

CHEROKEE METROPOLITAN DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS

July 27, 2011

MINUTES

The Special Meeting of the Board of Directors of the Cherokee Metropolitan District was held on Wednesday, July 27, 2011, at 11:00 a.m. at 6250 Palmer Park Blvd., Colorado Springs, Colorado.

BOARD OF DIRECTORS PRESENT

Dave Hammers	Steve Hasbrouck
Larry Keleher	William Beahan
Jan Cederberg	

OTHERS PRESENT

Sean Chambers
Art Sintas
Kevin Donovan
Marti Whitmore
Sara Howard
Lily Baker

OTHER GUESTS SIGNING ATTENDANCE LOG

Mary Hernandez	Linda O'Riley
Chloe Olson	Assunta Manning
Ken Emricson	Marcy Wilmore
Linda Keleher	David Hacker
Jean Beam	Paula Schofield

ITEM 1:

The meeting was called to order by Chairman Dave Hammers at 11:14 a.m. Ms. Howard called roll call of the Board of Directors, all Directors were present.

ITEMS 2 AND 3:

Mr. Hammers asked if there were any changes or amendments that needed to be made to the July 27th Special Meeting Agenda. Beforehand, however, Mr. Hasbrouck wished to make a comment which he directed towards Ms. Cederberg. He respectfully requested her to withdraw her previous letter from the record. He requested that whatever the circumstances were, to keep it a private issue, not a public matter. He asked for his request to be included in the Minutes.

Mr. Beahan commented that, as a Board Member, he wanted an explanation as to what items needed to be discussed in and out of Executive Session and if there were any civil concerns to be aware of. Ms. Whitmore responded that by not entering into an Executive Session, any Board Member could be at risk of not fulfilling their tasks and missions to the District. There could be some liability if Executive Session issues were not addressed. She reiterated that decisions were not made in Executive Session.

Mr. Hasbrouck provided a news article from *The Denver Post* concerning the Elbert County Commission to vote on expanding the Elbert and Highway 86 Commercial Metro water district's reach across Colorado and requested it to be placed in the Minute's records (see attached on file in office).

Discussion resumed as to what agenda items could be left for the Public Summary Discussion and what agenda items should be exclusively for Executive Session. Mr. Chambers stated he inadvertently left out the Goss water discussion, which is due for review and decision, from the Agenda, and that that item needed to be addressed in Executive Session as it involves discussing price and terms of agreement. It was recommended by Ms. Whitmore that she do a general piece on the water market FIRCO Case Law and supply options available to the District, then the Board could move in to Executive Session, and then the evening's meeting could be concluded with a public session summary.

*****MOTION*****

MR. BEAHAN MADE A MOTION TO AMEND AND APPROVE THE JULY 27, 2011 AGENDA TO INCLUDE DISCUSSION OF MATRIX OPTIONS AS 3a. FOLLOWED BY EXECUTIVE SESSION TO INCLUDE 4.A.3. DISCUSSION OF GOSS WELL PURCHASE. SECONDED BY MS. CEDERBERG. ALL BOARD MEMBERS PRESENT IN FAVOR (5-0).

ITEM 3a:⇒ Matrix Options Discussion – Marti Whitmore

Ms. Whitmore addressed the Board by identifying several alternatives and ideas in obtaining water resources and new direction for the District by providing the following outline:

1. Stay in UBS

Because of the heavy litigation in UBS coupled with financial ramifications as well, it was presented to the Board the possibility of continuing to use the assets in the UBS or to sell them. Recent assault on Cherokee's use of wells #1-8

2. Surface/Renewable Water
And Groundwater

The possibility of the District acquiring both- Diverse portfolio of renewable water resources.

3. Denver Basin

Look at other proposals, options, and investment in the Denver Basin. Can meet short term needs and is a property right under Colorado Law

4. Long Term vs. Short Term Planning

One of the more important decisions that to be immediately addressed, i.e., short term in the next year, long term in the next five to ten years. Ms. Whitmore believed the District should strive for both.

5. Other Ideas

Should the District go beyond the RFP's and pursue more, i.e., SDS- Ark River Water, Flaming Gorge, Pueblo Reservoir, City Annexation, etc.

The CSU short term water contract terminates in 2012, and Ms. Whitmore stated the board needed to assume the Supreme Court will uphold the water court's ruling in the loss of Wells 14-17. She then discussed the Burlington Ditch/FIRCO case; its affirmed case law and narrow view of historic consumptive use and how that affects any change cases.

*****MOTION*****

MR. BEAHAN MADE A MOTION TO GO INTO EXECUTIVE SESSION CITING CRS 24-6-402(4)(a), (e), AND (b). SECONDED BY MR.

KELEHER. ALL BOARD MEMBERS PRESENT IN FAVOR. MOTION CARRIED (5-0).

Executive Session began as 12:27 p.m.

Regular session resumed at 5:30 p.m. and a short break was taken. After the break, the Regular Session resumed at 5:40 p.m. Mr. Hammers stated that the board would summarize the material discussed in executive session with public comments to follow.

ITEM 5:

⇒ **Public Summary Discussion**

Ms. Whitmore began a discussion summarizing different RFP's that were reviewed during the executive session. She explained that there were several aspects to consider when considering a water purchase/lease such as cost, source and longevity. She also explained that seven entities submitted their RFP's and the board had discussed all of them in detail. Ms. Whitmore also reviewed the pros and cons associated with each. The RFP's discussed were as follows:

1. GP Water Group—Denver Basin water from Elbert county as a short-term solution combined with water from the Arkansas as a long-term solution
2. Colorado Water Resources—Denver Basin water from Shamrock Ranch Northern El Paso County
3. Greenland Ranch-Deepwater Project Partners LLC-Denver Basin water from Douglas County
4. Greenland Basin Pipeline LLC-Denver Basin water from Northern El Paso County
5. HBC Ventures-Little Horse Creek water
6. GP Water Group-Arkansas River water as long-term solution
7. Dan Farmers-Farmer family-Sweetwater Absolute Rights

Ms. Whitmore also touched on CSU and the Southern Delivery System as well as mentioning that the Two Rivers Water sent a letter of invitation to review more closely their proposed lease of river water. She also cautioned that all of the proposals required due diligence as well as contractual negotiations. It was decided at that time that the board would move forward on some of the

water deals after they discussed the merits of each more completely before making a motion to allow everyone a chance to voice his opinion.

The first proposal discussed was the Greenland Ranch Deepwater Project.

*****MOTION*****

MR. HASBROUCK MADE A MOTION TO CONSIDER GREENLAND WATER AFTER DOING THE APPROPRIATE DUE DILIGENCE AND CONTRACTUAL NEGOTIATIONS. SECONDED BY MR. KELEHER. ROLL CALL VOTE. MR. KELEHER-YES. MS. CEDERBERG-NO. MR. BEAHAN-YES. MR. HASBROUCK-YES. MR. HAMMERS-NO. MOTION CARRIED (3-2)

The second water deal discussed was the Two Rivers Water-proposed lease of river water.

*****MOTION*****

MR. BEAHAN MADE A MOTION TO NOT MOVE FORWARD WITH THE TWO RIVERS WATER. MR. KELEHER SECONDED THE MOTION. ALL BOARD MEMBERS PRESENT IN FAVOR. MOTION CARRIED. (5-0)

The third proposal discussed was HBC ventures-Little Horse Creek Water.

*****MOTION*****

MR. HASBROUCK MOTIONED TO CONSIDER MOVING FORWARD WITH HBC VENTURES AFTER APPROPRIATE DUE DILIGENCE AND CONTRACTUAL NEGOTIATIONS. SECONDED BY MR. KELEHER. ROLL CALL VOTE. MR. KELEHER-YES. MS. CEDERBERG-NO. MR. BEAHAN-NO. MR. HASBROUCK-YES. MR. HAMMERS-NO. MOTION FAILED. (2-3)

A brief discussion ensued regarding Dan Farmers and the Sweetwater Rights.

*****MOTION*****

MS. CEDERBERG MADE A MOTION TO NOT MOVE FORWARD WITH MR. FARMERS WATER RIGHTS PROPOSAL. SECONDED BY MR. BEAHAN. ALL BOARD MEMBER PRESENT IN FAVOR. MOTION CARRIED. (5-0)

The next proposal brought up was Colorado Water Resources-Shamrock Ranch Denver Basin.

*****MOTION*****

MR. KELEHER MOTIONED TO MOVE FORWARD WITH THE COLORADO WATER RESOURCES PROPOSAL WITH DUE DILIGENCE AND CONTRACTUAL NEGOTIATIONS. MR. HASBROUCK SECONDED. ROLL CALL VOTE. MR. KELEHER-YES. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-YES. MR. HAMMERS-YES. MOTION CARRIED. (5-0)

The next proposal discussed was the Greenland Basin Pipeline LLC-Denver Basin water.

*****MOTION*****

MS. CEDERBERG MOTIONED TO MOVE FORWARD WITH THE GREENLAND BASIN PIPELINE LLC PROPOSAL WITH DUE DILIGENCE AND CONTRACTUAL NEGOTIATIONS. SECONDED BY MR. BEAHAN. ROLL CALL VOTE. MR. KELEHER-YES. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-NO. MR. HAMMERS-YES. MOTION CARRIED. (4-1)

The last proposal discussed was the GP Water Group-Denver Basin water and Arkansas River water.

*****MOTION*****

MR. BEAHAN MOTIONED TO MOVE FORWARD WITH THE GP WATER GROUP PROPOSAL WITH DUE DILIGENCE AND CONTRACTUAL NEGOTIATIONS. SECONDED BY MS. CEDERBERG. ROLL CALL VOTE. MR. KELEHER-NO. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-NO. MR. HAMMERS-YES. MOTION CARRIED. (3-2)

At this time, with the summary of the RFP's complete, the board brought the discussion to some land and water contracts that had been reviewed during executive session.

*****MOTION***

MS. CEDERBERG MADE A MOTION TO ENTER INTO A CONTRACT TO PURCHASE 320 ACRES OF LAND ADJACENT TO OUR CURRENT INFILTRATION PONDS CONTINGENT UPON APPROVAL FROM THE STATE. SECONDED BY MR. BEAHAN. ROLL CALL VOTE. MR. KELEHER-YES. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-YES. MR. HAMMERS-YES. ALL IN FAVOR. MOTION CARRIED. (5-0)

*****MOTION*****

MR. BEAHAN MADE A MOTION TO ENTER INTO CONTRACT TO PURCHASE THE JUDGE ORR ESTATES WITH A SIXTY DAY WINDOW TO CANCEL. MS. CEDERBERG SECONDED. ROLL CALL VOTE. MR. KELEHER-NO. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-NO. MR. HAMMERS-YES. MOTION CARRIED. (3-2)

*****MOTION****

MR. BEAHAN MADE A MOTION TO NOT MOVE FORWARD IN PURCHASING THE GOSS WATER THE DISTRICT HAD BEEN PREVIOUSLY NEGOTIATING. ROLL CALL VOTE. MR. KELEHER-RECUSED. MS. CEDERBERG-YES. MR. HASBROUCK-YES. MR. HAMMERS-YES. MOTION CARRIED. (4-1-0)

*****MOTION****

MR. KELEHER MOTIONED TO MOVE FORWARD WITH SETTELEMENT OFFER WITH THE UPPER BLACK SQUIRREL. SECONDED BY MR. BEAHAN. ROLL CALL VOTE. MR. KELEHER-YES. MS. CEDERBERG-YES. MR. BEAHAN-YES. MR. HASBROUCK-YES. MR. HAMMERS-YES. MOTION CARRIED. (5-0)

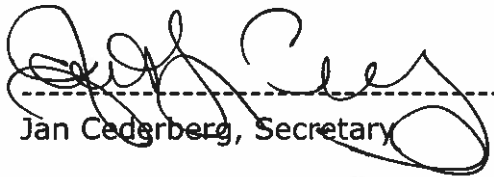
ITEM 5a:Public comments

Ms. Manning made notice of the fact that she wanted additional clarification on the RFP's discussed in regards to cost, infrastructure needs and length of time needed to complete each. A matrix of the RFP's was promised by the end of August by Ms. Whitmore. Mrs. Hernandez expressed her displeasure with the former General Manager and wanted a review of his employment contract. Ms. Manning also stated that, while scrutinizing that contract, she also wished a review of Mr. Chambers' contract as well. Mr. Donovan was tasked with that project. Mention was made of the Cree Townhomes lawsuit and Mr. Donovan explained that it had been postponed until September 17th. A brief discussion ensued about the quality of the Arkansas River water and the feasibility of bringing it into our water system. Ms. Whitmore addressed those concerns, and noted that further diligence is needed on all projects/proposals.

ITEM 6:

⇒ Adjournment

There being no further business to come before the Board, the meeting was adjourned 6:34 p.m.



Jan Cederberg, Secretary

Board Members

Term Expires

Dave Hammers, President	May, 2014
Larry Keleher, Vice President	May, 2012
Jan Cederberg, Secretary/Treasurer	May, 2014
Steve Hasbrouck, Director	May, 2012
William Beahan, Director	May, 2014