

**SADDLE RIDGE RANCH ESTATES WATER COMPANY
SHAREHOLDER ANNUAL MEETING
THURSDAY, JUNE 1, 2023
VIA ZOOM – 9:30 A.M.**

Present:

- Tracy Currie
- Fred Brazelton
- Tommy Pittenger
- Heidi O'Donnell
- Jan Stall & Cynthia
- Scott Schofield
- Nellie Hester
- Hans Helmerich
- Marx Bowens
- Caroline Drummond
- Brent Hamlin
- Pete Marketos
- Ron Edmundson
- Saddle Ridge HOA (represented by Hans Helmerich)
- Jason Peet

Management Company: Kat Loughan, Toad Property Management
April Pannell, Vision Accounting and Tax Preparation

Proxies to Tracy Currie: Eric Gowan, Rachel Donnell

Proxies to Fred Brazelton: Scott Matzelle, Robert Sessums

Kat called the meeting to order at 9:36 a.m. and confirmed a quorum.

Fred Brazelton asked owners to email Kat at Toad with their contact information.

Tommy Pittinger made a motion to approve the minutes of the February 4, 2022 meeting. Fred Brazelton seconded the motion and it was unanimously approved.

Tracy Currie explained as part of the license renewal process Mt. Crested Butte Water & Sanitation District ("MCBW&SD") had requested a waiver of State regulation for the way the District treated the discharge of waste water into Washington Gulch. Joe Knox had helped with the challenge and a request had been made that the discharge of waste water would be monitored. That request was denied but the State had settled with MCBW&SD and when the renewal process happened again in 5 years it would be necessary for the Water Company to once again be involved. Tracy explained the State held MCBW&SD to more stringent standards as part of the settlement but there was no mechanism in place to confirm those standards were being met. Tracy said several events would need to occur at the same time to contaminate the wells but the Saddle Ridge treatment plant would identify those issues so the risk of contamination of the water system was minimal. MCBW&SD claimed it was technically impossible to monitor the discharge of waste water into Washington Gulch due to the weather during the Winter months.

Tommy Pittinger said Water Service Agreements had been obtained from the various entities to guarantee access easements to the infrastructure. Some owners, not affiliated with an HOA, still needed to sign a Water Service Agreement and it was hoped to obtain those signatures in the next few months. Tommy explained Roscoe Development had requested indemnification but it was not possible for the Water Company to give the requested indemnification so the agreement with Roscoe Development might take longer. Tracy Currie explained progress on a Public Water System would be delayed until all agreements had been obtained as the Water Company needed to show the State that the Water Company had access to all of the infrastructure.

Tracy Currie explained 14 homes were currently served by the Water Company and two additional homes were under construction. It was necessary to become a Public Water System when 15 homes were being served by the Water Company. If the paperwork could not be completed in a timely manner the Water Company might receive fines or penalties from the State but the Water Company would be able to supply service to all homes. The level of fines was not known at this time.

Tracy Currie said there was a dispute with Three Valleys LLC, the owner of Lot 1 in the Three Valleys Subdivision. The disputed service charges and penalties went back to 2006 and Three Valleys LLC claimed it was not responsible for those fees or assessments due to an agreement reached with Roscoe Development prior to the Water Company being formed. In return for infrastructure going through Lot 1 Three Valleys LLC claimed all fees or assessments for that lot were waived. Tracy explained attempts had been made for three years to recover those expenses and the Water Company would have a shortfall in the future if the situation could not be resolved. Tracy said Lot 1 was not developed and therefore not receiving water although the Lot was part of the system and could receive water in the future. Tracy explained the issue was very complex and dated back to agreements reached in 2002 between Three Valleys LLC and Roscoe Development and legal advice had been taken by the Water Company but no clear resolution for the Water Company was available. The Water Company would attempt to reach a resolution and the Water Company wanted to keep legal expenses low and resolve all the different issues at the same time. Tracy Currie explained some of the issues with Three Valleys LLC prevented the Water Company from indemnifying Roscoe Development as part of the infrastructure ownership agreements, discussed earlier in the meeting. Tracy said the Board would be happy to discuss in more detail offline with any interested owners as there had been a tremendous amount of work over the past few years.

Kat Loughan introduced April Pannell of Vision Accounting and Tax Preparation. April Pannell explained Vision Accounting had been cleaning up the financial records and April confirmed 2022 had finished with a net operating income of approximately \$4,000. April said special assessments had been collected during 2022 and approximately \$72,767 spent. Net income for 2022 was approximately \$152,000 and expenses would continue to be incurred for special assessment work. April confirmed the Water Company had approximately \$179,000 in the bank at the end of 2022.

Tracy Currie confirmed there had not been a list of fixed assets and SGM, engineers, had captured all the fixed assets on maps and those fixed assets would be entered into the accounting software for 2023.

Kat Loughan explained there would be an election for the Board of Directors, one for A shares and two seats for B shares. No names were put forward and Tracy Currie, Tommy Pittinger (B shares) and Fred Brazelton (A shares) had all indicated a willingness to continue on the Board.

Kat Loughan explained the role of Toad Property Management for the Water Company. Kat encouraged owners with questions or concerns to reach out to her. Tracy Currie explained David Jelinek was the Water Manager and he dealt with the running of the water treatment plant.

Prior to the meeting a Water Manager's Report had been circulated with the annual meeting documents. Kat read the Report to those participating in the meeting. Kat explained irrigation water should not be connected to the domestic water and those should always be kept separate.

Kat Loughan explained the annual meeting had been delayed so that the new accounting firm, Vision Accounting, could get all information updated and operational. Toad would be the initial contact for all questions or concerns and Kat would reach out to David Jelinek, the Water Manager, or April Pannell of Vision Accounting if necessary.

Tracy Currie explained the process to become a Public Water System once 15 homes were operational. Tracy said work was underway on the application and it was hoped the information would be sent to the State in the near future. A budget had been prepared in 2021 and funded in 2022 for the work necessary to operate the Public Water System. Tracy said submission of the application had been delayed due to difficulties getting information together and Vision Accounting had helped with the preparation of a 5 year plan. State guidelines had been updated since the budget was prepared in 2021 and additional work and cost was now involved in the process. Tracy explained the increase in cost could be as much as 50%. Once the State had reviewed the application Tracy said the Board would be able to work on a new budget. Additional water treatment was required by the State and inflation, especially for the computer system, had resulted in higher costs. Once those costs were known it would be necessary to go back to the shareholders of the Water Company to request additional special assessment funds.

Tracy Currie said any fines or penalties from the State for failure to complete the process to become a Public Water System when 15 homes were part of the water system were not known. The State might waive fines or penalties as the Water Company would be able to show it was actively trying to resolve all the issues. Tracy said he would attempt to find out what those fines or penalties might be. Tracy explained the Board would consult with legal counsel about writing to Three Valleys LLC and Roscoe Development and explaining the cost of preventing a Public Water System being formed and perhaps any fees or penalties could be assigned to those entities.

Tracy Currie explained the process with the State for the review of the application would take approximately 6 months. Tracy said as part of the application SGM, the engineers, had uncovered a raw water report, 1999 or 2002, which displayed elevated levels of radium. Bottled water had been recommended while additional testing of the wells was completed. Reports from July and October 2022 had confirmed there were no contaminants in the water system and it was not necessary to use bottled water. There was no explanation attached to those earlier raw water reports and it was unclear why it was completed. Tracy said 2002 test results could be circulated via email to everybody.

April Pannell explained the 2023 Budget was based on 2022 expenses and it was anticipated 2023 would finish the year with a net income of \$2,600. April said there would be expenses assigned to the special assessment for the Public Water System and it was anticipated there would be approximately \$30,000 of that money remaining at the end of 2023. Tracy Currie explained the operating costs of the water system would be kept entirely separate from the expenses to become a Public Water System.

A request was made for the Public Water System expenses, approximately \$92,000 at the present time, to be capitalized and not grouped together as one expense. April said she would research with her tax people and break out the assets if appropriate for a non-profit.

Fred Brazelton said the Bylaws were a little confusing and the Board would be reviewing the Bylaws and preparing amendments to be discussed and approved at the 2024 annual meeting. The Board would review the current wording for Board terms as currently all Board members were elected for one year terms and to help with continuity Board members would be elected for 2 years and there would be staggered terms. Fred encouraged shareholders to review the Bylaws and highlight any concerns.

Tracy Currie explained Service Agreements should have been signed by all shareholders when they started to use water. The prior management company or the developer did not have copies of those Service Agreements and the Board would be reaching out to shareholders to have the agreement signed.

Kat thanked shareholders for participating in the meeting and encouraged shareholders to reach out with any questions.

At 11:09 a.m. a motion was made to adjourn the meeting. A second was received and the motion was unanimously approved.

Prepared by Rob Harper, Toad Property Management