

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
JUNE 20, 2008

A regular meeting of the Board of Directors of the Baca Grande Water and Sanitation District (referred to hereafter as "Board") was held on Friday, the 20th day of June, 2008, at 9:00 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:

Chris Canaly, Chairman
Philip Madonna, Vice Chairman
Vicki Matthews, Secretary/Treasurer
Lisa Cyriacks, Assistant Secretary
Clem Gasseling, Assistant Secretary

Also In Attendance Were:

Erich Schwiesow; Lester, Sigmond, Rooney & Schwiesow

ADMINISTRATIVE MATTERS

Agenda: Director Canaly reviewed the proposed agenda for the District's regular Board meeting.

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

Minutes: The Board reviewed the minutes of the June 6, 2008 special meeting. It was noted that Marina Wilson, George Turtle and Deborah D. McCoy of Special District Management Services, Inc. and Don Yowell of Community Solutions, Inc. were in attendance at the meeting via telephone. It was also noted that the Board adjourned in Executive Session to consult with counsel regarding personnel issues.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Gasseling and, upon vote, unanimously carried, the minutes of the June 6, 2008 special meeting were approved, as amended.

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LEGAL MATTERS

Engagement of Special District Management Services, Inc. ("SDMS"): The Board considered the engagement of Special District Management Services, Inc. as District Manager. The Board reviewed the proposed contract and discussed issues regarding negotiation of compensation and negotiations regarding liability. The Board discussed the issues related to software changes that would be required. The Board discussed the recommendation for engagement of separate general counsel. The Board discussed requesting SDMS to provide a breakdown of charges.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Cyriacks and, upon vote, unanimously carried, the Board approved the engagement of Special District Management Services, Inc. as District Manager.

Special District Management Services, Inc. and Community Solutions, Inc. representatives joined the meeting at this point.

FINANCIAL MATTERS

Signature cards: It was noted that Directors Canaly, Madonna and Matthews need to be added as authorized signers on the checking account. The signature card was completed and will be submitted to the bank.

Claims: The Board considered the approval of the payment of claims through the period ending June 20, 2008.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Gasseling and, upon vote, unanimously carried, the Board approved the payment of claims for the period ending June 20, 2008.

Financial Statements and Schedule of Cash Position: The report was not accepted.

LEGAL MATTERS CONTINUED

Attorney's Report: Well 18. Attorney Schwiesow reported that Jamie Ireland had contacted him regarding this issue.

Personnel issues. Attorney Schwiesow reported that the unemployment claim filed by Darla Tiernan has been denied. He recommended that the District consider

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engagement of counsel familiar with employment law if Ms. Tiernan files a suit. Attorney Schwiesow will be contacting John Thatcher to discuss whether the pending law suit will be covered by insurance.

Everhart. Attorney Schwiesow reported that Mr. Everhart will submit the issue with stipulated facts and the judge will decide whether the District's policy is valid.

Great Sand Dunes National Park and Preserve. Attorney Schwiesow reported that the stipulation between the United States of America and the District wherein the parties stipulate and agree that the Application and water rights sought in this matter do not affect, modify or change in any way the rights and obligations of the United States and the District, as previously agreed, has been signed and filed with the Court.

District Management contract: The Board directed that both Director Canaly and Cyriacks be the points of contact for the Board with the District Manager.

OPERATIONS

Operations Manager Report: Mr. McDowell informed the Board that all of the meters on the wells have been installed and verified. He noted that the water bills will most likely double since the District will be billed based on the meter readings. All Board of Directors Members are to have access to the Management Company.

Dharma Ocean. Mr. McDowell reported that the projected cost of the project is \$160,200. Mr. McDowell recommended that Dharma Ocean hire the contractor and the District make their payment under the cost sharing arrangement. He feels that the project will not need to be publicly bid if the matter is handled in this fashion.

Field personnel. Mr. McDowell reported that he has offered one full-time position to a candidate with a start date of August 15th and is trying to contact a second candidate for an interview.

Property Owners Association ("POA"). Following discussion, upon motion duly made by Director Gasseling, seconded by Director Cyriacks and, upon vote, unanimously carried, the Board agreed to allow the POA to purchase non-potable irrigation water at cost from the date of

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this meeting to July 31, 2008. It was noted that the water can be sold at cost because it will not be treated. The POA will be responsible for paying the electric bill for running the pump. Representatives of the POA will need to contact the District to negotiate a permanent payment arrangement before the end of July.

PERSONNEL ISSUES

Interim Manager evaluation: The Board determined that an evaluation will not be necessary as the interim manager has not held the position for a full year and evaluations are conducted on an annual basis. The Board of Directors discussed annual evaluations of all employees.

NEW BUSINESS

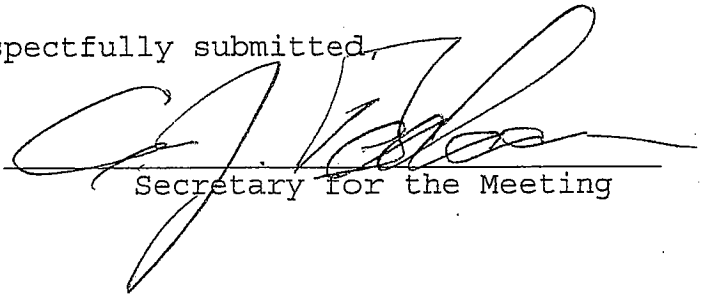
Town Annexation Task Force: The Task Force would like the District to participate in the process. The Board asked for a written request to the District outlining what the Task Force needs from the District.

ADJOURNMENT

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

Respectfully submitted,

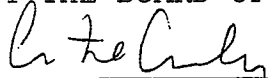
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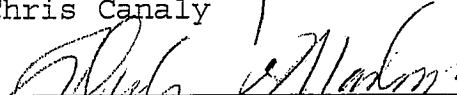
Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL JUNE 20, 2008
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



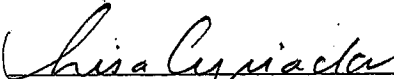
Chris Canaly



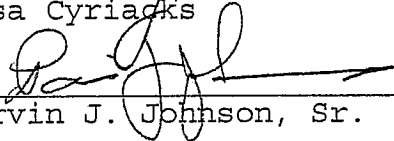
Philip Madonna



Vicki Matthews



Lisa Cyriacks



Parvin J. Johnson, Sr.