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by Bd
5/15/92*

MINUTES OF THE ANNUAL MEETING
OF THE SHAREHOLDERS OF
CEDARPINES PARK MUTUAL WATER COMPANY

July 28, 1990

The annual meeting of the shareholders of Cedarpines Park Mutual Water Company was called to order by Terri Jiminez, President of the Board of Directors, at 1:30 p.m. at the Valley of Enchantment Elementary School. Director Clark Fisher led the assembly in the pledge of allegiance, and President Jiminez thanked all present for coming to the meeting. President Jiminez also introduced the other members of the Board and the staff who were present, including:

Gary Remmers, Vice President
Paul Brumfield, Director
Gregg Rice, Director
Perry Dahlstrom, General Manager
Lois Barker, Office Manager
Frances Forth, Assistant Secretary
Mike Riddell, Attorney.

Ms. Jiminez also introduced Norm Hunt and Karl Drew, General Manager and Superintendent of Crestline Village County Water District.

While Lois Barker and Frances Forth tallied the number of shares represented either in person or by proxy at the meeting, President Jiminez reported that the Company had 722 metered services within its service area, and that the customers used a total of 25,655,024 gallons of water from May, 1989, through April, 1990. She also reported that the Company had 4,272 shares outstanding, which was 9 shares fewer than the previous year. Vice President Gary Remmers read the minutes of the annual shareholders meeting for 1989.

President Jiminez stated that she would soon be departing from the Board, and took the opportunity to provide her observations regarding her three years of service on the Board. She indicated that the Board had also welcomed new Directors Paul Brumfield and Gregg Rice, who had brought some different viewpoints to the Board. She also asked Attorney Riddell to review the handouts consisting of the Plan of Annexation and Dissolution as well as the form of written ballot for the shareholders to vote upon the issue of dissolving the Company and transferring the water system to Crestline Village County Water District. Attorney Riddell reviewed those handouts for the benefit of those present.

Upon conclusion of his review, President Jiminez reported that fewer than 50% of the outstanding shares were represented either in person or by proxy at the meeting, and therefore that the quorum requirement had not been satisfied. However, she stated that the program would proceed for the benefit of those who had arrived for the meeting.

Several questions ensued regarding the 50% quorum requirement, previous efforts to lower the quorum requirement, and what might be required to accomplish it legally. Attorney Riddell explained that the bylaws had been amended to impose a requirement for 100% approval in order to reduce the quorum to less than 50% of the outstanding shares. However, he stated that if the shareholders determined, by ballot, that they do not wish to proceed with dissolution of the Company and conveyance of the assets to Crestline Village County Water District, then the Company will simply have to take whatever steps are legally required in order to reduce the quorum requirement to less than 50% so that quorums can be achieved for subsequent shareholder meetings. President Jiminez reported that the delay in proceeding with the shareholder vote to dissolve the Company and convey the assets had resulted from the addition of the new Directors, who

had expressed opposition to that proposal and had requested an opportunity to present their opposing views to the other shareholders.

In response to other questions, General Manager Dahlstrom reported upon the quantity of new pipe that had been installed during the preceding year, what the anticipated expense would be for recoating the tanks, and the procedure for determining which existing water mains would be replaced by the Company. Mr. Dahlstrom also explained that the spacing of fire hydrants depends, in large part, upon the recommendations of the local fire department.

Commenting upon the straw ballot conducted by the Board on the proposal to dissolve the Company and annex to Crestline Village County Water District, Director Brumfield reported that of the 54% responding, 26% voted in favor of annexing to CVCWD, 24% voted in favor of remaining a mutual water company, and 4% voted in favor of becoming a community services district. In response to questions, Director Fisher further explained that the reason for proposing relinquishment of Company shares without compensation was to minimize expenses for the water users, so that their water rates would not have to be increased in order to cover the purchase price of those shares. Director Rice acknowledged that as a new Director, he was in part responsible for the delay in proceeding with the proposal to annex to CVCWD, and indicated that he wanted to make sure that all of the shareholders fully understood the specifics of the various proposals.

In response to questions as to what CVCWD stood to gain from that acquisition, Norm Hunt responded that: (a) as a public agency, his District has responsibility for serving those customers who request service from the District, including the shareholders of CVCWD, upon request; and (b) if the service area of the Company is added to the District, the District's overhead

can be spread among more customers, producing certain economies of scale. In response to other questions, Mr. Hunt also stated that his District disfavored a restriction that would forever prevent any of the water in Cedarpines Park from being used outside of that service area because it would hamstring future operations and might be contrary to sound management. He also noted that his District was also in the process of annexing Stewart Ranch, and that the flow of water between Stewart Ranch and Cedarpines Park might prove to be a sound operational practice. Mr. Hunt also stated that his District was being operated as two divisions, with a uniform water rate within each division. He stated that his District would operate the Cedarpines Park area as a third division, self-contained, and that an effort would be made to keep the water rate within the Cedarpines Park division in line with the water rates in the other two divisions, to the extent possible. Mr. Hunt further explained that if the annexation proceeds, outstanding shares in the Company would simply be canceled, and instead of assessments on those shares, the District would likely impose standby charges on the property. A lengthy discussion of the benefits and detriments of paying a purchase price for those shares then followed.

President Jiminez then requested any additional comments from the Board. Director Fisher stated that if the Company had been established originally as a District, the property owners would have invested the same amount of money for the water system without any cash back upon conveyance of the system to CVCWD. He stated that the transaction should be viewed simply as a change in service responsibility from the Company to the District. Furthermore, he added that production from local wells in the Cedarpines Park area was way down, and that the Company was relying primarily on imported water from the Crestline-Lake Arrowhead Water Agency. Therefore, he stated that the Company does not have the "pure mountain spring water" that everyone seems so worried about protecting. Finally, he stated that nothing would prevent Crestline Village County Water

District from drilling a production well in the Cedarpines Park area in any event. Director Rice added that CVCWD would not have the right to adversely affect the operation of the Company's system, following conveyance. And with respect to the issue of compensation for shares, Director Rice expressed his opinion that he would not want to be charged by the District for the purpose of raising money, only to get that money back when his shares are redeemed.

The questions and answers having been exhausted, and there being no other business to discuss, the meeting was adjourned at 3:45 p.m.

Secretary