

SHEEP CREEK WATER COMPANY
4200 Sunnyslope Road, Phelan, California 92371
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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN, that the Annual Meeting of the Shareholders of Sheep Creek Water Company, a California corporation, will be held at **Phelan Elementary School**, located at **4167 Phelan Road, Phelan, California**, on **May 19, 2018 at 10:00 a.m.**, local time, for the following purposes:

- I. Open Meeting
 - a.) Flag Salute & Invocation
 - b.) Introductions
 - 1.) Board Members
 - 2.) Past Board Members
 - 3.) Sheep Creek Water Company Staff
 - 4.) Proxy Committee

- II. Financial Update
 - a.) Approval of 2017 Financial Statement

- III. Old Business
 - a.) Approval of Annual Meeting Minutes of 2017
 - b.) System Update
 - c.) Well #11 Phase 1 Update- Secondary Source Project

- IV. New Business
 - a.) Information Only- Rates
 - b.) Well #11 Phase 2- Secondary Source Project

- V. Procedures for Voting
- VI. Election of Directors
- VII. Adjournment

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Dear Shareholders,

*Whether or not you plan to attend the
Annual Meeting*

*Please sign, and date the enclosed proxy form.
A return envelope has been provided for your
Convenience.*

Remember,

*If you attend the meeting on May 19, 2018,
You must be signed in before 10:00 A.M.
Or your vote will not be counted!*

We hope to see you there!

*You can also send the Proxy by
E-mail: sheepcreek@verizon.net or
Fax: (760) 868-2174*

NEW BUSSINESS ITEMS OF THE ANNUAL SHAREHOLDERS MEETING

Agenda item #1 Information Only- Rates: During the Board of Directors Regular Budget meeting in December 2017, the Board discussed the current rates.

The Board approved the following:

- The base rate will remain at the current \$55 per month.
- The allotment water rate will be set at \$0.50 per hundred cubic foot within your allotment all year.
- The overage charges will increase by 10%, current charge \$3.85 per hundred cubic foot over your allotment.
- The drought/electric sur-charge will remain until December 2018.
- The assessment for the Well #11 project will be set at once per year.

With the current rates, this will allow for the company to dramatically increase upgrades to the water system and also allow for additional well maintenance.

Agenda Item #2 Well #11 Phase 2 Project: Once Well #11 is drilled and test pumped, phase 2 of the project will begin. Phase 2 will consist of completing the 8" water main, well head pipe work from the well to the street, well pumping equipment, electrical to the property, associated electrical control equipment for the well, well housing, necessary property work, engineering for well and electrical design. Phase 2 project does not include additional water treatment options if needed.

The final cost for Phase 2 will be determined after the well has been test pumped to determine the quantity and quality of the water. The assessment for Phase 2 of the project will be \$25 per share per year. The company will need to borrow money to complete the project. The Board of Directors is determined to keeping the cost of the project as low as possible.

The Board of Directors is recommending that the Shareholders approve to complete Phase 2 along with the required assessments.