

SIERRA PARK WATER COMPANY, INC.

Annual Shareholder Meeting Minutes May 25, 2014

Registration: Shareholder registration began at 9:00 and continued until 10:10.

Call to Order: The annual meeting was called to order by Kirk Knudsen, President at 10:40.

Pledge of Allegiance: Everyone stood and joined in the Pledge of Allegiance.

Invocation: Ray Coyle led the invocation.

President's Welcome: President Knudsen welcomed everyone and introduced the Board of Directors.

History: Michael Lechner, Vice President, provided history regarding the Sierra Park governance dating back to its origination with the Odd Fellows, and then brought everyone up-to-date with the formation of the Sierra Park Water Company Inc. (SPWC) and the Sierra Park Services Corporation (SPSC).

President's Message: Kirk Knudsen, President

The past year has been one of challenges and new opportunities. An operating license and temporary permit have been issued. The SPWC spent \$50,000 in repairs to our system over the past year. To meet current standards, new fire hydrants are needed, and all property owners will be required by State law to have water meters by 2025.

There have been 41 residents who failed to pay their annual bills. The Board has made the decision to hold off on immediate action against those property owners. The Odd Fellows Sierra Recreation Association (OFSRA) has an ongoing lawsuit against property owners who have not paid in the past. Once that is settled we will pursue those who did not pay this year. We will use the outcome of that lawsuit to guide us in pursuing those who have not met their obligations to the SPWC, rather than duplicate efforts and expense of the OFSRA.

The last year brought a major drought. The SPWC monitored the aquifer that provides our water and found that our water supply appears to be stable. The State of California was notified of those test results. Those results have left us in a better position than others near us such as TUD. Preliminary reports state they (TUD) may go dry in July or August. We must all still conserve our water.

The Board will look into grants to assist us with funding capital improvements when appropriate. A question was asked about how we knew our water source was in good shape. President Knudsen stated that tests are conducted which give us the results. A question was asked regarding who else (besides the caretaker) is capable of assisting with the water and what his qualifications are. The Board has retained Don Nessler. Don has a great deal of experience and has a higher classification/license than the caretaker does.

Director Reports:

Vice President - Michael Lechner reviewed the voting procedures for the meeting.

Secretary - Wanda Lenhardt reported that we had a quorum, as there are 179 active shareholders and there were 106 represented at the meeting either in person or by proxy. Over the past year 183 shares of stock were sold. Four of those shares were made inactive due to property merges and property sales. Nine newsletters have been prepared and distributed. Susie Lechner was acknowledged and thanked for her contribution in helping to put the newsletters together. Wanda's family was also acknowledged and thanked for their assistance with assembling and distributing the newsletters.

Human Resources - Heidi Ordwein. Extra personnel were hired or contracted to handle tasks while the Caretaker was on disability. Items such as snow removal, culvert cleaning and flushing, and snow stake placement were done. Water testing was handled by licensed personnel from Aqua Labs so as to comply with California Department of Public Health requirements. Volunteers also stepped forward to help where needed and their help was much appreciated.

A question was raised regarding why the caretaker worked for the Water Company instead of the Services Corporation. There are two main reasons for this: we save money and simplify accounting by sharing a single

employee between the two companies, and since the caretaker holds a D1 operator license it made more sense for him to be employed by the SPWC.

Capital Improvements - Bill Ordwein. Some parts of our systems are over 50 years old. Because it is very important to plan for the future of the Park, an eleven-year plan has been developed with some specific goals in mind. State law mandates that all property owners must have water meters by the year 2025. The fire hydrant system has to be updated and a number of larger hydrants will be added, triggering the need for some larger pipes.

The Park's water system needs to be renovated so that a repair in one area does not require half the system to be shut down, as currently happens. Plans have been made to change that with an Isolation Project. The Park will be divided into sections with eight new mains. This will reduce the number of customers impacted when work is required. This project is scheduled to begin this year in the west side of the Park.

Standpipes are spread throughout the Park for fire suppression. They do not all drain adequately and some need to be replaced. This needs to be done in stages. There will be four days of impact to the park for this process this year. We will shut off one side of the park and replace a valve. As the process progresses smaller areas will be impacted by the work. Some new hydrants will also need to be installed.

This year Step One of Phase One will be completed. Next year Step Two of Phase One will be accomplished. Again, this is an 11-year plan and won't happen in one year. We have to improve the flow rate of water into the fire standpipes. To accomplish this we have to move from 4 to 8 inch lines. This will be very expensive. Efforts are being made to look into ways to reduce the cost. Grant opportunities will be explored and cost-saving installation procedures are being evaluated. For instance, it would be less costly to put new pipe underground along the meadow than to remove and replace sections of the road to install and replace old pipe. Once installed, the meadow will return to how it looks now.

In 2025 water meters will have to be installed and we will have to provide a way for those meters to tie into our water system. The expense for these improvements will be spread over the next eleven years. Phillip Barthman asked if an email system could be developed to notify everyone of emergency shutdowns. The board is looking into an emergency well monitoring system that would assist in an emergency. Bill further stated that as we replace antiquated parts of the system there should be fewer emergency shut offs.

A question was asked regarding how much of the work was going to be hired out versus handled by the Park's employees. Bill replied that the work requires expertise beyond the capacity of the Park caretaker or Aqua Labs. The overall work will require the specialized knowledge of multiple engineers. A question was asked regarding whether the new fire hydrants will work on both four and six inch lines. The new hydrants will not work where the six-inch lines are needed, but they will not be wasted. They will be in a different places within the Park and still functional. The fire suppression improvements will happen from 2016 to 2024. We have more than eighty standpipes and we will only be replacing eight of them for right now. Another question was raised regarding whether records would be kept of where the pipes and new standpipes were located. Records will be kept. A concern was voiced regarding whether someone would be overseeing the entire project since there will be multiple engineers involved. There will be overall supervision. The new system will consist of both six and eight inch lines.

Elsie Manning said that her dad was a plumbing inspector for the City of Modesto. He did not think the original system would last when they put the first pipe in the ground and watched as it was covered up. She stated that she appreciated what has been done: "It's a marvelous situation."

Treasurer - Bill Ordwein: Forty-one property owners have only partially paid or not paid their bills. There were things that could not be done this year because the money did not come in. Those 41 unpaid or underpaid accounts equaled approximately 10% of the total budget. We had to prioritize what to spend the money on. We will pursue unpaid accounts at a later time. We couldn't get started on our capital improvements this year due to the lack of funding. We still have water tower improvements/tank improvements that need to be made.

Bill reviewed the 2013/2014 Financial Statements, which were compared to the proposed 2014/2015 Budget. Budget categories were revised this year, changing how the budget is tracked. We do not anticipate high legal fees and we won't have some other previous expenses and fees as well. That money will go into reserves. A question was raised about why undeveloped lots had an increase of \$12 this year when the developed lots did not. Bill explained that the increase occurred because the formula itself was adjusted and the fixed costs were a little higher this year. Undeveloped lots share in the "fixed costs," while developed lots pay for the actual cost of pumping and using the water. A question was raised regarding what we own and what we lease. We own the distribution pipes and SPSC owns the land.

Voting on the Budget: Prior to calling for the official vote, President Knudsen requested a preliminary show of hands for those in support of the proposed 2014/2015 budget. A wide majority of hands were raised. The official vote on the budget was then taken; ballots were marked and submitted. The inspectors of the election counted the ballots.

Election of Board of Directors: Everyone was instructed regarding how to cast their votes for the members of the Board of Directors. Ballots were marked and collected.

Adjournment: President Knudsen said that the results of the election would be made known during the Sierra Park Services Corporation Annual Meeting.

The meeting was adjourned at 11:55 a.m.

ELECTION RESULTS:

The 2014/2015 Annual Budget was passed with 100 votes approving it, 3 votes cast against and 3 abstaining.

The following board members were voted in with the following amount of votes:

- Kirk Knudsen 100 votes
- Michael Lechner 99 votes
- Heidi Ordwein 100
- Bill Ordwein 99
- Wanda Lenhardt 100