

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
NOVEMBER 5, 2010

A special meeting of the Board of Directors of the Baca Grande Water and Sanitation District (referred to hereafter as "Board") was held on Friday, the 5th day of November, 2010, at 9:00 a.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, President
Vicki Matthews, Vice President
Martin Macaulay, Secretary/Treasurer
Philip Madonna, Assistant Secretary
Parvin J. Johnson, Sr., Assistant Secretary

Also In Attendance Were:

AJ Beckman and Meric Lallier; Special District Management Services, Inc. - Via speakerphone

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

Marcus Lock, Esq.; Bratton Hill Wilderson & Lock, LLC
- Via speakerphone

Steven Harrell; District General Manager

Michael Scully; Casita Park Action Committee

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. Attorney Tanaka noted that conflicts were filed for applicable Directors at least 72 hours prior to the meeting. President 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

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this meeting. No further conflicts were disclosed.

ADMINISTRATIVE MATTERS

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

Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Agenda was approved, as amended.

PUBLIC COMMENT

Michael Scully: Mr. Scully asked for a summary of the cost versus savings for the recent bond refunding. The Board informed Mr. Scully that the information will be available for the November 19th regular meeting and will be discussed in limited detail under Financial Matters at today's meeting.

WATER MATTERS

Outstanding Water Matters with Water Counsel: Attorney Lock presented an overview to the public and discussed the recent meeting with the US Fish and Wildlife regarding the District's water rights. Mr. Lock informed the Board that specific details of the meeting pertain to negotiations and should be discussed in Executive Session.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e) of the Colorado Revised Statutes, upon motion duly made by Director Madonna, 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 9:21 a.m. for the purpose of discussions relating to third party negotiations and determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators as authorized by Section 24-6-402(4)(e), C.R.S. and receiving from the Board's attorney legal advice on specific legal questions as authorized by Section 24-6-402(4)(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 District's attorney, constitute privileged

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attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 10:05 a.m.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized the engagement of HRS Water Consultants for water rights analyses for an amount not to exceed \$5,000.

FINANCIAL MATTERS

Rate Structure: Availability of Service ("AoS") Rate Structure. Attorney Tanaka reviewed a proposed AoS rate structure with the Board.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved an annual AoS rate of \$120 per lot for 2011.

Equivalent Residential "EQR" Rate Structure. Mr. Beckman distributed and reviewed with the Board a proposed EQR rate and fee structure based on user equivalency. Mr. Beckman reported that he will have additional information to include in the rate structure analysis and will distribute the revised analysis as soon as the information is available.

2011 Draft Budget: Mr. Lallier reviewed with the Board the 2011 draft budget. He noted that the 2010 Enterprise Fund Budget will need to be amended to \$1,800,000 in total expenses and the Capital Budget to \$7,150,000.

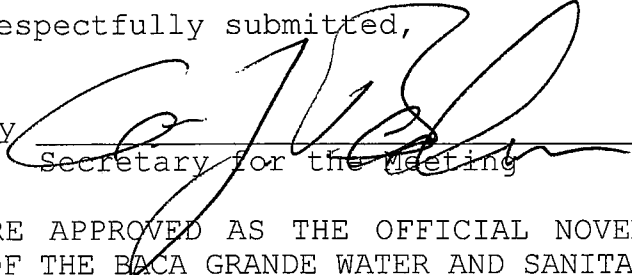
Status of Issuance of General Obligation Refunding and Improvement Bonds, Series 2010: Mr. Beckman reported that the District was able to refund the existing debt and issue additional debt at a rate of 4.8 % due in part to the recent investment grade rating issued to the District by Standard & Poor's rating agency.

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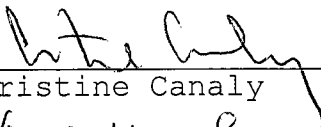
ADJOURNMENT

Upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the meeting was adjourned.

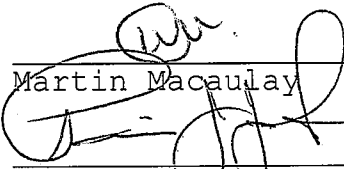
Respectfully submitted,

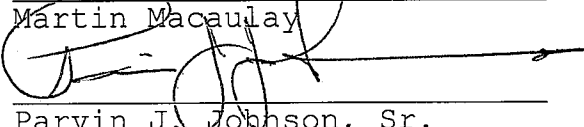
By 
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL NOVEMBER 5, 2010 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:


Christine Canaly


Vicki Matthews


Martin Macaulay


Parvin J. Johnson, Sr.

Philip Madonna