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*MINUTES OF THE ANNUAL MEETING
OF THE SHAREHOLDERS
OF THE CEDARPINES PARK MUTUAL WATER COMPANY
July 31, 2004
1:30 pm*

The Annual Meeting of the Shareholders of the Cedarpines Park Mutual Water Company was held in the Community Center at Cedarpines Park, California. Thirty two shareholders were present.

President Rob Fawley called the meeting to order. President Fawley welcomed the shareholders and thanked them for showing their interest in the company by attending the meeting.

President Fawley introduced himself, the directors (Bob Friedman, Bill Steiner and Pat Morrissey), and employee Terry Mabile, office manager.

President Fawley announced the shareholder and proxy count was 614 shares with 2126 shares needed for a quorum. No shareholder business could be conducted, but a shareholder's meeting could be held.

President Fawley presented the Financial Audit of the company, which was explained by office manager, Mabile.

Director Friedman explained the problem of the 50% + 1 of the outstanding shares quorum requirement. The 20% quorum requirement, citing two letter opinions given the company by the law firm of Best, Best and Krieger. In these letters to the company dated July 26, 1984 and October 9, 2002, it was stated that the 20% quorum requirement under which the company operated for some years, was an action contrary to the by-laws of the corporation and therefore was not enforceable. The letters further explained that it would be costly and disruptive to change the by-laws and Director Friedman noted that when a major issue (merger of this company with Crestline Water) arose, the quorum requirement was met.

President Fawley announced that Director and Secretary Frank DeCicco, had resigned and that this created a vacancy on the board. Applications for the vacant seat on the board were available and the time to file for the position would end September 1, 2004.

President Fawley, reading from the engineering report, stated the service area to be 805 acres with 745 water meters and approximately one half of these residences occupied year round. The company has twenty wells producing approximately forty-one gallons per minute and the remainder of our water usage is purchased from Crestline Lake Arrowhead Water Authority (CLAWA). There is sufficient water to service customers and fulfill projected population increase to 1040 meters in the year 2024. The system, as upgraded, with proper maintenance,

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has approximately ten to fifteen years useful life for the mechanical/electrical components and plus or minus seventy five years useful life for the pipelines and reservoirs. The customer cost of six cents per cubic foot is the result of a temporary increase due to the current drought, resulting in the increased purchase from CLAWA of approximately eighty thousand dollars per year from thirty thousand dollars per year. The rate of six cents per cubic foot is the highest on the mountain, but other agencies on the mountain use a sliding scale based on consumption. Taking this into consideration, this company's rate is not excessive.

Director Friedman commended President Fawley and former Director DeCicco for their work during the Old Fire in keeping our system up and running. President Fawley commented that the firefighters stayed in Cedarpines Park only because we had water available at the hydrants.

The company has no pending legal actions.

After a question and answer period, President Fawley adjourned the meeting.

Bill Steiner
Acting Secretary for the Board