

BKRE Water Company  
Annual Shareholders Meeting  
September 10, 2011

The meeting was held at the Anasazi State Park Conference Room and began at 1:00pm.

**ATTENDING:**

David and Susan Heaton, Julie Ketchum, Jim Arnold, Lynne Vogel, Keith Gailey, Shane Coleman, Cliff and Carolyn Fuller, Josh Ellis, Randy Catmull, John Drain,

Voting shares represented: 16

Proxy votes: 9

Total votes = 25

Jim Arnold, President, called the meeting to order at 1:00pm. He said that our bylaws state we can conduct business with whatever number of shares is represented at the meeting.

Jim said he wanted to give everyone the highlights of year. We have had well problems recently and are at about \$2400 in repairs. Keith Gailey has been running the well manually for the last few weeks because it doesn't shut off and overflows if left unattended. Fletchers had to completely re-pipe the pressure pipes because they all melted. Overall, Jim said, we finally have enough reserves in the checking account to pay for these repairs. We had another bad water test two weeks ago so the water has been chlorinated. Jim said that this happens about once a year. Keith found a screen they didn't know about and they thought this might be the problem. Jim thought the overflow was tied in with the drain down. When they looked at it they realized it is not legal and will need to be repaired.

Jim said that the big issue for this meeting is the pending merger with Boulder Farmstead. We had a minor issue with a lot recently sold that had a balance due. Our bylaws say that water shouldn't be transferred to a new owner without the balance being paid. We ended up having to waive the past due balance so that the Public Service Commission wouldn't cause problems with the merger. If we have any complaints against us, the PSC will not let the merger go through. Lot 68 is on a payment schedule and that will continue with the merger. Cliff Fuller asked about the well and tank on lot 13. Dale Clarkson will be bought out, including that lot. Randy Catmull said the long term goal is to redo the well and keep it as a backup. Randy said the new well will pump to a tank that will gravity feed. It should be about 1000 feet deep. Randy said the pressure will be between 50 and 70. Jim said the well will be drilled on Garkane property since they will guarantee the required 100 foot radius and the forest service wouldn't. Shane Coleman said that Jackie Clements asked him about the tank on her lot. Randy said it will be disconnected and dismantled. Jim said Jackie's lot will need to be redone because the PSC let her take water from her dry lot to use on her connected

lot. The dry lots will remain dry until they purchase a share from Boulder Farmstead. Dale Clarkson will be paid for them. Cliff asked if they had the grant money. Randy said they will have \$1.6 million in grant money plus they will finance \$250 thousand. Cliff asked about the timing to complete the project. Randy said they hope to drill the test well this fall, bid it out over the winter, then start construction in spring. The existing pipes in the roadways of the subdivision will be abandoned. The new pipes will be in an exterior loop. They will need to have the chip seal redone on the roads. Randy said all lots will have meters installed, even the dry lots. The town may want to install some culverts while the roads are torn up. Randy said you won't get to choose where the meter is on your lot, they will put install them where it will be easiest for them to be read. Cliff asked for a rough idea of when Boulder Farmstead will take over the billing since his bill will go up then. Cliff currently has a credit balance with BKRE Water Co. The state has to approve everything first. The new billing will be monthly instead of quarterly. Jim said just keep paying as usual until you get a notice. Jim said this merger has been a long process. Keith did a lot of work with Dale getting him to agree to the dollar amount in the merger. Once it passes, there is a time frame to when Dale will be paid. The BKRE board has already voted to recommend passing the merger.

Jim asked if there were any other questions or comments. Boulder Farmsteads bylaws and rules are very similar to ours. Randy said one thing that will change is that you will only have one vote no matter how many lots you own. Someone having many votes is what got the PSC involved in the first place. Randy said Boulder Farmstead has annual meetings plus special meetings for other projects. They have already voted in favor of the merger. Also, there will be enough water for outside watering. The state said as soon as the votes from both companies are in they will release the grant money. They need to add three phase power, etc. They have an easement with Garkane. Garkane will become a shareholder and pay a monthly bill.

Jim said normally we elect new board members at the shareholders meeting. He suggested just holding over the current members until the merger is complete since it will hopefully just be a few months. If it passes we will need to elect two members to be on Boulder Farmstead's board for two years, increasing their board to seven. After two years their board will drop back to five members.

Jim needs to make sure the merger passes before we have any elections. To recap, the advantages are gravity feed water, being out from under the PSC and Dale Clarkson, outside water, increased fire protection, and not much chance of running out of water in the future. There are not really any disadvantages.

MOTION: Keith Gailey made a motion to approve merger as outlined. It was seconded by David Heaton. Jim said the voting would be by voice unless there was an opposition. Since the vote was unanimous there was no need to go through a roll call vote.

MOTION: Shane Coleman made a motion to keep the same board members until the merger is complete. It was seconded David Heaton and voting was unanimous.

Since the merger passed we need to appoint two people to serve on the new board. They have monthly meetings and it is a two year commitment. Any member in good standing can do it even if they don't live in Boulder. If you miss too many meetings you can be replaced. Cliff asked who would be willing to serve. Jim said it needs to be out of the current board members. Keith said David and Jim have already been attending the meetings. Cliff asked David if he was willing to do it.

#### ELECTIONS:

Randy Catmull nominated Shane Coleman and it was seconded by Cliff Fuller. Cliff Fuller nominated David Heaton and it was seconded by Shane Coleman. Jim Arnold asked if there were any other nominations. The voting was unanimous.

Jim wanted to thank Keith for all the work he has done over many years maintaining and servicing the well. Keith also takes the water samples in. The next sample is due in October. Keith has done so much work that no one even knows about. He has been manually operating the well for over two weeks. David, Shane and Tim have also helped with many repairs as volunteers. After the merger Randy will be the one to call. The company has been held together by volunteers for many years and Jim appreciates everyone. Susan mentioned that Jim and Allen Saunders have done a lot of work that needs recognition too.

Jim said with any luck this will be our last meeting! The only way out now will be if the PSC does not agree to the merger. Jeff Gittins, the attorney for Boulder Farmstead, has been working with the PSC to make sure they know what's going on every step of the way. He will work it through anything that comes up.

Randy reminded Jim that he and Keith would need to get a document signed and notarized stating that the BKRE Water Company shareholders voted in favor of the merger. They will go do it right after the meeting so Randy can get it back to the attorney.

#### MOTION:

David Heaton made a motion to adjourn. Keith Gailey seconded it and the voting was unanimous.

The meeting adjourned at 2:00 pm.