

**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 5, 2011 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 6:03 pm.

2010 Annual Meeting Minutes –Director Thomas asked if there were any corrections needed to the 2010 Annual Meeting minutes. Director Dr. Gattas moved and Director Brandt seconded to accept the minutes of the 2010 Annual Meeting as presented. Director Thomas asked for a voice vote and the motion was carried.

Manager’s Report – Mr. Moorrees conducted a PowerPoint presentation highlighting the previous year’s events. Total local rainfall was at 38.43 inches which is 163% of the long term annual average of 23.54 inches going back to 1958. He pointed out that water levels in the Cucamonga Basin increased throughout the year resulting in a slight decrease in Nitrates and DBCP’s. There was a significant amount of water spread in this basin over the 2010 calendar year, unfortunately SAWCo was unable to produce and deliver all of it. With wells 15 and 16 fully operational, the Water Company is producing its maximum production rights in Chino Basin. The water table has increased by 30 feet. Water levels in the Six Basins have increased slightly from the previous year. Well 27A was down for half of the year for analysis with respect to water quality allowing SAWCo to produce and deliver only 60 percent of its water rights in Six Basins. SAWCo was able to recharge just over 700 acre-feet (AF) in the San Antonio Spread Grounds during the year. In addition, a total of 2,685.75 AF was spread in the Cucamonga Basin. Also, by working with the San Bernardino County Flood Control District (SBCFCD) SAWCo was able to divert native flows into Banyan Basin Spread Grounds which hasn’t been used in some time.

Capital projects for the water company included a Tunnel Discharge Connection. With the help of the Army Corps of Engineers and the City of Upland, SAWCo was able to

connect the point of discharge to the City of Upland Well pipeline just north of the foot of the dam. SAWCo is now able to meter and deliver the water to a shareholder. The Forebay Improvement Project was finally approved by the San Bernardino County Planning Commission (SBCPC) and SAWCo now has a conditional use permit. This location is where the tunnel water terminates and surface water begins. SAWCo is looking to modernize and secure this site with its improvements. Improvement plans have been submitted to San Bernardino County Building and Safety for review and approval.

SAWCo addressed irrigation system improvements by relocating 1,000 linear feet (LF) of 14 inch Booster line at Upland Hills Golf Course. Domestic system improvements were made by replacing 1,840 LF of 10 inch waterline with 12 inch waterline on 26th Street west of Arctic. SAWCo maintained its facilities by pulling Well 27A to profile and analyze to address water quality issues and enhance flow characteristics. The water company worked with Cucamonga Valley Water District (CVWD) and SBCFCD to begin the process of repairing and desilting of the Cucamonga Wash. A contractor will go in and clear out the crosswalls to allow percolation up even higher in the basin. The water company yard office was remodeled for the first time. The facility was once used to provide ferrier service for the mules that pulled the trolley up Euclid Avenue. A new roof, windows, bathroom, and furniture were put in. The field office now has heat, air conditioning, and hot water. SAWCo adopted a new Water Master Plan and began compiling an Urban Water Management Plan which should be completed in the coming year. They are also looking at a Conservation Levee Feasibility Study at the Edison and Tunnel Pond. History Documentation of the water company has begun. Previous documentation had included information from the beginning of the water company through 1945. SAWCo has also begun a Cucamonga Basin Management Plan to modernize a previous decree.

SAWCo has continued their water rights investigation in Mt. Baldy. They are working with the United States (U.S.) Forest Service to revamp the 1941 Agreement for Special Use Permits. The U.S. Forest Service is coordinating with various Mt. Baldy water agencies to determine how the agreement will be re-established. A License Agreement for existing private cabins has been developed and signed by at least one cabin owner. There are roughly a half dozen more that will need to do the same.

SAWCo purchased a 46.82 acre piece of land from the now dissolved San Antonio Liquidation Trust (SALT). The property surrounds the water company's Reservoir 6 site. This site will allow for reservoir expansion.

In late December of 2010 a huge storm forced the diversion of SAWCo's stream flows from the canyon. It impacted the Tunnel shaft and wood intake gate. SAWCo was able to engage a contractor to get the stream redirected, make emergency repairs, repair the check dams, and unclog the wood intake gate. SAWCo has been able to work with Federal Emergency Management Agency (FEMA) in getting reimbursements for the work already completed. Some additional work is needed and will also be eligible for FEMA reimbursement.

SAWCo has added a Facebook page and encourages customers to sign on and “like” the water company’s page. A newsletter goes out to shareholders quarterly and the company website is updated continuously. The water company participated in 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 6th Annual Watershed Clean-Up Day. Water conservation items and information were handed out at these events. SAWCo also currently chairs the San Antonio Creek Watershed Committee.

The company held another public stock auction in November 2010 to collect on bad debts. Only two water stocks were auctioned off at this event. It is the hopes of the water company that these auctions will no longer be necessary and that bad debts will be paid promptly.

Mr. Moorrees then reported on the upcoming projects for the current year which included the continued Water Rights Claim in Mt. Baldy, continued work on the Urban Water Management Plan, the feasibility study for expansion of the Tunnel and Edison Ponds (Conservation Levee), and the drilling of a new well in the Six Basins. The design of the 26th street recharge conveyance in the Cucamonga Basin, conducting a Cucamonga Basin Study, modernizing the Judgment, and preparing a basin management plan are all planned for the upcoming year. Mr. Moorrees stated that facility improvements will include Tunnel pipeline improvement, Forebay Improvement construction, Reservoir 6 auxiliary reservoir and maintenance, Booster 19 replacement, a Water Rates Study, Document Imaging, the demolition of some existing structures that exist in city right of ways, and the replacement of domestic waterlines at Euclid Crescent West and San Antonio Crescent East.

Statement of General Counsel

Mr. McPeters commented that it was a good year for the water company. He stated that it’s believed that there is more water available in the San Antonio Creek than SAWCo has been unable to capture. The Edison Box where the water is split 60 percent and 40 percent between SAWCo and the City of Pomona respectively is not exactly how the original judgment was written in 1913. It was only a quick and easy way to divide the water. The water rights in the canyon are much more detailed and specific and since there has been enough water over the years the two companies have just settled on the 60/40 split. There are many things potentially that can be done to get more water out of the San Antonio Creek. Four or Five projects scheduled for the upcoming year will assist in that goal. Of all the sources of water that SAWCo has, the creek holds the most potential for getting more water into the system. The water in places such as the Cucamonga Basin and Six Basins result in better spreading. Chino Basin is looking at cutting the Safe Yield in the basin over the long run. The Senate Bill known as SB7x7 was adopted to have water companies reduce the water consumption of their customers.

Statement of Special Counsel

Mr. Fudacz reported on the efforts he and his firm have put into SAWCo's water rights. Some of SAWCo's water rights date back to Rancho Grants. They are a group of assets worth protecting. Efforts in the last year have been focused on the San Antonio Creek area, the San Antonio Canyon and the Cucamonga Basin. A license agreement with regard to water rights has been drafted and signed by at least one homeowner in the San Antonio Canyon. It is the hopes that there are more agreements signed in the future. Unfortunately, SAWCo has had to resort to litigation to enforce their rights in the canyon area.

Presentation of Company's Nominees for Office of Director – Director Thomas noted two changes to the current Board of Directors and that is Robb Quincey and Mark Hill are being replaced with Sue Sundell and Glenn Bozar. The Board opted to adopt a slate of directors at their last Board meeting which are as follows:

Tom Thomas	Sue Sundell	Glenn Bozar
Ken Willis	Brian Brandt	Will Elliott
	Dr. Fred Gattas	

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

Election Inspector's Proxy Report – It was reported by Donna Hawthorne, inspector of election, that there were 96.75 shares present and 4,403.40 represented by proxy.

Shareholders and Public Testimony – Director 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].

There were no requests to address the Board.

Director Thomas requested that since there was no further business that there be a motion to adjourn. Director Brandt moved and Director Dr. Gattas seconded to adjourn the meeting. Motion carried. The meeting was adjourned at 6:26 p.m.

For the record, it was noted that there were 18 shareholders signed in as attending the Annual Meeting.

Assistant Secretary