

**MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
CARPINTERIA VALLEY WATER DISTRICT**

June 2, 2010

President Lemere called the regular meeting of the Board of Directors of Carpinteria Valley Water District to order at 4:00 p.m. Wednesday June 2, 2010, and led the Board and others in the recital of the Pledge of Allegiance.

Directors Present: Lemere, Van Wingerden, Lieberknecht, Roberts, Drain

Directors Absent: None

Others Present: Charles Hamilton
Bob McDonald
Norma Rosales
Mark Manion
Tom Mosby
Doug Morgan
Miguel Checa
Vera Bensen
Dave Morris
Susan Allen
Dave Moore
Michael Sheehy
Lea Boyd
Tad Buchanan
Kathy Stone (arrived at 5 pm)

PUBLIC FORUM Miguel Checa, Dave Moore and Susan Allen addressed the Board on matters related to Venoco's proposed Pardon Project and District water supplies.

**CLOSED SESSION:
PURSUANT TO
GOVERNMENT
CODE SECTION
54956.9 (a) EXISTING
LITIGATION** President Lemere convened the Board in closed session at 4:10 p.m. pursuant to Government Code Section 54956.9 (a), existing litigation, Carpinteria Valley Water District et al vs. Penfield & Smith Engineers et al; Santa Barbara Superior Court Case Number 1303752. President Lemere reconvened the Board in open session at 5:02 p.m. after a four minute recess, and reported that the Board had given direction to District Counsel.

MINUTES During discussion about the minutes of the May 19, 2010 Board meeting, including a question posed by Miguel Checa about a letter written by Dr. Hugo Loaiciga and addressed to Ted Rhodes, and e-mailed by Mr. Checa to Mr. Hamilton on May 17, 2010. President Lemere noted that the letter was not addressed to the Board of Directors nor presented to the Board at the meeting. Mr. Lemere further suggested to Mr. Checa to address the letter to the Board President for consideration. Director Drain moved and Director Van Wingerden seconded the motion to approve the minutes of the regular Board meeting held on May 19, 2010 as presented. The motion carried by a 5-0 vote.

MONTHLY BILLS Business Manager Norma Rosales presented the monthly bills for the period of April 14, 2010 through May 18, 2010. Following discussion, Director Van

Wingerden moved and Director Roberts seconded the motion to approve the monthly bills as presented. The motion carried by a 5-0 vote.

**CENTRAL COAST
WATER AUTHORITY
BOARD MEETING**

Director Van Wingerden reported on the meeting of the Central Coast Water Authority Board she attended as alternate representative of the District on April 22, 2010.

**CCRB AND COMB
BOARD MEETINGS**

Director Lieberknecht presented an oral report about the Cachuma Conservation Release Board and Cachuma Operation and Maintenance Board meetings held on May 24, 2010.

**DIRECTOR VAN
WINGERDEN LEFT
THE BOARD ROOM**

Director Van Wingerden recused herself from participation in this agenda item as well as the others on the agenda related to Rancho Monte Alegre due to a potential conflict of interest.

**ASSIGNMENT OF
MEMORANDUM OF
UNDERSTANDING
BY AND AMONG
RMA PARTNERS VI
LLC, GARRISON
RANCHO LLC, AND
CVWD**

General Manager Hamilton called David Moson, a Managing Director with Garrison Investment Group, who joined the Board in discussion by speaker phone. Mr. Moson explained his company's financial standing and plans for Rancho Monte Alegre. Mr. Hamilton summarized his review of the consolidated financial statements of the Garrison Special Opportunities Fund LP and Subsidiaries, the lender for Rancho Monte Alegre, for the year ending December 31, 2009. He noted that net income exceeded \$41 million. He also noted an unfunded obligation in excess of \$9 million. Director Roberts expressed concerns about potential financial risks to the District should there be a reason to cancel the contract with Whittaker. Following additional discussion Director Drain moved and Director Lieberknecht seconded the motion to authorize execution of the Assignment of Understanding by and among RMA Partners VI LLC, Garrison Rancho LLC, and Carpinteria Valley Water District. The motion carried by a 4-0 vote. Director Van Wingerden was absent for the vote.

**TERMINATION OF
CAPITAL RESERVE
AND SECURITY
AGREEMENT BY
AND AMONG RMA
PARTNERS VI LLC,
GARRISON RANCHO
LLC AND CVWD**

Following discussion, Director Drain moved and Director Lieberknecht seconded the motion to authorize execution of the Termination of the Capital Reserve and Security Agreement by and among RMA Partners VI LLC, Garrison Loan Agency Services LLC, and Carpinteria Valley Water District. The motion carried by a 4-0 vote. Director Van Wingerden was absent for the vote.

**EXECUTION OF
CAPITAL RESERVE
AGREEMENT BY
AND AMONG
GARRISON LOAN
AGENCY SERVICES
LLC AND CVWD**

Following discussion, and a question posed by President Lemere about Director Roberts' willingness to support a higher deposit amount, Director Roberts urged that the Capital Reserve Agreement deposit be increased from \$1.5 million to \$2 million. Following additional discussion, Director Drain then moved and Director Lieberknecht seconded the motion to authorize execution of the Capital Reserve Agreement by and among Garrison Rancho LLC and Carpinteria Valley Water District, with a required deposit of \$2 million, subject to Garrison Rancho's final consent and deposit of \$2 million in the Capital Reserve Account. The motion carried by a 4-0 vote. Director Van Wingerden was absent for the vote.

EXECUTION OF AGREEMENT FOR CONSTRUCTION OF PHASE II WATER FACILITIES FOR RANCHO MONTE ALEGRE

Following discussion, Director Lieberknecht moved and Director Drain seconded the motion to authorize execution of the Agreement for Construction of Phase II Water Facilities by and between Carpinteria Valley Water District and owners of Rancho Monte Alegre, Garrison Rancho LLC. The motion carried by a 4-0 vote. Director Van Wingerden was absent for the vote.

WHITAKER CONTRACTORS, INC AGREEMENT FOR REACTIVATION OF CONTRACT

Following discussion, Director Roberts moved and Director Lieberknecht seconded the motion to approve the "Agreement for Reactivation of Contract" between the District and Whitaker Contractors, Inc. subject to the deposit of sufficient funds (\$2 million) in the Capital Reserve Account pursuant to the Capital Reserve Agreement between the Garrison Rancho LLC and the District. The motion carried by a 4-0 vote. Director Van Wingerden was absent for the vote.

DIRECTOR VAN WINGERDEN RETURNS

Director Van Wingerden returned to the Board room.

NOTICING FAILURE OF BOARD MEETING SCHEDULED FOR MAY 26, 2010

Mr. Hamilton provided a brief explanation of the District's failure to properly notice the Board meeting scheduled for May 26, 2010, and distributed a new checklist to be used by staff in the production of Board packets, agenda posting, publication and dissemination of Board packets.

RE-SCHEDULE OF PROP 218 RATES HEARING

Mr. Hamilton distributed copies of the paid ad notice appearing in the Coastal View News on June 3, 2010 about the continuation of the Proposition 218 public hearing about rates. Director Van Wingerden noted that the new meeting date was incorrect. It should have read June 9 instead July 9. Mr. Hamilton expressed dismay about yet another problem with noticing for the public hearing, originally scheduled for May 26, 2010. He informed the Board that he would respond to them about the appropriate course of action once he reviewed options with Counsel Manion.

CACHUMA MEMBER UNIT MANAGERS CACHUMA CONSERVATION RELEASE BOARD REORGANIZATION MEETING

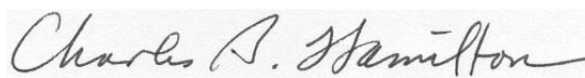
Mr. Hamilton reported briefly on the progress of Cachuma member unit manager discussions about CCRB Reorganization. He was encouraged by Director Drain to seek to eliminate an agency rather than create a new one as part of the Reorganization process. Having all the functions as currently performed under one organization would necessitate a change in the way the Santa Ynez ID#1 relates to CCRB and COMB.

NEXT MEETING

The next scheduled Board meeting will be a regular meeting held on June 9, 2010, at 5:30 p.m. in the Carpinteria City Hall Council Chamber, 5775 Carpinteria Avenue.

ADJOURNMENT

President Lemere declared the meeting adjourned at 6:30 p.m.


Charles B. Hamilton, General Manager/Secretary