

**MINUTES OF THE ANNUAL MEETING OF SHAREHOLDERS  
OF THE SAN ANTONIO WATER COMPANY**

The Annual Meeting of Shareholders of the San Antonio Water Company (SAWCo) was held as noticed on April 6, 2010 in the council chambers at the Upland City Hall, 460 North Euclid Ave, Upland, California.

Sign-In – Shareholders were requested to sign-in in order to document their presence at the annual meeting. After all outstanding proxies had been submitted they too were verified for validity and effect.

Introductions – President Thomas introduced the current Directors on the Board, the General Manager, the Auditor's representative Craig Miller, CPA, Water Company Staff, long standing legal counsel Tom McPeters, special legal counsel Fred Fudacz, and the Inspectors of Election: Peter Cherbak, Betty Garrison, and Donna Hawthorne.

Validation of Annual Meeting Quorum – General Manager Charles Moorrees reported that the meeting has been properly noticed. Inspector of Election Peter Cherbak reported that there is a quorum present.

Call to Order – President Thomas called the meeting to order at 6:05 pm.

2009 Annual Meeting Minutes – Mr. Thomas asked if there were any corrections needed to the 2009 Annual Meeting minutes. Dr. Gattas moved and Mr. Hill seconded to accept the minutes of the 2009 Annual Meeting as presented. Mr. Thomas asked for a voice vote and the motion was carried.

Manager's Report – Mr. Moorrees conducted a Power Point presentation highlighting last year's events. Total local rainfall was at 16.53 inches compared to 24 inches in 2008 and 7.36 inches in 2007. He pointed out that water levels in the Cucamonga Basin dropped throughout the year resulting in a slight increase in Nitrates & DBCP's yet still below the established Maximum Contaminant Levels (MCL's). With wells 15 and 16 fully operational, the Water Company is producing its maximum production rights in Chino Basin. The water table has continued to decline since 2007. Water levels in the Six Basins have not changed significantly from the previous year. Rehabilitation of Well 27A resulted in a decline in production and water quality. SAWCo was able to recharge 290.33 acre-feet in the San Antonio Spread Grounds during the year. In addition, a total of 1,553.38 acre-feet was spread in the Cucamonga Basin.

Capital projects included a new delivery pipeline to the City of Upland Treatment Plant. SAWCo addressed domestic system improvements by installing replacement waterlines on Cliff Road, Ocean View Court, and 24<sup>th</sup> Street and Foreman. SAWCo's Forebay System improvements began with the design and the project is pending approval of permits through the San Bernardino County. Part of facility maintenance included Well 15/16 detention tanks getting a new interior lining. After a modeling study was done, a discharge pipe was installed to skim the film on top of the water. More facility maintenance included demolishing reservoir 12 structure/booster station. Well 18 housing was also demolished and the well capped.

The Water Company also completed various engineering development projects during 2009. The evaluation of the tunnel pipeline was completed. A workshop was conducted for the final draft of the water systems master plan. Plans to desilt and repair the Cucamonga Basin Crosswalls were developed

One notable work that took place in 2009 was the water rights investigation of the San Antonio Canyon Watershed. Title research was performed on the properties in question. Legal counsel is investigating the US Forest Service Special Use Permits and the private cabins in Mt. Baldy. Two such private cabins that are taking water directly from the stream have been identified and license agreements are being developed.

SAWCo participated in various activities during the year including the Upland Lemon Festival, the Citizen's Patrol Pancake Breakfast, the San Antonio Heights Association Annual Meeting, the Annual Landscape and Water Conservation Fair, and the 5<sup>th</sup> Annual Watershed Clean-Up Day. Water conservation items and information were handed out at these events.

Staff implemented an on-line payment option as of March, 2010. This allows customers to view and pay their bill with a credit card on-line. Friendly automated phone call reminders were initiated last August to remind customers of past due bills. This added feature has reduced the number of monthly turn offs due to non-pay. Another first for the company was a publicly held stock auction in November 2009 to collect on bad debts. It is anticipated that this will become an effective method for the company to recover past money owed.

Mr. Moorrees then reported on the upcoming projects for this year which included finalizing the update of the Water Master Plan. The on-going water rights claim in Mt. Baldy will continue to move forward. The Urban Water Management Plan update will be due in 2010. Cucamonga Basin will be a focus of this year with design of the 26<sup>th</sup> street recharge conveyance in the Cucamonga Basin, conducting a Cucamonga Basin Study, modernizing the Judgment, and preparing a basin management plan. A feasibility study is anticipated for the expansion of the Tunnel and Edison Ponds (Conservation Levee). Mr. Moorrees stated that facility improvements will include Well 27A profile and analysis with possible development, Tunnel pipeline improvement, and City of Upland's plant 5 conveyance system modification. Lastly, a purchase of 46.82 acres of land from San Antonio Liquidation Trust (SALT) will be purchased in 2010.

Statement of General Counsel

Mr. McPeters commented that he has no bad news to report. Mr. Thomas noted that the Board has taken McPeters comment last year to document the company's history from 1947 to present. Part of the history 1882 to 1947 is documented. Staff is currently working with the consultant on the history from 1947 to present and the document is expected to be completed this year.

Mr. McPeters reported an inordinate amount of time spent by the company trying to keep tabs on its shareholders. Shareholders have sold shares and not transferred them on the books and foreclosures have foreclosed and the shares were left out of the process. Management and staff have been working on these situations for the last two years. There are some actions that are being considered.

Statement of Special Counsel

Mr. Fudacz stated he will have comments in the closed session following the organizational meeting.

Presentation of Company's Nominees for Office of Director – Mr. Thomas noted one change to the current Board of Directors and that is Robb Quincey replacing Bob Bowcock and reported that the Board opted to nominate the directors at their last Board meeting which are as follows:

Tom Thomas	Mark Hill	Robb Quincey
Ken Willis	Brian Brandt	Will Elliott
	Dr. Fred Gattas	

Mr. Thomas then asked if there were any other nominations for the office of director. Hearing none, Mr. Hill moved and Dr. Gattas seconded to close and approve the election of the Board as presented. Motion carried.

Election Inspector's Proxy Report – It was reported having 138.50 shares present and 4,358.90 represented by proxy.

Shareholders and Public Testimony – Mr. Thomas gave a brief statement as to how this process works [This is the time for any Shareholder or member of the public to address the board members on any topic under the jurisdiction of the Company, which is on or not on the agenda. For any testimony, speakers are requested to keep their comments to no more than four (4) minutes, including the use of any visual aids, and to do so in a focused and orderly manner. Anyone wishing to speak is requested to voluntarily fill out and submit a speaker's form to the manager prior to speaking].

Ron Hammer residing at 1484 Red Hill North Drive in Upland, CA spoke on behalf of the Red Hill Homeowners Association. Mr. Hammer commented he thought we had a lot more rain than reported in the Manager's report but guessed it was because the figures Mr. Moorrees gave was rainfall in 2009. Mr. Moorrees reported that this year's rainfall has been about the same as the total for 2009. Mr. Hammer asked about the work being done at the Colonies catch basin. Mr. Thomas replied that the work is being done by San Bernardino County Flood Control. Mr. Hammer asked what was being done and if San Antonio Water Company had any part in it. Mr. Moorrees

replied that the County is developing three separate basins. The third basin on the east will be used for spreading in the Cucamonga Basin by the Water Company. Mr. Moorrees briefly described some of the work being performed.

Bob Hoff residing at 2384 Park Blvd stated he made a request in the past of the posting of rainfall on the website and it was done. He thanked the Board. He had another request regarding the company facilities. There is mention in the annual report and the Manager's message but Mr. Hoff stated he does not know where these facilities are located. He suggested a small map in the newsletter would be helpful. Mr. Thomas gave a map that he had with him to the gentleman. Mr. Moorees stated that was a good idea and he would consider a map in the newsletter for future reference.

Shareholder Ken Petschow stated he wanted to talk about the share auction and see if SAWCo could not do that again. He also suggested instead of raising the water rates in the future if the company could do an assessment as was done in the past. He stated then if someone did not pay the assessment, the company could do a lottery instead of an auction. Mr. Thomas asked if anyone wanted to respond. Mr. Petschow requested that legal counsel, Mr. McPeters respond. Mr. McPeters stated he does not set policy.

Robert Berry residing at 300 25<sup>th</sup> Street commented he also would rather not have an auction. He stated if there was one, he would like to see that the shares were sold individually and not one entity was able to buy everything. Mr. Thomas stated that the methodology used was considered and approved by legal counsel.

Mr. Thomas announced that since there was no further business, the meeting was declared adjourned at 6:36 p.m.

For the record, it was noted that there were 28 shareholders signed in as attending the Annual Meeting.

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Assistant Secretary