

CEDARPINES PARK MUTUAL WATER COMPANY  
REVIEW OF THE ANNUAL SHAREHOLDERS MEETING OF  
JULY 30, 1988

The annual shareholders meeting of the Cedarpines Park Mutual Water Company was called to order by M Clark Fisher, President of the Board of Directors, at 1:30 P.M. on July 30, 1988, at the Valley of Enchantment Elementary School, located at 22836 Fir Lane, Crestline, CA.

Present were Board members M. Clark Fisher, Tom Sutton, Walter Kunsek, Gary Remmers, and Terri Jiminez. Also present were General Manager Perry Dahlstrom, Office Manager Lois Barker, Assistant Secretary Frances Forth, Engineer Fred Hanson, Attorney Mike Riddell, and special guest Norm Hunt from the Crestline Village County Water District.

President Fisher announced that the fifty percent quorum requirement would require 2,116 shares to be represented at the meeting, either by shareholders or by others holding proxies for shareholders, and he asked the Secretary of the Board to count the number of shares represented either in person or by proxy. Following the count, President Fisher announced that there were an insufficient number of shares represented to conduct a shareholders meeting, and therefore, that those in attendance would not be in a position to take formal action as shareholders. However, he offered to proceed with the agenda for the benefit of those in attendance, and he requested that minutes be kept even though there were an insufficient number of shares represented to conduct a shareholders meeting.

General Manager Perry Dahlstrom began the presentation by reporting the operations of the Company during fiscal year 1987-1988. Mr. Dahlstrom reported that the Company had served 24,448,762 gallons of water from May 1987 through April 1988 to a total of 697 metered customers. Mr. Dahlstrom also reported that an additional 11 shares, net, had been issued by the Company. He stated that the State Health Department had mandated expenditures of no less than \$130,000 each year for water system improvements, which had required a \$50 per share assessment. Mr. Dahlstrom stated that new lines had been installed on Sandhill, Triangle Nook, Fern Canyon, and a main extension in Crestforest Drive. He said that a total of 2,615 feet of 6-inch line had been installed during the summer, and also 700 feet of 8-inch line. Mr. Dahlstrom added that as of the date of meeting, approximately \$92,000 had been spent on system improvements as mandated by the State Health Department, and he projected that a total of approximately \$140,000 would be spent during 1988. Mr. Dahlstrom reviewed the three year plan for system improvements, which would next require the refurbishing and recoating of reservoirs. President Fisher added that by spreading share assessments over the entire year, the Company was suffering a cash flow problem which would be corrected in time.

Several shareholders in attendance voiced objections as to poor water quality and exposed facilities. In response, Mr. Dahlstrom stated that the Company simply could not fix all of the problems all at the same time, but he noted that a program was under way to ultimately solve all of those problems.

President Fisher reminded the shareholders that at the previous annual meeting, those in attendance had supported the concept of dissolving the Company and transferring the water system to the Crestline Village County Water District for future operation and maintenance. He asked Attorney Riddell to outline the proposal that had been developed in response to the shareholders response. Attorney Riddell explained that several options had been considered for financing the necessary system improvements, and that an assessment engineer had been engaged by the Company to propose a financing program. Attorney Riddell explained that after much discussion and thought, the program being considered would involve the following steps:

1. Annexation to Crestline Village County Water District pursuant to an agreement between the Company and the District. Mr. Riddell stated that the District's Board of Directors would adopt a resolution initiating the annexation. Then, the Local Agency Formation Commission of San Bernardino County would conduct a hearing and, presumably, adopt a resolution approving the annexation, possibly conditional upon an election. Next, the District's Board of Directors would conduct a protest hearing and abandon the proceedings if there were wither a fifty percent landowner protest or a fifty percent voter protest, or would order the annexation subject to an election if there were a twenty-five percent voter protest.


2. Following annexation, the District would form an assessment district to finance the purchase of the Company's assets as well as the improvement of the water system. Attorney Riddell advised that a hearing would be conducted to consider assessments to finance preliminary assessment district engineering, and thereafter an additional hearing would be conducted to consider assessments to finance the purchase of the assets and the system improvements. He stated that bonds would be sold to finance the purchase of the assets and the system improvements, and that assessments would be imposed annually thereafter, for perhaps fifteen or twenty years, to service the bonded debt. He also advised that a different procedure would be utilized if a Mello-Roos Community Facilities District were formed instead of an assessment district.

3. The next step, according to Attorney Riddell, would be to sell the water system and other company assets to the District. He stated that the purchase price might be based upon book value or some other agreed value. He stated that the terms of sale would provide for conveyance of the water system and other tangible assets of the Company, and also the hiring of existing Company employees. Thereafter, the water system would be owned and operated by the District, and the Company's customers would become customers of the District.

4. The final step, according to Attorney Riddell, would be to wind up and dissolve the mutual corporation, distributing cash to shareholders in proportion to each share owned. He stated that dissolution of the corporation would require fifty percent shareholder approval.

A number of questions followed regarding various aspects of the proposed transaction including the procedural steps to be taken, the required shareholder approval, and how a quorum of the shareholders could be secured. The Board, staff, professional consultants, and Mr. Hunt all attempted to answer the questions as asked, and stressed that additional steps would be required, including several hearings and additional shareholder consent.

Once all of the questions had been asked and answered, President Fisher thanked those in attendance for staying even though a shareholders business meeting could not be conducted, and he concluded the meeting at 3:30 P.M.



Secretary