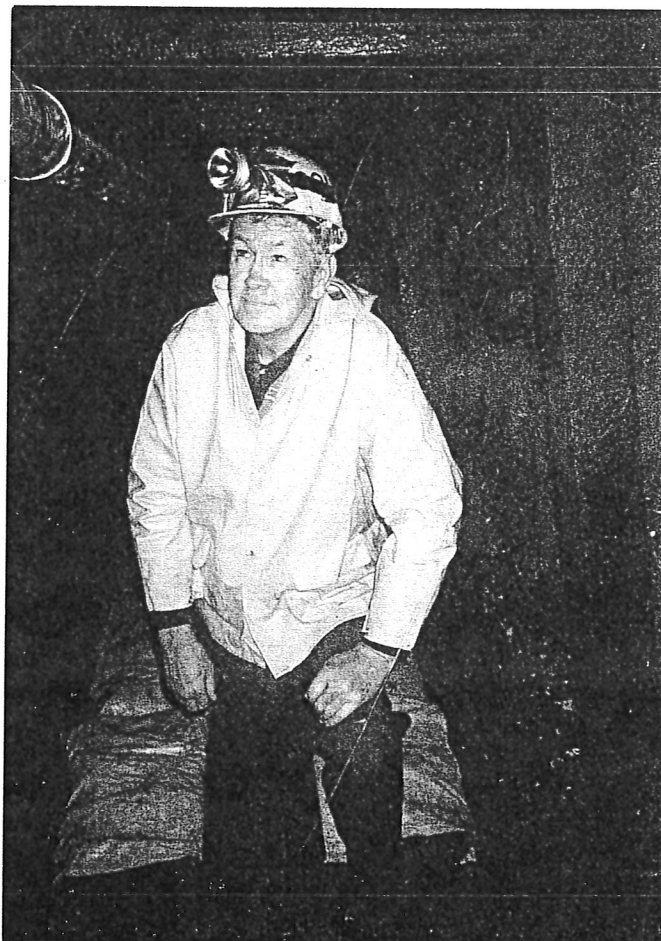
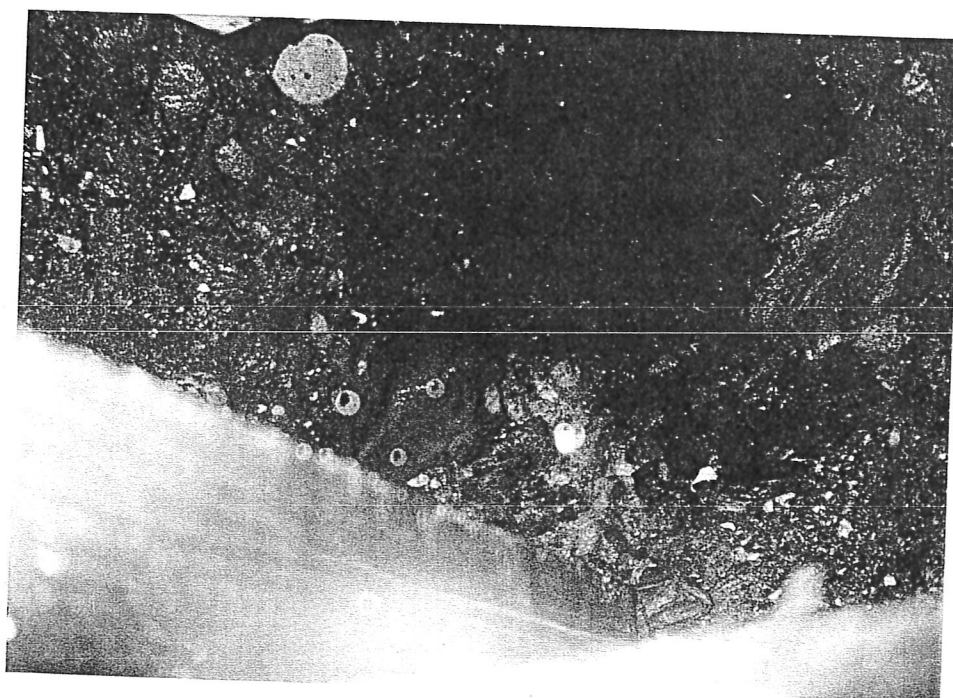


C.W. "BUD" HOWARD



JOHN R. LOVETT



TUNNEL CAVE IN 1991

develop a program to permanently stabilize the south end of the gallery.

Board of Directors voted to proceed with necessary repairs and re-coating of Storage Tank #2.

Board of Directors decided to locate suitable property site in the El Mirage Basin for first northern water source. Site must: (1) be near a currently producing well site; (2) adjacent to three phase electrical power; (3) be accessible; and, (4) seller must be willing to allow a pilot well to be drilled and allow an extended escrow. Property is now in escrow.

Sheep Creek Water Company's engineering firm, Wilson So and Associates, develops possible construction budget to develop, transport and store water from El Mirage Basin for purposes of determining the level of assessment required to fund this work. So and Associates estimate this work to cost \$1,200,000.00 to complete all phases.

Wilson So and Associates authorized to proceed with Master Plan of development for the Sheep Creek Water Company for the next five years.

This rather vast area of repair and development took place in about twelve months time. And I might add, for a while during a determined attempt to have the County of San Bernardino meld our company into the County Service Area 70-L. By September of 1991, we were ready to have the moratorium adjusted upward by 135 meters. The State Department of Health was seeking every way they could to avoid the lifting of the moratorium. I used the help of State Assemblyman Jim Brulte to put the letter in our hands in early October of 1991. We weren't clear of everything, but we were on our way and still are to this date of 2003.

I do regret that the property for the well site was voted down in 1991. I didn't expect to start the project in the near future, but I did want to have it available for use at some future date. I am referring to the El Mirage Basin site.

Mr. Schmelling had Bud Howard and Jim Watson help him enter the work shaft and go down the access ladder to the tunnel. He and Jim then went up the gallery of the tunnel to where the backfill begins to rise. Jim estimated the distance at around 100 feet to the tunnel face. They did put back some of the 12" pipe that lay on the gallery floor so that we had more water flowing about the outfall line. They finally came back up and gave us the information as they saw it. Max wasn't sure where the backfill was coming from, but it wasn't from the gallery roof.

We scheduled the tunnel work to begin about the first of November.

In the meantime, we got our pipe work put back together so we could put the tunnel flow in the reservoir. Max and his son and one other man were there and ready to work on that day. We had to rework the work shaft to meet the State OSHA requirements first so it took the first week or so to get that done. Jim Watson was in charge of the top crew, Clarence Carter was the night watchman and by February, the work was done. The fill was from a large excavation on the west side of the tunnel at the face of the gallery excavation. That was where the water comes from and if the bulkhead isn't maintained, the water imports the gravel fill into the tunnel gallery.

We had our engineer, and his crew, most of the Board of Directors, state safety engineers and one or two shareholders in the tunnel at one time or the other. All of them were amazed at the tunnel and what we had accomplished. The shareholders at the meeting of 1991 seemed to be satisfied and the new board was John Lovett, Leonard Valdepena, Richard Devlin, James Watson, Joan Parsons and Hugh Smith.

We began our year with the 1,000,000 gallon tank at the 14 acre parcel in Sheep Creek. The water level was asking for another storage tank and manager Nadeau wanted the high tank in place for fire water. This was accomplished and in place by the end of the year. Lovett had put a small history of our legal battle with the Pacific Southwest Trust & Savings Bank of Wrightwood to establish our water rights in the 1932 courts. He also had the State of California water rights for the tunnel and the wells. And he had noted the eighty years of service to the community of Phelan while taking good care of the Sheep Creek water resources. He made a book out of it and gave the Board of Directors of the Mojave Water Agency and their manager, Mr. Larry Rowe, their copies. He also appeared at the next meeting to request the Sheep Creek Water Company be removed from the Watermasters map and law suit in the Riverside Superior Court.

Now and again, I win one and this was my time to win. The Sheep Creek Water Company was removed and is not a part of the Mojave Water Agency Watermaster. Manager Larry Rowe, the Watermaster, always said the dropping of Sheep Creek Water Company from the Watermaster Rolls was "just politics," I thought we saved \$250,000.00 by staying out of that mess that is still on going at this time in 2003.

1992 had the Board of Directors of Richard Devlin, Hugh Smith, Jim Watson, Joan Parsons, Leonard Valdepena and Ken Anderson for the 1992/1993 year. This board was to finish the 1,000,000 gallon tank on the 14 acre parcel in Sheep Creek and get it connected to the system. They were working on safety requirements for CAL-OSHA. They wanted to replace the existing 10" water main from the well field to Highway 138 with a 16" main line. This was voted down by

the shareholders.

The new Board of Directors for 1993/1994 were Lee Reinhardt, Bill Parham, Clarence Carter, David Nilsen, Leonard Valdepena and Herb DeVere. This board was faced with the State of California letter that informed us our interest on our State of California D.W.R. Loan was to be raised to 8 ½ percent. This was to be retroactive to the original payment. The board wanted to pay off the loan as soon as possible. The shareholders agreed and the board would begin their bout with the state as soon as possible.

The management of the company and the Board of Directors had been at odds over several projects and Mr. Nadeau resigned his position. On July the 27th, 1993, Mr. Roger Chaplin was installed as the new manager of the Sheep Creek Water Company. President Bill Parham noted that Mr. Nadeau was having some severe problems. The availability of Mr. Chaplin made the project an easy alignment.

Mr. Chaplin and the board did make some changes in Sheep Creek Water Company. No more smoking in the office building, period! He was going to work with Bruce Beck so his knowledge would be up to par on all new infrastructure. All vehicles would be locked and left in the yard at nights. All overtime would be by agreement with the board only.

Tank #7 at the 14 acre parcel in Sheep Creek was bought for \$348,548.00. The contractor was Pittsburg-Des Moines of San Francisco. This unit gave the water company a grand total of 3.3 million gallons of water storage.

Sheep Creek Water Company was attacked by vandals shortly after the new manager came on board. They poured small rocks into the main line that came down to the first cla-valve pressure regulator and destroyed the valves. It took three days of hard work to correct the damage.

The 1994 May shareholders meeting elected President Bill Parham, Vice President Clarence Carter, Secretary David Nilsen, Treasurer Leonard Valdepena, Herb DeVere and Doug McGuire board members.

The annual shareholders meeting of May 6, 1995 was rather quiet for a warm spring day. President Bill Parham introduced the past presidents of the Board of Directors, the current Board of Directors, the attorney, Ernie Riffenburg of Gresham, Varner, Savage, Nolan & Tilden, Virginia Crawford, Accountant and General Manager Roger Chaplin, the field staff, the office staff and the Financial Advisor, David Nilsen, Jr.

Bill Parham also mentioned that there has been a die hard community of shareholders and directors who have tried to help this water company. He noted C. W. "Bud" Howard as one and added a "Happy

Birthday." He also thanked John Store and John Lovett for their support, expertise, advise and dedication throughout the past years.

The loan from the State of California had been paid off in the amount of \$ 322,000.00 dollars. The state wanted a full 8.1% interest retroactive to the starting date of the loan. Director Nilsen was determined to battle this decision along with other water company. We will have a \$6.00 assessment to have money for payment if required.

The current Board of Directors was re-nominated and was re-elected on a hand vote.

Another year had passed and the Sheep Creek Water Company was looking pretty good. President Parham noted the usual introductions of officers, staff and aids who help our company during the year. President Bill noted that the State of California loan had been reduced, by the State, from \$157,000.00 to \$27,000.00. This would release the liens on the property and they had been paid. The property now has Sheep Creek Water Company name only on the record.

President Bill noted that Carol Beck, Office Manager, will be retiring in December of 1996. She had been here since 1990 and had been an integral part of making the company successful. We all will miss her.

I wanted an update on the moratorium. David noted these new figures: the state now has our company up to 500 meters more if need. The water is now at 2,718gallons per minute. They are planning on starting a new pipeline up in the well area to as far north as they can. That is in the planning stage. This amount of water says we are up to about $\frac{1}{2}$ of the Horne Report water amount in Sheep Creek. When asked about additional water sources, David noted that they had been looking and talking about new well areas.

The Board of Directors were nominated by Bud Howard, but he asked that Bud Yearsley be nominated in his place. C. W. "Bud" Howard was about to put up his feet and retire! The new board was Bill Parham, Clarence Carter, David Nilsen, Leonard Valdepena, Herb DeVere and Bud Yearsley.

With the retirement of Bud Howard, another chapter came to a close in the company's history. I can remember Bud telling me in 1944 that he would be on the water board some day. He, along with Normal Nilsen, came up with the 14 acre well site in Sheep Creek that got them both in trouble in the community's eyes. My mother was ready to hang both of them at high noon. But they continued to work for the company as they could and the artist's drawings of Bud on the water company office pretty much says it all. He was there

when they needed him and that 14 acres of well sites has saved our company more than once.

The annual shareholders meeting of the Sheep Creek Water Company was held on May 17, 1997 in the multipurpose room of the Phelan Elementary School. The meeting was called to order at 10:00 a.m. by President Bill Parham.

The invocation was given by David Nilsen. David asked for a moment of silence in memory of Bud Howard and Herb DeVere. They were good shareholders and worked hard to improve the company through the years.

President Bill introduced the Board of Directors, Vice-President Clarence Carter, Secretary, David Nilsen, Treasurer, Leonard Valdepena, Directors, Bud Yearsley and Joe Fontana, the attorney, Ernie Riffenburgh, accountant, Virginia Crawford, general manager, Roger Chaplin, secretary, Joyce Forrest, secretary, April Chaplin, maintenance worker, Chris Cummings and financial advisor, David Nilsen, Jr.

The minutes of the last meeting were approved and the 1996 financial statement was reported by Virginia Crawford. President Parham spoke of the 2½ acre parcel just north of the present office. A voice vote was taken and approved of the purchase of the land. President Bill also commended general manager, Roger Chaplin for his efforts in moving forward with system upgrades and pipeline expansions.

The existing board was re-nominated and approved for 1997 and 1998.

The annual shareholders meeting of the Sheep Creek Water Company was held on May 16, 1998. President Bill Parham introduced the directors, the manager and his aides, the attorney, the accountant and the financial advisor.

Several agenda items were up for voting at the election. Item #6 was to re-grade the existing easement water lines where automobiles and rainstorms had lowered the natural grade over the pipelines. They would have to increase the water rates by \$5.00 per month for this work.

Agenda item #7 was to replace and purchase new equipment as needed. There was no additional monies needed for this item.

Agenda item #8 was interesting. The original office building had run out of room and the board had brought in a small office trailer behind the main building. When the County Building and Safety came to inspect the site, they informed us that we never had a permit for the original office building, the storage sheds, both water

tanks and the round house that we used as a maintenance garage. The Board of Directors was going to get this straightened out, but in the meantime, they had to build a new, permanent building. They had the money and David Nilsen estimated the structure would cost \$100,000.00. No water rate increases for this project.

Agenda item #9 was to elect the new Board of Directors.
Agenda item #6 was Yes 662 No 3,085
Agenda item #6B was Yes 3,603 No 745
Agenda item #7 was Yes 4,319 No 42
Agenda item #8 was Yes 4,316 No 45
Agenda item #9 was re-elect the Board of Directors by voice vote.
Yes 4,361

I do want to point out the main agenda that Kathy Shafer and Virginia Crawford put together back in the 1985 year of our Lord that started our company down the right road towards having money to work with when we needed it. It was well thought out and they should be commended for their knowledge. Well done Ladies!

Shareholders meeting was held on May 1, 1999 at the multipurpose room of the Phelan Elementary School. President Bill Parham introduced the Board of Directors, the staff and the professional assistants who help the Board of Directors through the years.

They had no votes to be taken this year. John Lovett noted that the Mojave Water Agency Watermaster decision was back in court and that the Board of Directors should keep an eye on the situation. Jim Watson moved to keep the same Board of Directors. We had a voice vote and they won the election.

The Board of Directors for 1999-2000 was Bill Parham, Clarence Carter, David Nilsen, Leonard Valdepena, Bud Yeasley and Joe Fontana.

The year of 1999 saw the new office and garage building finished. David Nilsen's estimated price of \$100,000.00 was slightly high. My figures show the total at \$98,593.13. Well done David, well done.

The shareholders meeting was at the Phelan Elementary School on May 20, 2000. President Bill Parham welcomed all shareholders and guests. Bill also introduced the staff of Sheep Creek Water Company, Manager, Roger Chaplin, Water Quality Control, Harold Fristrom, Water Service, Chris Cummings and Michael Siaz, office secretaries April Arnold and Sandi Moseley.

The County's Zone "G" had approached Sheep Creek for permission to drill a well on Sheep Creek's 14 acre parcel. David told them to present the motion before the shareholders at the annual meeting.

Mountain High was trying to store much more water for the ski area at Big Pines. Sheep Creek had opposed it before the State Water Resources meeting and won.

David Nilsen had an update on the tunnel condition. The cave in on the west side of the tunnel face was working again. The same old story that I had been preaching for years was being told again. Clean out the tunnel gallery and backfill the cave in with good rock. It is always the same story, but it does not get done.

There was a new man put on the board this year. Mr. Tom Lyons replaced Joe Fontana. The board was now Bill Parham, Clarence Carter, David Nilsen, Leonard Valdepena, Bud Yearsley and Tom Lyons.

The Sheep Creek Water Company annual shareholders meeting for the year 2001 was held on May 19. The meeting was held in the multipurpose room at the Phelan Elementary School.

The Board of Directors was introduced and the company staff also was named. The minutes of the last shareholders meeting was read and approved and the financial statement was read and approved.

The tunnel was the first item on the agenda this day. Dr. David Nilsen reported that the board had been working with Congressman Jerry Lewis for permission to drill the slide in at the gallery face and fill it with rock. In their work with the United States Forest Service they found that the tunnel had been recognized as a historical monument. We must bring them into the program to fill the cavity with rock.

The 14" pipeline coming from the tunnel is scheduled to be intersected south of Highway 2 and a new pipe placed westerly to the main line. They do not have a price for that work at this time.

The removal of the 10" pipe in the gallery of the tunnel and replacing it with a 26" will cost about \$20,000.00. Shareholder John Asta suggested putting dresser couplings on the ten inch pipe to anchor it to the ground.

They decided to intersect the pipe south of Highway 2 and realign the 14" pipe westerly to the 10" main line. They also voted to purchase a power generator for \$27,000.00 so we could keep wells running during electrical outages. David ended his agenda by speaking of a new well on the 14 acre that would cost about \$300,000.00.

The San Bernardino County CSA Zone "G" was brought up to date. Shareholders will have to vote on it when they finally decide which way they are going to go. The micro-hydro generators were

discussed. They needed more engineering work before the shareholders could vote on this item.

The Board of Directors election was next. Bill Parham said he was not going to run this time. He did thank the shareholders for the years of support they have given him. The staff, the company attorney and accountant were also thanked by Bill. David Nilsen thanked Bill for the years of service he had given the Phelan community.

The new board was Clarence Carter, President; Leonard Valdepena, Vice-President; David Nilsen, Secretary; Bud Yearsley, Treasurer; Tom Lyons and Tom Moseley.

On October 4, 2001, Clarence Carter sent the following letter to the Board of Directors: Due to personal and private reasons, I have to ask you to accept my resignation as president and member of the Board of Directors. I have completed many years with the company and I am proud of what we have managed to achieve. Wish you all the best for the future and hope you keep up the good work. Sincerely, Clarence Carter.

I plan on hearing about this one some day. Clarence and I have been on this board for many years.

The 2002 shareholders meeting was held on May 18 of that year. President Leonard Valdepena introduced the Board of Directors; Vice-President Tom Lyons; Secretary Dr. David Nilsen; Treasurer Bud Yearsley; Directors Harlod Fink and Villy Jorgensen; attorney Ernie Riffenburgh and accountant Virginia Crawford and financial aide David Nilsen, Jr.

The first item on the agenda was the new line from the tunnel. It was in and running about 300 gallons per minute which is about all you can expect to have with the drought conditions. The wells were holding their levels which was good news.

David Nilsen gave a plan to replace any well if they have trouble with it. We voted in favor of the motion.

The hydro power report was put on by the Cal Poly Pomona group. They were: Marco Cabibbo, Shasta Culp, Ritchie Pragale and Steve Kuo. The presentation was well received and the Board of Directors will look for a funding source.

The tunnel needs repairs at the gallery head wall still. The crew had done some pipe work to keep the flow coming. They noted that the State Historical Society was part of the program now. David was going to try the University of Nevada for their mining engineering program.