

Cottonwood Mutual Water Company

Board of Directors Meeting Minutes

Wednesday, January 10, 2024; 6:00 PM

Board Members:

Earlene Lee	District 1	Present
Mark Greenwood	District 2	Present
Heidi Dorius	District 3	Present
Matt Bingham	District 4	Absent
Greg Watkins	M at L	Present
Mike Johanson	Manager	Present

Visitors: Lynn Stevenson, Blair Fredricks, Rich Bott, Zane Gray, Steve & Mary Rice, Ronn Hartman, Trevor Helm, Lisa Pettegree, Cynthia Mattson, Wayne Johnson, Chris Thomsen, reg & Janda Busson, Noelle Dunkley, Miles Nae????, Aaron Burgin, Marjalee Smith, Ryan Windley, Jesse Summers, Robert McConnell, Phillip Larson, Sean Dorius,

Zoom: Matt Johnson, A Jarrett, Buster Delemonte, Bill Chipp, iPhone 112, JAH, Jenn, joe's iPhone, Kelly Downs, Mindy's iPhone, Sara, Trevor Compton, Zac Reynolds, Cori Vanderbeek, Katie, Slyler, iPhone Major, Brent Knight, Lolo, Michale Dee, Laura Blackett

1. President
 - a. Call Meeting to Order: 6:10 PM Matt Bingham excused tonight. Each agenda item will be discussed by the board then open to the shareholders. After their comments we will close or be voted on. Off topic questions will be at the end of the meeting
 - b. Declare Any Conflicts of Interest: Heidi maiden name is Wilkinson.
2. Approve Meeting minutes of November 8, 2023, and December 13, 2023; Work Meeting of December 6, 2023, Topic includes discussion on how to record & post minutes: Matt had some issues with November minutes but is ok to approve the minutes if the audio is attached. Possibly attached all audio for both board and work meetings in the future starting with the November meeting. December's minutes were not ready to be reviewed. Arron Burgin suggests recording on Zoom and it can be programed to write up a summary. Heidi motion to approve November 8th minutes Mark modified the motion that the audio is included and moving forward to include the audio section. Earlene 2nd all in favor
3. Approve share issuance, cancellations, and re-issues: DMR construction has built homes, but not been sold, Mark motion to approve, Greg 2nd all in favor.
4. (10:03) Review and Discussion on Draft Development & service Agreement – Rolins Tank & Wells: Received the draft yesterday. They are asking for a 10-year span that we would lease, and our payment would be by doing the maintenance on the tank. At the end of each year, they would tally up the cost by doing the maintenance, it then would be split by all the shares. Matt Johanson clarifies that as more developments happen, the ownership/ shares will increase to CMWC. Greg is concerned that only two of the three wells are mentioned and what kind of condition the wells are in. The third well has been drilled but not the pumping plant. Need to be operational or what the pumping plant would cost. Mark requested that Greg write his

concerns up and send it to the rest of the board members. Attorney McConnell states that the third well will be included and the maintenance until till it's it ready. Heidi questioned #12 the issuance of membership shares. It would be issued to Class A shares to the phase owners. A Concern if it is to phase owners instead of the homeowners the phase owner could acquire a majority of voting shares. Mike clarifies that in the by-laws that A-Shares would not be issued until it had passed to a third party. But developer would still be responsible for the fees Attorney will follow up regarding a developer or company being issued too many shares as states in the Article of Incorporation. There is nothing mentioning any water right. Weber Basin water has jumped in rates. Need to have the developer responsible for the lease payments for Weber Basin so current shareholders don't take a hit for the increase but that the developer be responsible for payments. Also, Heidi states that #6 in Escrow that there are several parties involved. Attorney Johnson clarification and suggested cleaning up the language.

- a. **Public Questions:** The agreement isn't available to shareholders until the agreement is ready to be voted on.
- b. **Cori Vanderbeek** (zoom)36:54 Called regarding the shares that were issued when she bought her home are no longer valid. Concerned about the record keeping. Would like to use leverage in obtaining lost water rights. Heidi suggested that she send an email to Mark with her concern. Will the 12% cost offset the cost of the new developments. Will it be on the back of all the shareholders? According to the bylaws the expense will be distributed between all the shareholders.
- c. **Lynn Stevenson:** Shareholder panicked when it was discussed into signing an agreement with Gardner's development. She read a statement regarding many concerns. (43:48) Request that Attorney Johnson address if it is possible to resend the will serve. Concerns of the new agreement that puts CMWC in fourth position. Also is our manager seeing employment with another water company. If our manager is possibly looking for other employment with a competing water company, during negotiations? Could that be a conflict of interest? Manager Question needs to be addressed in item agenda item #17, general Q & A.
- d. **Zane Gray:**(50:24) Huge impact to shareholders and who is writing the agreement. He was unaware of an agreement and the impact it has on shareholder rights and rates. Mark explains the history of the tank and the lack of a signed agreement turning it over to CMWC. This agreement is to correct what wasn't done then. This agreement is to protect our shareholders. If not, we disconnect from the tank we are in a deficit of storage, and it will cost us a lot of money to correct it. To be a shareholder one must have source, storage, and dedication. If they have no proof of their dedication to the company according to our Article of Incorporation, they are not shareholders. (58:03) Attorney McConnell believes that the water dedicated to the middle school and church have been dedicated. No proof in writing of that being dedicated. Both parties are working on the new agreement together and it is moving forward to get it settled and corrected.
- e. **Sara Peterson** (zoom) (1:04:05) Two concerns 1) How do we make sure that doesn't happen again in the future. We have given the other party all the ammunition to get what they want because we are dependent on it. 2) Before the new agreement is

signed, is there a cap or accountability to the shareholders. She is one that doesn't have secondary water and does not get any of the perks if rates go up.

- f. Noelle Dunkley: She too doesn't want to have her rates increased and to keep the tank. The board needs to get it worked out, that is why we vote for people on the board is so important to protect our interest.
 - g. Jessie Summer: If those who have undedicated storage will be the ones that would need to build the tank not all shareholders. Heidi brings up a concern of the 10-year lease where there could be new stipulation.
 - h. Wayne Johnson: The land was sold and the owner needs water, storage and build their own infrastructure and get the paperwork. Wayne's father did get board approval to extend the service area. Bobby McConnell clarified it was a previous board that approved it.
 - i. Bill Chipp: (zoom) The board is not adhering to the rules of the meeting like everyone else.
5. Discussion on Past Will Serves Issued the Rolins tank as Storage: (1:17:30) A concern that a in 2015 they will serve to the school did state "that upon assignment and conveyance to the water company". But since then, it hasn't been put in any other agreements. We haven't followed the Article of Incorporation since then. In the future we need to follow it and have a process that it is followed going forward. Asked Attorney Johnson asked by Mark, what can we do to not make the same mistake. Attorney Johnson suggests that we need to make sure we have all that is required, before issuing the will serve in the future, and protect the shareholders. See article 10 in by laws. Possibly generate a form of what is required and have it for anyone wants a will serve it will know what needs to do and obtain the will serve in the future. Open comment: (1:29:34)
- a. Blair Fredricks: If we don't reach an agreement with the tank, we don't have the storage for Lee's market for water true or false? If there is no agreement, then Lee's market is in the same situation as middle school. Attorney Johnson. They can get water from somewhere else. But we need to get the agreement made because of our deficit.
 - b. Chris Thompson: Need to serve the people that have a will serve but will need to go into moratorium until problem has been corrected regarding those efficiencies. Then not unable to issue any new credits/ The state then could score our system with a lower rate that would affect the insurance until it is corrected.
 - c. Noelle Dunkley: Create a form binder that has all the forms, policies, and procedures. To hand over to the next board.
 - d. Sara Peterson: Clarification on who issues the will service. Approved by board.
6. Proxy Voting Adjustments: Table due to Matt being absent and it is his agenda item. His area has concerns on how proxy votes were done last year. Mark motion to table for next board meeting Heidi 2nd All in favor.
7. Public Service Commission Service Area Hearing: 1:36:45) Brought up by Marjalee Smith who has concern on a letter she wrote that was read last board meeting and feels it was read out of context. Clarification on the property of Lee's Market is in the service area of Highlands since 1975. If other water companies want part of their service area, she would like to have a better working relationship and foster more cooperation between companies with mutual respect. Lee's marketplace is in Highlands service area and they were willing to serve it. Due to Johnsons

wanting another Water company, they understand, but the other water companies need to work together and resolve the issue. Highland is willing to work with whatever company they need to work with, and they are not hard to work with. She is also concerned that Lee's map does not show their water lines and that can be an issue with multiple lines in the same area. Highlands lines are marked on the plate and need to be respected. They do have the ability to serve Lee's due to them being in their service area. Board discussion: Comment that Marjalee clarified that if CMWC can't serve Lee's, then Highlands can.

- a. Public Comment.
- b. Lynn Stevenson: Why can't we resend our will service and let Johnson and Highlands work it out? Answer If we resend it, we will have to resend all the other will services that have been issued. We would then need to build our tank or other options to the shareholders. Other options would cost the shareholder more.
- c. Jessie Summers: How much in the deficit: approximately 100,000 gallons
- d. Ronn Hartman: Why so much negativity in getting the agreement done? Some board members feel it's going forward with agreement, a member feels the agreement is not as close and totally different agreement than the first one. Lynn Stevenson has a comment regarding the area she is in that they don't trust the board or manager in past boards.
- e. Lilia Allen: (2:10:05) Agreement is being worked on, but the will service was issued anyway without the agreement in place. Also why put our water company in a bind when there is another company willing to serve them. The will serve has no conditions on the storage for Lee's Will serve. Many different opinions of board members and community members.
- f. Wayne Johnson: Suggest that we listen to the attorneys and what he has to say since we are paying him for his advice. Attorney Johnson response that we move forward and the ability to service the people we have for fire capacity that we have agreed to serve and the ability to provide water to those we have served will serves already. Get the tank online so we can serve all those we are committed to. What is best for the company and shareholders. Possibility get the numbers to the cost of other options of building another tank or any other options.
- g. Janda Busson: Comment that those that are opposing the agreement, that it shouldn't be an issue with Rulan Gardner
- h. Noelle Dunkley: Would Highlands be open to being a water district or want to stay private. Marjalee answered that they would have to consider the effect it would have on the company before committing. How many shareholders in CMWC? Mikes states that in area 3, has approximately 167 members that don't have secondary water so there is distrust with Rulan Gardner. Many in Area 1 don't have secondary water either. Marjalee comment that in Public Service Commission hearing that is was very clear that MGMWC would be the service provider for the water for Lee's and is the only one who could serve them.

Mark motion to move agenda item 10 next and the following items, 8, 9, 11-16 to be tabled till next board meeting. Greg 2nd all in favor

8. Board Treasurer Position: Tabled due to lack of time.
9. Supervisory/Advisory Committee Discussion: Tabled due to lack of time.

10. Water Right, Source, and Storage Credits (2:35:19) Heidi is concerned on the inconsistency of the report with no dates. A deficit shortage. It's a changing report but are accounted for. Gardner has sold all his storage in the middle zone and so shouldn't have any right to move it around since he no longer owns it. Heidi motioned to get transaction dates for a clearer accounting for the numbers on the Source and Storage credit report. Greg 2nd all in favor. Public comment:
 - a. Suggestion; to work through agreement & have board members review it then have the shareholders vote to accept it or not. Also, possible options along with the agreement.
 - b. Bill Chipps is concerned if the public could be educated enough to make a reasonable decision.
 - c. Greg: But board members have the responsibility to make and vote on the agreements and go forward.
11. Development of Company KPIs for Staff Bonuses and Raises: Tabled due to lack of time.
12. Landscaping of the CMWC office: Tabled due to lack of time.
13. Reimbursement terms and late fees: Tabled due to lack of time.
14. DURST Water Company Board Liaison: Tabled due to lack of time.
15. Set date for Annual Meeting: Tabled due to lack of time.
16. Set Date for next working meeting (if needed).
17. Q & A for shareholders (2:57:23)
 - a. Reg Bussan: Wants an understanding: Need more storage and have tank that belongs to someone that some people don't want to do business with. Shareholders that don't attend meetings can't make a good decision. Need the people to trust the board members to make the right decision regarding the contract that is written, instead of in the hands of the people that don't attend the meeting and learning.
 - b. Sara: What is the next step for the shareholders for the tank decision to be done? Mark answers that once we get the agreement to the point where we can share it with the shareholders when it is ready to be voted on. Then to be voted by the board.
 - c. Wayne Johnson: He feels that Rulan Gardner has done a good job in developing our community and making it a nice place to live.
 - d. Lynn Stevenson: Do we need a million-gallon tank? No but we will be paying for the portion that we use. Has a meter reading been turned in yet? Mike said that there is no agreement. Skyler did send out an "average out" from the past three years. Also concerned that Mike has a conflict of interest, and all the decisions he is making. Is Mike possible thinking of working for another water company.
 - e. Bill Chipp: Mike is not doing anything that the board hasn't given their approval of.
 - f. Heidi: Response Board goes to manager for the information for the day-to-day running of the business. But when we feel we don't get the information or that it is not correct. But we need to have correct information to make the right decision.
 - g. Noelle Dunkley: It's the past board that has gotten us in the situation that we are in today, and this board is trying to fix it. Not their fault, they are just trying to correct it.
18. Adjourn Mark motion to adjourn 2nd Earlene all in favor, 3:15:54)