

Silver Fork Pipeline Corporation
Minutes of the Annual Shareholders Meeting
Monday, May 3, 2004

The Annual Meeting of the stockholders of the Silver Fork Pipeline Corporation was held at the Whitmore Library Auditorium, 2197 East Fort Union Boulevard, Salt Lake City, Utah on May 3, 2004 at 7 p.m. pursuant to a call by the Board of Directors and written notice dated April 20, 2004.

Pursuant to provisions of the By-laws, Mr. Dan Knopp, President of the Corporation, presided over the meeting, assisted by Heather Schmidt, Secretary of the Corporation, and Tammy Lanouette, former Secretary.

A full, true and complete alphabetic list of all stockholders entitled to vote at the ensuing election, with residence of each, and the number of shares held by each was available before the meeting and remained open for inspection during the entire meeting. While the Secretary ascertained if a quorum was present, several reports were presented.

Watermaster's Report: At 7:06, Watermaster Steve McIntosh presented his report. From January 1, 2003 to January 1, 2004 there were 31,499,000 gallons that passed through the mine tunnel meter, a 2% decrease from 2002. Of that amount 20,920,000 gallons entered the distribution system, a 16% increase from 2002, recorded mostly during the summer months. The remainder was overflow. The highest inflow to the system was 117 gpm, and the lowest was 48 gpm. The highest community usage was 42.61 gpm in the winter (because of the necessary bleeders), and the lowest usage was 20.88 gpm in the spring and late fall. The community usage has been going up, with the past winter average at 30.75 gpm. There were no water quality violations in 2003. Monthly bacteria tests and nitrates were sampled in 2003. Lead and copper tests will be required during 2004, in addition to the monthly bacteria tests. There was one service line freeze-up and one small pipeline break this winter. This year's planned maintenance includes exercising all valves and fire hydrants, and cleaning out the water tank in August. The tank will not be emptied during the process, so we will not be without water at any time during the one day operation. The typical sediment at the bottom of the tank is calcium carbonate which will be removed with a vacuum device by divers. All machines and personnel will be disinfected with chlorine before entering the tank. The State of Utah recommends tank cleaning periodically to reduce risk of organic contamination. Long range projects include the continuation of installation of 6" pipe throughout the system, and elimination of the 10 bleeders. The bleeders are run at 15.5 gpm during the winter, which represents 1/3 of the system's water that is going into the ground. *Questions from the floor:* Q: Should we install water meters? A: Our priority should be to eliminate bleeders and complete installation of 6" pipe. Water meters would be helpful in finding leaks and illegal bleeders later on. Q: How much do water meters cost? A: A water meter installed in a 6" line might cost \$600. Right now it is most cost-effective to secure our water capacity by improving the existing pipe and eliminating bleeders.

At 7:18 The President announced that a quorum was present.

Financial Report: Kevin Huntington, the new accountant, delivered the financial statement, and invited questions from the floor. Q: Where are the capital items listed? A: They are derived from the comparison of assets listed. Q: Could we have them explained by footnotes in the future? A: Yes, a good idea. Q: Was the corporation backhoe sold? A: Yes, this year. Q: The new Sarbanes-Oxley law requires that an audit be performed. Was there an audit this year? A: No, this is only a compilation. Q: Could we encourage the SFPC Board to form an audit committee to follow the financials? A: Yes, the Board will pursue that issue.

President's Report: At 7:30 Dan Knopp presented the system status report. The SFPC is in a position to do a major project this year. If Ed Paul's project (Silver Glade subdivision) is approved, community pipe will be joined with that project, and eliminate 2 bleeders. If his project is not approved by July, then a stream-crossing project should be done, as there is only one remaining stream-crossing. The long-range goal is to get rid of bleeders and upgrade the system to 6" pipe. Currently 1/3 of the water entering the system is lost to legal bleeders. Adequate pipe and elimination of bleeders will provide more water availability to consumers. *Questions from the floor:* Q: Do you plan to require meters for new construction? A: No, water meters are a low priority. The system should be efficient before we can afford water meters. Q: If water meters are ever installed, wouldn't it make sense to require them on new construction in order to save us money later on? A: Then the Corporation will have to pay for them on the new construction now, taking money away from necessary projects this year. Q: Does every home have an outdoor stand pipe where a meter could be easily connected later? A: No, most houses would need an 18" meter vault for an outside installation. The meters would then cost \$400-\$500 in addition to the installation costs. Q: Could meters be installed inside the houses? A: Yes, if there were remote readers installed as well. Q: Would meters help conserve water during droughts? A: They would increase our awareness of water usage, and help retain water in our system by making us aware of leaks and illegal bleeders. Q: Are you going to do antimony or arsenic testing? A: We did those tests last year, and found no evidence of them in the water. Those tests are required every 9-10 years. Q: Could the SFPC Board formulate a long-range plan to show how we can best conserve and improve the water system? A: Yes, but it may be difficult to follow such a plan rigidly because opportune projects and maintenance may interfere. It would have to be a fluid plan. Dave Eckhoff could help with this. There is also a need for pressure-reducing valves. Q: How much is available for projects each year? A: We spend about \$25,000 per year on O&M (operations and maintenance). We want to keep a contingency fund of about \$30,000. That yields about \$50,000 to \$80,000 every other year for a major project. Q: Could the Board present a long range

plan next year? A: Yes. The priorities will be to bury 6" pipe throughout the system and to eliminate bleeders. Q: What is Ed Paul's Project? A: It is a 7 lot subdivision between Dunyon Dell and Aspen Street. They plan to put in water pipe,

and a sewer line that will cross the stream at the lower bridge. Q: Why are some people watering their yards, when our regulations prohibit it? A: We have been given special permission to water by Salt Lake City Public Utilities in order to mitigate fire hazard during the recent drought. We will request permission again this year. Q: Could the SFPC include a financial section in the long range plan to indicate the best way to finance system improvements? A: Yes, but we have tried to stay away from debt for the last few years. Q: Borrowing money may not be so bad if we can have an efficient system that would save us maintenance costs. We just need to know what we're shooting at. A: Yes, we will put together a master plan for next year. Q: Special assessments may be a hardship for some people. If it comes to that, will everyone get a vote? A: Yes, we want that input. Q: Do we have enough water to support current and future water use? A: Yes, especially as we eliminate bleeders and replace aging pipe. Q: It appears that it will cost the same amount to install meters now or later. A: Yes. The meter issue could be raised after we have a 6" pipe system and eliminate bleeders. At that time we will have a choice of whether to lower water rates or install meters. Q: It doesn't make sense to install meters for a few people. It would have to be a system-wide project. Could this be included in the master plan? A: Right, meters are not worth a nickel unless they are system-wide, and it could cost \$100,000. Currently our system has enough carrying capacity to serve everyone. Q: Does Salt Lake City have access to our meter readings? A: Yes, Salt Lake City would be able to demand meter readings from any of our meters. A Straw Vote was taken: Should meters be required on new construction? Yes: 4 votes. No: majority of votes.

Elections: At 8:10 p.m. the President stated, "The purpose of the meeting is to elect four Directors, and to conduct any other business to properly come before the Shareholders." The Secretary determined there was a quorum of Shareholders present in person or represented by proxy at the meeting. The Secretary determined that 140 shares were represented in person and by proxy, thus a quorum (at least 131) was present. The meeting then proceeded to the election of four Directors as successors to the Directors whose terms expire with this annual meeting, to hold office for a term of two years, and until their successors shall be elected. The Directors whose terms expire with this meeting are Kurt Slaughter, Mike Conway, Cade Lockwood, and Barbara Cameron. President Knopp opened the floor to nominations for Directors. The slate of incumbents presented by the Board included: Kurt Slaughter, Mike Conway, Cade Lockwood, and Barbara Cameron. Nominations from the floor included: Rob Weaver (nominated by Todd Wilde, seconded by Alf Quist), and Scott Benson (nominated by Dean Roberts, seconded by Kendall Phillips). There were no further nominations. Each nominee present was asked to stand and give a few remarks. Each share would have a vote for four (4) different Directors. The ballots were then collected and tabulated by the Secretary.

Minutes: At 8:20 p.m. Rob White moved to approve the Minutes of the May 5, 2003 Annual Meeting, seconded by Mary Wittke. Minutes were approved by voice vote of shareholders.

Business: At 8:24 a motion was made by Bob Cameron to approve a \$500 Special Assessment for system improvement projects. Tom Loken seconded the motion. Following discussion on the motion a vote was taken (12 votes for the motion; the majority against the motion). The motion failed. A straw vote was taken to approve a \$250 Special Assessment. Again the vote failed.

At 8:30 p.m. Rob Weaver noted that the Bottomline Snowboard Shop has applied for a triple use permit (residence, restaurant, snowboard retail/rental), but has only one water share attached to it. The by-laws state that commercial entities must have two water shares. He is therefore in violation of the by-laws, and should not be allowed to obtain a permit for the restaurant/beer license. The Board noted that he purchased that property with the expectation to use it for commercial purposes. Several previous owners had operated a commercial enterprise (restaurant, bar) with only one water share. The original sellers had sold the property years ago with only one water share attached to it, unaware that commercial property required two water shares, or perhaps even before our current by-laws were enacted. Therefore, when Mike Czaja, owner of the Bottomline, requested permission to apply for a restaurant permit six months ago, the Board approved his plan IF the square footage remained unchanged. Nonetheless, a straw vote of the shareholders present indicated that 41 voters thought he should have 2 water shares to open a restaurant, and 29 voters thought he could operate with only one share. People also expressed concern about road and pedestrian safety and parking.

Election Results: At 8:55 p.m. the President declared the four nominees receiving the highest number of votes, namely Barbara Cameron (130), Mike Conway (102), Cade Lockwood (101), and Scott Benson (93) had been duly elected Directors of the Corporation to serve for the term of two years (until 2006), and until their successors shall be elected. Other votes: Kurt Slaughter (76), Rob Weaver (55).

As promised in the mailer, an annual assessment waiver for one water share was drawn. The winners of the random drawing were Kurt and Jan Slaughter, who will have their \$200 annual assessment for one water share for calendar year 2004 waived. The purpose of the drawing is to encourage shareholders to attend or send a proxy to the annual meeting (the winner need not be present to win). The costs required for a second meeting are far greater than that for one annual assessment.

There being no further business, the meeting was adjourned at 9 p.m.

Submitted by

Approved by

Barbara Cameron,
for Heather Schmidt, Secretary

Dan Knopp,
President