

**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 8, 2014 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. All outstanding proxies submitted were verified for validity and effect.

Introductions – President Thomas introduced the current Directors on the Board; Will Elliott, Ken Willis, Glenn Bozar, Sue Sundell, Bob Cable, John Gerardi and himself, the General Manager Mr. Charles Moorrees, 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 Donna Hawthorne reported that there is a quorum present.

Call to Order – President Thomas called the meeting to order at 6:03 pm.

2013 Annual Meeting Minutes – Director Thomas asked if there were any corrections needed to the 2013 Annual Meeting minutes. Director Gerardi moved and Director Willis seconded to approve the minutes of the 2013 Annual Meeting as presented. Director Thomas asked for a voice vote and the motion carried.

Manager's Report – Mr. Moorrees conducted a PowerPoint presentation highlighting the previous year's events. Total local rainfall at the San Antonio Dam was at 7.21 inches which is 32% of the long term annual average of 22.40 inches going back to 1958. He pointed out that water levels in the Cucamonga Basin dropped eight feet throughout the year causing Nitrates and DBCP levels to increase. Rights to pump water out of this basin may be greatly reduced in the future due to the drop in water levels. Wells 15 and 16 in the Chino Basin produced 72% of the Company's Operating Safe Yield. The water table level was down by 57 feet. The general trend is that water levels in these two basins have decreased over time. Water levels in the Six Basins (Wells 26, 27A, and Well 25A) have decreased 63 feet from the previous year. SAWCo recharged a total of 317 acre-feet (AF) in the San Antonio Spread Grounds during the year with an ending storage balance of 1,391.9 AF. This storage balance helps the company reconcile their service agreements with local shareholder entities. In addition, only 784 AF was spread in the Cucamonga Basin compared to 1,512 AF the previous year. The amount spread goes toward SAWCo's long term average and ability to produce an additional 2,000 AF of production rights. However, if SAWCo cannot maintain its average, it will decrease its ability to produce out of the basin.

Capital Projects for the water company included the cleaning of the SAWCo Tunnel and the addition of interior lining between Shaft 2 and the Forebay of the Tunnel. In addition, Shaft 1 of the Tunnel was eliminated due to bamboo growth and root intrusion for a total cost of \$378,174. The Forebay Improvement project, which concluded in February 2014, began with a total cost in 2013 of \$1,737,380.

Master Plan Improvements in 2013 included a Pressure Reducing Valve (PRV) Station at Euclid Crescent West and Thunder Mountain Road. Pressure was reduced from 130-159 pounds per square inch (psi) to 75-90 psi at a cost of \$31,866.

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Operational Improvements in 2013 included the overflow connection of Reservoir 4 to Basin 3 at a cost of \$23,350. The overflow originally went to Basin 6 but there was a need to limit the flow to Basin 6 in order to be able to desilt the basin. In 2009 a surface water diversion pipeline to the City of Upland Treatment Plant was installed but due to the hydraulic gradient, air became encapsulated in the waterline. The air saturated and problematic for the Treatment Plant. A study of what could be done to correct this was performed by a consultant and the recommendation was to determine how much total dissolved gas was in the system and how much could be dealt with operationally. A TDG Analyzer was installed at the Treatment Plant at a cost of \$13,865 to monitor for no more than 120 percent dissolved oxygen as a threshold for normal operations. An air separation vault is scheduled to be installed in 2014 to mitigate the air entrainment. Desilting of the Tunnel Ponds and the Edison Ponds at a cost of \$20,000 was completed to facilitate percolation. An Americans with Disabilities Act (ADA) Ramp was installed at the company office at a cost of \$28,530. A System Map Update was completed and the 2 year maintenance of the water company's control valve was performed.

Administrative Updates that took place in 2013 were the initiation of the purchase of a new billing system and accounting software as well as the new 12 ounce bottles for SAWCo's bottled water program.

Engineering Design for 2013 included Well 25A Site Improvements, Water Facilities Authority (WFA) Waterline Connection [allow water delivery to WFA to shareholder entities that are party to the WFA], Chino Basin Recharge Pipeline, Frankish Tunnel Connection, and the Cucamonga Crosswalls Desilting and Repair project.

SAWCo continues its water rights investigation in Mt. Baldy and have solicited a response from the United States Department of Agriculture (USDA). A meeting with the United States Forest Service (USFS) took place. No action has been taken by the State Water Resources Control Board (SWRCB), however, a letter was received that will assist in establishing and protecting the water company's rights.

The water company continues to maintain a Facebook page, a quarterly newsletter, and a website to keep their shareholders informed. During the year SAWCo also hosted a conservation table at the Annual San Antonio Heights Association Meeting as well as the Citizen's Patrol George Lee Pancake Breakfast. SAWCo also continues to be active in the San Antonio Creek Watershed Committee and participated in the 9th Annual Watershed Clean Up Day.

Mr. Moorrees then reported on the upcoming projects for the current year which included the site improvements to Well 25A in Six Basins, continued work on the final plans of the WFA Pipeline connection, and the Chino Basin Recharge Pipeline. Grant funding is being requested for the latter two projects. The Forebay Improvement Project has been completed. If water flows in the Frankish Tunnel, a connection will be designed to capture the water and deliver it to irrigators or spread for credit in the Cucamonga Basin. Work will hopefully begin on the Cucamonga Crosswall repair and de-silt project during the year as well as the desilting of Basin 6. Rehabilitation work on Well 26 has been completed sans water quality testing and Well 32 new equipment will be installed shortly. The installation of the air separation vault for the City of Upland Treatment Plant will be installed this year and should eliminate the entrained air problem. The 1,123 linear feet (LF) of 12 inch irrigation pipeline at Upland Hills Golf Course will be replaced this year and 900 LF of 8 inch domestic waterline on Vista Drive and 1,500 LF of 8 inch domestic waterline on Mountain Avenue will be installed.

Director Thomas acknowledged the arrival of Mayor of the City of Upland, Ray Musser.

Statement of General Counsel

Mr. McPeters spoke about the need for emergency water supplies. There is great concern with the data on available water supplies from local sources.

Mr. McPeters also spoke about the Chino Basin in which SAWCo has water rights. The basin is probably the most complicated basin in California with regards to agreements and judgments. It takes an enormous amount of staff's time in order to function on a reasonable basis. There is a strong possibility the Operating Safe Yield (OSY) in the basin will be reduced. Over the last 20 years SAWCo has used stored water in the basin to sell to its shareholders to obtain the funds for improvement projects. The water rates currently charged to shareholders is not sufficient to fund these projects. SAWCo only has two wells that pump out of the basin therefore it is likely that they will not pump all of their rights in the basin. Selling the remaining water to cover improvement projects is imperative. The basin is managed by Wildermuth Environmental, Inc. (WEI) nearly full time who is constantly issuing reports and studies. A law firm is employed by the basin as well and is continuously providing reports and analysis. Costs associated with being a part of this basin are high. The cost for water in Chino Basin is roughly \$50/AF whereas in Cucamonga Basin it is \$0 due to not having a watermaster, and in Sixs Basins water is \$22/AF.

Statement of Special Counsel

Mr. Fudacz stated that over the course of the past few Annual Meetings he has reported on the company's efforts to protect its water rights. The cost of water is increasing and securing the SAWCo's water rights is crucial. One of the water company's primary concerns has been with the USFS, the use of water on the USFS property and diversions off USFS property to serve private property owners in Snowcrest Heights Improvement Association (SHIA) and Mount Baldy Homeowners Association (Mt. Baldy HOA). A complaint was filed in 2012 with the State Water Resources Control Board (SWRCB) and a response was received that they did not have the staff or the funds to investigate the issue and advised the water company to file suit against the offenders. In 2013 a large amount of documentation proving SAWCo's water rights was submitted to the staff and general counsel of the SWRCB. Staff and select members of the water company Board met with Congresswoman Judy Chu during that year to express concerns over the issue. Since that meeting letters have been sent from the congresswoman's office to the United States Department of Agriculture (USDA) which provides a form of supervision over the USFS. All documentation that was sent to the SWRCB was sent to USDA who responded suggesting a meeting with the USFS Supervisor is the best route to take at this time which SAWCo staff had alluded to. Staff did in fact meet with the USFS Supervisor this year. Recently, a copy of a letter from the SWRCB was received by the water company that was addressed to the USFS, to SHIA and to the Mt. Baldy HOA. In the letter the SWRCB requested the entities explain what they are doing and what the legal basis is for their diversions and use of water. The water company hopes that the meeting staff attended with the USFS Supervisor and the letter from the SWRCB to the USFS, SHIA and Mt. Baldy HOA will bring about a resolution.

Directors Terms & Other Business – Director Thomas advised that there is no election for Board of Directors at this meeting due to the adoption of staggered 4-year Board Terms. Lots were drawn at the April 2013 Annual Shareholders meeting which provided the staggered terms as follows:

Directors serving a 2-year term [2013-2104]:

Sue Sundell

Will Elliott

John Gerardi

Directors serving a 4-year term [2013-2016]:

Tom Thomas

Ken Willis

Glen Bozar

Bob Cable

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].

Mr. Robert Poff stated that over the past seven years he has removed approximately 700 square feet (sq. ft.) of grass from his front yard. He then planted drought tolerant plants in place of the grass and installed a drip irrigation system. His next project was his back yard which consisted of 1,000 sq. ft. of grass and was pushed forward by the water company's notice that entitlement was decreasing by 18 percent. He removed the grass, put in drought tolerant plants, added some rock and a drip irrigation system in his backyard and now even waters his trees with a drip irrigation system. He thanked the water company for giving him an incentive to finish his drought tolerant landscaping.

Mr. Jason Goodman spoke about the water company's responsiveness in answering questions about their infrastructure, both functional and obsolete, and their ability to provide accurate information when requested. He also reflected on the knowledge field personnel have and what protocols they follow in providing important information to property owners and public entities. Mr. Goodman gave information in regards to a project Southern California Edison (Edison) designed and built that included new distribution lines, pole locations and other infrastructure. The location of the infrastructure impacted residents and property owners, including SAWCo. It was observed that SAWCo did not follow proper dig-alert protocols and when pressed for information they provided inaccurate pipeline sizes and locations. It was observed that they indicated some locations verbally and by hand only after Edison arrived on-site with poles. This caused delays and was of particular concern to Mr. Goodman due to the fact that other utilities had marked their facilities some time in advance.

Mr. McPeters spoke about the water company's efforts to locate all of its pipelines. He explained that original pipelines that were installed were not logged in or drawn on a map. The water company has spent a considerable amount of time and money locating their pipelines since the early 1990's but there are still some that may not be on the system maps.

Mr. Moorrees advised that pipeline being located in that area is a concrete line and there is no way to locate that type of pipeline. The only method is archaic and is accurate within three or four feet of the waterline. He informed Mr. Goodman that he would speak with all staff during the next staff meeting with regards to the situation he is speaking of.

Mr. Peter Cherbak moved and Mr. John Navarro seconded to adjourn the meeting. Motion carried. The meeting was adjourned at 7:00 p.m.

For the record, it was noted that there were 23 shareholders signed in as attending the Annual Meeting; a total of 44.50 shares present and 4,359.65 represented by proxy.

Assistant Secretary
Charles Moorrees