

## NOTICE OF RATIFICATION ACTION

It has been brought to the Inscription Canyon Ranch Sanitary District Governing Board's attention that certain members of the public believe, in conjunction with the Sanitary District Board's decision to meet in special session on October 19, 2011, a possible violation of the open meeting law may have occurred when the Board voted to go into executive session for legal advice pursuant to A.R.S. §38-431.03(A)(3) and to give instruction to the District's attorneys pursuant to A.R.S. §38-431.03(A)(4) regarding:

1. Pending litigation with Harvard Investments et. al., Case #CV2010000036 and #P1300CV210-01855;
2. Pending litigation with Marvin L. Kaiser et. al., Case #P1300CV201100061;
3. A claim against the District by Alfred & Nancy Moss, Claim #AZSP210040024;
4. Possible MOU referencing the various pending business/service negotiations between Harvard and the District;
5. MDI Taxes & Accounting contract for billing and accounting services;
6. Act III Investments contract for consulting services;
7. Northern Arizona Websites contract for website design, hosting and maintenance services;
8. Robert Busch management contract;
9. Method for collecting overdue invoices for users fees;
10. Motion by Julianne C. Wheeler of Sacks Tierney, PA to withdraw as attorney of record for ICR Sanitary District in the consolidated damages action, Case #P1300CV2010000036; and
11. Discussion and possible action re: Motion by Harold Watkins of Aspey, Watkins & Diesel, P.L.L.C. to withdraw as attorney of record for the District in the consolidated damages action, Case #P1300CV2010000036.

It has been suggested that the Governing Board's decision to receive legal advice pursuant to A.R.S. §38-431.03(A)(3) and to give instructions to the District's attorneys pursuant to A.R.S. §38-431.03(A)(4) on the issue of possible resolution of the pending litigation and claims, and the prior board members' request for indemnity, and further, the subsequent action taken in public session thereafter relating to the same, may have violated the open meeting law by reason of the Governing Board's failure to include specific mention of the prior Board members' request for indemnification in the agenda for October 19, 2011, and when it gave directions to its legal counsel to proceed as recommended in executive session.

As a result, the Governing Board shall consider possible ratification of the vote to go into executive session for the purposes described above, and to consider ratification of the subsequent public action, authorizing legal counsel to take certain actions in conjunction with said litigation and the request for indemnification. Under Arizona law the Sanitary District Governing Board is required to provide a detailed statement of each item which is to be ratified and how the public may obtain all deliberations, consultations and decisions by the District Governing Board. This is done below.

1. Ratification of the Sanitary District Governing Board's Vote to go Into Executive Session.

During the meeting of October 19, 2011, the Board voted to go into executive session for legal advice pursuant to A.R.S. §38-431.03(A)(3) and to give instructions to the District's attorneys regarding the District's position regarding the contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation, pursuant to A.R.S. §38-431.03(A)(4), including the following:

1. Pending litigation with Harvard Investments et. al., Case #CV2010000036 and #P1300CV210-01855;
2. Pending litigation with Marvin L. Kaiser et. al., Case #P1300CV201100061;
3. A claim against the District by Alfred & Nancy Moss, Claim #AZSP210040024;
4. Possible MOU referencing the various pending business/service negotiations between Harvard and the District;
5. MDI Taxes & Accounting contract for billing and accounting services;
6. Act III Investments contract for consulting services;
7. Northern Arizona Websites contract for website design, hosting and maintenance services;
8. Robert Busch management contract;
9. Method for collecting overdue invoices for users fees;
10. Motion by Julianne C. Wheeler of Sacks Tierney, PA to withdraw as attorney of record for ICR Sanitary District in the consolidated damages action, Case #P1300CV2010000036; and
11. Discussion and possible action re: Motion by Harold Watkins of Aspey, Watkins & Diesel, P.L.L.C. to withdraw as attorney of record for the District in the consolidated damages action, Case #P1300CV2010000036.

During the executive session, the Board received legal advice and gave instructions to legal counsel in regard to the pending litigation with Harvard Investments, et. al., Case #CV2010000036 and #P1300CV210-01855, the pending litigation with Kaiser, et. al., Case

#P1300CV201100061; and the claim by Moss, Claim #AZSP210040024, including the possible resolution of the same, and as a part thereof, received legal advice and gave instructions to legal counsel in regard to the request made by the prior board members of the Inscription Canyon Ranch Sanitary District for indemnification as part of any such resolution.

While the discussion relating to the possible indemnification was an integral and permissible part of the discussion in regard to the overall possible resolution of the litigation with Harvard Investments, et. al., Case #CV2010000036 and #P1300CV210-01855; the pending litigation by Kaiser, et. al., Case #P1300CV201100061; and the claim by Moss, Claim #AZSP210040024, in response to the concerns raised by legal counsel for the prior board, the Governing Board will consider ratification of its decision to vote to go into executive session for the purposes set forth above.

2. Ratification of the Sanitary District Governing Board's Instruction to Legal Counsel.

During the special session of October 19, 2011, and after adjourning out of the above-referenced executive session, the Board reconvened into public session and gave instructions to its legal counsel, authorizing said legal counsel to proceed as recommended in conjunction with the possible resolution of the litigation with Harvard Investments, et. al., Case #CV2010000036 and #P1300CV210-01855, the pending litigation by Kaiser, et. al., Case #P1300CV201100061, and the claim by Moss, Claim #AZSP210040024, as set forth above, including instructions to legal counsel in regard to the request for indemnification made by the members of the prior governing board of the Sanitary District, as recommend by legal counsel in executive session.

As a result, the Governing Board of the Inscription Canyon Ranch Sanitary District will revisit these issues, and will consider ratification of the above-referenced items at its upcoming meeting on November 7, 2011 at 3:00 p.m.

Members of the public are advised that copies of the tapes and minutes of the public session of October 19, 2011 are available upon request. They may be obtained by contacting (928) 636-1725. In the alternative, a letter requesting that information may be sent to the following mailing address: P.O. Box 215, Chino Valley, Arizona 86323. In addition, draft minutes of the meeting of October 19, 2011 may be obtained on the District's website: [www.icrsd.net](http://www.icrsd.net).