

LDWA MTG MINUTES ANNUAL SHAREHOLDER MTG February 1, 2011

1. Welcome - Ben Gordon
2. Prayer - Jim Vasquez
3. Pledge of Allegiance - Elliott Sheltman

4. MOTION by Randy Stevens, second by Cynthia Wright with all shareholders unanimous to approve the Feb 2, 2010 Shareholder Meeting Minutes.

5. PUBLIC ANNOUNCEMENT by Scott Hayes, Water Operator.

6. 2010 OPERATIONS. Ben Gordon said we have put a lot of work into the Project this past year and thanked Ange Rohr and Ron Cundick for their time serving on the LDWA Board of Directors during the past year. LDWA continues the extensive process required to qualify for the DDW/DEQ loan to fund the construction of our upgraded culinary water delivery system. Pipelines are currently being installed and looped throughout the Town. LDWA entered into a purchase agreement for just over 104 acre feet of water. The Board approved discontinuing collection of the Emergency Repair/Capital Improvement Fee, effective January 1, 2011, saving shareholders \$5.00 month. Ben said he hopes new development will come to Leeds in the near future to help the cost of new infrastructure and we can pay the loan off ahead of schedule.

7. FINANCIAL REPORT - DANIELLE STIRLING, TREASURER. Danielle reviewed the Ordinary Operating Income & Expenses, status of bank accounts, and the projected budget for 2011. Ben asked if there were questions re: the budget; there were none.

8. SHAREHOLDER OPEN FORUM. Cynthia Wright thanked everyone for doing a fantastic job and putting in a lot of hard work with the project. Round of applause. Don Fawson asked if we planned to have a financial audit. Karen Markovich said LDWA is required by the DDW/DEQ to complete a single audit and financial audit for the years LDWA receives more than \$500,000.00 in payments from the loan, and will be completed by August 2011 for draws received in 2010. Steve Lewis thanked LDWA as one result from the project will be a huge improvement of how we supply water to the community. The new fire hydrants will help boost the Leeds Area Special Service Fire District ratings as 40% of their rating is based on LDWA's water system. Jo Sheltman thanked the Board and special thanks to Karen for the amazing amount of work they have done and continue to do. The interaction is incredible, they work daily to make a great team. Jo also thanked Kurt Allen, NEI, and the PPI crew for begin courteous and pleasant to all in the community. Kayla Koeber confirmed the Budget shows a \$12,000.00 reduction in operating expenses and noted it looked to be a result of eliminating the \$1,000.00 month in health insurance paid directly to Scott Hayes. Kayla thanked the Board members and Karen for a tremendous job during this project. Kayla asked Kurt Allen if where the

pipeline is begin laid in Silver Reef Highlands off Juniper Road will be barricaded and boulders placed to eliminate ATVers and trespassing. Kayla also asked if the Board might consider a tiered rate schedule in the future, assessing cost of water by gallons used, rather than the flat \$20.00 fee for 0 to 20,000 gallons of water. Kurt said it would be barricaded as the easement is SITLA land and they have requirements for consenting to the easement. Dave Harbour said it would be great to have more than one exit in and out of their neighborhood.

9. ELECTION OF TWO (2) MEMBERS TO THE BOARD OF DIRECTORS. Two seats are open as of tonight - Jim Vasquez and Elliott Sheltman and both members are willing to be re-nominated. Per the bylaws, number of nominees are required to equal at least twice as many as seats open. Nomination of Bert Cuff was made by Ray Beal; Nomination of Bob Breskin was made by Zan Breskin. Cynthia said Bob Breskin has been helping and lending his Accounting expertise to LDWA.

10. COMMENTS BY THE NOMINEES. Elliott Sheltman said he was appointed to fill a vacancy in July 2010, and appreciates the opportunity to officially run for the two-year term. Jim Vasquez said he also was appointed to fill a vacancy in October 2010 and appreciates the opportunity to run for the term. Jim is a retired Sheriff from Southern California and is self-employed as an electrician in Utah. Nominees Bob Breskin and Bert Cuff were not present at the meeting.

The Board appointed Dave Harbor, Norma Gier and Zan Breskin to tally the votes.

Final count: Jim Vasquez - 82 votes; Elliott Sheltman - 79 votes; Bob Breskin - 9 votes; Bert Cuff - 9 votes.

Karen Markovich, LDWA Corporate Secretary administered the Oath of Office to Elliott Sheltman and Jim Vasquez, board member terms commencing February 1, 2011 through February 5, 2013.

11. MEETING was adjourned at 8:30 pm.

12. MEETING RECONVENED for Special Session to appoint Board Officers. Motion by Elliott Sheltman, second by Danielle Stirling with all unanimous to retain Ben Gordon as President, Randy Stevens as Vice President, Danielle Stirling as Treasurer, and Karen Markovich as Corporate Secretary.

13. Motion by Ben Gordon, second by Danielle, with all unanimous to adjourn Special Session at 8:40 pm.

Karen Markovich
LDWA Corporate Secretary

LDWA MTG MINUTES

March 17, 2011

I. CALL TO ORDER

1. Welcome by Ben Gordon.
2. Pledge by Danielle Stirling.
3. Prayer led by Ben Gordon.

LDWA Board present: Ben Gordon, Randy Stevens, Danielle Stirling, Elliott Sheltman, Jim Vasquez.

Staff present: Scott Hayes, Karen Markovich taking minutes.

Public present: Ange Rohr & [mom] Irene, Peter Aurigemma, Susan Savage, Merle Gier, John Markovich;

Brant Tuttle & Kurt Wilson, NEI Presenters.

II. LDWA BOARD MEETING REGULAR BUSINESS

1. Construction / System Upgrade - Northern Engineering Inc. Brant Tuttle. Brant discussed the low pressure in certain areas in Town. [ie: Frank Jackson, Jean Beal]. The old pressures in Silver Reef area off of Oak Grove tank is 142 psi. Danielle asked what the "misc" is on the budget (attached) - Brant replied that was the expense for the Sunrise Eng payment made at the beginning of the loan. There are 100 hours budgeted for the well. We haven't posted the well house building contract and can't do that until the DDW approves the bid proposal. Ben said PPI has expressed an interest in bidding on that. Kurt Allen previously suggested accepting informal bids and if PPI comes in favorably, we can consider awarding it directly to them, if that is within DDW guidelines. **Randy said the formal process for putting a job out to bid is preferred and Danielle agreed.**

2. Review and approval of Change Order (CO) #8 and #9.

Ben reviewed CO #8 to put ten (10) 6" tie-ins on Main St. Scott said there are some hydrants on Main St. that are undersized at 4" & do not meet fire-flow requirements. The CO is for 10 hydrants. Danielle asked Scott how many fire hydrants are out of code, he did not have the amount at hand and Fire Chief Lewis has that data. Danielle asked that he find verify the amount that failed the flow/flush tests so that the board could confirm how many hydrants actually needed to be replaced. Randy agreed. Jim asked where the material would be purchased. Quotes reflect that Mountainland Supplies have lower pricing than Scholzens Products. Danielle asked if Scott could dig out each hydrant and verify the 4" and 6" hydrants. that way we'll know how many must be replaced. **Motion by Ben Gordon, second by Randy Stevens, with all unanimous to table approval of Change Order #8 when Scott completes verification of the hydrants that are required to be replaced.**

In conjunction with CO #8, CO #9 provides a rebate of \$1995.80 if we go with Waterous Fire Hydrants hydrants rather than Kennedy hydrants. Randy said Kennedy hydrants are what the surrounding cities use & we should go with that. Kurt Wilson, NEI, said we currently have a combination of hydrants in town - Waterous, Kennedy, and Leeds has Waterous hydrants in town. he thought there are Waterous hydrants in the town. Danielle said if we can save \$1,995.80 we should do that, as we have all 3 brands of hydrants in the town. Line Item #31 in the existing bid is for the hydrants. Ben said there are 8 new hydrant assemblies in the bid and 10 replacements hydrants in the bid. Motion to approve CO #9 by Danielle 2nd by Ben Gordon, Jim & Elliott aye and Randy nay. Randy said other towns prefer Kennedy.

Financial Report Feb 2011 - Danielle Stirling. P&L Ordinary Operating Income. Ben said this is encouraging to see that we are profitable during the low water usage months.

COMMENTS BY BOARD MEMBERS. Ange thanked LDWA for including the Consumer Confidence Report (Water Quality Report 2010) with the invoices this month. Susan asked about the vegetation of the easement on the Savage property. Trent (PPI) said they roughed up the ground and planned to seed with grass seed. She said they have really appreciated working with PPI as they've kept up with communications, etc. Susan said that grass seed is not successful in that area; planting should be done in Fall. Susan provided info for the revegetation to Ben; & thanked LDWA for the fire hydrant. Peter

asked re: chlorination of the Spring, that it is not a closed system and spots aren't 100% sealed. If something is contaminated we really need to address it.

Ben said it might be worth talking to National Resources Conservation (NRCS) and it might be good to contact them for prices. Scott wasn't sure what Peter was talking about. Peter asked if the air-vac is for suction or discharge? Scott said it's discharge and the mushroom cap over the valve has screens & prevents things from getting inside. Scott said they're checked periodically. Ben asked how often they are checked. Scott said 1x - 2x year.

ADJOURN BOARD MEETING at 8:15 pm by Ben Gordon.

EXECUTIVE SESSION

Taps on homes foreclosed/bankruptcy

Administrative policies, procedures, work assignments

Shareholder request review

Karen Markovich, LDWA Office Administration/Corporate Secretary

LEEDS DOMESTIC WATERUSERS ASSOCIATION

Board Meeting Minutes

MAY 19, 2011

I. CALL TO ORDER

1. Welcome by Ben Gordon.
2. Pledge of Allegiance led by Danielle Stirling.
3. Prayer by Jim Vasquez.

Meeting held at Leeds Town Hall. Board attendees: Elliott Sheltman, Jim Vasquez, Benjamin Gordon, Danielle Stirling, Randy Stevens. Staff attendees: Scott Hayes; Karen Markovich taking minutes. Shareholder/public attendees: Kurt Allen, Jerry Otteson, Bob Breskin, Penny Weston, Don Goddard, Selinda Stevens.

II. LDWA BOARD MEETING

1. Motion by Randy Stevens, second by Danielle Stirling with all unanimous to approve Board Meeting Minutes dated April 21, 2011.

2. Cross-Connection Programs & Requirements. Seminar Presentation by Terry Smith, Circuit Rider, Rural Water Association Utah (RWAU). Note - RWAU is a non-profit non-regulatory association founded to help small to medium sized water systems deal with the complexities of government regulations, and the day-to-day demands of maintaining and running a water system.]

A cross connection is a physical path or bridge between our drinking water and anything else. Something as simple as dropping a garden hose in a watering trough can backup into the system and cause a cross connection. Refer to Fed Public Law 104-182, Safe Drinking Water (DDW). LDWA is legally, morally, and ethically required to provide safe drinking water to all customers. Utah Public Drinking Water Rules, Section R309-105-12 states "The water supplier shall not allow a connection to his system which may jeopardize its quality and integrity."

The State of Utah requires 5 elements be met by water service providers:

- Legally adopted and functional local authority (10 points)
- Written records inventory, tests, serial numbers, etc - (10 points)
- Trained operator (10 points)
- Public awareness and education (10 points)
- Documentation of on-going enforcement. (10 points)

The State allows up to 150 points *against* the water provider - fewer points accrued equate to a better water system. If #1 [above] is in-place, it automatically binds LDWA to meet all 5 requirements. The advice is to establish #2 - #5 so that we do not obligate ourselves to meet all 5 requirements at one time. Backflow assemblies are required to be tested a MINIMUM of once a year. We are required to prevent cross connections b/w the irrigation water supply (Back Pressure). Back siphonage - examples include: an open outdoor tap attached to a garden hose and placed in a wading pool, or a detachable hand-held showering device used in a bathtub; both can cause a back siphonage cross-connection. Protection from Back Siphonage: pressure vacuum breaker, (PVB), *double check assemblies, (double checks still qualify for low hazard - back pressure/back siphonage protection) ; air gap, the best form against cross-connection; and hose bib vacuum breakers. Hose-bib vacuum breakers can prevent back siphonage by creating a path for air to enter into the line. However, in cold climates they create a greater chance that the tap may freeze, since they may not allow it to drain as designed . Back pressure can occur when a customers' system has a greater pressure than the water supply received from the delivery system. Examples: pumps, heating water (thermal expansion), alternate sources. Back pressure can be dealt with by using an R.P., which is approved for back pressure. Pressurized irrigation systems cannot be physically connected at any time with the culinary system. A connection from one source to the other must be accomplished by utilizing a "swing joint". Recommended types of backflow assemblies used in landscape irrigation systems vacuum breaker/solenoid valves - must be 6" above ground and the highest point of the sprinkling system. RPZ's are not first choice, since assemblies are required to be tested. It is recommended that a system operator, if certified, not test within his own jurisdiction, since this implies a conflict of interest. All backflow assemblies must be tested by a properly certified Backflow Tester. [TAPE 1, SIDE 2]

- Water systems must provide notice to the customer when a backflow assembly test is due.
- Water systems must also keep written records of all assemblies and tests/repairs.
- It is the responsibility of each water system to develop a viable program; meet the Utah State requirements; provide public education and awareness – it is a water system's best tool.
- Customer cooperation is a must and the most difficult to maintain.

There are cross-connection software programs, but they are very expensive beginning at \$2,000, and are intended for large systems installed in cities. LDWA is much too small and can initially get by with less expensive alternatives, such as a spreadsheet or even simply paper records in a binder.

Ben said he would like to see the Board establish an amendment to the bylaws for cross connection policies.

3. Valve location schematics; maps; update Documentation Control – Elliott Sheltman. Elliott said we had about 14 to 16 file boxes stored in the cellar. Given recent queries regarding locations of old taps, he and Karen thought it would be a good idea to bring the boxes upstairs for review. Kurt Allen and Scott brought most of the boxes upstairs last week. Karen went through the boxes and found the schematics & maps for the water tanks, location of the valves including directional flow of water, schematics of fire hydrant installations in areas downtown; and the original plans of the lines crossing N Main St at Silver Reef Rd and Interstate 15.

Elliott said if the Board had known they existed, it would have saved LDWA excavation and money on the construction project; but it is after-the-fact now that the project is near completion. Elliott recommended we do not store permanent records in the cellar going forward, establish a system to properly store documents, and the Board should now delegate this responsibility to Karen, as she is capable and has the ability to do so. **Motion by Elliott Sheltman, second by Danielle Stirling, with all unanimous to designate Karen Markovich to establish a Documentation Control system, and to oversee and control the permanent LDWA records and maps within the office.** Ben added it would be a good place to begin establishing Policies and Procedures for the office. Elliott added that the fact Karen dug through the files in such a short period of time was pretty amazing, as the files were a mess. The boxes contained cobwebs, rodent droppings, and dead spiders, and the job was not pleasant. There are currently 8 boxes containing obsolete tax records [including those from Silver Reef Special Service District and El Dorado Water Co], outdated brochures, handbooks, etc, and are marked to be shredded. Ben asked if we have additional boxes to review; Karen said there are and she would like to have them brought upstairs tomorrow morning to complete review and begin establishing protocol for records.

4. Construction system upgrade status report – Kurt Allen, NEI reviewed the contract summary of expenses to-date and presented drawings on the tank overflow up at the creek. Given the elevation at the ditch, we cannot use gravity flow to return the water to the Creek. There are two options to resolve the overflow of the tanks. Least desirable, is to use a sump pump to pump the water up to the diversion structure, and flow back down to the Irrigation Water Co.

The better option: at the green tanks, there is overflow piping that runs out of the green tanks and runs down the hill goes down hill and along the spring line and down to the Leeds Creek for the overflow. The location of the tanks was well planned and built at the same elevation, with the overflows all at the same elevations; all tanks are interconnected and basically form one storage unit. That makes it easy to take the overflow from the pink tank and bring it back and plug it in to the overflow of the green tanks, which goes down to the Leeds Creek, as it is all one system. Even though the overflow off the green tank is about 11' - 12' higher than the bottom of the pink tank, it will still flow back up the hill into that overflow and discharge into the Leeds Creek. 'It would be a pretty simple process to take it back up there and connect it into that; it is about 200' + 100' and we would have to go down below the pink tank; the cost might be \$50 foot = \$15,000 at most.' Kurt recommended we leave the existing metering system on the overflow on the pink tank in place, connect into that line below that metering system, extend it back up at that point, and hook into the overflow of the green tanks. That way the overflow remains in place at the green tanks, the metering system stays in place at the pink tank - it's controlled - and it's a sealed system. At that point, it goes back up the hill and connects to the overflow going back into the Leeds Creek. The disadvantage is the Irrigation Water Co will not have the ability to turn water back for their use. LDWA would basically be turning the water back to the WCWCD. Kurt's understanding is that LDWA is obligated to return their overflow back to the Leeds Irrigation Water Co.

Randy said if we just discharge in the Leeds Creek, we open ourselves up to a chance of losing that water right. Ben said he does not think it's LDWA's obligation to move the water down to the Irrigation Co; LDWA was able to return their overflow from the ditch when they used the ditch. When they converted to a pressurized system, it then probably became their obligation to take care of that. Danielle said, no, it is actually LDWA's responsibility *not* to use more spring water than they are allocated. If we are overflowing that tank, we are actually taking water that rightfully belongs to the Leeds Irrigation Company. Ben said he has no problem with LDWA returning the water to the Irrigation Co; however, LDWA had a system to return the water to the Irrigation Co by using the ditch, and when the Irrigation Co abandoned the ditch, they should have been responsible to put in a system for LDWA to continue to return their water. Don Goddard said by LDWA allowing the overflow of the tanks into the abandoned irrigation ditch, LDWA is creating a serious liability downstream; there should be *no* water overflowed from the tanks into that ditch. It should be turned back to the Irrigation Company for their use. Elliott agreed with Don and said LDWA disassembled an illegally constructed dam 1-1/2 months ago on March 30. But someone has again rebuilt the dam and circumvented the flow of

water back into the abandoned ditch this past week. Elliott said we do have a liability, as we have over-flowed water out of the tanks on numerous occasions, running down people's property in a hap-hazard manner and we do not have the right to do that. There is no law to keep the ditch maintained and clear of debris; Elliott said these are two different issues causing the flow in the abandoned ditch and they must be addressed. Danielle said she'd like to see the Leeds Irrigation Water Co and LDWA work together to permanently resolve this issue.

Kurt added that when the project is completed the new SCADA and telemetry system should permanently prevent the tanks from overflowing and there should be zero water in the ditch. And if it is operated correctly, the tanks will have zero overflow into the abandoned ditch. Ben said let's just return the water back to the creek; Danielle said the tanks should not overflow as the excess water can be turned back to the Irrigation Water Co. Ben said the issue is to get the water out of the ditch and it may make sense for us to bear that cost if we have a liability. Elliott clarified that residents [who live along the abandoned ditch] are not responsible to maintain the ditch that runs through their property.

Kurt said if you want to try to control the flow in the ditch, it's going to cost for engineering a new valving system. Kurt recommended LDWA allow the water to return to Leeds Creek. **Motion by Danielle, second by Randy, with all unanimous to table decision until we receive a bid from PPI to run the line to the green tank to control the overflow.**

Kurt addressed the bidding for the well site. PPI came up with an unofficial lump-sum bid which includes 400-amp service, SCADA system, the well building, power trenching, work conduit, 75-horse stainless motor, sanitary lock cap for the well, excavation, pit-less adaptor, exterior and interior piping, etc, the budget comes to \$177,722. Contractors involved are Barney Bros Electric, Bill King (SCADA), Precision Pipeline, Preset Pump. This quote only reflects the preliminary drawings. Even if we can get 1000 gallons per minute, LDWA just does not need it; 500 gallons per minute is more than enough. That well is going to cost more than originally thought because it caved in. They camera'ed the well and the sides are caved in at 40' – 120'. Until they get the well-drilling rig running again, they won't know what they have.

Don Goddard commended the Precision Pipeline construction crew and said he has never seen anyone working harder or more dedicated than they are. They have done an excellent job, clean up after the worksites when leaving, and have been polite & courteous. Don said it's impressive to see such dedicated hard manual work here in Leeds.

He mentioned there is no insulation on the pipe going under the freeway, and he thinks it could freeze if we have a cold winter. Kurt thanked Don and said he takes full responsibility for the pipeline. Ben asked if NEI will pick up the tab on the pipe in grapevine wash if it freezes. Kurt said yep, they are completely responsible for it and he stands behind his design, adding there will be permanent flow in that pipe to prevent it from freezing.

Kurt said we are at end of the project and have our Substantial Inspection on May 25, 2011 and invited the Board members to attend.

5. Request for new LDWA water service & connection (Ryan Lefler). Ben introduced the request from Ryan Lefler. Danielle asked how many people own shares in Hogan Springs. Ryan's request to transfer his 1.97 acre-feet of water (allocated as 1-acre foot domestic and .97-acre-foot irrigation) with Hogan Springs, a private spring, to LDWA in lieu of paying the water right, impact & connection fee to LDWA. Kurt said it typically takes two (2) shares of irrigation water to constitute one (1) share of domestic water. He will retain his water right to his pond at Hogan Springs to fill his pond.

Randy said our bylaws require someone to bring or buy water & he doesn't see a problem with it. Danielle said there is nothing stopping him, then, from using and filling his pond with the water he intends to trade to LDWA.

Ben asked if the Board would be okay with him contacting Ryan and telling him that the Board is comfortable with the principle of trading water shares but we need to work out the details? Danielle said she does not think that is wise, and we need to talk with the attorney before putting anything on the table. We need everything in black and white before we make a decision. Elliott agreed with Danielle, and said the numbers are not adding up for the value of what we would be getting. We should not say anything positive or negative in the interim. **Motion by Danielle Stirling second by Randy Stevens, with all unanimous to have Ryan Lefler contact and hire a water rights attorney, preferably Rick Hafen, to give us a definite idea of how much culinary water we will bring into our system by trading the acre-feet.**

6. Retrieval harness, tripod, oxygen monitor/sensor, hoist and safety gear – Randy priced out the harness and peripherals and reported it would cost \$6,000 minimum. And we have to have an operator to be on-hand to use it when an operator is in the ground. Ben said he does not want to put this off to next year's budget. Karen said she will review the budget to determine if & where it is affordable and report to Danielle. Ben said to add this purchase for Board approval to the June agenda.

7. Financial Updates - Report as of April 30, 2011 Danielle Stirling reported on the year-to-date comparison for Jan 1 thru May 18, 2010 and 2011. Our operating income has decreased 8%, a reduction of \$3200; the truck expense increased over 23%; office expenses decreased 28%; staff development decreased 18%; payroll taxes decreased 62% as we paid taxes on the \$1,000 month paid out for medical insurance the first 6 months of 2010.

Elliott said if the storage unit is no longer needed, we should move out of the storage unit. Danielle asked Scott if he brought the remaining inventory of new meters to LDWA. Scott replied he had not transferred anything because no one told him to do so. Danielle asked that he bring them down to the cellar. Scott asked if she wanted all of them to be moved out and she said yes, we are cleaning out the storage unit as was discussed & planned several months ago. Danielle asked that Scott inventory everything in the storage unit and to also please deliver the meters to the barn for the Irrigation Company as agreed to at eh March 2011 Board meeting.

Danielle asked Scott what make the generator is to get an idea of its value. Scott said it is green and he doesn't know what the make or model is. Karen asked Scott to provide her with the specs on the generator so that it can be posted for sale in Town and possibly in Craig's List.

Danielle recommended Scott deliver all LDWA assets/contents in the storage unit first to the cellar of LDWA office for inventory. Karen noted that current inventory of old meter bodies, yokes, and assemblies in the cellar is worth at least \$6,000 at today's scrap value rates and possibly the money might be used to purchase the safety retrieval harness.

COMMENTS. Ben asked about the status of the fire hydrants and their current location. Scott said everything is in the dumpster. Randy asked Scott how many there are, Scott said he thinks there are 5 Waterous, 2 Muellers.

Elliott said at this point, it's after-the-fact and selling the scrap hydrants to a select few in Town is a can of worms as we have experienced with some of the issues on this project. We have learned the hard way it's best to let it alone and scrap them out. Kurt agreed and added someone might try to get an insurance discount if they placed a hydrant in their yard - it could appear to be active; and the Fire Chief might not approve as the firefighters might think the cosmetic hydrant is active.

Danielle said PPI supervisor Trent Danklef told her there are about 30 green irrigation boxes remaining at the staging area. Ben told Karen to post 'first come first serve' for the irrigation boxes at the post office and let shareholders take them.

V. Motion to adjourn by Randy, Danielle second ADJOURN BOARD MEETING @ 9:35 pm

VI. EXECUTIVE SESSION minutes not recorded, Board members only.

Karen Markovich, LDWA Office Administrator

LDWA BOARD MEETING MINUTES
JUNE 16, 2011
LDWA Office, 1901 Silver Reef Drive, Leeds, UT 84746

MEETING COVENED AT 7:10 PM.

1. Welcome - Ben Gordon
2. Pledge - Elliott Sheltman
3. Prayer - Jim Vasquez

Board members Present: Ben Gordon, Elliott Sheltman, Randy Stevens, Danielle Stirling & Jim Vasquez.
Staff: Karen Markovich taking minutes; Scott Hayes, Field Operator.
Public: John Markovich, Peter Aurigemma, Merle Gier, Ryan Lefler, Trent Danklef PPI Supervisor, and Kurt Allen, NEI.

I. LDWA BOARD MEETING REGULAR BUSINESS

1. CONSENT AGENDA. Approval of meeting minutes dated May 19, 2011. Board skipped line item; minutes to be approved at a later date.

2. WATER SHARE REQUEST. Ryan Lefler discussed his request for a water connection with LDWA. Danielle said we would have to move the fire hydrant, and we cannot add substandard lines to our water delivery system. Ryan talked to the State regarding the requirements. Elliott, Danielle and Jim agreed that they would not allow a one-inch line to be installed, as it is substandard and we have just upgraded our system. Danielle said we must comply with State requirements including a record of water use records for 12 months before the Board makes a decision on the request.

3. EMERGENCY MEETING RATIFICATION. Motion by Ben Gordon, second by Danielle Stirling, with all unanimous to ratify the motion at the Emergency Session held on June 9, 2011, as follows:

"Motion by Elliott Sheltman, second by Danielle Stirling, with Ben Gordon approval that LDWA: (1) pay \$12,000.00 for current concrete expenditure for the original well-site; (2) pay expenditure not to exceed \$4,000.00 to seal off and abandon the currently collapsed original well-site; (3) authorize Gardner Bros Drilling, Inc., to begin drilling a new well site approximately 100 feet southwest from the original site."

Tape 1, Side 2:

4. STATUS REPORT OF NEW WATER DELIVERY SYSTEM & SECONDARY WELL. Kurt Allen, NEI. The second well drilling is now stabilized after the cave-in last night. They cancelled the concrete, cleaned and reamed out the hole; tonight they are placing the conductor tube down the well, and have concrete scheduled for tomorrow and will use dryer mud than that used on the first hole. They are right above the water level at ~ 100 feet.

Trent Danklef, PPI supervisor, reported on the completion of the Project. They are in the clean-up phase at the Oak Grove LDS Church House I-SRE-10 and finishing up at the staging area. Elliott thanked PPI for the great work and dedication, relaying the positive support received from shareholders; Karen read a thank you letter to PPI from Martha Ham and Peter Mills. Kurt said the LDS Church is going to spend \$250,000.00 to re-landscape and fence their home and property L-SRE-10 on Oak Grove and that will delay the completion of cleanup of the easement in that area.

5. CEMETERY WATER LINE. Elliott has been working on this - summary we currently cross private property to provide water to the Leeds Town Cemetery. The proposal is to bypass that line and

run a new line to Cemetery Road. Elliott suggested offering the Town split the cost with LDWA as the line goes to the Town's Cemetery and they will benefit from the new line.

Motion by Randy Stevens, second by Elliott Sheltman, with all unanimous to approve expenditure of up to \$3,500.00 to install a water line, meter, and yoke to the Leeds Town Cemetery, request PPI provide a separate invoice, and extend offer of an option to the Town.

6. **APPROVAL FOR FIRE HYDRANT AT 589 BABYLON ROAD.** Danielle Stirling requested that PPI install their fire hydrant already purchased; Ben said Chief Lewis was in favor of having the hydrant installed located before the meter. Trent said David met with him and showed him the location. Elliott asked that we take photos of the area before and after to include in the documentation of the Project.

Motion by Randy Stevens, second by Ben Gordon, with Elliott & Jim aye votes to approve installation of the fire hydrant's new location at 589 Babylon Road. Danielle Stirling abstained from vote.

7. **TOWN OF LEEDS for WATER SERVICE & PROJECT UPGRADE BILLING.** Ben said the Town currently has four water taps located at Town Hall, Leeds Cemetery, Silver Reef Park, and the LASSD. Elliott said we have upgraded the infrastructure with the new water delivery system and all shareholders are required to pay for the expense. LDWA has not charged the Town for: (i) water service since 2006 (at the time LDWA used office space at Town Hall), (ii) the Emergency Repair Capital Improvements Fund from May 2009 through Dec 2010, or (iii) the Project Upgrade Fund collected since May 2010. Unbilled income just for LDWA infrastructure is **\$1,760.00** through June 2011. That does not include water usage of the 4 taps since Sep 2006. The Emergency Repair/Capital Improvements Fund is **\$640.00** = (\$160)(4 taps), and Project Upgrade Fund is **\$1,120.00** = \$280(4 taps)]. That does **not** include income lost from water usage of the 4 Town taps. Elliott recommended LDWA begin to charge the Town, as we charge all shareholders. Danielle added the Town of Leeds Municipality provides us with no services whatsoever: the trash billing is done on behalf of Washington County; in 2009, the Town levied the maximum amount of municipal taxes allowed in the State of Utah for electricity, gas, cable, internet, telephone lines and cell phones. Ben said he would like to waive the water fee for the Town Hall Building as it would extend good will to the Town.

Motion by Jim Vasquez, second by Danielle Stirling, to charge and bill the Town of Leeds beginning July 1, 2011 for water service to the Town Hall, Leeds Cemetery, Silver Reef Park, and charge all four (4) taps including the Leeds Area Special Service District (LASSD) the monthly infrastructure fees; Elliott Sheltman aye, Ben Gordon nay, Randy Stevens asked who voted in favor and then voted nay. Motion carried with a quorum of the Board.

8. **FIRE HYDRANTS EAGLE SCOUT PROJECT.** Taylor Hansen presented the plan to paint the fire hydrants. The Scouts have approved the Project and Taylor said they should complete it Saturday, June 18, 2011. Trent is donating the 2" x 4"s and Danielle said David Stirling will also make a donation.

Motion by Danielle, second by Ben Gordon, with all unanimous to approve the painting of the fire Hydrants by the Eagle Scouts.

Tape 2 Side 1:

9. **CONSIDERATION TO AMEND LATE FEE POLICY.** Elliott said we have some habitual late payers and the \$5.00 monthly fee doesn't seem to make an impact on them. Elliott said he's been in the office and sees it can take a ½-hour to gather customer history to prove to shareholders their accounts are past due. The cost for staff time to work with habitual late payers easily exceeds the \$5.00 mo. late fee. Elliott recommended increasing the late fee to 15% on the unpaid balance, including unpaid late fees. It will not affect the typical shareholder who pays on time, or the occasional late payer. Danielle recommended we look into using a credit card system to allow shareholders to pay their bills with a credit card. **No motion was made at this time.**

10. CLARIFICATION FOR 2011 IMPACT FEE SCHEDULE. **Motion by Ben Gordon, second by Danielle Stirling, with all unanimous to approve the updated Impact Fee Schedule for 2011 with annual review and approval by the Board.**

Ben discussed the cost of a water share. Danielle said we need to leave it at \$5,000.00 and noted WCWCD currently charges \$5,000.00. Kurt Allen said water rights in Apple Valley recently sold for \$5,000.00, with water share costs over \$10,000.00 to the north of Leeds. **The Board agreed to leave the price of a water share at \$5,000.00 without a formal motion.**

11. FINANCIAL REPORT. Danielle Stirling reported we are doing better, operating without a deficit for this month. Ben said Jan 1 thru Jun 14 2010 YTD we were at a loss of (\$1,523.65); 2011 Year-To-Date (YTD) shows a gain of \$8,081.72. Danielle added the YTD operating income was \$47,103.75 in 2010, compared to a \$4,681.34 decrease in income for the same period in 2011 at \$42,422.41, in-part because of the long rainy season and cooler summer.

12. PINK TANK OVERFLOW BID. Kurt reviewed the plan for the overflow from the Oak Grove Spring tank to the green tank existing drain line, over the hill and down into Leeds Creek. If the elevations do not prove to be able to do that, then the cost could go up. **Motion by Danielle Stirling, second by Randy with all unanimous, to approve \$500.00 expenditure to perform the preliminary engineering survey for the second plan of routing the overflow from the Oak Grove spring tank back into Leeds Creek.**

Motion to adjourn by Danielle Stirling at 8:54 pm.

Karen Markovich
LDWA Office Administration/Corporate Secretary

EXECUTIVE SESSION tape-recorded by Board. No staff in attendance.

LDWA BOARD MEETING MINUTES
AUGUST 18, 2011
LDWA Office, 1901 Silver Reef Drive, Leeds, UT 84746

TI. CALL TO ORDER

1. Welcome by Ben Gordon.
2. Pledge of Allegiance led by Elliott Sheltman.
3. Prayer by Jim Vasquez.

LDWA Board members **Elliott Sheltman, Jim Vasquez, Benjamin Gordon, Danielle Stirling, Randy Stevens**. Staff: Karen Markovich taking minutes.

Shareholder/Public Attendees: Don Goddard; John Markovich; Manny & Joy Goy; Nola Dickson; Rita, Lezah, & Detlef Naase; David Stirling; Margaret & Chad Anderson; Ralph Rohr; Brant Tuttle; Kurt Allen; Craig Sullivan; Engineer Peter Rowley; Richard & Stephanie Carson; Frank Lojko; Penny Weston.

II. CONSENT AGENDA. Motion by Elliott Sheltman, second by Jim Vasquez with correction of Item #11 nay vote of Aug 6 Meeting Minutes; ayes by Randy Stevens & Ben Gordon, Danielle Stirling abstained; motion carried to approve the May 19, June 16, July 8, & Aug 6, 2011 Board Meeting Minutes.

III. LDWA BOARD MEETING REGULAR BUSINESS

1. ANNOUNCEMENTS. (1) Total Coliforms Water Test failure July 18, 2011. Ben Gordon announced the test failure; we re-tested the water sources July 19, 20, 21 and all tests were negative for Total Coliforms. (2) Water Operator Scott Hayes resigned from LDWA effective yesterday, August 17, 2011.
2. MOTIONS APPROVED AT SPECIAL SESSIONS HELD JULY 8 & AUG 6, 2011:
 - Approval to hire and compensate Karen Markovich as independent contractor for administrative services provided for the DDW loan #3F138.
 - Approval to sell the LDWA work truck.
 - Approve expenditure for a new well including drilling Well Hole #3.
 - Approval to change office hours from Mon–Fri back to Mon–Thu, 9:30am – 1:30pm.
 - Approval to adjust field operations from one salaried and one on call emergency backup employee to two or more hourly part-time field operators and one part-time field operations supervisor.
 - Approval to hire Mark Osmer as second part-time field operator and assign Colin Korpi as supervisor of field operations.
 - Approval of a monthly work schedule and routine maintenance checklist to be used by all field operators.

Richard Carson asked what the reason was for moving the single 24/7 field operator job to two part-time positions. Danielle said the 13-month review of Scott Hayes daily work records for LDWA field operations have averaged 20 to 30 hours week and does not support a 40-hour workweek.

Ben Gordon said the Board voted to revise the position in July 2011, effective August 1, 2011. The schedule was based on Mr. Hayes reported hours for the past 13 months. At that time, Mr. Hayes was offered a 25-hour workweek schedule and asked to work with Colin and Mark to confirm their scheduling for LDWA coverage.

Danielle Sitrling - Prior to August 1, Mr. Hayes has not communicated or replied to LDWA's numerous emails and phone calls requesting his intentions to return to work since leaving on August 1, 2011 at 9:30 am, 17 days ago. During that time, Colin Korpi and Mark Osmer were called each morning to request coverage of Scott's schedule. On the afternoon of August 17, 2011, Mr. Hayes emailed a resignation letter to Ben Gordon's personal email, but did not provide it to LDWA staff or field operators coverage as required by personnel policy approved by the Board. Ben forwarded Mr. Hayes email to LDWA this afternoon August 18, 2011.

Elliott Sheltman addressed Carson's question and said we have had ongoing budgetary problems with high overhead. LDWA received a portion for payroll reimbursement from the DDW/DEQ [through the recent water delivery system construction project] for related hours worked as reported by Scott Hayes. Over the past year, the Board verified that it would not be financially feasible for LDWA to continue with one full-time salaried field operator after the construction project was completed.

Richard Carson asked if that meant Scott Hayes declined the position by notifying the Board as late as today, August 18, and if Colin Korpi was now the supervisor of field operations. Elliott confirmed the Board and staff learned of Mr. Hayes resignation this afternoon; Colin Korpi is now supervisor for field operations. Mr. Korpi has been with LDWA since 2005, has worked as a certified water operator for over 20 years and holds an Unrestricted Water Operator's license. At the Board's request, Colin Korpi agreed to work 4 hours week paid as an independent contractor (Form 1099), to supervise, establish long-overdue written procedures and routine maintenance schedules for field operations. Will office hours be 9:30 am - 1:30 pm; Ben concurred and added field operations are worked as needed with a certified water operator on call 24/7 in the event of an emergency. The Board should verify employees are insured for using their own vehicles while working for LDWA and Ben said he would confirm employees and LDWA are insured. Karen said per Bylaw requirements, LDWA is insured for employee-owned vehicle use at work, holds liability insurance to protect all Board Directors, the policies are active and available for review. Ben said he would look at them tomorrow.

[TAPE

3. WELL HOLE #3 - DISCUSSION OF PROPOSED CHANGE ORDER.

Ben said we have two water sources - the well and the spring; the spring provides water when the well is not functioning. DDW Loan #3F138 included money for a second water well, and we have drilled twice without success. Now we are discussing drilling a third hole. Geologist Peter Rowley reviewed the manner in determining where to drill for water. Elliott said he's

concerned we may be trying to make it work within the originally approved area, and asked if in retrospect, if the recommendation for the well site would be in a different location. Rowley said the original site was viable, but with new information of the fault & its attitude, we need to find a location that will not cave-in. Elliott asked if Rowley would be on-site to identify for drilling Hole #3, as Rowley was not present when Kurt Allen selected well-site to drill hole #2, and LDWA had expected Rowley would identify all drilling locations, not just the first. Rowley concurred and said he would identify the third drilling location. Ben asked for Board input and if acceptable, will mail approval to Gardner Bros and complete the project within the required time frame.

Elliott Sheltman asked the Board to approve each line item as completed, rather than approve this entire amount. Ben said if it becomes a viable well, we will need to approve funds for completion; proposed drilling is 250 feet at \$75.00 foot. Elliott asked if drilling 1/2 way would cause a problem; Kurt Allen affirmed. Elliott suggested they hold a daily on-site meeting and Ben agreed. Elliott's concern is to monitor the expenses and not exceed the budget. Ben said as there are not sufficient funds to build a new pump house for the new well but it appears we would have a viable well within our budget, and build the pump house could be completed in the future. Motion by Ben Gordon, second by Danielle Stirling, with all unanimous to table approval on expenditures and scheduling to begin drilling well hole #3.

4. PINK TANK OVERFLOW DISCHARGE POINT - RICHARD CARSON & FRANK LOJKO.

Ben said all tanks have an overflow system built into them. Historically, our water discharged into the Irrigation Water Company ditch as did the Irrigation Water Company's overflow.

Richard Carson said Elliott advised him that he and Frank Lojko would need to provide a plan for their proposal to purchase water, and Richard felt it was not fair to require they present a proposal on such short notice.

Ben Gordon suggested that if Frank Lojko and Richard Carson want water running in the ditches on their property, they can purchase it from LDWA. Frank said they have always been willing to buy water.

Don Goddard said 5 years ago on Jan 7, 2006, Frank Lojko, on behalf of interested Silver Reef residents who live along the ditch, and the Leeds Irrigation Water Company (LWC) signed an agreement wherein Silver Reef residents had *two years* to purchase an irrigation water share from LWC.

LWC installed a pipeline and meter at their own expenses for the Silver Reef residents use, and charged them \$1.00 per year for the two years. Nothing came of that agreement and now this is 5-1/2 years after-the-fact and in his opinion, there has been more than enough time to prepare a proposal. Don said the LWC will not accept liability for water flowing in that ditch and LDWA cannot legally put water in that ditch.

Carson did not respond to Don Goddard, but said he and Frank Lojko spoke to Tim Apple, the caretaker of the LDS property L-SRE-10, located behind Lojko's property. Mr. Apple expressed interest in continuing to have water for their trees and plants.

Frank Lojko said he was unable to contact the church representatives and had a letter from caretaker Tim Apple, but forgot to bring it to this meeting. Frank said he also talked to a representative from the Forest Service and BLM several months ago, and they didn't object to having overflow in the ditch.

Mrs. R. Carson said they would be satisfied with occasional overflow runoff from the tank into the ditch on their property.

Don Goddard reiterated any water that overflows from the pink tank legally belongs to the Washington County Water Conservancy District (WCWCD) and 13 other water agencies downstream from that point. To divert it elsewhere is stealing water and illegal in the State of Utah.

Ben Gordon said LDS Rep Roy McDaniels contacted him to discuss LDWA's plan for the pink tank overflow.

Elliott Sheltman said the old ditch is a run-off ditch. LDWA and individual property owners of land adjacent to the ditch do not have contractual agreements releasing LDWA from liability if there were damage or injury caused as a result of water overflow in that ditch.

Craig Sullivan asked why they had not purchased water when offered in 2006, and said if the pink tank overflows at 350 gallons a minute, that could cause flooding downstream and a liability issue to the Leeds Water [Irrigation] Co and/or LDWA. Danielle said any LDWA excess water going through that ditch means we are wasting precious water.

Richard Carson said he and Frank saw there was an act of vandalism on LDWA property at the tanks yesterday, and they did not want to be considered suspect in that illegal activity. He asked the Board table their decision on the pink tank overflow project until the Sep 15 Board meeting to allow time to obtain a written letter of intent from the LDS Church. Motion by Elliott Sheltman, second by Danielle Stirling with all unanimous to table approval for the pink tank overflow project until the Sep 15, 2011 Board Meeting.

5. LASSD CONCERNS ABOUT MAIN STREET PLAZA, HYDRANT #39.

Steve Lewis said the 5" ports take a stiff house and that makes it inflexible; the hydrant needs to be turned 90 degrees to be accessible. Motion by Ben Gordon, second by Elliott Sheltman, with all unanimous to turn #39 hydrant 90 degrees for accessibility.

David Stirling said Trent Danklef with Precision Pipeline Inc will add the extension to the hydrant by Nov 15, 2011.

[TAPE 2, SIDE 1]

7. LASSD CONCERNS- HYDRANT PLACEMENT CRAIG SULLIVAN CORRAL.

The fire hydrant is between the corrals and the access road and it's inaccessible by fire truck. Craig said he installed the fire hydrant per direction from LDWA at least 10 years ago. The

shop, arena, and corrals were there at the time, but the horse barn and hay-corral were not. Lewis said the hay-barn structure makes it difficult to access. Craig said they could come off the Main line close to the gate. The hydrant doesn't protect residential structures. Craig asked to leave the old hydrant in-place and he would work with LDWA.

8. FIRE-FLOW TESTING SOUTH MAIN STREET.

Steve Lewis said when last tested, the fire flow of hydrants on South Main St. did not meet minimum flow requirements. Elliott asked if tank levels would have an affect on the pressures. Karen said on August 12, field operator Mark Osmer reported a substantial water leak estimated to be over 2 years old at the hydrant #52 across from 376 S Main St. Mark recommended retesting the flow of the hydrants after he completes the repair. The Board authorized field operations to work with Steve Lewis, LASSD for Flow & Flush hydrant requirements. Elliott said with implementation of the Zone Checklists and maintenance schedules, we are finding leaks and making repairs throughout the system. Steve Lewis said the hydrant numbers are inconsistent and it's difficult to identify them. Karen said Mark Osmer reported that also, and has a plan to systematically label the hydrants for ease in identification.

9. E&M SERVICES INSTALLATION OF TELEMETRY RECEIVER AND COMPUTER FROM LASSD TO LDWA OFFICE. Bill King provided a bid to install the system at our office. If LDWA purchases and installs the pole, the cost to LDWA is \$770. Motion to table approval of expenditure for the transfer of the telemetry from LASSD to LDWA office.

10. FINANCIAL REPORT. Danielle Stirling reported a net gain of \$6,083.00 for the Ordinary Income and Operating Expenses Profit and Loss Statement dated Jan 1 through July 31, 2011, compared to the same 2010 time-frame one year ago, a net loss of \$8,309.00. Danielle and Elliott added operating income decreased this year, and indicates the percentage of the net gain.

11. DDW FINANCIAL SINGLE AUDIT REQUIREMENTS FOR POLICIES & PROCEDURES.

Karen Markovich reviewed the requirements and interim results of the Financial and Single Audits. The last two months we have worked in the office with CPA Kevin Jones from Hafen, Buckner, Everett, & Graf to complete and comply with the new requirements set forth in accordance with the DDW/DEQ loan. Now required: Policies and Procedures for Personnel, Administration, and Field Operations; Depreciation Schedules for infrastructure; adjustments of income and expense accounts established in QuickBooks. CPA Wayne Everett will present a summary at the Sep 15, 2011 Board meeting.

12. Motion by Elliott Sheltman, second by Danielle Stirling, with all unanimous to adopt Policies & Procedures Section V Employee Code of Conduct with changes as noted.

13. Motion by Danielle Stirling, second by Elliott Sheltman, with all unanimous to adopt Policies & Procedures Section VII Employee Hiring.

14. Motion by Elliott Sheltman, second by Jim Vasquez, with all unanimous to adopt Policies & Procedures Section VIII Progressive Disciplinary Action.

15. Motion by Danielle Stirling, second by Elliott Sheltman, aye by Jim Vasquez, nay by Randy Stevens and Ben Gordon; motion carried to adopt Policies & Procedures, Payment Policy effective September 1, 2011, with change as noted from 15% to 10% late fees.

16. Motion by Ben Gordon, second by Randy Stevens, ayes by Danielle Stirling and Elliott Sheltman, nay by Jim Vasquez; motion carried to approve the Gardner Bros Change Order for \$89,500 with all contingencies as stated.

17. Motion to implement use of pager by Elliott Sheltman, second by Jim Vasquez, nays by Ben Gordon and Randy Stevens, abstention by Danielle Stirling; Motion died.

IV. **COMMENTS** None.

V. **MEETING ADJOURNED** at 9:45 pm.

Karen Markovich, LDWA Office Administration/Corporate Secretary

APPROVED 2011.09.15

LDWA BOARD MEETING MINUTES

SEPTEMBER 15, 2011

Meeting held at LDWA Office, 1901 Silver Reef Dr, Leeds

[Tape 1, Side 1]

I. CALL TO ORDER

1. Welcome - Ben Gordon at 7:05 pm.
2. Pledge of Allegiance - Ben Gordon
3. Prayer - Jim Vasquez

II. CONSENT AGENDA

Motion by Danielle Stirling, second by Randy Stevens, with all unanimous to approve the consent agenda for (1) tonight's Mtg Agenda dated September 15, 2011 with line item #11 scratched, and (2) addition of roll call votes for line item #17 of meeting minutes dated August 18, 2011.

III. REGULAR BUSINESS

1. ANNOUNCEMENTS. Ben announced the 40 Horse Power pump motor which unexpectedly failed in August has been replaced and upgraded to a 50 Horse Power motor. The 50 Horse Power motor increased the water flow from 340 gallons per minute to 430 gallons per minute. Ben thanked shareholders for their conservation of water during that week, and also the volunteers who worked to help replace the pump saving LDWA hundreds of dollars in labor. Colin Korpi said the old pump remains intact and stored in the well house.

2. AUGUST FIELD REPORT. Field Operator Colin Korpi said August was a rough month, with numerous pipe breaks, evidence of unauthorized access to - and failures of - air vacs, valves, and the pump house, followed by the electrical failure of the well's pump motor. Those factors led to failed Total Coliform water samples taken in August; the original failure from the sample taken at the Fire Station (LASSD) on July 18, 2011. We are required to take 5 samples from 2 sources above, 2 below, and one at the original source, and pass all testings over the next few months before we can reduce water sampling to 1 test per month. Colin and Mark have treated the system to clean the water supply and must continue to do so until the water tests pass on a consistent basis.

The water storage tanks are required to be cleaned Jan 2012; Liquid Engineering is the certified and approved firm LDWA uses to complete the work and they have provided a bid for Board approval. The Spring Box in Oak Grove has been cleaned of overgrowth part of the requirement for the Sanitary Survey due Jan 2012.

The telemetry is currently not connected to the tank and the tanks are checked manually 3 times a day to maintain adequate water levels without overflow. Right now the spring is producing 165 gallons per minute, with LDWA entitled to roughly 40% and the balance of water is entitled to Leeds Irrigation Water Company. Colin said the draw-down on the well is currently 4-6 feet.

Colin defined & implemented a 5-Zone system within LDWA's service area and created a checklist of routine tasks for each Zone, one Zone checked once week, per day, Mon thru Fri. The checklist includes maintenance and repair of all valves, air vacs, meters, pipe leaks, fire hydrants, and preventative maintenance. Completed work is identified with blue paint. Mark provides dozens of photos to record the work completed each day. Mark Osmer, Field Operator, is using GPS coordinates

to systematically identify every valve, air vac, PRV, and fire hydrant within all 5 Zones and will be used to accurately map all of LDWA's water source and delivery system.

Colin and Mark have identified 16 valves up at the tanks: many do not work or leak and are not necessary. They plan to eliminate them and have 2 or 3 active valves, utilize the spring water to fill the tanks with spring water and use the well water as needed. That will save LDWA a minimum of 50%-75% for the power to run the well's pump - an average monthly savings over \$400.00. Currently the spring water fills the Silver Reef "bunker" tank, pink tank and green tanks. LDWA will not receive more water than they are legally entitled to. The tanks will not overflow, as they will overflow into the Leeds Irrigation Water Co.

Danielle recommended LDWA & LWC Goddard write an agreement clarifying the legal amount of water to be received by each company. LDWA & LWC share the cost to hire Water Rights Attorney Rick Hafen to write the agreement.

Don Goddard added that Colin and Mark are doing one "heck of a job" to walk the entire Oak Grove line and commended Colin and Mark for their hard work.

Elliott sincerely thanked Mark Osmer and Colin Korpi for their unselfish willingness to jump in on extremely short notice to fill LDWA's unexpected vacancy beginning Aug 1 and extended day-by-day through Aug 18.

3. FINANCIAL AND SINGLE CPA AUDITS. Wayne Everett, CPA, with Hafen, Buckner, Everett, & Graff. The management of LDWA is responsible for all requirements identified in the audit [attached to mtg minutes]. Wayne Everett asked that the Board review the Audit Report and provide written response including changes to the asset value of water rights to the firm so they can finalize the report and send to the DDW/DEQ.

Summary of the findings provided in Audited Financial Statements with Supplemental Information and Compliance Reports provided to the Board by Wayne Everett:

A. Leeds Domestic Waterusers Association complied, in all material aspects, with the general compliance requirements identified in the Audit Report and the requirements governing types of services allowed and unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2011.

B. No deficiencies were found in internal control over financial reporting, and no material weaknesses were found.

C. Recommendations to the 2010 year ended findings [found on pages 22 and 23 of the Audit Report] are:

- Implementation of procedures to ensure all activity is recorded.
- Implementation of procedures for purchasing and employee policies for that are representative of the operations of the Association.
- Establish & maintain a detail of inventory and reconcile to the general ledger.
- Implementation of procedures that will allow accurate tracking of all outstanding accounts and that they reconcile the balance to the general ledger.

- Implementation of procedures to record accounts payable in accordance with GAAP.

Kurt Allen asked to verify that the 400-acre feet of [encumbered] water rights that were quit-claim deeded to LDWA in Nov 2010 are included in the 2010 audit. Karen will send copies of the deeds to Wayne to include in the Report. [Karen completed Sep 19, 2011]

4. STATEMENTS BY SHAREHOLDERS WHO ARE UNABLE TO ATTEND A MEETING.

Motion by Danielle Stirling, second by Randy Stevens, with all unanimous to adopt a policy allowing shareholders who are unable to attend a meeting to participate in that meeting by having a fellow shareholder who is not a member of the Board, read the first shareholder's written statement, which shall include the first shareholder's authorization designating the second shareholder to read the written statement.

5. STATUS OF CCC CAMP WATER SHARE. Ben said they had [at the closed meeting] voted to allow the Town to have a commercial water share attached to the CCC Camp property, and in return they would allow a credit for the Town would become a commercial tap.

Ben Gordon will write a letter from LDWA to the Town, LDWA not responsible to make the connection, a time limit of 2 or 3 years, and present it to the Board at the Oct 20, 2011 meeting.

6. SECURITY & FENCING SYSTEM FOR PROTECTION OF WATER DELIVERY SYSTEM.

Ben said there has been several occasions of vandalism up at the tanks, and an authorized set of keys to the pump house and gate were found behind one of the tanks, stuck in the side of a Gatorade bottle. Security fencing has become a priority as we need to protect the area of the tanks, valves, air vacs, etc. Colin said Ron Fowlks told him the cost might be reduced if the project can be completed after the first of the year.

Motion by Randy Stevens, second by Danielle Stirling, will all unanimous to accept the Allied Fencing bid to install the security fencing.

7. PINK TANK OVERFLOW. Approval to proceed with the pink tank overflow project was tabled at the Aug 18 meeting and moved to the Sep 15 Agenda at the request of a shareholder, not present at tonight's meeting. Kurt Allen said NEI's second survey plan will flow back into the Leeds Creek. Don Goddard said the Leeds Irrigation Water Company plans to file with the County and abandon the old irrigation ditch located in Silver Reef, thus alleviating their company's responsibility. Ben said LDWA can use the ditch for its overflow. Danielle said there no longer is a place the water overflow to go and LDWA does not need the liability. Randy asked what will happen if the tanks overflow if the ditch is abandoned. Kurt said they will divert the overflow back to Leeds Creek, as required by Utah State law. Ben said (a) if it is extremely unlikely that the tanks will overflow because of the new valving project, and (b) if we have also been successfully allowing the overflow to go into the ditch for all these many years, why are we spending money to divert the overflow. Don Goddard said it legally must go back to the Leeds Creek as the water companies downstream legally own the overflow, not the residents in Silver Reef. Jim said if people along the ditch are not paying for the water, they are not entitled to it.

Elliott said he is probably the most frugal person in the State and given the possible liability issues and that the overflow legally belongs to WCWCD & additional water owners downstream, the project needs to be completed. Kurt Allen said look at the future - ten years down the road: if the ditch overflows and damages the structure of a home, the future Board will probably' throw the current Board under the bus', as history has proven through the years. It will always be the liability of LDWA, and the current cost is a fraction of what the costs could be in the near future. Don Goddard

recommended residents look at planting foliage that survive with a nominal amount of water and native to our area.

Motion by Elliott Sheltman, second by Danielle Stirling, nay by Ben Gordon, aye by Randy Stevens, and aye by Jim Vasquez to approve expenditure of \$17,305.00 per NEI bid dated June 13, 2011 for construction of the pink tank overflow project.

The Board agreed to add consideration for motion to legally abandon the old irrigation ditch located within the Silver Reef Estates Subdivision on the next meeting's agenda Oct 20.

8. LASSD CONCERNS. Main St. Plaza, Stirling Hydrant, Sullivan Hydrant, hydrant fire flow on South Main St. Fire flow of hydrants by Colin and Mark begin Oct 3, 2011 in conjunction with Terry Smith, RWAU and LASSD.

9. TELEMETRY FROM FIRE STATION TO LDWA OFFICE.

Motion by Elliott Sheltman, second by Danielle Stirling with all unanimous to move the telemetry system from the LASSD fire station, install a 15' pipe outside the LDWA office building located at 1901 Silver Reef Dr, and install the telemetry system per Bill King's bid of \$770.00.

10. SILVER POINTE ESTATES STANDBY TAPS.

Ben said we cannot begin to charge for standby taps until final plat approval for Silver Pointe Estates has been approved.

~~11. DISCOVERY OF UNKNOWN METER.~~ Ben to follow up and report to Board.

12. FINANCIAL REPORT AUGUST 1-31, 2011. Danielle Stirling reported we are operating in the black and for the month of August 2011, the Emergency Repair/Capital Improvements Fund is \$53,000+; Money Market is \$133,000+; Project Upgrade Fund is \$121,000+. Ben said we are to set aside a percentage to the Capital Facilities.

13. - 17. Motion by Ben Gordon, second by Elliott Sheltman, with all unanimous to Table items 13 - 17 [below] until the Oct 20, 2011 meeting:

13. Approval of Personnel Policy & Procedure Section II, Alcohol & Drug Free Workplace.
14. Approval of Personnel Policy & Procedure Section III, Alcohol & Drug Testing.
15. Approval of Personnel Policy & Procedure Section IV, Sexual & Gender Harassment.
16. Approval of Administrative Policies and Procedures - Keys & Padlocks Security.
17. Approval of Personnel Policy & Procedure Section I, Equal Opportunity Employer (EOE).

V. ADJOURN BOARD MEETING at 8:45 pm by Ben Gordon

Karen Markovich, LDWA Office Administration/Corporate Secretary

LDWA BOARD MTG MINUTES
OCT 20, 2011
LDWA Office, 1901 Silver Reef Dr, Leeds

Board members present: Elliott Sheltman, Danielle Stirling, Randy Stevens.

Ben Gordon and Jim Vasquez were excused.

Karen Markovich, Corporate Secretary was excused for vacation; tape recorder was not used, meeting notes taken by Danielle Stirling, treasurer

Noted - LDWA Board review of Silver Pointe Estates Preliminary Plat- Rick Sant cancelled.

I. Call to Order - Randy Stevens, Vice President

II & III. Board members leading pledge & prayer were not noted.

IV. APPROVAL OF MTG MINUTES DATED SEP 15, 2011. **Agenda item not reviewed by the Board.**

V. SCOUT PROJECT REPORT. The Scouts cut tree at the spring with Mark Osmer present. The Scouts agreed to provide a written report to LDWA to Ben Gordon. Zach Sullivan reported the tree was successfully removed. It took himself 25 hrs and scouts 60 hours to complete the project. Mark Osmer was present representing LDWA. Zach put copper nails in trunk to ensure the tree would not continue to grow. **Zach said the ground needs to be revegetated and will coordinate re-seeding of grass.**

VI. WATER OVERAGE, WOODY FILLMORE. Paul Densley presented request on behalf of woody Fillmore for LDWA to review the high water usage on Woody Fillmore's bill. LDWA will research the water usage history and if needed, adjust account accordingly.
Motion by Elliott Sheltman, second by Danielle Stirling, aye by Randy Stevens to suspend invoice total due by Mr. Fillmore until review of his account is completed.

VII. L-SRE-9, OAK GROVE RD EASEMENT. Kurt Allen of NEI has been working with the owner of the property regarding the incorrect location of the pipeline easement on their property. Kurt said Landworks, Inc., provided a bid of \$25,000.00 for LDWA to correct the location of easement and restore the property to its original state. Craig Weidmer, LDS Church Corp representative said he asked Kurt Allen of NEI for his response as to what would be done. Kurt said three individuals representing the LDS Corp were contacted throughout the project. We need to provide a new easement and abandon the previous easements. Kurt said the original property disturbance was caused by the gas lines and their construction was within the 25' easement. Craig Weidmer pointed out that there was an additional 10' land disturbance beyond the 25' easement. Craig said the LDS Corp would provide new easements for LDWA to approve and sign. In exchange, the LDS Corp wants to waive the Impact Fee and requests the cost to upgrade the existing 3/4" water tap to a 1-1/2" water tap be waived. Kurt Allen said NEI might pay for the tap.

LDWA will arrange meeting with NEI and the LDS Church Corp to negotiate details of agreement.

VIII. FIELD REPORT. Mark Osmer said the all Fire Hydrant testing passed. The valve on Oak Grove Rd has been resealed. The cost for a lightning arrester for the pump at the well is \$400.00. Motion by Danielle Stirling, second Elliott Sheltman, aye by Randy Stevens to approve purchase of lightning arrester.

IX. POLICIES AND PROCEDURES. Motion by Elliott Sheltman, second by Danielle Stirling, and nay by Randy Stevens to approve all 5 P&Ps and make amendments to them as needed; motion failed. Noted for the record: Jim Vasquez and Ben Gordon were no in attendance.

X. Danielle Stirling adjourned meeting at 8:40 pm.

MTG MINUTES TAKEN BY DANIELLE STIRLING, Treasurer

APPROVED 2012.01.19

**LDWA MEETING MINUTES
NOVEMBER 17, 2011
LDWA Office, 1901 Silver Reef Dr**

BOARD PRESENT: Ben Gordon, Danielle Stirling, Randy Stevens, Elliott Sheltman, Jim Vasquez.

STAFF PRESENT: Colin Korpi, Mark Osmer, Water Operations; Sue Butikofer and Janae Blake. Karen Markovich, Corporate Secretary, was excused.

I. CALL TO ORDER

1. Welcome
2. Pledge of Allegiance
3. Prayer

II. REGULAR BUSINESS

1. INTRODUCTIONS. Sue Butikofer and Janae Blake as new office administration staff.

2. FIELD REPORT OCTOBER 2011. Mark Osmer / Colin Korpi

Purchase of a portable digital device to check chlorine levels was recommended by Colin Korpi, at a cost of about \$350.00.

Motion by Elliott Sheltman, second by Danielle Stirling, with all unanimous to allocate up to \$400.00 for the purchase of a portable digital device to check chlorine levels, to be paid for from the Capital Improvement/Emergency repair fund.

3. SHAREHOLDER NOTIFICATION & FLOW CONTROLS DURING HYDRANT TESTING.

Ben said a shareholder reported we flushed the fire hydrants directly she had sprayed weed killer throughout her yard. The water flow from the hydrant washed the weed killer off and will need to be reapplied. Request to notify residents 24 hours in advance of any hydrant testing. Colin said we will notify shareholders when testing hydrants in the future, however it is not possible to provide advance notice to shareholders in the event of an emergency.

Elliott Sheltman volunteered to draft a Policy and Procedure for shareholder notification of testing fire hydrants.

4. REPORT ON UNRECORDED ACTIVE METER. Ben Gordon has not had time to research the unreported active meter found in August by Mark Osmer. The meter is installed at the south end of town, the meter had never been read as it was not entered in the meter reading system.

5. SECURITY & FENCING SYSTEM/PROTECTION OF WATER DELIVERY SYSTEM.

Ben Gordon said this will be addressed after the pink tank overflow contract is in place.

6. VALVING & PINK TANK OVERFLOW SCHEDULE & PROGRESS.

Kurt Allen/NEI distributed handouts with data pertaining to this issue. Per Kurt, design was presented to Precision Pipeline. New quote is \$16,895.00 and is \$7,000.00 less than the original quote. Ben asked if there is an existing drain system from the top of the hill to the creek. Kurt answered there is, and we will be tying into that existing drain. The connection is 200 feet west of

the green tank - 500 feet down to the creek. Danielle asked about bedding material quoted at \$3,100.00. Can we use leftover from prior job? Kurt will double check this point. A Forestry Permit application needs to be completed and Ben has been working on completing the form and will require assistance from Karen to complete it.

7. SILVER REEF ESTATES LOT 10 - EASEMENT ISSUE. Property Representative of the attended the meeting

The Board reviewed the easement agreement offered by property owner (see property file). After discussion, it was determined LDWA would make a counter offer and to abandon the existing 25 foot easement on either side. Motion by Ben Gordon, second by Randy Stevens, aye by Danielle Stirling, nays by Jim Vasquez & Elliott Sheltman for quorum approval to accept the easement agreement offered by property owner of L-SRE-10, LDS Church of Jesus Christ Latter Day Saints Corp.

8. WELL HOLE #3 - SCHEDULE AND PROGRESS. Kurt Allen said Gardner Brothers have committed to begin work on the third hole by the first of December.

9. SILVER POINTE ESTATES - DATE TO INITIATE FEES FOR STANDBY TAPS.

There was an extended conversation of the issues pertaining to this ongoing issue with the Board. Some of the items discussed included but not limited to:

- What date should standby fees be due (base on Plat recording)
- Possibility that plat have not been recorded to date
- Possibility that number has been reduced to 20
- Possibility that they want to resubmit and start the process over
- Town allowing extension
- Tank storage requirements

Kurt Allen has returned development document with his recommendations. The Board has to review.

10. FINANCIAL REPORT OCTOBER 1-31, 2011. Danielle Stirling said they were unable to capture the data for this month's report and would have it prepared for the next meeting.

11. HAFEN BUCKNER EVERETT & GRAFF, CPA FIRM - FINANCIAL MANAGEMENT AGREEMENT. *Scratched.*

12. SHAREHOLDER ACCOUNT OVERAGE UPDATE. *Scratched.*

13. REEVALUATION/REASSESSMENT OF WATER RIGHTS AGREEMENT DATED 2010.

An in-depth discussion of the issues and concerns over the transfer of water right from Hurricane (Virgin River surface water) to our well. Ron Cundick directed this transaction with Ben Gordon. Quit Claim Deeds were done to complete the deal. The legality of this transfer is being questioned by Danielle Stirling. She believes these transfers should be reviewed by a water rights attorney, specifically, Rick Hafen.

Ben Gordon has concerns about a conflict of interest as it applies to Rick Hafen's review of this issue. Ben feels we need to contact another attorney. There was discussion about the lack of legal expertise in the area of water rights. There was a recommendation made by Don Goddard of an

attorney in Salt Lake. Kurt Allen did his best to describe the actual situation and its ramifications with the Board. Don stated the documents he has from the State Engineer reflects the deadline for turnaround of water rights is 2016. Further discussion and review by the Board is required.

14. APPROVAL OF POLICIES AND PROCEDURES.

- P&P SECTION VI - PROTECTION FROM CONTRACTOR CAUSED LOSS

Motion by Danielle Stirling, second by Elliott Sheltman, ayes by Jim Vasquez and Randy Stevens; to approve P&P SECTION VI, Protection From Contractor Caused Loss; Ben Gordon abstained from the vote as he did not review the policy.

- P&P SECTION XI - PERFORMANCE EVALUATIONS

Motion by Danielle Stirling, second by Elliott Sheltman, with all unanimous to approve P&P SECTION XI, Performance Evaluations, providing the changes Randy provided are made to the document.

- P&P SECTION XII - EMPLOYMENT CLASSIFICATIONS & COMPENSATION

Randy Stevens has issues with work week begin and end dates. In another section, he raises concerns over break time. Per Randy, this policy seems too complicated for our operation.

Motion by Ben Gordon, second by Randy Stevens, and aye Danielle Stirling to table this policy and review next month.

- P&P SECTION XIX - RECORD KEEPING

Motion by Danielle Stirling, second by Elliott Sheltman, with quorum approval to adopt P&P SECTION XIX, Record Keeping, exactly as worded. Ben Gordon abstained from the vote as he did not review the policy.

- EMPLOYEE POLICY STATEMENT AND ACKNOWLEDGMENT FORM

After discussion the Board agreed Elliott would rewrite to table this Section and present it at the next meeting.

IV. COMMENTS None

V. EXECUTIVE SESSION

VI. **Motion by Ben Gordon to adjourn board meeting at 9:20 pm.**

Sue Butikofer and Janae Blake, Office Administration

LDWA MEETING MINUTES
DECEMBER 15, 2011
LDWA Office, 1901 Silver Reef Drive, Leeds

I. CALL TO ORDER

1. Welcome - Ben Gordon
2. Pledge of Allegiance
3. Prayer - Jim Vasquez

Board members present: Ben Gordon, Elliott Sheltman, Danielle Stirling, Jim Vasquez, Randy Stevens.

Staff present: Sue Butikofer -meeting minutes; Colin Korpi, Water Operations Supervisor; Mark Osmer, Water Operator.

Shareholders Present: Peter Aurigemma, Kurt Allen.

II. Motion by Ben Gordon, second by Danielle Stirling, to approve tonight's Meeting Agenda dated December 15, 2011 & Meeting Minutes dated Nov 17, 2011; MOTION DIED following Board agreement November meeting minutes were incomplete; approval of the minutes were tabled until the following meeting January 19, 2012.

III. REGULAR BUSINESS

1. ANNOUNCEMENTS - INTRODUCTION OF SHANNON EIDE CPA. Ben Gordon introduced Shannon and welcomed her to her new role at LDWA. The Board is happy to have her and her expertise in this position. Her bid was much more aggressively priced than the other bids received.

Motion by Danielle Stirling, second by Ben Gordon, with all unanimous to hire Shannon Eide, CPA, on contract basis per bid submitted.

2. ACCOUNTS PAYABLE PROCESS REVIEW. Shannon expressed her pleasure to be working with LDWA and provided an overview of what she would cover including budgets, financial statements, audits, year-end taxes and available hours of work. The Board agreed LDWA President Elliott Sheltman and Corporate Secretary Karen Markovich will continue as authorized check signers for all accounts payable.

Shannon suggested the payroll be synchronized as some employees are paid 1x per month and others 2x per month. The new payroll schedule will be as follows: payroll hours for the 1st - 15th of month will be paid on the 20th of the month, payroll hours for the 16th to end of month will be paid on the 5th of the following month. The Board agreed to the proposed schedule.

Elliott Sheltman requested Shannon contact our current accounting firm, HBEG, regarding the upcoming DDW/DEQ Single & Financial audit for 2011. Shannon said she may be able to lower the cost of the audit if she assists with some of the work.

3. FIELD REPORT NOVEMBER 2011. Tank cleaning was not discussed. Colin Korpi congratulated Mark Osmer on passing the test for the Certified Water Operator, Unrestricted classification.

Colin & Mark discussed the service leak on Main Street. Colin said Mark handled the situation perfectly, including obtaining all permits appropriately and the involved agencies were pleased with Mark's actions. Colin noted the time needed to complete the work could have been

substantially reduced if LDWA owned a pump, rather than having Mark manually bail water. Colin recommended purchasing a pump, saving time and cost for manual labor.

Mark Osmer presented his monthly review of the system. LDWA shareholders are presently receiving all water supply from the spring (pink tank). The spring produces 110 gal/minute and there has not been need to run the well pump since October 31, 2011 and with the current high water flow, provides savings of running electricity to the pump. Mark exercises the well pump motor is being exercised monthly to keep it clear.

Colin Korpi suggested an upgrade to a Honda Generator at an approximate cost of \$430.00. LDWA could keep the current generator and utilize it for power at the storage area. As the purchase is not immediately necessary, the board asked Colin to provide 2 additional bids and the purchase will be considered at the next meeting.

4. FINANCIAL REPORT NOV 1-30, 2011. Danielle is requesting assistance from Shannon Eide, suggesting some form of improved cash flow reporting system. Based on last months profit and loss statement [showing liabilities as assets and assets as liabilities] and the unusually high profit, Danielle suspects the report did not reflect correct income and expenditures.

5. SILVER REEF ESTATES LOT 10 EASEMENT AGREEMENT- COUNTER-OFFER by Ben Gordon. Ben Gordon lead the opening discussion of this issue. He reviewed the attachments and presented a counter offer. Ben feels the new offer still provides access for LDWA. The owner is putting new fence all around the property. LDWA will have access via the driveway. Ben is satisfied with the counter offer and wants to accept and close this issue. The owner still wants an 18" culvert in the ditch. LDWA will legally abandon the ditch when the overflow issue is resolved. Randy Stevens inquired if LDWA has authorization for said culvert action. LDWA will have to check with Leeds Irrigation Water Company for approval.

Elliott Sheltman voiced his concerns over the inconsistencies in bids from PPI on this project. The bid reviewed at last months meeting from Kurt Allen was for just under \$17,000.00. However, LDWA had already agreed to a \$12,000.00 bid 2 months previous. Also at issue per Elliott is agreeing to an 18" culvert even if we never fill in the ditch. Elliott said there are too many holes in this entire issue/process; it is time to re-address and begin at ground zero. There have been too many steps missed in this process. He believes the company responsible for construction of the new lines outside the approved easement on this property should be held accountable for their actions. The burden of correcting this mistake should be their responsibility and liability, not that of LDWA Shareholders.

Motion by Elliott Sheltman, second by Danielle Stirling, to (i) table this issue and (ii) schedule a meeting with the primaries involved: NEI, PPI, the property owner and LDWA. Randy Stevens feels the best thing for LDWA to do is to accept the counter offer. In his opinion, the longer this continues, the more it will cost LDWA. He suggested we move forward despite prior mistakes made. Per Elliott Sheltman, he learned of this issue 2 weeks before the November Board meeting. However, it seems negotiations have been ongoing without full board knowledge since April.

He would like more information on the negotiation process. Kurt Allen stated that the job was done correctly. The original easement was part of the Silver Reef Plat and installation of the new pipeline in the current location was the correct decision. It was noted, however, the lines were not installed in the approved easement as recorded with the County.

Further discussion revealed that the lines were installed outside the legal easement because one or more residents wanted to save the foliage and trees growing directly on the easement.

Elliott asked Kurt why he did not notify LDWA that the pipeline was installed in the wrong location outside the easement boundaries when he learned of the mistake last summer. Elliott asked Kurt how this occurred and if they mean nothing, what is the value of an easement.

Kurt Allen said he believes in his convictions; the pipeline was installed where it should have been [to save landscaping in the area]. He did not realize the easement was violated and agreed mistakes were made.

Elliott said we should not sacrifice \$10,000.00 of shareholder money to pay for this mistake; it was/is ultimately the responsibility of the engineering firm hired to oversee the project. The job was *not* done per requirements and should be corrected and paid for by the responsible parties.

Ben said there was some damage to a few trees growing on the easement, and there would be some value in spending the \$10,000.00 as LDWA will eventually collect more revenue from the increase of water used on the property.

Danielle asked the Board to consider how they would vote on this if the \$10,000.00 needed to repair and resolve this issue was coming directly out of their own pockets. It does not appear that we know or understand the full scope of all that has occurred since April 2011. We do not spend shareholder monies just because we want to ‘smooth this over’ and be done with it.

Danielle added shareholder Ronda Aurigemma expressed concerns regarding the work on the property and referred to her email in the Board meeting packet.

Randy voiced concern that if this were *not* an issue with the LDS Corp (owner of the property), would it be such a “hot topic” with the Board?

Ben feels the culvert decision should be a separate issue. Elliott disagreed and said it should be included with all discussion of issues related to the L-SRE-10 property.

The Board continued with the motion left on the table: Motion by Elliott Sheltman, second by Danielle Stirling, aye by Jim Vasquez, nay by Ben Gordon, nay by Randy Stevens, for quorum approval to table this issue and asked that a meeting be scheduled with all primaries involved: NEI, PPI, the property owner(s), LDWA and others who may have participated in this prior to it being brought to the Board’s attention.

6. STATUS OF ADDITIONAL \$100,000.00 LOAN APPROVED BY DDW IN 2011. Gary Kobzeff, SRF Program rep with the Division of Drinking Water (DDW), contacted LDWA to confirm whether we plan to use the \$100,000.00 additional funds that were approved by the DDW Board in 2011. Gary requested a status project update and expected end-date for 2012.

Ben Gordon thinks we should leave this loan option open until drilling off the third hole for a new well is completed. Per Kurt Allen, drilling should begin this week. Elliott Sheltman asked when the geologist planned to be here to identify the location for the drilling site. We need a definite commitment and a clear date for when this work will begin, which we have not yet received. To date, they have not met any of their committed dates for this project. Kurt stated LDWA should call Gardner Bros daily to prompt them on this and Ben said he will do that on behalf of the Board.

Ben stated we should complete this project first and reserve the money. Elliott will call Gary Kobzeff for clarification of what is required.

7. PROCEDURE FOR ACCURATE CAPTURE OF MEETING MOTIONS.

Motion by Elliott Sheltman, second by Jim Vasquez, with all unanimous for approval to have completed meeting motions read back to the Board for clarification to ensure accurate documentation.

8. APPOINTMENT OF NEW CORPORATE SECRETARY. The duties of the Corporate Secretary per the Bylaws were reviewed.

Motion by Danielle Stirling, second by Jim Vasquez, with all unanimous to table appointment of a new Corporate Secretary until further notice, with Karen Markovich continuing in the position for 2012.

9. APPROVAL OF EMPLOYEE(S) FOR BONDING. The board discussed bonding for the new staff employees and noted the annual cost for each employee is \$75.00.

Motion by Elliott Sheltman, second by Jim Vasquez, with all unanimous to approve bonding for new employees Sue Butikofer and Janae Blake.

IV. COMMENTS

Ben Gordon inserted a discussion of the 2nd meter discovered on Parcel L-3-1-18-442, 325 Foothill Rd, owned by the Sullivan Family. Ben spoke to Craig Sullivan who said he purchased the water & the meter was installed for \$5,000.00 in April of 2007. A copy of the receipt of purchase was in the parcel file history record. Craig thought another family member had been paying for the water use of the meter. A spreadsheet projecting past payments owed based on rates of the day was prepared by office staff at the request of Ben Gordon. The total bill due based on less than 20,000 gallons water usage a month would be \$1,680.00. Ben made the point that failure to enter this meter into the LDWA billing system was ultimately the responsibility and fault of LDWA. The Board stated the past due amount should be paid by the shareholder.

Motion by Randy Stevens, second by Danielle Stirling, with all unanimous to present the total bill of \$1,680.00 to the Sullivan Family (Craig Sullivan) and provide an option to pay the balance over a 12-month period with Ben Gordon to prepare the letter.

Elliott Sheltman said the verbiage of the makes reference to confusing verbiage in the LDWA Taps & Fees Definitions. The example needs to be removed from document. A simple reference to the fee schedule should be input. Ben Gordon will work on rewording the document.

Shareholder Peter Aurigemma said he attended a Leeds Town Council meeting and Mayor Roberts proposed levying franchise tax fees on utilities within the Town. Peter asked if LDWA could be charged franchise fees. Ben said as a non-profit 501c, LDWA is exempt from franchise tax fees that the Town might levy on utilities.

V. EXECUTIVE SESSION

VI. ADJOURN BOARD MEETING

Sue Butikofer & Janae Blake, Office Administration