

**SHEEP CREEK WATER COMPANY
ANNUAL STOCKHOLDERS MEETING
MINUTES OF MAY 13, 2017**

Welcome All Shareholders and Guests, to the 2017 Annual Stockholders Meeting!

This year, the Annual Stockholders Meeting of May 13, 2017 was held at Phelan Elementary School. Much thanks and appreciation to the *Snowline School District!*

The meeting was called to order at 10:00 AM by Board President, *Andy Zody*. Mr. Zody informed everyone that the meeting was being recorded to insure the accuracy of the meeting minutes. The Board of Directors was notified that there was a quorum and the 2017 Stockholders Meeting of 2017 was now an official meeting.

Bob Howard led in the Flag Salute and also the Invocation. Mr. Zody asked for a moment of silence in remembrance of *Carolyn McNamara* and *Paula Vanleuven*, both long time shareholders with Sheep Creek Water Company and loved by all in the tri community.

Introductions

Current Board Present –

Andy Zody, Bob Howard, David Nilsen, Luanne Uhl and Kellie Williams

Staff Present

Chris Cummings – General Manager / Mike Siaz – Field Supervisor

Joseph Tapia – Water Quality Technician / Paul Pollard – Field Technician

April Chaplin – Accounts Payable / Sandi Moseley – Accounts Receivable

Mr. Zody recognized *Chris Cummings, Mike Siaz* and *April Chaplin* for 20 years of employment with Sheep Creek Water Company.

Past Board Members Present – Bob English, Jim Watson and Villy Jorgenson were respectfully recognized.

Proxy Committee – A special “Thank You!” to *Joanna Spainhower* and *Donna Drover* for all your help this year on the committee.

Attorney – Ernie Riffenburgh of Gresham Savage & Nolan was also introduced as the Company’s long time standing, attorney.

Financial Update – Shareholder *Bob English* questioned the Board on the Shareholder loans. The Board explained that the Shareholders loan money to the Sheep Creek Water Company at a lower interest rate than the banks loan to Sheep Creek. The Shareholders approved this several years ago.

Shareholder Mr. Davis asked how many meters are accounted for the total water sales of the year 2016. Andy Zody answered “Between 1155 to 1165” active meters. Mr. Davis asked how much of it was residential and how much of it was the businesses or school district. Mr. Zody explained that there are thirteen active meters with the school district. Most of the sales are from residential use.

Mr. Zody entertained a motion to accept the 2016 Financial Statement as presented. Shareholder *Jim Watson* moved to accept the 2016 Financial Statement as presented. Shareholder *Maryanne Wolf* seconded the motion. Motion carried.

Old Business

Annual Meeting Minutes 2016 – Mr. Zody entertained a motion to accept the 2016 Annual Meeting Minutes as presented. *David Nilsen* moved to approve of the 2016 Annual Meeting Minutes as presented. *Jim Watson* seconded the motion. Motion carried.

System Update – Tunnel production is at 150 gallons per minute. Although there was some snow this winter, there has been no significant recharge in the canyons at this time. The Board is still asking its water users to conserve. The allotment will drop to 350 cubic feet per, after the first share of 1000 cubic feet.

A question was asked pertaining to the overage charges and the allotment being lowered. Mr. Zody explained that because of the drought, Sheep Creek has had to lower the allotment in order to get customers to cut back on usage. The Board wants to be able to change the allotment as discussed.

Production –	2017	2016	2015	
Tunnel	148	174	203	GPM
Well 2A	50	559	573	GPM
Well 3A	225	530	678	GPM
Well 4A	253	556	759	GPM
Well 5	350	463	537	GPM
Well 8	345	438	460	GPM

Storage – (Gallons)

Tank 2 – 428,000	Tank 3 – 210,000	Tank 4 – 428,000
Tank 5 – 141,000	Tank 6 – 912,000	Tank 7 – 1,000,000
Tank 8 – 3,000,000		

Over the past five years, at separate times, the Sheep Creek Water Company was able to provide to the Phelan Pinon Hills Community Service District (CSD), 2.10 million gallons of water when they asked us for help. They in return provided the Sheep Creek Water Company with 4.6 million gallons of water last August & September 2016. Sheep Creek currently owes the CSD 2.5 million gallons of water.

Antelope Valley Litigation Update – Mr. Riffenburgh reported that other water companies are still in an appeal process with the Antelope Valley Litigation. Thankfully, Sheep Creek is not. Sheep Creek attorneys will still be monitoring the case, with little or no cost to the company.

New Business

Emergency canyon Line Replacement – Mr. Nilsen explained that an emergency decision had to be made by the Board, in order to replace 3,000 feet of main line in the canyon. The line kept breaking and was not reliable. The final decision was made when the company was told that the area where our water line is, was going to be paved. The Board is asking the Shareholders to consider keeping the existing service charges on the water bills to pay for this new line.

By-Law Amendment

“The water of the company available for delivery shall be deemed apportioned among the shares so that during the given period of time each share shall be entitled to receive the same amount of water as every other share: provided, however, if any consumer fails to draw the full amount apportioned to the share furnishing the service of that consumer, the right to any apportioned water not drawn shall be waived and any such water may be taken by the consumers, subject always to payment of tolls and the rules for the good faith and by a vote of majority of its membership, shall have the authority to adjust water allocation per share to provide for up to twice the allocation for a Shareholder's first share as for each of a Shareholders other shares until such time as the severe water supply decrease shall have subsided. “

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A hand vote was called to vote to change ‘**twice the allocation to five times the allocation**’. The vote was 12 to 4, changing the wording on the By-Law Amendment from *twice* the allocation to *five times* the allocation.

Kellie Williams moved to accept the changes made to the By Law-Amendment 8.08, as presented. David Nilsen seconded the motion. Motion carried.

This motion will give the Board of Directors, flexibility, through approval of the Shareholders.

Allotment Schedule: Information Only

Stage 1 – 1,350 CF per share / Normal operating conditions, all sources are operating under normal safe production and water levels. Safe production yield in excess of 3,000 gallons per minute.

Stage 2 – 1,000 CF per share / Static water levels are showing signs of decline along with a decline in the safe production. Safe production yield droppings to 2,600 gallons per minute

Stage 3 – 750 CF per share / Static water levels are showing higher signs of decline along with significant decline in the safe production. Safe production yield dropping below 1,500 gallons per minute.

Stage 4 – 500 CF per share / Static water levels are showing higher signs of decline along with significant decline in the safe production. Safe production yield dropping below 1,000 gallons per minute.

Tiered Water Allotment Schedule

Stage 5 – 1,000 CF for the first share, 750 CF for the remaining shares

Static water levels are showing higher signs of decline along with significant decline in the safe production. Safe production yield dropping below 2,000 gallons per minute.

Stage 6 – 1,000 CF for the first share, 500 CF for the remaining shares

Static water levels are showing higher signs of decline along with significant decline in the safe production. Safe production yield dropping below 1,500 gallons per minute.

Stage 7 – 1,000 CF for the first share, 350 CF for the remaining shares

Static water levels are showing higher signs of decline along with significant decline in the safe production. Safe production yield dropping below 1,000 gallons per minute.

Stage 8 – 750 CF for the first share, 350 CF for the remaining shares

Static water levels are showing higher signs of decline along with significant decline in the safe production. Safe production yield dropping below 1,000 gallons per minute.

Secondary Source – New Well #11

The Board recommends Assessments to pay for this project. Mr. Nilsen explained that a couple of years ago, the state of California changed the chromium 6 requirements from 50 parts per billion down to 10 parts per billion. Our well in Antelope Valley tested at 13 parts per billion. People in the community are very concerned about chromium 6. We would have to blend the water, but at this time we do not have the pipeline to transport the water to our office to blend the water.

Mr. Nilsen shared that the company wants to drill a test hole on a piece of property on the north side of Smoke Tree Road. We will drill the pilot hole and test the water. There is chance that there may not be water at this property. If there is potable water there, we will only use it when absolutely necessary. The company with the help of California Rural Water Association has submitted an

application for Prop 1 grant funding through the State of California. Mr. Nilsen shared that the Board of Directors all agree that this secondary source is a viable option at the current time. We are asking for a vote to go forward with the secondary source project. If the company does not receive any grants, the company will have to assess the Shareholders. It may be approximately \$30.00 per share, twice a year. Mr. English asked if the company owned the property. Mr. Nilsen reported that the company has made an agreement with the owner, which would not require the company to purchase the property unless there is water. If there is water, then we have a price already negotiated. If there is not water, the Board has agreed to place a water meter on the property. The property is close to our water lines, which will bring any line extension to be met at a minimal cost.

Shareholder Mark Roberts said he liked the 'game plan', but asked if there was any consideration as to divesting the property in L. A. County, since it's been such a problem. Mr. Nilsen explained that the litigation has been paid. It was expensive but paid. They have already given us permission to pull water from it, as long as we replace it. There wouldn't be any advantage to bail out on the project after so much money has been put into it. Mr. Howard added that there has been too much money already invested into the property to even consider getting rid of it.

The Board encouraged the people to come to the water board meetings that are held every month.

Procedures For Voting – Mr. Riffenburgh went over the Official Ballot, with emphasis on signing and filling out the voter information on the front page.

Shareholder Jim Watson moved to keep the present Board of Directors. Shareholder Joe Wolfe seconded the motion. Andy Zody asked if there were any other nominations for the Board of Directors at this time. No other nominations were presented. Andy Zody moved to close the nominations. David Nilsen seconded the motion. Andy Zody made a motion to keep the current Board of Directors for the year 2017 through 2018. Motion carried by voice vote.

While the ballots were being passed around, Mr. Howard introduced a company from Oakland, California that claims that their devices can help remove chromium 6. Everyone was welcomed to stay and listen to the presentation.

Voting Results:

Emergency Canyon Line Replacement – To continue current water rates for repayment of loan for Canyon Line Replacement. **Passed- YES 3,713 / NO 5**

By-Law Amendment 8.08 – Allow the Board to change allotment for first share, and change wording in the by-law amendment from *twice* the allotment to, *five times* the allotment. **Passed- YES 3,642 / NO 66**

Secondary Source – New Well #11, loan to be paid by assessments. **Passed- YES 3,142 / NO 571**

Respectfully Submitted,



David Nilsen

*Board of Directors – Secretary/Treasurer
Sheep Creek Water Company*