

Lions Head Water Users Association Annual Meeting Minutes

August 12, 2005

6:10 PM

Roll Call:

Alan Scott and Anne Meininger – Lot 14
Jon Zusy – Lot 8 Elk Springs and Lot 16 Elk Stream
Greg Schamaun and Pat – Lots 10 and 12
No lots were represented by proxy.

Proof of due notice:

Notice of this meeting was sent out on July 7, 2005.

Reading and Disposal of any unapproved minutes:

Minutes of the 2004 meeting were approved without changes.

Nominations for Vacancy on the Board of Directors:

Jon Zusy volunteered to go on the board, and is on the ballot with Alan Scott and Anne Meininger. Ron Trujillo asked to be removed from the board. We didn't have any write in nominations, and no nominations were made from the floor.

Report of the President or Vice-President:

Alan Scott reported that there were no changes to the water system this past year. No one connected to the system, and it is still mothballed. Last year we did not have to prove beneficial use of water, and no water was pumped through the system.

Alan mentioned that Clint Brooks needs to ask the state whether we have to pump water this year to show beneficial use. We also need to check with Clint on the need for any maintenance.

Alan discussed the pipeline scar, the installation of a culvert by the pumphouse, and the regrading of the road where the pipeline crosses the road. It was decided right before last year's meeting by the directors of Lion's Head and Elk Stream to let the pipeline scar revegetate naturally rather than worsening the scar with additional digging. The culvert was installed to prevent erosion on the secondary road, and an area by the main road was regraded on lot 16 to prevent further erosion.

Alan also indicated that he reseeded the area near the road on lot 16 along the pipeline route where revegetation has been very slow. This was done in late October of 2004.

Report of the Secretary:

Minutes of the 2004 annual meeting were sent to all members, along with a copy to the directors of Elk Stream.

Report of the Treasurer:

There was a balance of \$3129.76 at the beginning of August 2004, and \$2000 was deposited (8@ \$250). Expenses were for electric bills for our meters and heating of the pump house, and the cost for grading of the road on lot 16 and installation of the culvert by the pump

house. (See Financial Summary). The costs associated with our electric meters were discussed (3 meters, \$15 base cost each, plus electricity to heat the well house - see Addendum to Financial Summary). Clint's fees were also discussed. (See notes). Normally, we have to pay an annual \$25 business report fee to the state of Colorado. Ron usually forwards the bill to us. Apparently he paid it because Alan checked with the state and it had been paid. Ron has yet to send us a bill for reimbursement. Our ending balance was \$3,467.17.

Jon Zusy asked whether we need the current \$250 annual dues. It was mentioned that we are building a reserve for unanticipated expenses, and when we activate the system we will need some capital to begin operation.

Unfinished Business:

There was no unfinished business.

New Business:

Jon Zusy discussed the "common interest ownership act" which is a 70 page document in the state of Colorado on how associations are supposed to run themselves. There is a Senate bill which was passed last year which has new provisions, new clauses, etc. to this act. Jon has agreed to do a review of Elk Stream's documents in light of the existing law and new law, and give his recommendations. He reiterated that he is not yet licensed to practice law in the state of Colorado, but hopes to be licensed soon. In the future he may be advising Lion's Head about what we need to do about notices, bylaws, etc. This law also has accounting requirements, audit requirements, record keeping requirements, etc. In addition, the law encourages the use of websites to keep members informed. The possibility of putting a Lion's head website together was discussed.

Jon Zusy also discussed the concern that certain members of Elk Springs have about the use of the well on lot 8 for our system. They are concerned that our system is going to take water from their source. Our system and that well (and our well on lot 15) are a commercial well by statutory definition because there are four or more properties connected to the system. It's actually a more efficient system, because, in our case, eight individual wells did not need to be drilled. Jon has also explained to the Elk Springs lot owners that when our system is operational, we will be drawing from a very productive well on lot 15, and the well on lot 8 will be used as a backup well. He pointed out that we also have two cisterns which will help to conserve water use. It was discussed that it would be a good idea to provide the Elk Springs lot owners with a copy of the hydrology report prepared by Odin Christensen.

The next topic discussed was insurance. Alan indicated that he talked to State Farm Insurance of Durango, whom Ron recommended. They said they could not handle liability insurance for the directors, and recommended Accordia. The person at Accordia said that we have two issues: liability on the water system itself and liability for the directors and officers. Cost to insure the water system was estimated to be \$750 - \$1000 / year, and for the three directors would be about \$1000 - \$1250 / year. It probably isn't necessary to insure the water system itself at this point because the system is not in operation, and the odds are extremely low for injury or liability. On the other hand, the insurance agent felt that the directors needed protection, either through legal means (addressed in the bylaws, for instance) or through liability insurance.

John Zusy agreed that we probably don't need liability insurance for the water system itself at this time. We probably don't need liability insurance for the directors at this point

because there is nothing we could do to cause harm to someone. When the system is operational, the members need to waive the right to hold the association liable for the nonuse of water because of a break or other emergency. We could address it in the bylaws to release the directors from liability unless they rise to the level of gross negligence or intentional misconduct, not simple negligence. It was discussed that we should prepare the changes to the bylaws for next years meeting, where they would be discussed. To change the bylaws, a majority vote of the members is required.

Election:

Alan Scott, Anne Meininger and Jon Zusy were elected to the board of directors for a one year term by unanimous vote.

From the floor:

Nothing was brought up from the floor.

Adjournment:

Alan made a motion that we adjourn, and Jon Zusy seconded. The meeting was adjourned at 6:50 PM.

Action items:

- Alan will talk to Ron to see if it is necessary for us to pump water this year to prove beneficial use of water.
- Alan will also check with Clint about maintenance for the water system.
- Jon Zusy is going to look at our documents to determine if it is feasible to rewrite them in a way that attempts to protect the directors from liability. However, he cannot represent us as a lawyer because he is not yet licensed in the state of Colorado.

Notes:

- As of April 1, 2005, Clint Brooks has yet to bill us for his work on the water system in 2002 or 2003.
- Jon Zusy has asked to be removed from the Lion's Head board of directors.