

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 3, 2012 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.

2011 Annual Meeting Minutes –Director Thomas asked if there were any corrections needed to the 2011 Annual Meeting minutes. Director Dr. Gattas moved and Mr. Bozar seconded to accept the minutes of the 2011 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 13.39 inches which is 57% 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 allowing Nitrates and DBCP levels to stabilize at below the Maximum Contaminant Levels (MCL’s) set by the California Department of Public Health (CDPH). Wells 15 and 16 in the Chino Basin produced only 14.6% of the Company’s Operating Safe Yield. The water table level was up by 48 feet. Water levels in the Six Basins have increased 77 feet from the previous year. The Water Company produced 93.6% of its water rights in Six Basins. SAWCo was able to recharge a total of 1,249 acre-feet (AF) in the San Antonio Spread Grounds during the year. In addition, a total of 3,313 AF was spread in the Cucamonga Basin.

The 2010 Storm Event repairs required mitigation protection in 2011 to protect against any future storm events. The 2010 storm event was declared a federal emergency and the repairs were eligible for federal funding. Of the total cost of \$74,650 the Federal Emergency Management Agency (FEMA) reimbursed \$55,988 (75%). Capital projects for the water company included the installation of 1,200 linear feet (LF) of eight inch waterline in Euclid Crescent West north of 25th Street at a cost of \$140,469. A 100,000 gallon reservoir was installed adjacent to SAWCo’s one million gallon reservoir off

Mountain Avenue at a cost of \$208,595. The Water Company installed this reservoir to enable interior coating of the existing one million gallon reservoir that serves the upper zone.

Operational Improvements in 2011 included the purchase of a new dump truck, replacing the existing dump truck used for 30 years, and garage facility. Connection of an irrigation line at 20th Street gave the water company the flexibility to deliver water east and west of their system. Installation of storage shelving at the Yard facility and Demolition and removal of structures from the citrus days, such as irrigation headstands, that were not in use also took place in 2011.

Projects that began in 2011 included the engineering design for Well 25A Specifications, Forebay Improvements, Water Facilities Authority (WFA) Waterline Connection to allow water delivery to WFA as well as other entities, and the Cucamonga Crosswalls desilting and repair.

SAWCo began work on its second Urban Water Management Plan; however, this time SAWCo is categorized as a wholesaler which is a much better fit for company. A study with regards to Facility Expansion and Conservation Levee of SAWCo's facilities in San Antonio Creek began in 2011. Its purpose is to enhance the ability to capture the water that would normally be lost. SAWCo is also working with the Cucamonga Valley Water District (CVWD) and the City of Upland to better understand how the Cucamonga Basin works by developing a Cucamonga Basin Management Plan.

SAWCo continues its water rights investigation in Mt. Baldy and have met with the United States Forest Service (USFS) to determine how many cabins are under the Special Use Permit as well as the amount of documented and metered diversions. License Agreements have been executed for two of the existing private cabins. SAWCo discovered there are additional cabins that will need to do the same.

The water company participated in the Upland Lemon Festival, the Citizen's Patrol George Lee Pancake Breakfast, the Annual Landscape and Water Conservation Fair, and the 7th Annual Watershed Clean Up Day during the year. Water conservation items and information were handed out at a majority of these events. SAWCo also hosted a conservation table and spoke at the Annual San Antonio Heights Association Meeting. Staff maintains a Facebook page, a website, and a quarterly newsletter to keep their shareholders informed. SAWCo also continues to chair the San Antonio Creek Watershed Committee.

The water company held its third public stock auction in December 2011 to collect bad debts. A total of five, ¼ shares 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 drilling Well

25A in Six Basins, continued work on the final draft of the WFA Pipeline connection, and the Chino Basin Recharge Pipeline. The Forebay Improvement Project has been ongoing for three years; SAWCo hopes to receive permits this year to begin the work. Interior and exterior coating of the water company's Reservoir 6, the Cucamonga Basin Study, modernizing the Judgment, and preparation of a basin management plan will continue this year. SAWCo hopes to begin the Frankish Tunnel Pipeline Connection and Design to deliver into SAWCo's irrigation system or to increase spreading. The company's new website should be up and running within the next couple of weeks as well as the second phase of the document imaging project. An in-house Water Rates Study will be completed this year to deal with depreciation and asset replacement. SAWCo received approval to transfer Booster 19 assets to the water company and will be updating its electrical system. Expansion of the conservation levee will proceed with the extension of the Main Box. The office carport and the Yard facility will be re-roofed this year and the USGS Maps and System Maps will be updated.

Statement of General Counsel

Mr. McPeters commented that the water company may work on two dozen or more agreements or arrangements during the year to protect the company and its shareholders. A majority of the agreements have been for the improvement of water issues such as obtaining more water, retaining more water, and augmenting the supply of water. SAWCo's main focus has been to secure the water supply, secure the water rights, and cut down on loss of water.

Statement of Special Counsel

Mr. Fudacz reported on the efforts he and his firm have put into SAWCo's water rights, particularly in the San Antonio Canyon. Most of the effort has revolved around the use of water and water rights issues with the USFS. The goal has been to restore an agreement between SAWCo and the USFS which was originally entered into in 1941. The agreement came about because of water rights issues between SAWCo and USFS in the 1920's and 1930's. The agreement required the USFS to meter all the water that it was extracting for recreational cabins and other usage and restricted their usage to three miner's inches. Sometime after the agreement was entered into, the USFS took the view that the agreement was not valid. SAWCo's concern is that the water isn't being properly metered, it is most likely exceeding the three miner's inches allotted, and it is being delivered free of charge to private lots. It is for these reasons that the water company has had to file lawsuits against the private lot owners which have led to signed license agreements. SAWCo staff has tried repeatedly to meet with the USFS to get a handle on where the diversions are taking place, how much water is being used, and getting meters installed. Mr. Fudacz has been dealing with legal counsel for USFS to understand what their legal position is. However, this has been met with some difficulty. As such, SAWCo has filed a complaint with the State Water Resources Control Board. Documents from USFS are expected on April 18th and SAWCo will be providing documents to USFS as well.

Director Willis requested that Mr. Fudacz explain the importance of using water rights and how they can be lost. Mr. Fudacz replied that appropriate water rights are subject

to loss if they are not utilized. Riparian rights are appurtenant to land which are not lost unless they are perscripted against.

Presentation of Company's Nominees for Office of Director – Director Thomas noted that a slate of directors was not sent out with the notice of the Annual Meeting. At that point Director Thomas opened nominations for the offices of director.

Director Willis carried the proxy for the City of Upland which nominated the following individuals for the offices of director for the water company:

Tom Thomas
Ken Willis

Sue Sundell
Robert Cable
John Gerardi

Glenn Bozar
Will Elliott

Director Thomas then asked if there were any other nominations for the offices of director. Hearing none, Director Sundell seconded the nomination. Motion carried.

Election Inspector's Proxy Report – It was reported by Donna Hawthorne, inspector of election, that there were 56 shares present and 4,349.15 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 the meeting be adjourned. The meeting was adjourned at 6:30 p.m.

For the record, it was noted that there were 19 shareholders signed in as attending the Annual Meeting which included the two newly appointed board members.

Assistant Secretary