposit and transfer of interest earnings to or from any other fund or account. Moneys set aside to pay such rebate amounts pursuant to this paragraph are not subject to any lien created hereunder for the benefit of the Owners.

The covenants in this Section shall remain in full force and effect until the date on which all obligations of the District in fulfilling such covenants under the Code and Colorado law have been met, notwithstanding the payment in full or defeasance of the Bonds.

The District hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

**Section 14. Creation of Funds.** There are hereby created and established the following funds, which shall be established and maintained by the District in accordance with the provisions of this Bond Resolution:

- (a) the Project Fund;
- (b) the Bond Fund; and
- (c) the Reserve Fund, if and to the extent the same is funded pursuant to the Sale Certificate.

**Section 15. Initial Credits.** Immediately upon issuance of the Bonds and from the proceeds thereof, and after payment of the Underwriter's discount and the other costs of issuing the Bonds, the District shall make the following credits:

- (a) to the Bond Fund, the amount of capitalized interest, if any, as determined by the Sale Certificate;
- (b) to the Reserve Fund, the amount of the Required Reserve, if any, as determined by the Sale Certificate; and
- (c) to the Project Fund, the remaining proceeds of the Bonds.

**Section 16. Project Fund.** All moneys credited to the Project Fund shall be applied solely to the payment of the Project Costs. Upon the determination of the Board that all Project Costs have been paid or are determinable, any balance remaining in the Project Fund (less any amounts necessary to pay Project Costs not then due and owing) shall be credited to the Bond Fund. In addition, upon the District's determination that the funds in the Project Fund exceed the amount necessary to pay all Project Costs, such excess amount shall be credited to the Bond Fund in the amounts determined by the District.

Moneys credited to the Project Fund may be invested or deposited in Permitted Investments only and in accordance with the laws of the State of Colorado. The investment of moneys credited to the Project Fund shall, however, be subject to the covenants and provisions of the Section hereof entitled "Disposition and Investment of Proceeds; Tax Covenants". Except to the extent otherwise required by such Section, interest income from the investment or reinvestment of moneys credited to the Project Fund shall remain in and become part of the Project Fund.

**Section 17. Bond Fund.** There shall be deposited to the Bond Fund moneys which, when combined with other moneys therein, will be sufficient to pay the principal of,

premium if any, and interest on the Bonds when due. Moneys credited to the Bond Fund shall be used solely to pay the principal of, premium if any, and interest on the Bonds.

Moneys credited to the Bond Fund may be invested or deposited in Permitted Investments only and in accordance with the laws of the State of Colorado. The investment of moneys credited to the Bond Fund shall, however, be subject to the covenants and provisions of the Section hereof entitled "Disposition and Investment of Proceeds; Tax Covenants". Except to the extent otherwise required by such Section, all interest income from the investment or reinvestment of moneys credited to the Bond Fund shall remain in and become part of the Bond Fund.

**Section 18. Reserve Fund.** The Reserve Fund shall be funded to the extent provided in the Sale Certificate, and if so funded, the provisions of this Section shall apply.

Moneys in the Reserve Fund shall be used, if necessary, only to prevent a default in the payment of the principal of, premium if any, or interest on the Bonds, and the Reserve Fund is hereby pledged to the payment of the Bonds. In the event the amounts credited to the Bond Fund are insufficient to pay the principal of, premium if any, or interest on the Bonds when due, the District shall transfer from the Reserve Fund to the Bond Fund an amount which, when combined with moneys in the Bond Fund, will be sufficient to make such payments when due. In the event that moneys in the Bond Fund and the Reserve Fund are together insufficient to make such payments when due, the District will nonetheless transfer all moneys in the Reserve Fund to the Bond Fund.

The Reserve Fund shall be maintained in the amount of the Required Reserve for so long as any Bond is outstanding, provided that the foregoing shall not prevent the amounts in the Reserve Fund from being used in whole or in part to fund the payment or defeasance of all of the Bonds. If at any time prior to termination the Reserve Fund is drawn upon or valued so that the amount of the Reserve Fund is less than the Required Reserve, then the District shall deposit to the Reserve Fund amounts sufficient to bring the amount credited to the Reserve Fund to the Required Reserve. Such deposits and payments shall be made at the earliest practicable time from the proceeds of taxes imposed for such purpose pursuant to the Section hereof entitled "Pledge of Ad Valorem Taxes". For purposes of this Section, investments credited to the Reserve Fund shall be valued on the basis of their current market value, as reasonably determined by the District, which value shall be determined at least annually, and any deficiency resulting from such evaluation shall be replenished as aforesaid. The amount credited to the Reserve Fund shall never exceed the amount of the Required Reserve.

Moneys credited to the Reserve Fund may be invested or deposited in Permitted Investments only and in accordance with the laws of the State of Colorado. The investment of moneys credited to the Reserve Fund shall, however, be subject to the covenants and provisions of the Section hereof entitled "Disposition and Investment of Proceeds; Tax Covenants". So long as the amount of the Reserve Fund is equal to the Required Reserve, all interest income from the investment or reinvestment of moneys credited to the Reserve Fund shall be credited to the Bond Fund; provided that if the amount of the Reserve Fund is less than the Required Reserve, then such interest income shall be credited to the Reserve Fund.

**Section 19. Pledge of Ad Valorem Taxes.** For the purpose of funding the Bond Fund and paying the principal of, premium if any, and interest on the Bonds, and if necessary funding the Reserve Fund, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2008 to 2034, inclusive, without limitation of rate and in amounts sufficient to pay the Bonds when due and to fund the Reserve Fund in the amount of the Required Reserve.

The foregoing provisions of this Bond Resolution are hereby declared to be the certificate of the Board to the board or boards of county commissioners of each county in which taxable real or personal property of the District is located, showing the aggregate amount of taxes to be levied for the purposes aforesaid by said board or boards of county commissioners from time to time, as required by law.

The amounts necessary to pay all costs and expenses incidental to the issuance of the Bonds and to pay the principal of and interest on the Bonds when due are hereby appropriated for said purposes, and such amounts as appropriate for each year shall also be included in the annual budget and the appropriation bills to be adopted and passed by the Board in each year, respectively, until the Bonds have been fully paid, satisfied, and discharged.

It shall be the duty of the Board, annually, at the time and in the manner provided by law for levying other District taxes, if such action shall be necessary to effectuate the provisions of this Bond Resolution, to ratify and carry out the provisions hereof with reference to the levying and collection of taxes; and the Board shall levy, certify, and collect said taxes in the manner provided by law for the purpose of funding the Bond Fund and the Reserve Fund, if any, and said taxes, when collected, shall be kept for and applied only to the payment of the principal of and interest on the Bonds as herein specified.

Nothing herein contained shall be so construed as to prevent the District from applying any other funds or revenues that may be in the treasury of the District and available for that purpose, to the payment of the principal of and interest on the Bonds or to the funding of the Reserve Fund, and upon the application of any other such funds or revenues as aforesaid, the mill levies herein provided may thereupon to that extent be diminished.

**Section 20. Additional Tax Levies in the Event of Delinquency.** Said taxes shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State of Colorado, and when collected said taxes shall be paid to the District as provided by law. In the event any of said levies or the charges that may be made by the District shall fail to produce an amount sufficient to pay the principal of, premium if any, and interest on the Bonds becoming due in the next succeeding year, the deficit shall be made up in the next levy, and taxes shall continue to be levied pursuant to the provisions of this Bond Resolution until the principal of, premium if any, and interest on the Bonds shall be paid in full. The Board shall take all necessary and proper steps to enforce promptly the payment of taxes levied pursuant to this Bond Resolution.

**Section 21. Restriction On New Capital Leases.** In order to limit the total mill levy imposed by the District, including the mill levy imposed for operational purposes, the District covenants that it will not execute or issue any additional Capital Lease without the prior

written consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding; provided that the foregoing shall not affect or apply to (i) the issuance of additional indebtedness pursuant to the 2008 Election or any subsequent election permitting the incurrence of general obligation indebtedness, or (ii) the issuance of any revenue obligation payable solely from the revenue derived from the operation of the water or sewer facilities of the District, after deduction from such revenue of all operations and maintenance expenses, regardless of whether such additional indebtedness or revenue obligation could be characterized as a Capital Lease.

**Section 22. Defeasance.** When all principal, interest, and premiums, if any, in connection with any Bond have been duly paid, the pledge and lien and all obligations of the District hereunder with respect to such Bond shall thereby be discharged and such Bond shall no longer be deemed to be outstanding within the meaning of this Bond Resolution. There shall be deemed to be such due payment when the District has placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be initially invested) to meet all requirements of principal, interest, and premiums, if any, on such Bond or Bonds, as the same become due at their final maturities or upon one or more designated prior redemption dates. The Federal Securities shall not be subject to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

In the event that the principal of and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to any Policy, such Bonds shall remain outstanding for all purposes, shall not be deemed to be defeased or otherwise satisfied, and shall not be considered paid by the District.

**Section 23. Events of Default.** The occurrence or existence of any one or more of the following events shall be an Event of Default hereunder:

- (a) payment of the principal of or redemption premium on any Bond is not made by the District when due;
- (b) payment of any interest on any Bond is not made by the District when due;
- (c) the District defaults in the performance of any other of its covenants in this Bond Resolution, and such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given to the District by the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding; provided that, so long as it is not in default of its payment obligations under a Policy, the Bond Insurer shall be deemed an Owner of the Bonds for purposes of this Section; or



(d) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the Bonds.

**Section 24. Remedies For Events of Default.** Upon the occurrence and continuance of an Event of Default, the Owner of any Bond may proceed to protect and enforce the rights of any Owner under this Bond Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction; provided however, that so long as the Bond Insurer is not in default of its payment obligations under a Policy, it shall have the right to control all remedies upon an Event of Default. All such proceedings shall be instituted, had, and maintained for the equal benefit of all Owners of the Bonds then outstanding.

**Section 25. Permitted Amendments to Bond Resolution.** The District may, without the consent of or notice to the Owners (but so long as it is not in default of its payment obligations under a Policy, only after prior written notice to the Bond Insurer), adopt amendments or supplements to this Bond Resolution, which amendments or supplements shall thereafter form a part hereof, for any one or more of the following purposes:

(a) to cure any ambiguity, to cure, correct, or supplement any formal defect or omission or inconsistent provision contained in this Bond Resolution, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under this Bond Resolution, or to make any provisions for any other purpose, if such provisions are necessary or desirable and do not materially adversely affect the interests of the Owners of the Bonds;

(b) to subject to this Bond Resolution or pledge to the payment of the Bonds additional revenues, properties, or collateral; and

(c) to grant or confer upon the Owners any additional rights, remedies, powers, or authority that may be lawfully granted to or conferred upon the Owners.

**Section 26. Amendments Requiring Consent of Owners.** Except for amendatory or supplemental resolutions adopted pursuant to the Section hereof entitled "Permitted Amendments to Bond Resolution", either (i) the Owners of not less than a majority in aggregate principal amount of the Bonds then outstanding, or (ii) the Bond Insurer, if any, acting alone, shall have the right, from time to time, to consent to and approve the adoption by the District of such resolutions amendatory or supplemental hereto as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Bond Resolution; provided however, that without the consent of the Owners of all the Bonds affected thereby and any Bond Insurer, nothing herein contained shall permit, or be construed as permitting:

(a) a change in the terms of the maturity of any Bond, in the principal amount of any Bond or the rate of interest thereon, or in the terms of prior redemption of any Bond;

(b) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of, premium if any, or interest on the Bonds when due;

(c) a privilege or priority of any Bond or any premium or interest payment over any other Bond or premium or interest payment; or

(d) a reduction in the percentage in principal amount of the Bonds the consent of whose Owners is required for any such amendatory or supplemental resolution.

If at any time the District shall desire to adopt an amendatory or supplemental resolution for any of the purposes of this Section, the District shall cause notice of the proposed adoption of such amendatory or supplemental resolution to be given by mailing such notice by certified or registered first-class mail to the Underwriter, any Bond Insurer, and to each Owner of a Bond at the address shown on the registration books of the Bond Registrar, prior to the proposed date of adoption of any such amendatory or supplemental resolution. Such notice shall briefly set forth the nature of the proposed amendatory or supplemental resolution and shall state that copies thereof are on file at the offices of the District or some other suitable location for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by the District following the giving of such notice, the Owners of not less than the required percentage in aggregate principal amount of the Bonds then outstanding at the time of the execution of any such amendatory or supplemental resolution, or the Bond Insurer, as the case may be, shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption and effectiveness thereof, or to enjoin or restrain the District from adopting the same or from taking any action pursuant to the provisions thereof.

**Section 27. Effect of Amendment.** Upon the execution of any amendatory or supplemental resolution pursuant to this Bond Resolution, this Bond Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Bond Resolution of the District, the Bond Registrar, the Paying Agent, and all Owners of Bonds then outstanding shall thereafter be determined, exercised, and enforced hereunder, subject in all respects to such modifications and amendments.

**Section 28. Notice to the Bond Insurer.** At the time that the District, the Bond Registrar, or the Paying Agent is required to give any notice hereunder to the Owners (other than a notice of redemption), like notice shall be given to any Bond Insurer.

**Section 29. Subrogation.** Notwithstanding anything herein to the contrary, in the event that the principal of or interest due on the Bonds shall be paid by a Bond Insurer pursuant to a Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, and all covenants, agreements, and other obligations of the District to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer and the Bond Insurer shall be subrogated to the rights of such Owners.

**Section 30. Removal or Resignation of Bond Registrar or Paying Agent; Successors.** The Paying Agent and Bond Registrar may resign, or may be removed by the District at any time, with or without cause; provided however, that so long as the Bond Insurer is not in default of its payment obligations under a Policy, the District may not remove the Paying Agent or Bond Registrar without the consent of the Bond Insurer. In the event of the removal or

resignation of the Bond Registrar or Paying Agent, the District shall appoint a successor as soon thereafter as may be practicable, and in such event, shall give written notice thereof to the Bond Insurer and each Owner by mailing to the addresses shown on the registration books for the Bonds. Any successor Paying Agent shall:

- (a) be a trust company or bank in good standing located in or incorporated under the laws of the State of Colorado;
- (b) be duly authorized to exercise trust powers;
- (c) be subject to examination by a federal or state authority; and
- (d) maintain a reported capital and surplus of not less than ten million dollars (\$10,000,000).

**Section 31. Authorization of Policy.** To the extent a Policy is issued in connection with the Bonds, as determined pursuant to the Delegated Authority, the officers of the District are hereby authorized and directed to take all actions necessary to cause the issuer or issuers thereof to issue such Policy, including without limitation, payment of the premium due in connection therewith, and the execution of any commitments, agreements, representations, or covenants necessary or appropriate in connection with the issuance of such Policy. The commitments, agreements, representations, or covenants to be made to the issuer or issuers of any Policy not set forth in this Bond Resolution shall be included in the Sale Certificate, and such additional matters shall be deemed to be incorporated by reference into this Bond Resolution as if fully set forth herein.

**Section 32. Authorization to Execute Documents.** The President or Vice President and Secretary or an Assistant Secretary of the District shall, and they are hereby authorized and directed to take all actions necessary or appropriate to effectuate the provisions of this Bond Resolution, including, but not limited to, the execution of the Paying Agent and Registrar Agreement, the Continuing Disclosure Obligation, and the Letter of Representations in substantially the forms presented to this meeting of the Board, and such certificates and affidavits as may be reasonably required by the Underwriter. The execution by the President or Vice President of the District of any document authorized herein shall be conclusive proof of the approval by the District of the terms thereof.

**Section 33. Costs and Expenses.** All costs and expenses incurred in connection with the issuance of the Bonds shall be paid either from the proceeds of the Bonds or from legally available moneys of the District, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

**Section 34. Acceptance of Bond Purchase Agreement.** Any Authorized Officer is hereby authorized to execute the Bond Purchase Agreement on behalf of the District, subject to the limitations of the Delegated Authority. It is hereby found and determined that a sale of the Bonds to the Underwriter in a negotiated sale is to the best advantage of the District.

**Section 35. Official Statement.** The Preliminary Official Statement is hereby authorized and approved. The Preliminary Official Statement is hereby deemed by the Board to

be final as of its date within the meaning of Rule 15c2-12(b)(1) of the U.S. Securities and Exchange Commission. The Board hereby authorizes the preparation and distribution of a final Official Statement in conjunction with an offer of the Bonds to the public. The Official Statement shall contain such corrections and additional or updated information so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The President or Vice President of the District is hereby authorized to execute copies of the Preliminary Official Statement and the Official Statement on behalf of the District.

**Section 36. Pledge of Revenues.** The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Bonds provided herein shall be governed by §11-57-208 of the Supplemental Act and this Bond Resolution. The amounts pledged to the payment of the Bonds shall immediately be subject to the lien of such pledge without any physical delivery, filing, or further act. The lien of each such pledge and the obligation to perform the contractual provisions made herein shall have priority over any or all other obligations and liabilities of the District, except as may be otherwise provided in the Supplemental Act, in this Bond Resolution, or in any other instrument, and shall be subject to any prior pledges and liens. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the District irrespective of whether such persons have notice of such liens.

**Section 37. No Recourse against Officers and Agents.** Pursuant to §11-57-209 of the Supplemental Act, if a member of the Board, or any officer or agent of the District acts in good faith, no civil recourse shall be available against such member, officer, or agent for payment of the principal, interest or prior redemption premiums on the Bonds. Such recourse shall not be available either directly or indirectly through the Board or the District, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of the Bonds and as a part of the consideration of their sale or purchase, any person purchasing or selling such Bond specifically waives any such recourse.

**Section 38. Conclusive Recital.** Pursuant to §11-57-210 of the Supplemental Act, the Bonds shall contain a recital that they are issued pursuant to certain provisions of the Supplemental Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value.

**Section 39. Limitation of Actions.** Pursuant to §11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Bonds shall be commenced more than thirty days after the authorization of the Bonds.

**Section 40. Holidays.** If the date for making any payment or performing any action hereunder shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

**Section 41. Ratification and Approval of Prior Actions.** All actions heretofore taken by the officers of the District and the members of the Board, not inconsistent with the provisions of this Bond Resolution, relating to the authorization, sale, issuance, and delivery of the Bonds, are hereby ratified, approved, and confirmed.

**Section 42. Bond Resolution Irrepealable.** After any of the Bonds have been issued, this Bond Resolution shall constitute a contract between the Owners and the District, and shall be and remain irrepealable until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged, as herein provided.

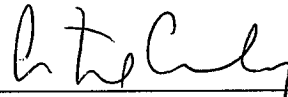
**Section 43. Repealer.** All orders, bylaws, and resolutions of the District, or parts thereof, inconsistent or in conflict with this Bond Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

**Section 44. Severability.** If any section, paragraph, clause, or provision of this Bond Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Bond Resolution, the intent being that the same are severable.

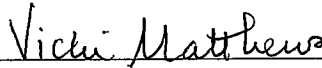
**Section 45. Effective Date.** This Bond Resolution shall take effect immediately upon its adoption and approval.

**ADOPTED AND APPROVED** This 23rd day of December, 2008.

( S E A L )

  
\_\_\_\_\_  
President or Vice President

ATTESTED:

  
\_\_\_\_\_  
Secretary or Assistant Secretary

**EXHIBIT A**

to

**BOND RESOLUTION**

*[Form of Bond]*

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R- \_\_\_\_\_

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF COLORADO  
COUNTY OF SAGUACHE**

**BACA GRANDE WATER AND SANITATION DISTRICT**

**GENERAL OBLIGATION BOND, SERIES 2008**

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>ORIGINAL ISSUE DATE</u>	<u>CUSIP</u>
----------------------	----------------------	--------------------------------	--------------

**REGISTERED OWNER:**

**PRINCIPAL AMOUNT:**

Baca Grande Water and Sanitation District, in the County of Saguache and State of Colorado, a special district duly organized and operating under the constitution and laws of the State of Colorado, for value received, hereby acknowledges itself indebted and promises to pay to the registered owner named above, or registered assigns, on the maturity date specified above or on the date of prior redemption, the principal amount specified above. In like manner the District promises to pay interest on such principal amount (computed on the basis of a 360-day year of twelve 30-day months) from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated prior to \_\_\_\_\_, in which event this Bond shall bear interest from the original issue date specified above, at the interest rate per annum specified above, payable semiannually on June 1 and December 1 each year, commencing on \_\_\_\_\_, until the principal amount is paid at maturity or upon prior redemption. The principal of this Bond and premium, if any, are payable in lawful money of the United States of America to the registered owner hereof upon maturity or

prior redemption and presentation at the principal office of UMB Bank, n.a., in Denver, Colorado, or its successor, as Paying Agent.

Payment of each installment of interest shall be made to the registered owner hereof whose name shall appear on the registration books of the District maintained by or on behalf of the District by UMB Bank, n.a., in Denver, Colorado, or its successor, as Bond Registrar, at the close of business on the *[fifteenth (15th)] [last]* day of the calendar month next preceding each interest payment date (the "Record Date"), and shall be paid by check or draft of the Paying Agent mailed on or before the interest payment date to such registered owner at his address as it appears on such registration books. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent as provided in the resolution authorizing the issuance of this Bond (the "Bond Resolution"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof at the close of business on the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on a Special Record Date (the "Special Record Date") established for the payment of any defaulted interest. Notice of the Special Record Date and the date fixed for the payment of defaulted interest shall be given by first-class mail to the registered owner hereof as shown on the registration books on a date selected by the Bond Registrar.

This Bond is one of a series aggregating \$\_\_\_\_\_ par value, all of like date, tenor, and effect, issued by the Board of Directors of Baca Grande Water and Sanitation District, in the County of Saguache and State of Colorado, for the purpose of paying the costs of providing certain public improvements for the District, by virtue of and in full conformity with the Constitution of the State of Colorado; Title 32, Article 1, Part 11, C.R.S.; Title 11, Article 57, Part 2, C.R.S.; and all other laws of the State of Colorado thereunto enabling, and pursuant to the duly adopted Bond Resolution. Pursuant to §11-57-210, C.R.S., such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value.

It is hereby recited, certified, and warranted that all of the requirements of law have been fully complied with by the proper officers in issuing this Bond. It is hereby further recited, certified, and warranted that the total indebtedness of the District, including that of this Bond, does not exceed any limit prescribed by the constitution or laws of the State of Colorado; that at the election lawfully held within the District on November 4, 2008, the issuance of this Bond was duly authorized by a majority of the electors of the District qualified to vote and voting at said election; and that provision has been made for the levy and collection of an ad valorem tax on all of the taxable property of the District in amounts sufficient to pay the principal of and interest on this Bond as the same respectively become due.

The full faith and credit of the District is hereby pledged for the punctual payment of the principal of and interest on this Bond.

Reference is hereby made to the Bond Resolution for an additional description of the nature and extent of the security for the Bonds, the funds and revenues pledged to the payment thereof, the rights and remedies of the registered owners of the Bonds, the manner in which the Bond Resolution may be amended, and the other terms and conditions upon which the

Bonds are issued, copies of which are on file for public inspection at the office of the District Secretary.

Bonds of this issue are subject to redemption prior to maturity at the time or times, in the manner, and upon payment of the amounts set forth in the Bond Resolution.

The Bonds will be redeemed only in integral multiples of \$5,000. In the event a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Such Bond will be treated for the purposes of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$5,000. In the event a portion of this Bond is redeemed, the Bond Registrar shall, without charge to the registered owner of this Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion.

Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than thirty (30) days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the registration books maintained by the Bond Registrar, in the manner set forth in the Bond Resolution. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The District and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date; or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

The District, the Paying Agent, and the Bond Registrar may deem and treat the registered owner of this Bond as the absolute owner hereof for all purposes (whether or not this Bond shall be overdue), and any notice to the contrary shall not be binding upon the District, the Paying Agent, or the Bond Registrar.

This Bond may be exchanged at the principal office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal office of the Bond Registrar, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Resolution and upon surrender and cancellation of this Bond. This Bond may be transferred upon the registration books upon delivery to the Bond Registrar of this Bond, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the owner of this Bond or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of the Bond, along with the social security number or federal employer identification number of such transferee. In



the event of the transfer of this Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

If the date for making any payment or performing any action shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the authorizing Bond Resolution until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN TESTIMONY WHEREOF, the Board of Directors of Baca Grande Water and Sanitation District has caused this Bond to be signed by the manual or facsimile signature of the President or Vice President of the District, sealed with a manual impression or a facsimile of the seal of the District, and attested by the manual or facsimile signature of the Secretary or an Assistant Secretary thereof, all as of \_\_\_\_\_, 2009.

(S E A L)

**BACA GRANDE WATER AND  
SANITATION DISTRICT, SAGUACHE  
COUNTY, COLORADO**

\_\_\_\_\_  
President or Vice President

ATTEST:

\_\_\_\_\_  
Secretary or Assistant Secretary

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds of the issue described in the within mentioned Bond Resolution.

Date of Registration and Authentication:

**UMB BANK, N.A.**  
Denver, Colorado  
as Bond Registrar

\_\_\_\_\_  
Authorized Signatory

*[Bond Insurer's Legend, if any]*

*[Form of Transfer for Bonds]*

**ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto

Name and address of Assignee:

Social Security or Federal Employer  
Identification Number of Assignee:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

the within Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_,  
attorney, to transfer said Bond on the books kept for registration thereof with full power of  
substitution in the premises.

Dated: \_\_\_\_\_

Signature of Registered Owner:

\_\_\_\_\_  
NOTICE: The signature to this assignment must  
correspond with the name of the registered  
owner as it appears upon the face of the within  
Bond in every particular, without alteration or  
enlargement or any change whatever.

Signature guaranteed:

\_\_\_\_\_  
(Bank, Trust Company, or Firm)

Thereupon, Director Cyriacks moved the adoption of the foregoing resolution. The motion to adopt the resolution was duly seconded by Director Matthews, put to a vote, and carried on the following recorded vote:

Those voting AYE:

Christine Canaly  
Lisa Cyriacks  
Parvin Johnson, Sr.  
Vicki Matthews

Those voting NAY:

None

Thereupon the President, as Chairman of the meeting, declared the Bond Resolution duly adopted and the Secretary was directed to enter the foregoing proceedings and resolution upon the minutes of the Board.

Thereupon, after consideration of other business before the Board, the meeting was adjourned.

STATE OF COLORADO )  
 )  
SAGUACHE COUNTY )  
 )  
BACA GRANDE WATER AND SANITATION )  
DISTRICT )

The undersigned, as the Secretary or an Assistant Secretary of Baca Grande Water and Sanitation District, Saguache County, Colorado, hereby certifies that the foregoing pages constitute a true and correct copy of that portion of the record of proceedings of the Board of Directors of said District relating to the adoption of a resolution authorizing the issuance of General Obligation Bonds, Series 2008, adopted at a special meeting of the Board held at 57 Baca Grant Way South, in Crestone, Colorado, on Tuesday, the 23rd day of December, 2008, at the hour of 3:30 P.M., as recorded in the official record of proceedings of said District kept in my office; that the proceedings were duly had and taken; that the meeting was duly held; that the persons therein named were present at said meeting and voted as shown therein; that each director of the Board was informed of the date, time, place, and purpose of the special meeting; and that a notice of meeting, in the form herein set forth at page 1, was posted at three public places within the District, and at the office of the county clerk and recorder in the county or counties in which the District is located, at least three days prior to the meeting, in accordance with law.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the District, this 23rd day of December, 2008.

( S E A L )

  
\_\_\_\_\_  
Secretary or Assistant Secretary