

SHEEP CREEK WATER COMPANY
Annual Stockholders Meeting
Minutes of May 14, 2022

This year, the Annual Stockholders Meeting of May 14, 2022, was held at Pinon Mesa Middle School, located at 9298 Sheep Creek Road, Phelan, California. The meeting was called to order at 10:00am. At 10:20am the Proxy Committee notified the Board of Directors that a Quorum had been reached. Shareholder Bob Howard led in the Pledge of Allegiance. Director David Nilsen led in the Invocation.

Introductions:

Current Board Present: Andy Zody, Kellie Williams, Luanne Uhl and David Nilsen

Past Board Members Present: Jim Watson, Bob English, Bob Howard & Lora Steinmann

Current Staff Present: General Manager Joseph Tapia / Assistant Therese Rodriguez

Field Staff: Field Supervisor Michael Siaz / Water Technician Paul Pollard

Office Staff: Accounts Payable April Chaplin / Accounts Receivable Dorothy Zody

Proxy Committee: Donna Drover, April Chaplin, Dorothy Zody and Therese Rodriguez

Consolidation Committee: David Nilsen, Kellie Williams, and Donald Fish

Andy also thanked our Company Attorney Ernest Riffenburgh of Fennemore Law, and the Company Accountant, Jean Cummings of Cummings CPA.

Financial Update:

Approval of the 2019, 2020 & 2021 Financial Statements

Shareholder Mazie Parker moved to accept the 2019, 2020, & 2021 Financial Statements as presented. Shareholder Jim Watson seconded the motion. Motion carried

Old Business:

- a) Approval of Annual Meeting Minutes of 2019 & 2021
Bob Howard moved to accept the Annual Meeting Minutes of 2019 & 2021. Jim Watson seconded the motion. Motion carried.
- b) System Update
- c) SWRCB Compliance Order Update
- d) Source Capacity Project Update

New Business:

Consolidation of Sheep Creek Water Company with Phelan Pinon Hills Community Service

The sale will be at fair market appraised at \$13,030,000
SCWC Customer rates to be the same as PPHCSD Customers
Current SCWC customer will not pay connection fees to PPHCSD
SCWC staff will be integrated with PPHCSD

Source Capacity Project Loan Repayment – Contingent on Consolidation

Water Meter fees for Tier 1 and Tier 2, rates will remain the same.
Tier 3 will increase by \$2.00

Open Forum/Public Comment

Community Member Pastor Eric York asked if the Phelan Pinon Hills Community Service District wants to merge with Sheep Creek Water. Is it to Sheep Creek's advantage? David Nilsen explained, in his opinion, that "yes, it would be to our (SCWC) advantage to if the CSD can get the grant. If they do not receive a grant, then it won't be to the advantage of our Shareholders.

Mr. Zody explained that we have the properties for drilling, along with the CEQA studies. Sheep Creek has been preparing to drill wells in order have the moratorium lifted but we were again approached by the CSD to consolidate. We have been into it for about two years now and we still do not have an agreement. When we know anything, we will call a Special Meeting for the Shareholder's to vote on whether to consolidate or not.

Mr. Nilsen explained that most of the CSD's production well water comes from the El Mirage Basin. Sheep Creek has water rights in the El Mirage Basin, up to 3000 acre feet. It was an adjudicated water right in 1931. The State of California has had two legal firms look at our water right and has determined to be one of the better water rights in the state. It is a very valuable commodity within the Mojave Water Agency.

Community member Mr. Robert Righetti explained that he works for an engineering firm that consults for a lot of water companies. He went on to say "*Sheep Creek Water Company is one of the better managed and controlled private water companies that I have ever seen. People talk about the grant money being free money, but it is not free money. If Sheep Creek is thinking about consolidation, you, as the Shareholder, will be basically giving up a lot. The more you give up, the smaller your voice gets. The smaller you are, the less they listen. There are other big factors that are not being talked about today.*"

Shareholder Paul Orban commented, "*If we give up our rights of Sheep Creek Water then we give up our rights to the government. I have never know the government to take control over anything and do a better job.*"

Procedures for Voting

Mr. Riffenburgh instructed everyone on how to vote. The voters will be voting for the present Board, Andy Zody, David Nilsen, Kellie Williams, and Luanne Uhl, and a new member for the Board of Directors.

Nominations for the Board of Directors

Shareholder Jim Watson nominated the current Board of Directors for the 2022 – 2023 year.
Shareholder Lora Steinmann nominated Bob Howard for 2022-2023 Board of Directors.
Directors Kellie Williams nominated Pastor Eric York for 2022-2023 Board of Directors.
Shareholder Lisa Tovar nominated Brett Randolph for 2022 – 2023 Board of Directors.
Shareholder Jim Watson moved to close the nominations. Mazie Parker seconded the motion.
Motion carried.

Adjournment: Andy Zody moved to adjourn the meeting. David Nilsen seconded the motion.
Motion carried. The Annual Stockholders meeting of May 14, 2022 was adjourned at 1:00 pm.

The Newly Appointed Board of Directors for 2022 – 2023

Andy Zody - President
Luanne Uhl – Vice President
Kellie Williams – Secretary/Treasurer
David Nilsen / Director
Pastor Eric York / Director

Respectfully Submitted,

Kellie Williams
Board of Directors – Secretary/Treasurer
Sheep Creek Water Company