

Excuse the delay. I just have an announcement to make. I've gotten a couple of calls regarding what's going to be on the agenda. And it's a little bit confusing because there's other additional information emailed to all of you. consisting of a lot of PDFs and charts and other material that had not been presented to you before the meeting. And there was confusion as to whether we were going to be acting on those items. And I'm here to say we're not. The items we're gonna be only dealing with are on the most recent agenda. And anything else is prohibited. Now, those issues, if people have issues that go beyond what's on the agenda, We want to hear your positions on them. But we would need to make a special meeting after the new board is formed. And then we can spend that time with those issues that you're concerned with. Yeah, okay. Any questions? Okay. I think we're ready to start the meeting. We're passing around a sign-up sheet. If everybody could be so kind as to sign that up as it goes around.

And... This, a couple little special things. We're going to record this meeting because we've always had an issue with getting the minutes out on time. And so, we played with this a little bit previously and it worked out pretty well. But, of course, when you listen to the playback, you don't know who's speaking necessarily. So, when you speak, please say, Ron, da-da-da-da-da, just speak your name before. So... the recording could know who it is. And then we can get a transcript very easily. after Flint issued, and so our water system does not have any lead pipes anywhere in the system, so we never record any lead. Individual homes have copper pipes. For some of the older ones, some of them have cracks. So there might be a little reading of copper, but it's never exceeded any contamination levels. A lot of people ask me about the hardness. You'll see that on page five. The average is about 460, the combination average. But it ranges between 430 and 530 between the three wells. And when you see, I sampled in 2017, 23, and 25 in the column on the left.

Well two was sampled in 2017. Well three, 2023. They're on random patterns. Some tests are every nine years, some are every seven, every six, every three, every two, and every three. So when you see these different years, that's the last year it was tested for one of these contaminants. Arsenic in well number two has always been a problem, and we've known that through the high level. 9.1, the maximum contamination level is 10.0. So that's why we keep that in a completely backup range so we can use that for firefighting or possibly blended in an emergency. But that well is much shallower than the other wells, so it's in a different aquifer and we've got a little arsenic there. I know there's a lot of controversy about fluoride, It's naturally occurring in our water. We won't add it, but you'll see it on the list of things that are in the water. It's not over the limit. We'll come to page 7, and you see manganese. And manganese in well 2 is 220, well 3, 150, when it steps into 23, and 185 in well...

we've had more current tests in the levels that have been higher in Well 4. We've been running an average of 50 parts per billion in Well 3, and that's right at the limit currently for the state. The federal government is 500 parts per billion, but the state is going to put in new regulations, and it's probably going to be a year before we get any manganese directed, so we have some time to plan for that. Well 4 I flushed it the other day. We just did a test last Tuesday, our quarterly test for manganese. You'll see how that came when it turns out. Hopefully that'll be much lower. FRM, they said, oh, we could just blend the water. Well, it doesn't do, the math doesn't work. You can't blend 400 parts per billion with 50 and get 50. So we will have to do some filtration depending on what the state mandates. You've all kind of realized what manganese is. It makes the water kind of tan. You might see it in a tub. It's not going to kill you, but they think if it's over a certain amount, it might create a health hazard over a long period of time.

We're right at the minimums. be alarmed by it. We will be doing something somewhere, probably in a year or so. The past year, we've had a few breaks in the system. We had somebody turn around down at Corbett Canyon Road, Corbett Highlands, place them back over the wharf head. We had to repair that.

We had a main break well, actually twice at Russo's property, above your house and right at your meter. That was from plumbing that was done years ago. It was very poor, so the pressure eventually gave up. Had a call to Rick's house to fix the break, and it turned out to be in his irrigation line. But at the same time, it was fortuitous. Well, it was good, because we were able to put in backflows at those two locations where we were digging in the dirt and stuff, so we accomplished something that needed to be done. So that turned out to be a good use of time and energy. And then we had a valve at the Littell in the wood driveway that had been there originally since the system was started. And it wouldn't shut off completely.

It continued to leak. So we actually replaced that valve in the system. brand new valve to shut off the leg that goes out through the wood, the tails, Gallagher's, and your out across that leg. Are there any questions so far about last year's water system, what we did, testing, anything coming up? Do we know what the final number will be based on anything? What do you mean? Oh, I'm sorry. This is Sam. Sam. Nice to meet you. I'm sorry. I didn't quite hear. So I know we're at 50 parts per day. Do we know what the state's going to come back with? Have they hinted that maybe? Yes, they've hinted. And that's 20 parts per day. But the feds are at 500 parts per billion, so they're duking it out. The state one's 20. Currently it's at 50. Where it lands, we don't know. It's in the process. And by the end of the year, they're expecting some indication or an actual ruling. We'll have probably a year to comply with that, and we'll have time to research where we're going to have to be. Technology's changing, there's all kinds of new things, and a lot of people are going to be researching this more because it's going to affect a lot of people.

It's actually primarily found along the coastal areas. You'll find this mainly, not so much central and northern California, just this central and southern California. A lot of wells have it in area so it's not uncommon. I know that there's been a lot of complaints about replacing the old welded tank. And I think it's time to really explore what we found when we opened that tank up. It could not have been repaired. It was not salvageable once we got into it. Go ahead, let's look at some pictures here. Actually, we got a little out of order. Seco is going to do the final report for the new tank replacement project, and then we can talk about it. Okay, we can do that. So is there any other questions about the system? Whatever question you might have about how it operates or anything, what we get through the year? All right, and remember, that's the phone number up there, 805-440-2201. If you ever have a question, please call me. I'll take you on a tour or whatever. Let's kind of cover that in a little bit, if you may.

So it's here from Seco first. Back to the bus. And then we'll talk about... Thanks. And I'm happy to be of service to you all. But again, if you have a question, please give me a call. I'll take care of it and take you on your tour and see your new water system. Money will be right back after Seco's done. Okay. So I'm and talk about the Blue Tank project, which I'm happy to announce is completed. So everybody's satisfaction I hope. I just want to hit some highlights here. I'm not going to go into detail. For those of you that want to have the detail, you can see me. I've got a lot of backup information in case you want it. First, some highlights in terms of timing. It's almost a year ago that the project got started, May 5th, was when the contract was signed. Got off to a really fast start. The engineering drawings were ahead of schedule by a couple weeks, and we were very excited that maybe we could get this project in while ahead of schedule. Well, not so fast. Then we ran into some asbestos tests that had to be done and lab testing that had to be done in order for us to get a demolition permit.

That sent us back about two weeks, so when the final demolition started, it was back on schedule. The next one was getting a construction permit, and that took a lot more time than we'd hoped. It wasn't as bad as people feared. I heard people say it may take a year. Other companies that experienced a construction permit would take a year. In the end, it took us something of the order of four weeks to get it

done. And so that's when we got the construction permit. When we took the welder tank down, we found that the exit water pipe was not just a simple a four-inch water pipe going into our system, but it was a 36-inch wide metal pipe that was connected to the bottom of the, we'll see that later, was connected to the bottom of the well and the tank itself, and that was a big mess. How to deal with that? So it was decided that in order to deal with that, we would just fill that big pipe with concrete, and so it was gonna be basically, no longer a concern in terms of structural issues that the soil may compact over that pipe and the new tank would start getting out of place.

So anyhow, getting that filled with slurry at the right time took us to the holidays and the rainy season. So that combination of the holidays and the rainy season put us back several weeks. All in all, the whole delay for the construction was about nine weeks before we finally could get earthwork going and to the foundation. That started in earnest on January 12th. We had hoped initially that the construction was going to be done by, or that the whole project was going to be done by the end of January. Didn't quite make that. In the end, we were able to put a new tank in full production on March 11. So that's about five and a half weeks. So we did make up some time during the whole construction, but still we're behind schedule compared to the original schedule. Any questions on that schedule? If not, then some numbers. Next slide. Next slide. And that are just the top line numbers. The project was going to be funded by assessments, as you're all painfully aware. Total revenues out of the assessments would be about \$392,000.

As far as I know, and talking to Henry as of last week, everything except the final \$7,000 had been collected. Maybe in the meantime that has been collected, I don't know. That's an extra nine for the board of directors and the temporary. As far as the expenses are concerned, the budget for the whole project was \$439,000. We came in, depending on how long this meeting lasts, at \$437,000, so about \$2,000 under budget. The plan's shortfall, as you can see, when you collect \$392,000 and the project is \$439,000, you're \$47,000 short. But since we came in a little better as far as expenses is concerned, we're only \$45,000 short. And that's \$45,000 right from the beginning of the plan to be covered by the general fund. Just a couple of highlights in terms of specific line items in the project itself. Next slide, please. The big line item, of course, was SCCI, the contractor who built the tank. We had a contract for \$375,000. In the end, the actual expenses for SCCI were \$335,000. because there's about \$10,000 in change orders that were issued during the project.

That \$10,000 was for source reports and filling the old 36-inch pipeline with slurry and some other miscellaneous items that added up to about 10K. The other thing that was over budget was Evanson, the company that would hook up the new tank to the water system. Initially, last year in May, we had a quote for \$17,000. By the time he actually started to work on it in January, that had increased to \$21,000 for two reasons. One is some of the hardware, the valves, the pipes, et cetera, had gone up in material cost. And we had decided that there was probably a better way of hooking up the system that gave us a little bit more flexibility. We also put in earthquake. insulation between the water line itself and the tank, so in case of an earthquake, you don't have an immediate break, but there's some flexibility there. So there was an increase in scope and increase in hardware, same amount in the labor. We had savings, specifically expenses for H2O, direct expenses for H2O, we budgeted at about 6K, we came in at about 5K, we saved a significant amount on water testing.

We thought there was going to be a lot of water testing involved. It turned out we didn't need that. The health department, after the initial test, said, you're fine, you're good to go, you can start using the water, you guys, leave all the testing in their limits. Where we were a bit higher, or significantly higher, but it's a fairly small amount, is in the telemetry. That is the floats that are in the tank itself that basically tell the

pump, yes, start filling, or no, there's enough water in the tank here, okay. In the old welded tank, or the tank we now call tank number one, and the new tank is tank number two, to the old bolted tank, we had a 40-year-old or something like that, float device, mercury float, float device that was sitting there in the tank, telling to fill, not to fill, you can no longer use mercury switches in water tanks. So we had to upgrade that to mechanical flow switch the same as flow switch that we used in the new tank. So both tanks have now identical flow switches.

We had to change the circuitry so that we can either make tank two in control or tank one in control as far as Do we need water or not? So as a result, the top of the tree came in higher. But overall, it was still about \$1,000 in saving. In project management, we saved about \$2,000. And that's the project management between Monty and myself. You cannot just add this up, because some of these Expenses go into contingency. Some of them go into already planned devices. But if you strictly look at the contingency in miscellaneous, which was a \$40,000 line-in budget, we saved about \$1,400 on the contingency and miscellaneous line-in. So all in all, total project, about \$2,000 on the project. That's as far as the finances are concerned. It's done, it's running, it's running fine. We can switch between tank one or tank two. In control, we can put the thing automatic or manual, so that it's all working fine. Any questions? Yes, this is Larry Foreman. With the new tank and the old tank, are there, I mean, not the old tank, but the other bolted tank, As far as recommendations for maintenance, are they exactly the same or is the new tank more efficient? Not necessarily more efficient.

They're similar in construction. They're both bolted things, as you can see from maybe the very first picture. They have segments. They're all built of multiple segments that are bolted together. Both tank one and tank two. So in terms of repairs, it's very similar. Of course, tank one has a lot more coating. There's been coating done on it. the paint every once in a while. And I have some pictures of what tank one looks like. The efficiency is the same, so they're very similar. So does the manufacturer have recommendations about how this should be done on this day, this should be done on this day? Yes. So there are recommendations that come with it? Yes. And tank two, the new tank, needs to go into, in about a year, I guess. One year to go, and there are a lot of new discussions, and during that date, the manufacturer comes back and makes sure everything's okay, and gives us the maintenance. Right. Yeah. Any other questions, comments? One question. Yeah. You said there's some extra pipes under the welding tank? Yes.

You know where they went? Well, there were two, and maybe I can show that in... Yeah, go ahead. Yeah. So this was the old welded tank, and this is the tank number one, the bolted tank. Tank number one, we always thought that there was just a single pipe from the bottom of the welded tank connecting to the system. After the tank was removed, we noticed that there was a 36 inch wide metal pipe that went down 3 or 4 feet and then took a 90 degree turn for about 20 feet horizontal and closed at the end. Inside that 36 inch pipe was the 4 inch PVC pipe. At that point in time, It was not kept, it was kept here, but this was all in contact with the water in the welded tank. So that water was in contact for the last 40 years. Now, that PVC pipe stuck out up a couple feet, so we never used any water from the bottom of that tank. Yeah, that's certainly not a good thing. In other words, those pipes never went anywhere. This pipe didn't go anywhere. It was kept here. You can see a picture here. Here's that 36-inch pipe sticking up at the bottom.

I understand that. But at the other end of that pipe, is it capped? Yes. So, more pictures. Yeah, go to the next one. Next one. So this is looking inside that 36-inch. So this is 20 feet from the bottom of that rounded well tank all the way to the end of the horizontal. It was capped at that end. And this four-inch supply line went all the way through a hole in the end cap. What about that pipe off to the right-hand side?

That was just for us to measure how far it was. We didn't find anybody small enough to crawl in here, so we used a PVC pipe to see how far it extended horizontally. What is the actual pipe moving out of that tank? I see a large steel tube, and I see what looks like a four-inch tube, and I see the small one. This is just measurement. This was used for measurement. This is the actual water pipe. And this is the whole enclosure, the 36 inch wide pipe. Which pipe actually fed our system? This 4 inch. This is the 4 inch PVC water exit pipe. That fed the system. We don't know why they put that 36-inch pipe under there.

It's crazy. It held water. It was full of water. It was actually a failure point. And it was very disgusting. When we got in there, it was not dirty. And the 4-inch pipe going out of there was, again, it's not code. It had to be 6-inch. So they kind of cheated when they built this system. That's a 4-inch pipe. It went out and went into a 6-inch valve. and then the rest of the water system was six inch. The water going in and out of this tank, that tank used to fill and empty through that four inch pipe until we put in a new fill pipe and now it did, at the end of its life, fill from the top. That pipe there served as the inlet and outlet for well over 40 years. What have we done with that pipe now? With that 36-inch? No, no, no. The PVC. That one's gone. That's capped. Yeah, that's capped. And then there's slurry in that whole 36-inch and around surrounding my 4-inch concrete. Yeah, so it's a sloppy concrete. So it... No, I... Well, I don't think I have pictures of it. I don't think we have...

I... Fill it up that way, please. But it wasn't repairable. I mean, there was nothing we could do with that. Good thing we didn't actually try to salvage that tank because there was nobody small enough to climb in there and clean it out so we could re-coat it. It was disastrous. Did that answer your question? I guess so. OK. Any other comments? We can talk about some of these pictures. What are the maintenance recommendations for the new tent? Are there recommendations regarding draining it and coating it every five years, two years? As you said, the first one is going to be after one year. And then we are... We had, normally, or officially required to drain, or not drain, but inspect the tanks every five years. And the coating that was put on, it's on the new tank, it has a 50 year life span. And every, maybe 15 years, it gets a cleaning. That new coating, it's different than what's on the old tank. The old tank, Bang One, has not as good a coating. And it's deteriorated. When was it last coated? When it was built, in 1995.

It's never been maintenance. We have some pictures of Tank 1. Anything else on this project? If not, then we'll maybe talk about Tank 1. Monty, should I go to tank one? Yeah, go right on to tank one. This is Monty. It has been inspected in 2008. I started the H2O in 2003. And so after five years getting on schedule, I had it inspected in 2008, 2013, 2018, and 2024. The condition over the years gradually got worse. The tank is 16 feet tall. We filled it with 14 feet of water, or used to, that was the code, because you have to have a space at the top in case of an earthquake that the water has a little space to splash around. So leaving that space, the chlorine in the heat in the tank gets hot. And the chlorine eats away at any metal that's exposed to that water. And that's where most of the corrosion has happened, in this tank. Three of the inspections were done with a diver. And physically, he just threw it out of the tank and they vacuumed it out and inspected it. One time he used a drone, a waterborne drone.

flew around in both tanks and gave us an inspection report. The problem with actually inspecting the very, very bottom, once you vacuum it out, the silt from the bottom gets stirred up and it's a little hard to see. So that's why we guide the tanks and they're able to vacuum it out and give us a better photograph of the history of what we're looking at. So through the years, this tank has just slowly corroded and I represent The results every year at the board meeting, we have an inspection and it's up to the board's discretion whether they're going to spend the money to fix it or let it go for a few years. And consequently, where we are today has been going on for 35 years and it's in dire need of repair. And again, above the water line, two feet above the water line, as the most significant corrosion. Here, the dots you see are actually bolt

heads. And these bolt heads in these tanks have a plastic coating to keep them from rusting. And those plastic coating caps have fallen off over time.

And so the bolts corrode. And over here, this is even up, there's a center pillar. So there's all these roof trusses that go out to the center. And there's a vent at the center. And that's heavily corroded because that's where the fumes exit the top of the tank. So as the tank heats up during the day, the fumes, it's very obnoxious that they're at that vent. They hardly stand up there in the hot day. It's a very strong odor. But it's very corrosive. We have more slides. This is the vent heating up. You can see kind of the daylight. It ends on these rafters, and here I meet this... It's a laser. A laser. The rafters come up, and I meet the center support, and you can see that the metal is slowly, well, now rapidly deteriorating, and that's an important support, these supports go in the roof of the tank. It loses its integrity and collapses. These tanks are interesting. They're bolted panels put together, but they all are integral to holding the tank together. So you wouldn't think the roof has such importance, but all those bolts and all those panels on the roof and on the sides are all integral to holding this whole tank together.

They're collapsing. We have a few that lose their strength and that causes the other canals to be weaker and again cause a collapse. This is a ladder and here's the water level right here and this is the ladder that goes down inside and the diver wouldn't even stand on that. It's so corroded that it wasn't viable to actually stand on it. So that tells you that The inside, you can see these bolts around the opening here, this access port. They're all rusted, rusted caps on all these bolts here. I've contacted three different companies about what to do with this. I'm sending all our reports, sending all of these pictures. And they've looked at it and said, oh, we could come in and sandblast this thing. Outside and inside, clean it all up. And without replacing any of the panels, because they don't know the condition other than what we've sent them in pictures, their estimate's over \$300,000 to fix this thing, just to say the last thing. Yes? This is Roger. Are there any protective coatings on any of those bolts at any time? Well, it's brand new.

It has a rubber... So nobody considered maintaining them? It was up to the board's decision. And they failed to spend any money through the years. They've seen all the reports. Everybody's seen these reports. The bolts come up originally. The new tank is similar construction. It has these blasting caps on the bolts so that the water can't get to them because they're not powder coated like the actual tank material. Yes, Bill. I saw the tank report on that one. It says, as is, it's great for five detainees. Well, that was in 2024, May. All right, so we still got a few years left. Well, I was there when they did the dive. Your opinion is that there's going to be a catastrophic failure. Let me finish what that inspector said. If you did some maintenance on it immediately, You could get another 10, maybe 15 years out of it. I'm saying... Let's do the maintenance. Pardon? Let's do the maintenance. Well, let me finish. Doing the maintenance on this, if you wanted to do the maintenance, spend the \$300,000 to fix it, you could maybe get 10, 15 years out of this tank.

The problem is it has little rubber gaskets at every seam that you see. And when you sandblast it, it chews away at those rubber gaskets. And... The guarantee from three different companies was it will leak. There's no guarantee when they do a rehab. I have those. Why don't you call me, Bill? Would you call me and I'll share those? Pardon? Okay, I'll do that. If you want more information, you can always call me. Let me go on and finish. The company that built our brand new tank, they have a company called superior solutions. And what they do is, with problems like this, they have two options. One is to come in and sandblast it, do all that work, with a maybe 10 year, 15 year warranty. It may leak, it probably will. Or they do what they call factory rehab. And I don't know if you're familiar with, like the city of San Luis Obispo, you can buy an old house, tear it down, all up on the wall, build a new house, and it's a remodel.

That's exactly what this program is. They may or may not use one panel out of the old tank and build a completely new tank.

Their cost is \$250,000, considerably less than trying to repair this tank. And the actual corrosion in this tank in several places, there's more pictures. When you see the outside of the tank, there's considerable corrosion. And there's more in the picture. So this area here is very corroded, right here. And up here at the vent, that's almost turned to paper. It's so corroded. So it may not be a catastrophe. failure. But it may be a failure of being able to keep the tank within guidelines of the county. I mean, the inspector would say you have to do something. Tenfold. Enviro makes tanks. I'm sorry? Enviro makes tanks. Yes. Have they been contacted? Have they been evaluating our tanks instead of our management company. Yeah, they do not make tanks this size. They make smaller tanks for wineries and so on. Same with FRM. I don't know that they would make... A lot of times they're dealing with wastewater and they build stainless tanks. But I don't think they're normally going to build a size tank for Superior Solutions.

And again, they have the 50-year coatings on them and They're built slightly different so they last longer. Has Enviro been asked to look at the tank and give us their impression of what's going on? We didn't take them up there and look. I mean, I don't know if they have the pictures. They have not seen it. They have not evaluated the tank. They are a management company. They are a management company. I haven't really... and post them on it with the operators. Kay has seen the tank and inspected it in the past. One of the things about the, can you go back to the tank number two, the brand new tank? There's something significantly different about the way they're built today. It's hard to see here, but this tank right here at this seam is smooth, one panel's smooth, overlaps the other. Where in the older tank, it's 290 degree flanges coming together and they tend to really corrode around that center line. So that's a difference and we've seen the corrosion at that. But we can certainly call the people from FRM or Enviro or whoever you want to come and take a look at the tank.

I've sent all the reports to three major tank companies. a tank company down near Thousand Oaks. That's the world's tank and security solutions. And they pretty much all have the same, I mean, this is exactly what they deal with in that their competency is set. I would like to see an environment. Well, I'll tell you what, I'll make an appointment with Judy Anderson and participating in that. I'll try to make an appointment. This is Roger. There are also very good tank covers in Bakersfield. That's one of the tanks. The superior tank is in Bakersfield. I don't know. Name escapes me now. I mean... Senator, is the spice an option? I don't know what spice is. I don't think pepper will help. Speeds? Well, speeds will want to manage them. where we can go directly to the manufacturer. This tank here is built by Superior. They built this exact same tank, \$250,000 to win to this. So I'm trying to repair the other tank. Initially, in my research, because I try to be proactive and be ahead of what expenses might be coming up in the future, and that's why I did this preliminary research with this tank.

It's important that we get to look at this and look down the road and see what potentially we're going to have to spend money on the curb. How soon will this, what Ken Baldwin is suggesting, take place? Can we get that on a quick schedule? And can all of us get the information? I'll call Monday. And then can we, after you and Ken have done this, can we get notified? Oh, yeah. Yeah, I would do that. I have copies from Paso Robles Tank and from Superior Solutions. For the new one, yeah. Well, they include preparing. So they've gone both ways. They've given both scenarios. I have a question. If you know you're doing... It's cost-prohibitive to prepare it. And... you're going to replace it, you just let it waste and you post it the day before it fails, right? I mean, you approach the problem a little differently. You have a crystal ball. What thing would that be? Could you write that down? Yeah, but you approach the problem differently.

You know, a catastrophic failure? I don't think so. I think we might start getting pinholes in the roof and then that'll allow contaminated water to drip in there during and so on, creates a little bit of a problem.

I don't see it just blowing apart, if that's what you mean, but I'd rather have it replaced and repaired before that happens. But the principal failure mode will be corrosion and leakage probably from the ceiling, is that correct? At its age, not been repaired. It can start leaking. A couple other people have looked at it, so it can start leaking any day. They're just surprised it hasn't. Well, when they do that, they would construct it back on the grapple. There's a grapple pad there with a metal band. Basically, our cost addition for the \$258,000 is a If you bring in like a dump truck full of that gravel so they can re-compact that, but they would not excavate and put in a concrete ring wall like they did on the other tank. I had gotten an email from Ron or someone else that... I would say that one of the reasons we had to do this sooner rather than later was because it was 300 feet underground and in the case of the earthquake, that thing would slide right off the hill. I think that was the exact verbiage of that.

And I'm just wondering, is the new code, if the county, like they did here, if they were to look at this, for whatever reason, come in and say, you're basically building a tank, We have to meet current earthquake standards. We have to put a better foundation. Have you gotten any bids to see how much extra that's going to cost or could possibly cost us? Because we might get halfway through it like we did this project. We just never know what the accounting's going to be. I think that factory green was about \$20,000 or something. I haven't seen those numbers. Again, this would be what they call a factory rehab. and it doesn't fall under those current conditions when you build a brand new tank, then they require the earthquake concrete and wind. I replaced, refilled, oh, the ammonia. I'm sorry. I replaced an ammonia condenser, and the county required a new foundation that was three times the size. But you built a new tank, right? No. Refurbished the tank. reset the tank. And they said your existing, they've been there 40 years, it's not enough.

So don't think that they're gonna just let you go. Your experiences, or your experiences, this is what I've been told by the guys that do this, that in this county, it may change, but still, the fact that we have to put in concrete That would be considerably less than \$300,000. The construction of the foundation for take two that you take was \$77,000. So my mistake, it could be more, it could be right around \$300,000 change if we had to do that, plus a couple thousand for probably a billion dollars. But like I say, I'm just doing preliminary research. Anybody else? I mean, Bill, would you like to be on our committee to research these tanks and do this? You don't want me on your committee. Would you like to do that? I didn't hear you. I said you do not want me on your committee. Well, you seem to have good questions and know what you're talking about. Are you a civil engineer? Very rarely... Are you? I'm sorry? Yeah, but he managed... That's not correct. Huh? That's not correct. Okay, correct me, please.

I didn't get \$20,000. You had a \$20,000 budget? Yeah, there was a \$20,000 budget. Okay. How much of that's left? \$2,000. How much? \$2,000. Well, here's \$18,000, and we're playing... Out of between. The question is what? What's the point? We're all shareholders, and it's our money that's being spent. I just want to know where it's going. a management fee on getting it done under budget, I am doing a darn good job. You could have hired speech to do your management. Well, here's the question. I mean, there's an elephant in the room. Seiko's not a shareholder. He doesn't live in Corbett Islands. Who decided he was the guy that's going to be the manager of the Waterman Pack? The board. And how many on the board approved it? I'm sorry. It was darn near unanimous. Okay, historically, why did we choose that? Four people put a \$14,000 assessment on every shareholder. That's what I'm getting at. A four out of seven board? Four people sitting on the board. Yeah, four members. Made a decision, and we wound up with a \$14,000 assessment on every shareholder.

And your point is? The point is, before planning... And what was the emergency? Was the tank an imminent failure? Even the welded tank was not leaking. Your very word said it was not leaking. I got your email. I got your email that says the welded tank was not leaking. Did you listen to the review of the stagnant water? I got your email. The original tank was not leaking. So? Okay, thank you Margaret That's interesting advice from someone who doesn't do this It's very interesting that you have these ways of dealing with it, but I wasn't aware that you do this. Do you have a certification in water management? I'm not making comments. Are you? Are you making comments? I'm not. I don't know that much about it. They're explaining to you where your money's going, aren't they? Are they not? If you'd like to know, you can call Henry, you can call Monty, and they'll take you through everything that they do. You're getting into a subject right now that I don't think we want to get into. We have ten more minutes.

We have ten more minutes. Back on point, please. We were talking about finances. This would be a great time to go to visit or to memory vendors and talk about finances. Let me ask you this, Bill. Oversight and management was done for less than 5% of the total project. It was done basically on time and under budget. Do you find that unreasonable? Would you prefer to have a civil engineer out there at \$300 an hour versus Monty and Segal doing what they did? Yeah, that's a question. I'm not going to play semantics with you. I'm not going to do it. The facts are the facts. We paid top dollar for a tank. Top dollar. I didn't see any bids other than the one we got. Oh, there were plenty of bids. There were absolutely plenty of bids. Bill, if you had been at the meeting... How many people have seen that? Everybody that came to the meeting. And there were quite a number of people. I sent numerous e-mails. I can't keep up with your emails all the time because there's so... And I typically answer them.

Excuse me. Thank you. Well, given that... We have a beautiful new tank that will serve you well and take care of you in 50 years with these new buildings. I've been asked since the last meeting we were here, FRM and Enviro made a presentation and I wasn't asked to participate. Back on December 12th, there was a meeting at Rick's house At the end of the meeting, Rick and Sam were charged with finding a new water management company. They were coming up with at least recommendations for that. And in the last paragraph, my name was mentioned two or four months ago. I was four months ago. I have not been contacted one time by them for my input. After 23 years of doing this, I have some insight an H2O water company and now an operator. What I heard from FRM here the other day is if they were the turnkey company hired by H2O, they would be the operator of record. And there can only be one operator of record for H2O. Right now, under the current situation, I am the operator of record. in the state and the county.

We hire Enviro as the compliance arm of our operation, which fulfills all the requirements, and we use a third-party plumbing company that doesn't have minimums. We know how much that costs. We know how that works. We've been doing it for the past five years with Enviro. I've been working in this plumbing company for many, many years, and I've been doing this for 23 years. And I agree with one thing. We have to consider automation going forward. That's what everybody else is doing. That's the state of the art that needs to happen. I'm firmly with that. And with me getting older and maybe not wanting to do this in many more years, it's important that we look at that and see what the expenses are going forward. to get into the modern age of the water business. And I can't stress enough that Enviro has been doing this for five years. They've been familiar with our system for over 10. And they haven't had any failures on their part. They've done what they've been asked to do. I've done what I've been asked to do, or prepared to go on in time Huge cost.

Going forward, I'm willing to make a sacrifice. Last April, according to Rick at a meeting, you asked that I be paid \$2,400 a month for my work. And you were surprised to find out later that I was paid \$75 Let's get to the how that really happened. How you got to \$24,000. So everybody knows how we got to \$24,000. David came to us at that board meeting and said, guys, you are taking advantage of money. He's getting paid \$600 a month and he's doing all this work. Okay? So we thought The right thing to do. Actually, he was getting \$700 a month. I don't think David knew it, but Henry gave him a raise, \$100 a month, two months before that. So, I agree. \$2,400 a month seemed like a reasonable thing for all that money does. And we got suckered on that deal because David knew, this is not your fault, Monty. One little bit, this is not your fault. David knew you were getting money. Ron knew you were getting money. And Henry was writing a check. And those three guys sat there and didn't say one word to us when it was, geez, you guys are taking advantage of Monty at \$600 a month.

So we took it to \$24. Then when Henry sends me some checks to check, I find out for the first time in my life, wait a minute here. Monty's collecting money. \$75 an hour for anything that he thinks is not in his normal work schedule. That's not Monty's fault. If he can get that bill to Henry and get away with it, hallelujah. But it is a pretty crappy deal to tell us, David, how we're taking advantage of Monty when you knew he was getting an hourly wage besides that. That was a crappy deal, and I'm still mad about it. I understand, but can you make a good point? I have a vivid recollection of what happened during that meeting and why it happened as it happened. We got a proposal from Enviro that if they replaced Michael, what he does, I believe the cost was going to be \$4,000 a month to come out and do chlorine maybe twice a week. where Monty was doing it seven days a week. Monty was there during that presentation, and I did suggest, okay, that maybe if Monty does it for half that amount, in my suggestion, 2,000 a month, versus whatever he invades, you know, versus in Bible, 4,000, it seemed like a reasonable thing.

I didn't, Monty never asked for it. It just seemed to me at the meeting a reasonable approach. You said, well, let's raise it to \$2,400. I never said that. Because I thought all he was getting was the time. I knew that he was getting some extra fees for extra things. It's been described as \$10,000, extra \$10,000, \$20,000 a year, and what have you. Taking... Hundreds of thousands of dollars, I think Sam even said. Tens of thousands. I have an email from you, Sam, saying he's getting tens of thousands of dollars in extra fees at \$75 an hour. Every year, tens of thousands. I can show you. My family speaks for the years that I've been on the board. And this is Sam speaking, by the way. OK. There's a lot we need to correct there. And I don't want to drag this out, David. Quick question. If you knew money was getting extra paid inside the city, why not mention it? That's the first thing. Why no one else spoke up during that meeting? How that came about that day wasn't because Enviro made a presentation saying that they were going to charge \$4,000 a month.

Kay did not speak to that at all. That came in a letter that you presented at that meeting. I have the letter. I have the letter from her in which they quoted to do Monty's job, come out once a week, and it would be \$2,700 a month. FRM, since then, has come in at \$2,100 a month. But again, irrelevant. At the end of that meeting, we were getting ready to disband. Not once did you say in the meeting that Enviro is going to charge \$4,000. And we should give Monty a raise because of that. You said... We are taking advantage of him, and that's the extent of your explanation. Exactly. And I'm telling you, if your memory's wrong, or if your memory... Because it's not reflected in the minutes of that at all. And the other thing that wasn't reflected in the minutes, if I'm going to correct this, at no point, and I'll produce Ron's version of the minutes of that meeting. Ron corrected everything, and he sent out his version of those minutes, and we all remember, at no point was Monty ever... selected to go, or even anything mentioned of that about one of you.

It was Bill Mattel, Rick, and Connie. And I'm telling you, David, you can't interject. Now, if you've got some other version, or if it's someone out there, but I don't remember anyone else you mentioning any of that. You can't say something that is not in the minutes, and maybe it's good that we're recording from now on, I don't know. But, and then also, that wasn't even a board meeting. That was a tank community meeting. We gave warranty and raise. The shareholders never knew anything about it. They left. It was a tank community meeting. It wasn't a board meeting. Let me just correct two things. Are we going to go down this path right now, or are we going to move on? I think they need to respond to you, Sam. And I want to make a response. If you don't want me to make a response, just say it. No, I don't. But they aren't going to respond to you. I just want so that all the shareholders have an understanding of the tens of thousands of dollars that 90 has charged over the years in the \$75 an hour charge, which I believe is unreasonable.

Monty's total payments over 12 years, monthly fee and \$75 fee, is \$123,000. An average, total average, over those 12 years, of \$10,320 a month. Just to credit where you're paying, excuse me, a year. \$10,000 a year. Not an extra \$10,000, a total of \$10,000. Out of which he's got to pay... He's not an employee. He doesn't get any benefits. He has to pay \$2,000 a year of his own insurance. He doesn't charge \$2 a mile for his truck or anything else he does. And nine times out of 10, nothing for the equipment. If you think that somebody fulfilling a job, that even if it's on a 25% part-time basis, that normally pays \$110,000 to \$125,000 a year, look it up. That's what they cost. That's why what FRM has to charge \$400 every time Monty does something for \$75 to cover that. If you think \$10,000 a year is unreasonable, I would give anybody here a copy of Monty's 1099s for the last 12 years. Let me jump in. All right. My name has been smeared by you guys. First of all, that vote you just said was at the end of a tank meeting.

I had already got up, was walking around, and there was this big commotion, and then all approved, and I go, what the heck's going on? This increase was done then. I had nothing to do with it. Two... He, Monty has been under contract. And that increase you talked about, you say, I gave him. Monty had increased costs on his expenses for his insurance policy. So I said, well, you know, if you've got an increase in cost, what you're going to do is either or redo your contract. That's why there was that \$100 increase. You sat there, rah, rah, rah, rah, in the meeting, and all of a sudden I hear, you're going to approve that hearing? What happened to your damn due diligence as a board member? You could have said, this is a good idea. Why don't we investigate it and come to a conclusion? Well, I'll tell you what, Henry. From now on, I'll do a hell of a lot more due diligence. And you probably won't like me then. But folks, you need to understand this. So Bill Kelly, in all fairness, and Cynthia Wood have asked in the last two weeks exactly how much money Did Monty get paid? And Monty, I know it looks like I'm picking on you, but I'm not.

I'm picking on the guys that can't tell the truth. It was asked by Bill Kelly and Cynthia. Am I not right, Cynthia? How much did Monty make last year? Exactly. Wait a minute. If you're going to point us out, then after you're done, I would like to speak. Go ahead. No, no. You're welcome. Here's the thing. We just wanted numbers from you. You never supplied those numbers. That's all I'm going to say. But there was no intention pointing at either Monty or your concerns. The only thing that we were asking for was information that we did not receive. Well, here's my point. Here's my point. Kathy's been into those books for days. So Bill Kelly was told \$20,300. Am I right, Bill? That's the correct number. He goes back to Ron and said, Ron, is that \$20,300, including the \$75 an hour, is that correct? Ron said, yes, it does. Yes, it does. Guys, that's just B.F. because the answer is \$37,624. That's not Monty's fault. You tell me you're so good at QuickBooks and you can't add those numbers up? You lied to Bill Kelly.

You did. And that just sets everything else on fire, Ron, because if you can't tell the truth about that, what the hell else is going on here? It's crazy. Hold it down, everyone. Hold it down. I must clarify, I got that number from Henry and I guess later on I found out it did not include the money going into management

of the tank because that was a different account. Those checks are paid. Let's stick to the point and go back to Monty. We're getting off topic here. It's water under the bridge. I have to tell you, the \$2,400 was a shock. I was totally unprepared. That was a lot of money. I've been doing this for just hundreds of dollars a year. I have to pay \$100 a month for my insurance. Now it's even more, \$150 a month for insurance. It was very generous. Going forward, back to my original point, there can only be one operator of H2O Inc. If FRM wants, you want to choose FRM to take over and do the whole thing, I can't participate because I'm not in it. My insurance won't allow me to be a semi-operator and risk liability from FRM, and they don't want liability if I mess up.

So if you want FRM to do this whole thing, I'm out. But I'll make this offer. If we do what we're doing today, having Enviro do our compliance, I'll do the operations day to day, seven days a week, read your meters, take care of the system, and still have the \$75 an hour for whatever is outside my contract, I will cut my \$2,400 fee in half. And I will cut that fee in half. That will put \$14,400 back into the kitty here into the budget for you to start your automation. That'll put \$14,000 I know you all put \$14,000 in to get the new tank. That's me paying it forward. So, you know, quit the bickering. Let's get on with the projects at hand. I'm willing to pay up, or not take pay, continue to do what I'm doing, save you money, because you can budget this, because FRM, they're under contract for \$1,500 a month. I'd now be under contract for \$1,200 a month. And you are... plumber we use now that doesn't have minimums. Every time FRM comes out, that's 360 bucks. And I flushed out your hydrant twice, right? You called me twice? I don't care what you make.

I really don't. I just want to know about it. It doesn't matter. That's not the question. I did not know about that \$75. This is a different subject. I'm asking you, did I come out and flush your line? Did I do that twice? Absolutely. And was I there within an hour? No, not the first time. I think we skipped an hour. What? We skipped an hour? No. I was there within 15 minutes. Because I was at the tanks, I loaded up the... No, that was the last time. But I canceled my plans and came to your house with an out. That's nice. I appreciate it, but that's nice. Okay. You know how much that would cost with FRM? That would have cost you almost \$900 for both of those. Did you get a bill from me? I got a \$14,000 bill from you. You didn't get it from me. Henry, did you get a bill from me? Did you get a bill from me, Henry? No. That came out of the \$2,400 a month. I'm not grudging what you did. I'm not. I just want to know about it. That \$75 has been there for years. And sometimes, you know, you really have to participate as a board and as a shareholder to find out these things.

How many meetings have you been to? Did anybody in here know about that \$75? Raise your hands. It's not my fault you didn't know. I can't tell you something. We're supposed to stay on point here. We're just bickering here. Ron, can I please just for a second? I'm going to stand up and I'm going to say I have feelings with respect to all these issues and I don't think that to castigate and who is to I do feel that there's been a problem with financial reporting I couldn't agree more with that. And we've had problems getting information. Since we're, I understand you are not gonna continue as treasurer, am I mistaken? I've heard that. You're probably mistaken. Okay, I'm sad to hear that. Specifically about these issues, that's the reason why. No, okay, I'm sad to hear that. But I think we have two issues, reporting financially and Monty. I am, I'm gonna say, I'm in favor of Monty continuing and I'd love to see a show of hands if anybody has an opinion that disagrees with me, that's okay, or if they agree with me.

I'd like to see a hand of people who would agree with Monty continuing. So, Monty, you're not the, what should I say, the whipping boy. May I finish? I want to finish, and I'm not going to drag this out. This is Sam's view. It has really saddened me in the last six months, especially with my name associated to this, that I've heard that Sam wants to fire Monty, or so-and-so wants to fire Monty, and the whole water

management thing was to fire Monty. It saddens me, and it also makes me a little angry because people intentionally put that out there. I had told Monty to his face. I had had FRM tell Monty to his face, and to everybody here, and Enviro, that that wasn't the case. It has never been the case. Rick and I were happy to give you \$2,400 a month. It was Rick's idea. I seconded that motion that day. Why would we do that if our intent was to get rid of money? And here's the worst part about that. We did that ad hoc at the very last minute of David's suggestion. We didn't even know if it was in our budget.

We didn't even realize. We just said, here, take it. We didn't even pull in enough money to pay Moniz and Enviro that much a month. And here he's about to tell you what our finances were last year. Where was that money going to come from? We didn't care. We just wanted to take care of money. And everything that's been said since is such BS, and I haven't gone around to the Hill and tried to correct everybody. I just let it go out there. That's what happens, guys. What specifically did you feel was BS? Well, my name was associated with wanting to get rid of Monty. My name was never, if it was associated with that, well, it's infuriating. And I'm not the kind of person to go knock on people's door and try to correct everybody. My intent from the very beginning, and it's still the intent, and it matches Monty's perfectly because I've been preaching this for almost 10 years now, is that we have to prepare for the day Monty isn't going to be doing this. We're talking about today now. No, no, I get it.

Specifically, who said to you, you want to get rid of Monty? I'd like to understand that. I've got the emails that have fired around. Are people in here that said that to you? I'd like to get rid of Monty? Did they give you a reason, Sam? That they thought I wanted to get rid of Monty? When they said to you, I would like to get rid of Monty, Was there a reason? Why would they want to get rid of Monty? No, I think you're confused. They were saying that I wanted to get rid of Monty. Oh, I am confused. No, they were saying, I'm sorry if I didn't say that correctly. They were saying that, and it was maddening and saddening because I couldn't go around and correct everybody. The point is, what are we picking, Birol? after they do bids and they do everything and at the end of the day, or we pick FRM. That is such a moot point in the long run because both of them are going to work with Monty and the whole point of this was to prepare H2O and our shareholders for the eventuality that is going to happen whether you want it to or not.

And to have a plan in place. And you would have thought just by doing that, and I told Monty this a thousand times, We have to be prepared for that. That's inaccurate, Sam. Because FRM clearly stated if they were going to make this work, let me finish, that that's inaccurate. I heard FRM say that if they were to get the contract, I would no longer be the operator of record. And that doesn't work. Either I'm the operator of record or not. They don't want me around any of their equipment because of a liability situation and vice versa. I don't want to be liable for any mistakes they make. So if FRM is in as your total provider, I can't possibly participate. Well, from my understanding, Enviro is not the contractor of record because they don't dose. They're the compliance. Right, that's what I'm saying. They don't do the dosing. But FRM, just like you, has insurance problems with, and every other water management company has a problem doing this. I get that. It doesn't change what I'm trying to say and prepare everyone for.

Whether it's now, whether it's a year from now, Or if something were to happen to you when you left the building today. We have to prepare for that. And you and I have talked about it. It's an eventuality. The whole pushback and the firing up. Pick Enviro. If that's what everyone wants, pick them. But you better have a plan in place financially and operationally for the day when a water management company is going to be running the show. And my point is, start that process of integration now. Well, you had four months. You had four months to do it. You've never, ever called me once to interview anybody. FRM, those two people, the young lady and one of the fellows there, have never, ever, ever seen our operation.

The other guy had only been there a half an hour. Well, so... They have no... That's not a disqualifier for anybody. Well, Enviro, they have three people that rotate and they know how the system operates. They know they can take over in a few days. But it's been four months. The only reason I'm bringing this up, it's been four months and you guys have no proposal, no bids, nothing on the table.

And I think that's more than enough time. I think that... The proposals were designed to occur with the new board. That was what we... But how can you make a proposal without talking to me about how the system operates? That's where you were going to come in and work on that. And Ron, the board knows this money, and I sent an email to you. It is terrible that it wasn't communicated to you, a process for this. It is. And I don't know why that didn't happen. We can't control everything. We're directors, but we can't control. Just one last thing. Just so everybody understands this. Monty is saying, and I agree, that we need to start to automate the system. And it was clear from the presentation of FRM that if they came in and took over the whole system immediately, the first thing that they would do was to design the SCADA system that they say would cost \$40,000 to \$50,000. So we just, you know, assess people here for whatever. What Monty is saying is, and I'm not sure you understood, he's cutting his monthly fee in half and the \$14,400 can start to build the SCADA system immediately.

immediately, if we keep Enviro, because they are not our operator. They are our compliance. And I don't think you and Rick, Rick, when I met with you, I don't think you understood the consequence. I asked you twice in that, when you and I talked about that, about the operator, and you said, yeah, I know there's a problem there, but I'm not sure you fully appreciated what the problem is. I got a pretty good understanding of what's going on here. Okay. That's, I just... And my rebuttal to that is very quick. We are paying \$4,000 a month for a combination of Enviro and Monty. Right? We are paying, and that doesn't include Monty, \$75 an hour. Both, Enviro and FRM, both said they could come in and do it once a week monitoring or once a week dosing. Everything else, not meter reading though, for a total of about \$2,000. Now, I've branded environment a little bit higher, but I promise you they would match the price. \$2,000 a month less than what we're paying now, David. That's interesting. Well, you have the contract.

You have it. You've got the proposal. You've probably done the same right there from both companies. But what you're failing to point out, and you guys continue to dodge the question. What? That is, they'll do it for dirt cheap. because they will charge you to death for every little thing. \$900 to come out and flush his lines. The problem with Russo's, that alone would have cost you an extra 15,000. This is why four other companies in our area cancel them. Four other companies in our area cancel them for the very reason that they bill you to death with those extra charges. So you can talk about 2,000 or 4,000, but that's the bottom line. Okay. Any more questions for me? As I asked before, we as shareholders, not board members, should have some sense of direction for the board to go. Namely, which of these three choices, Enviro, FRM, Monty, and I'm not hearing anything from other than Bill Kelly, his feelings, but I do feel that other board, I mean shareholders, should be speaking to this issue also.

Monty, what would happen if you stepped away right now? Right now, Enviro can pick up the pace and they do everything I do. They can do the dosing. They know how everything works. The only thing missing length would be reading the meters because nobody knows where the meters are. So that's basically it. K at Enviro was the... environmental health officer at the county, and she used to do the health inspections of our system. So she knows it quite well. And there's three guys that rotate working on our system. So they know every inch of it. They do the flushing. They know all of it. The meters, that's kind of privileged information at the moment. But again, there's two things before I quit. Any and all board members, future board members, whatever, you have two classes you have to take, AB 54 and AB 240. I say this every year. It's mandatory. Please take them. You can find those at rcac.com. And there's my

phone number. If you ever need to contact me, if you want to call me and we'll find out where your meter is, anything.

What do those classes cost? A whopping zero. They are online. They take two or three hours. Usually they're, I think, in the morning and afternoon, I think they have them. They're stacked. You can take them. They don't cost any money, but they're required by law. And if you don't take them, H2O can be fined, but each individual shareholder on their own can be fined if they don't comply. So as usual, please take your classes. Anything else? What were those classes again? It's AB 54 and one is AB 240. And it's ethics and board management and stuff like that and knowing the Safe Drinking Water Act and some of the rules that we have to play under. Anything else? Okay, the next item is what are the reasons to consider a change in operator, which we are kind of covering that. Should we stay on that topic or move on to finances? Any comments? I think we move on, Ron, because we have 40 minutes left on the agenda and we have 20 minutes left for the meeting, so. Okay, we'll bring this over to Henry.

One last time. Will you clarify, just for everybody, what the board agreed to do in that regard about FRA and Enviro? The timeline and the process, because I think there's a lot of confusion about what we had agreed upon, how it was going to happen. That after the election today, then a scope of work was going to be prepared. Monty would prepare something and then give them a chance to come back with bids. As I recall, in the December 12th meeting, this is my recollection, it was, we will change to FRN. Going back and saying, no, let's discuss it, discuss it, discuss it. So then, when was it, March or something? We had a presentation from both of them. And we're careful not to bring numbers out, but then there were some numbers going back and forth anyway, which were basically comparable. And now there's been a great deal of turmoil, and we finally got a chance to hear from Monty himself how he sees this, because we didn't have a chance in the that program in file or presentation. Is that good summary? Yeah, and then the other thing was that today, after the board, a new board is in place, they were going to, because it wasn't fair for the new board to assume something that maybe the old board, just before we were getting out of office or whatever, to saddle them with a decision that they weren't even having a chance to address.

So the new board would be set. They would let Enviro and FRM know what we want them to do or not do in relation to money and our system. And then come back with prices that the board and the shareholders, everyone could look at in a few weeks. And they were both notified, FRM and Enviro, that that was the process. So it's a decision for the new board. Yeah, because it's too big a decision to handle with the information that we have in hand. Right, and that was in private that way. The shareholders have a much better appreciation from what's involved. Right? Yes. So, may we move on to the finance? It went to sleep. Would anyone like a water? Sure, I would. How many? Can we turn off the lights? I think so. Is there more back there? Oh, sorry. Ben, can you get some more lights in the dark? You can go ahead and start because the first slide is basically just . This is definitely a really dull topic, so there won't be anything contentious at all discussing it. It's going. That guy's not . He's waiting.

You can go ahead, I'll keep fiddling with this. Just started the first part with the, to mention that the standard financial reports have come out on a yearly basis. In our fiscal years, February 1 through January 31. That's to confuse the IRS, I don't believe. And so we've generated Sorry about that. I want to talk about some of these numbers in detail. It's in the handout. They're included in the handout. Something that's significant that we've done recently is we've done to follow the gap principles. And we've broken down into three sections, capital expenditures, operating expenses, and the GNA. Capital expenditures are, we've just gone through those here. We're doing expenses that are one-time shots. Some projects will be back online. And then the other two, the operating expenses and our GNA are

considered our expenses to keep the doors open. So part of what we need to consider, account for, is the fact that we, in the past, have not collected the sufficient amount of money to run our business itself.

So I've reduced the income. We've had that monthly operational fee of \$136.50 and then water usage. And that, for the 2025, this is \$500,000 that's changed. Our operating expenses for, and then our G&A amounted to \$105,500, which means a shortfall of \$42725. How did we take care of that? That was part of the money that was being collected through the \$500 monthly assessment fee. So we have made I put a proposal forward, the board hasn't finished it, I don't know what you can do. I'm taking some kind of... Nice guy. Taking this up here, to cover our expenses, and we use the 23 advice as an example. That's the next one. So this is just roughly a very rough diagram. There's a spreadsheet behind it. We did not put it up on the board simply because it would just be too difficult to go through. The bottom line is our monthly fee per individual is roughly the \$315 range. And if we left And this is the \$65,000 we received. And then we would need \$250 to cover that \$350. So it's an increase of \$250 from the \$136.50.

And then the options that we looked at was, why don't we adjust our rates? It's something we've done in the past. It's something that's really gruesome. But we took a simple multiplier. And this is an example coming up in this letter, I think. So if we credit as-is, you know, one time, or it's 136.50, it'll come out to 150. We double the monthly rate, so it's 185. We take it 2.5, it's 135. And this is what that in-charge on an individual basis. So we increase the bar sales value by this number, and it reduces the silver charge. Now, did that make sense? Pardon? So this is yet, it's been put to the board, the board hasn't made a decision on it yet. We have to discuss it and come up with a solution. Is that right? That's right, exactly. So there's two things we're adjusting. We need to take our operating expenses and cover them with our operation-free water and usage fees so that we don't have to take another assessment to cover those costs. Now we take a look at the other assessment, which was cover the costs.

And what we've done, this is a five-character example. What you've got here is future capital expenses, the vending security, these are guests this actually has been updated this is based on the fact that as of April 1 we would have \$160,000 in our accounts after we finish paying off all of the expenses for the tank project. And in fact, that figure is going up to \$200,000. So we have a \$200,000 reserve account as of the start of Q2. The issues we have to come to terms with, again, our issue is what is the minimum amount funds that should ever be put on reserve at all times, and then what do we need to be able to tackle all these new projects? So I just took a stab at one of the new type of projects, and here it says expenses and names issued. If we tackled them at the end of the following year, it would impact our available funds, and that's what this guy does. The linear length is the linear version of it. Now we're going up to at least 200,000. And if we then take a hold of the tank and just took a stab at it and tackled it at the end of next year.

No, three years from now. At the end of the following year, sorry. Year three. Yeah, if we drop, if we take that \$500 assessment we would have sufficient amount of money reserved to cover these projects without . And that's something that's usually discussed. Part of the discussion is, when do we really have to do all the time? If we say, if we believe we can hold it up for even additional years, just let it collapse. Not collapse, but get to the point where time taken apart, put it back together again. We could actually reduce the assessment for \$250,000. Yes, ma'am. How much reserve should we have? That's a good question. What's the bottom line reserve that's recommended? Yeah. I thought it was \$250,000. It depends on who you ask. It's the amount of your operational expenses per year. That was your question. So if you reduce the \$500 to \$250, you're not building a reserve unit? Oh, no, it's building. At \$250 a month? Mm-hmm. And we can pay for all those things. Consider the paying for the other things out of Medicaid.

I mean, it's just the reservists that have to reserve it, not the pay for it. So... \$250,000 would give us how much? It would build sufficiently at the end of this four years to build those projects. And Payton will have this fee that's being built up. It would give us about \$230,000 still in the bank. So our reserve would be in three years, \$230,000? I don't have that spreadsheet in front of me, but yes, roughly. With those expenses for the social projects. Yeah? Yeah. Well, not enough. Oh, not enough. No, it is. It's plenty. Okay, we're starting \$160,000, basically \$200,000 where we are today. Yes. So, let's say we do some projects. We build some fences and manganese filter. How much is it going to cost from those? But then that defeats us. And we finish that first year. and it will take us down to \$120, \$130, \$450 something. And now, with a \$250 assessment, we're building, building, building, building, building, and then we'll have enough to tackle a bolted tank in three years from now, which we have to do during the winter.

But it seems like if the tank has fallen apart for certain more than three years, You don't wait for three years to get your lease. You're out. So part of the difference is that we need a formal evaluation. We've got these projects. We've got estimates as to what it's going to cost, how much, when it should be done. We need a formal proposal and something we can state and say, okay, this is a project we're going to take. This is what it's going to cost. And then we do a little test, and then we can fill it in. This thing's showing, as we push this out, at the end of year three, we've got sufficient amount of money to pay without doing any assessments, any additional special assessments. Now, the first time I tackled this is I said, let's do a special assessment for the buildup of the tank. But I pushed back this. We put in here, we don't have sufficient reserve. So that would require a sufficient assessment, which is flat assessment fee that covers our, gives us a reserve account, covers our known capital expense projects.

This is very nicely done. It's easy to follow. Yes, sir. The reserve account, what percentage of interest are we getting on that? Not much. Why not? Because it's a money market account. It's a 4% or something like that. We need somebody to look at other options. That's part of the... This project is, okay, we are, when the final payment's going out, we already retained the project. That bank account's going to go down to the bank or something like that. So we would look, now's the time to look at this. It's still a different type of policy. So you do what? You look at what? Again, what sort of account do you want the access to? So I'm, does everybody understand this reserve account we're talking about? That this is not just something we're dreaming up. Here's, correct me if I'm not wrong. The state of California for small water mutual companies like ourselves requires, and nobody knows what the number is. That's the big deal. But they require you to have enough cash on hand in case you have something critical going on.

If, and I talked to Kate about this at Enviro, she said, this is for real. If the state comes in and says, you don't have enough cash on hand. Guys, I don't know when, but the argument from states, they would love to take all these water associations over. If they see you do not have enough cash on hand for overcome a critical issue, the state wants to come in there and take it. And we do not, under any circumstances, in my opinion, want states to take control of H2O, because if you think you're paying money now, you wait until, say, California gets all of it. Am I right on that, right? Deb Rudel. Yeah. I mean, I'm Jeffrey Malkin, UC Davis, because of the water guy for California Ag. Bill Clinton went to him in Mississippi River on the float. There's no such thing as cheap water anymore. To get back to your question, there isn't anything that we can refer to as citizens' government. This is what it has to be. But one times operational expenses seems to be an acceptable number of workers.

And then what I read about that is that they're, in spite of the fact that some set this level, they all tend to drop. If we use that figure as our baseline, with this model knowing that these are projects, we stay

complicated. Does that make sense? As much as you . I don't think that . I don't do that myself. Okay. So part of what we're looking at, our future budget, one of the things is that the backseat on the profit loss is the fiscal year 2025. So what do we project is going to be increasing our cost for 2026? And I was expecting it to be a significant amount of money, \$100,000 to \$120,000. And I asked Kay in the viral, and she said, I'm expecting to have an increase in testing costs. What are testing costs? Because there are certain things that are concerning. the tests that must be done on a three year basis, six year basis, and since two was over 11, sorry, an increase of 10,000. Oh no, we made like 600 bucks. I go, oh, not a problem. And then I took a look at other things, other utilities, PG&E, that's a heavy bill on a monthly basis, but it's not too bad.

And they, when I came down with it, on an average, if we increase all expenses by two and a half percent. It seems to fit a model that . So two and a half percent, on the prior side, we're trying to figure out how far you need for operational costs. It's not \$300, \$310, \$15 per person or per unit on a monthly basis. So we don't have anything significant in the world now. Our capital reserve account is sufficiently funded to cover our capital expenses that we have coming up. We worked previously. I have to tell you, five years ago, we had expenses come in that we weren't prepared for. And I had to very carefully work on it. I don't know if any of our vendors, and I don't know if you can see this moving forward, and that's what we started doing, some of our assessments. Sam, what's up? Yes, sir. I just want to make sure I'm on the same page. 316, am I right? Our operational cost, we have to meet, that's a mean average for the hill. So I know we've talked about this Friday or Thursday. And then the \$250 assessment.

So that generates roughly \$565 a month. If everything is equal, Everyone gives the same amount of money. It'd be an average water bill of about \$565 a month, give or take. By my estimations, that brings us about... It breaks us even on the operational side, and it generates about \$75,000 to \$80,000 a year. Is that math correct, or did I do... to the capital improvement part? Is that right, about 75,000 miles? The slope of this line is how fast we accumulate, you know. I'm sorry, I've got your record by the way. The slope of this line is how fast we accumulate, you know. Right. Yeah, I can't see the top of the wing, but... The blue is \$250 at this scale. That's the assessment. Okay, I understand. Yeah, okay. Now, if the bolt is tanked, if it's rust isn't too bad, or whatever happens, and this moves out, it just gets there. We're just taking this down. Three years. When I initially put this together, I was really aggressive in trying to see how fast we could get these projects done. And the problem with that is that it required initial assessment, which was a problem.

I'm done. That's all I need to know. I was trying to use it right there. Okay, so the two things we were, that I wanted to attack is, is getting our operational expenses and funds for that so that we can cover up. And that way we can separate it out and set your reserve fund assessment. We'll probably take a look at that and say, we probably lose that. Then we said, it's in the adjustment values, what are we really not setting the basis for? Okay, now we have a different topic. I can talk. So one of our earlier meetings, Kathy, you brought up an issue with the GBO, the e-books online, that there are various, we'll call it roles, that users can play on the Play app within the e-books operating environment. And the top levels are enrolled for. And those roles have full access. And a year ago, roughly, the board asked, can we get access to it? And I said, sure. So we took a look, and there's a role called New Company Reports. It's all of the reports available to whoever's got that report. It's read-only.

There's no changes to the accounting system. It can be done, but they should have access to all the reports. One of the reports is it can review the invoices that we send out. In this instance, an invoice in, we create an invoice, we post it, the new company reports, and it's really good to take a look at that and say, ah, look at this, we've got an Amazon bill of \$125,000. And within QuickBooks, there's a link to the

actual bill that the vendor presented. So I said, what was this detail? And he said, the invoice for the bill. The invoice for the bill. He said, good. With this role, the new company, the company records, it doesn't go out of that. And you brought it up. And I said, that's odd. I went out and played with it. I created it as an account for myself with a different email address that provided this access only in the wrong way. It was just having problems in the wrong way. So I researched that. And I started asking questions. The problem was, these aren't going to be vendor-owned voices, they're not attached to a reply.

And the first response is, that cannot be achieved It's online. It's a fundamental architecture issue with QBO's role-based assassin security model. I mean, it looks online, and you get a fancy copy that we've got, which is way up here. You link a report that does not provide permission to view your transactions, and you drill down and it opens this transaction screen, and you click check. It requires transaction access. QBO does not have read-only transactions permission. kind of like they're saying, no, you can't do that. And the reason is that it doesn't follow the security principles you generally put into your processes, your financial oversight and cycle policies. So basically, the suggestion was, and this is going to take a little bit of investigation, is create a financial policy, a financial oversight policy, that addresses this issue, and then One is you tell the person that wants that access, here's the policy, do that. Or you enhance the rights to . But you have to define that in policy.

So the action item is to define the policy, submit a board resolution for the policy. So as we arrow it out, you are correct. There's no way of doing that. But you kind of solved that problem the last time we had checks. You sent the checks and invoice copies to the whole board so that they could all see it. And so we could all then see the invoice and not just the check for now. And that is essentially... solving the problem. You can't go back and see what was that bill from Evanston for. You can't see the invoice that they submitted. You can only see the check that we paid them with. So you can solve it going forward by disseminating that to the whole board instead of just one or two pieces. Yeah, you're right. Part of their policy also kind of recommends doing something that I do myself anyway, and that is on a monthly basis, keep a structured hierarchy of the data set that you have by month. These are reports that we generate. We generate reports of checks that are paid, literally the information that goes out of the check through the process, and then maintain that structure.

We have access to most reports. I can see on the QuickBooks Online that we have now. I can see the P&L. I can see reports on individual vendors. I can't see why they built this for that, but I can see what they built. And so you find that the It doesn't tell me anything retroactively, but it certainly addresses it going forward. Well, if we establish a site on which expansion information is stored externally on a monthly basis, I wouldn't go too far back, I would say. So when you brought this up a couple of minutes ago, I looked into that and I said, we're not until the show. So that's what I presented. I appreciate it. That's all from me. I'm just kind of curious, maybe you already spoke to this, is the water rate in this game the same, or is the water rate the same? And also, in the same mind, where are we with the rest of the world, as far as they are concerned? still. Cheap water. Cheap water, but everything else is expensive. Yeah. So, go back a little bit. So, this is generated off of our distilled water.

It's established. Cages. And, in fact, it's about \$36.50. So, then, move over to the This is what we've got right now. It's 5K. In order to make that cost, we had to increase the number to some 50 or 250. These are great multipliers. I was asked to go off and look at the restructure again and expand it. And SQLite spent a lot of time trying to do that. And it's a hornet's nest. It's just pathetic. very difficult to do because you don't have a big enough base. So what I looked into was, let's just take this, using our heart rate structure, which takes gallons and it splits out what level you're at. Don't change that, just keep the same levels in there. So it's a great change, but it still keeps everybody in the same category. Right. I mean, the

end result is still the same. You're still writing your, you know, \$5,000 a month check, whatever. But my point being is we like PG&E, I don't know, it seems like they've gone up 500% and stuff like this, which is the actual cost of reducing a drop of water.

And I'm just kind of curious, you know, it's 601, it doesn't matter, but it'd be kind of nice to have our water rigged. I mean, it's always great when you tell people what we pay for water. Well, another take on this if I may is If we just have high fixed water operation costs, then everybody pays the same. The high users, the low users, whatever, and it weights, it penalizes everybody where people that use a lot of water pay the same as somebody that uses no water. So this is an attempt to even that out. We've got a few iterations of this, and a lot of them let's go back 15 years, maybe 20 years ago, there was a great disparity in the amount of water you use by people. Tremendous. And at that point, I, one, wanted to do this conservation, which was to save water. And then, two, I wanted to put a structure together that the more you take, That approach was successful from the perspective of which is great. Unfortunately, if this number came down, that's why you're getting the same number.

And the approach we took was, yeah, this . Um, but there's such a disparity with the assessments in water usage rates, and the question being, what I even need right now. You know, just put out a fee. To live here, it's going to cost you, you know, this much, a fee per month, you know, regardless of how you get there. Um, I personally don't believe we should do that. We should somehow still, and still, We do live in California, so you can't have golf courses on everybody's property. It just looks bad. Hey, Henry? Yes, sir. I have a question. Did Marty 20 order the bus today? I think so. Yeah, because I think, I'm not mistaken, but Marty graciously volunteered to cut about \$14,000 off our expense. Okay, that's great. And did you do it without telling you ahead of time? I'm just wondering if you- But remember, in our last discussion, this was discussed, I threw out a proposal in various ways to panel it. I really had, at least I had received feedback from Merv when he was saying, I like this, I don't like this, let's talk about it.

Right. We had left it on the table that he needs to solve these two issues, come solutions fast. solutions. It takes the operational fee and what we want to be for the overall assessment of the organization. So, no, it's just something else to add to the equation. The bottom line is, as I understand it, the high users, which Interestingly, I think two of the highest users are on the board. I don't know if that creates one of our conflicts of interest problems. But they're the ones that get penalized the most by the multiplier. And that benefits the low users tremendously because they're not really affected by that as long as they So is that something that is going to be determined by the vote here, or what's the idea? I don't want to put together something and slam it in and say, this is what it is, whether you like it or not. A long time ago, when Borg was president, and I just wasn't getting anybody to listen to me, so I threw him away, and I got so many phone calls. And I said, great, now that I've got your attention, should we talk about this? This is kind of like income taxes.

I mean, you know, the more you make, the higher the percentage you pay. And I mean, that's basically what we're doing here, right? But we're up in New Orleans, too. You know? Henry, you want to make everybody feel good? My water bill in Santa Monica Canyon is about \$760 a month after LADWP puts on their service charges. And this is, and this, or OCSD, Oceana Community Service District, this is about two-thirds of the Oceana community. So for people who don't like to rate, understand if the state comes in or what a good deal we have. And that's something that we're trying to promote. has gone up over the years. And that's been an argument. We got dirt cheap water. We got it paid for on an expensive side. Yes, sir. Alberto Russo. So just a quick question. More than a question, it's a clarification for me. So I understand it's a cheap water and you get that, right? But when you get a \$14,000 bill, so we're going to

do something about it. those things are gonna be taken care of, so we know that that's the fee that we're not gonna get hit anymore, because it's cheap until you don't get \$40,000 that you gotta pay.

And that's all I'm concerned, because, just to be clear, one second, and I'm done. Unfortunately, I don't get hit just with water, but I go ahead with California Fair Plan. A lot of you guys probably don't have, right? And I have two kids. And for me, \$14,000 is a big chunk of money to come in one year. So as long as this is good, I'm good with it. As long as there is not going to be any more 7,000 years, 7,000 years, because at that point it's not cheap anymore. To me, that tank that you guys showed pictures, it's just a lack of maintenance. Probably could have lasted longer if it was maintained well during these periods of time. I don't blame anybody. I just hope that now this tank is being built, I would love that maybe it would be kept. appropriately, so we don't get, you know what I mean? That's all I'm worried about. The objective is not having any more of those 14,000 houses. Yes, and that's amazing. And as long as we don't have any new, unknown projects, we can manage it. But, gosh, we don't know.

We don't know. We don't know. What could possibly be our largest catastrophic expense? An earthquake. That would be a really big one. An earthquake. Well, no. The earthquake, we can have earthquakes. We've had earthquakes. We can have a fissure. So what could happen to us? Whether it be by earthquake or termites or whatever, it could be a horribly expensive disaster. Fire. Fire. Yeah, but the fire's not going to destroy our infrastructure. Or is it? It'll be on the tank. If the tank collapses, it goes like this, and water goes out all over the place, we'll go down. We moved that project way up. But, you know, we've already kind of tapped for it right now. Probably the most vulnerable thing would be pumps or water. They're mechanical, they're, I mean, they're checked every month, but they are vulnerable, and they're \$20,000 at the time, one in and out. Yeah, and they're \$20,000 expenses. We can, over time, right now we've got a good starting point. I took a look at the accounts this morning, saw this, the current reserve account is going to be So, as long as we don't have a significant expenditure, we can avoid this.

The only other big expense would be the manganese abatement. But that's down the road and we don't know. We don't know what that costs. Automating. Automation. Shall we wrap this up and take a 10 minute recess and then go back to where we want to keep going. I need a recess. I think a recess is a good idea. Motion to recess? Second? Second? Second. Great. Oh, ten minutes? One, two, three, four. Thank you. Thank you. Thank you. towards people who are volunteering and Monty who is giving over his being to us to keep us safe and and then to have I mean after all the years we've lived up here and there's always everybody's kind of in their own world doing their own thing and the board always took care of everything Monty took care of everything and then all of a sudden oh they're not doing this right and they're not doing But where's the thank you for doing this for us? Henry, I appreciate you so much. I mean it. I mean, you've been so good. I appreciate you. I want you to know that. Rob, I appreciate you being, stand up and taking the criticism and going ahead and doing it right anyway.

You know, David, I mean this sincerely. I appreciate really awesome in a kind and gentle manner. Monty, you're an angel. Thank you for keeping us safe. And let us have water every day. Yeah, that's right. Okay, that's it. So the next item is a change in And there's two options. The state-mandated default is with cumulative voting. And what's on the floor today is to eliminate cumulative voting and go to straight voting. And so Larry's going to describe what this is about. I'm going to be one of the critics. to speak on this. Number one, currently, again, as Ron just pointed, we are cumulative. It's actually in our bylaws. In order to switch, we must change the bylaws. If we want to switch to voting straight, that's what this is all about. So secondly, the difference, I'm saying, Cynthia? You know, we've always voted straight. And I don't think it has to be in the bylaws, either straight or cumulative. The cumulative is given to water companies as a benefit, cumulatively. But you can do straight voting too.

Absolutely. So we've always done straight voting. Yeah, absolutely. Except that now, currently, at this instant, in our bylaws, it is cumulative. I mean, it's just what's in there. And that's what this whole discussion is about. Do we change it? And obviously, there's risk and benefits. Instead of changing or keeping it the same. And real simply, straight boat is exactly like it sounds. You know, you just raise your hand for whatever, you know. And cumulative is a little bit different, especially since now, you know, we have, you know, four vacancies where you can put all your eggs literally in one basket in one can. That's what the cumulative is. And so that's, and which is, you know, where you're supposed to help minority parties. I say that very loosely. Anyway, so that's the difference and that's what we need to discuss and hopefully learn from each other and collaborate and make a decision today. Yes? I was just going to ask, when do you feel that we should make that decision and should there be more open discussion? I fully understand what you're saying and I'm not even...

agreement or disagreement, but what do you feel, should we move forward on the cumulative issue or not? Actually, I'm going to let Ron pick it from there. It has been put on the agenda to vote for. It's apparently a big issue for some people. So shall we open the floor up to pros and cons for cumulative? I think it's a good idea to hear what people think. Would somebody like to speak why cumulative is a bad idea? Is there anybody against it? I'm against it. Oh, you mean against cumulative? Well, why should we be good at it? I, Sam speaking. So, I think we had talked about in our Thursday meeting, that we were going to follow a process and it was a whole, and I was, we went back and forth on it, we only get three minutes, and so one side was gonna get three minutes, the other side was gonna get three minutes, and for or against, Did it change, or how are we, I'm just wondering about the process. I guess it sounds like it's changed a little bit. Well, we haven't been doing it in time, but if you'd like to start speaking for or against.

Well, I will, but not. Just do it. I had. No? No, it's okay. I thought we were just going to give a little presentation, and maybe I was off in left field. I thought that's what our instructions were, so. Do we need to? Do you want to give more of an explanation than what Larry said? Can I? Go ahead. I was just going to say this is an excellent time for everybody to learn the differences and then learn what is best available to them, how their personalities and how their cultures connect. So I think actually this is a great time, in my opinion, to go ahead and hear about it. Because there's still stuff I don't even know about. Do you want someone else to start? No, I don't. If anyone else wants to, go ahead. It's not a matter of who's starting. Somebody is supposed to be calling con. This suggestion came up, I think, from you, Ken, if I'm not mistaken. I mean, we've had an email exchange and you were saying all the reasons why we should. So if you want to give us all those reasons, I'll give you the reasons why I don't think it's good.

Or we can ask to give it and we'll just leave it the way it is. Sam wants to do it. Sam wants to do it? Okay, now I see that under the bus, if I may. Let me paraphrase what Ken talked about in the meeting we had Thursday, which was that cumulative voting in the beginning when the neighborhood was just starting, developers owned 14 parcels and there were only four parcels, or maybe two, that people occupied. And so the cumulative voting allowed the two people to vote against the developers who the other 14 that was to even that out but now there's 25 or 27 parcels 28 and now they're divided up and so that situation for cumulative voting minority majority doesn't exist any longer 40 years ago it did it doesn't now so that's Is that a correct history? Yeah. I understand that, but what's the reason? Not all 25 owners know that. That's the question. 25 shareholders. So that's the argument? That's the argument for delaying a vote until we have all 25 people understanding what it is. Because I don't know that everybody understands what it is.

Now, Sam's got it. He's probably got tattoos of it. So just to make sure I understand what you're saying is we're not going to vote on this today. We're going to vote it on a separate, at a different date? It was my understanding that we're going to vote on it today. Are we going to vote on it today? OK, we're going to vote on it today. Just so I understand, because I'd like to respond. But just so I understand, your position is it's because the developer used to own a bunch of lots. That's why we had cumulative voting. But now that the developer doesn't own the lots, now that there's 25 shareholders, there's no minority. There's no minority anymore. OK. I think I understand what you're saying. But just so I can respond quickly to that, all California mutual water companies start as a suggestion in their bylaws for cumulative voting. There's a very important reason. They want cumulative voting so that someone that has an opinion or information that's not shared by the rest of the board can act as a communication tool to those who share that person's opinion.

And that keeps problems where a straight line voting can easily take over the whole board with the minuitous majority. And as long as everybody understands that, we have presumably 28 votes happening today, 28 Barcelona each with a vote. And let's assume that one group has 14 votes and the other group has 13 votes with straight line voting, just so everybody understands the impact of this, those with 14 votes get every board seat. There's no other way to explain it. But with cumulative votes, the people that have 13 can maybe not get four seats, but might protect one or two. so that there is a minority interest represented on the board. That's the facts. You guys know it. You know it, Sam. You know it, Rick. We're not kidding each other here. That's assuming ill intent on the part of the 14. Yeah. No. No, I'm not assuming. You're saying that somehow the 14 are going to take a course that is abusive to the minority. You would give me just a difference of opinion, not necessarily ill-intended.

Well, the other thing to remember is that there are three members on the board. They're on the board. You're not electing the whole board, and so you're only electing four members of the board, but there are already three. So that may affect how you're thinking about that. Explain that to me. We're electing four new board members. We already have three. So why is majority voting going to be detrimental to anyone? Majority voting is what we've always done. And the idea that we have to have this cumulative voting, because it's in the bylaws, We've always done majority voting and it has worked for all these years. Because if you had 14 votes and people on this side of the room had 13, you get all four seats and you knock two people off. Next year, it's basic math. It's basic math. I understand. It's not democratic. It's not the Constitution. Yes, it is. No, it's not. We have something called the electoral college. That's why we have it, to give representation to the minorities. Well, no, that was to give representation to the agricultural states.

But in any event, we don't know what's happening. And if we had 15 votes and you guys had 13 votes, we might take a different approach. But I'm saying, whether we did or not, next year, Ron's seat's up. Cumulative voting's not gonna help save his seat. You wanna get rid of him? You got it. The year after that, if you don't try to hold the special election and get rid of me in the meantime, My seat will be up in two years. And he gave it to me. Because cumulative voting doesn't work. It's just that this particular election, which you guys are well aware of, there's four seats available. And the only way you can get those four seats is by knocking out cumulative voting. That's the truth. By knocking out? By knocking out. to live voting and going to straight-line voting. We've been in straight-line voting for 40 years. It's worked. It hasn't been operated. We haven't had elections. We've never had them. I don't know. I'm a newbie. I have to ask questions about this stuff. I've been to most of the annual meetings.

You became a board member because nobody else would run. And you're the new guy in the neighborhood. And they said, would you like to get on the board? And they said, give all their favor. Which

is the same way that Bill got on, the same way I got on, and everybody else here got on. We've never had to need for a written ballot. And we've never had to competitive. board race before. This is the first time ever that I can remember it happening. So don't tell me, oh, we've always got straight lines. Nobody ever voted against anybody that was brave enough to run. They usually got grabbed. People would show up at the annual meeting with no intention of being on the board. Anyways, my time is up. First off, everybody here, if you don't understand it, I can tell you right now that political science professors, statisticians, political consultants, spent their entire career trying to figure out that they were straight and came up with their voting and how it affects the outcome of the election.

So, anyone coming to you that... What's that? Oh, okay. So... What's that? Can everybody see over there better? I didn't want to erase what David put up. Okay. Because I can't explain cumulative voting in a long-term way that's going to really lead you walking out of here thinking you know how it works. Because it's just not going to happen. Henry... Some points of correction, I guess. The cube wasn't floating. About the turn of last middle of last century, it's a de facto rule. In other words, when you form a corporation in California and you have a board, the de facto laws of California state that your board will use cumulative voting. Now, it's a free choice. The board can vote it in or out. You're not stuck with it. And the reason they did that was so that minorities, and literally minorities, blacks, Hispanic, people of whatever minority they could be, women, could put enough votes behind one candidate to get a representative on the board. Because back then it was all middle-aged white guys like myself and everybody.

And you couldn't get a person on the board in any other way except cumulative voting. Because you could put all of your votes on one guy or one woman and get them on the board. And it was met with a lot of good intent. And it was the de facto law in almost every state in the union. I think two or three, Texas and somebody else didn't do it. And it worked great for just a short time. And then everything went to hell in the handbasket because what they hadn't considered was The fact that this works great if you have 10,000 shareholders or you're a big public corporation. Where it really messed up everybody was associations like ours where you have maybe 100 or 50 or less shareholders. And it created havoc. So what is it, 20? Well, it created havoc. I'll tell you why it created havoc and why things Right now, 44 states have gone back to straight voting because they had to get rid of Kenwood voting. It caused so much havoc and problems and chaos. We have six left. California is one of them.

And we have three that are in the process of changing that. They're going to change their laws. They're somewhere in the process. on the time of three minutes. Did everybody else really follow three minutes, or are you going to cut me out? No, no. I thought that was... Shall we have them keep going? Yes. Okay. Because, and honestly, and I'm telling you this, you can Google it, you can go do research, but... So, why did they get rid of it? Because what it effectively did to small boards, small communities like ours, is allow... Yeah, let's see. Let's do this. Okay, so we all know we have four members that have their ideas of the way the board should do it, our accounting, our operations, and we have three over here. Well, today we have kind of an odd set of circumstances. These four are up for reelection. So if you're wondering, well, why is it? David really so concerned about a 15 to 14 vote, or anything else for that matter. No one's ever talked about cumulative voting before. Why all of a sudden the rush to defend it? Because right now... Let's do this.

I'll put this. So... If David knows that the majority of the people on the Hill want to elect someone else that he thinks isn't going to agree with him, or whatever you want, however you want to put that, with Kimmelman voting, all he's got to do, and this is what caused the problem across the country, is stack these votes. He wins. There's no way, it doesn't matter if, almost there's no way to beat that. And so what happens is, on boards across the country, if you had the majority of people that were already in, say, your

camp, you could never be defeated. You could never be voted off. Because all they need is a small percentage of the voters, because here's the reason. They only have to elect two, or maybe one or two, but let's say two today. Because this is the only number that matters. to David, to Ron, and Henry, and I'm being honest, we're not, four and three. They have four votes on the board, we have three. The assessments, everything else that they've talked about are going to happen.

The three members over here cannot, do not have a say. So, yes ma'am. Margaret, I'm sorry. Sam, I have a, I'm confused. How do you go about, as you said, stacking the board? I'm kind of lost. What does a person do to stack the board? Well, it's counting. I'm sorry. I told you. This is complicated. OK. Thank you. But David and I, he knows what I know, and I know what he knows. So if you have four like-minded votes, and they only have to defend two people to get re-elected. They want this more than anything, and that's okay. This is all democracy. So you're going to put all your votes in these two because they only have to win two seats. They can funnel them right here. And so Rick and I, right here, in order to make some changes, maybe in the direction that we have different accounting and things that we think are... important to the community. We haven't had a chance to talk about them or present them. But anyway, we have to elect a third person. It's not going to happen today. Because you know the voting.

They know it. We, no matter if we, the majority of the people in this room and the proxies want that change, it can't happen. And so what happened across the boards across the country and whatever, this did happen. And it happened over and over again to where now they created a system where it's almost unbeatable. And if you want, I mean, you can use AI. I hate using AI because you can make it say whatever. But if you wanted to, it'll tell you this. That's why we have 44 states, three more, getting the heck away from cumulative voting. David's going to tell you, well, gosh, we're worried about the minorities. Well, it's 15 to 14 or 16 to 15. It's not exactly a minority. And you still, straight voting, if your position isn't strong enough to have the majority of the votes, then, in my opinion, make your opinion, make your case better. And the other, in the spirit of full disclosure, I have no clue. I don't go counting votes. I don't do that. On straight votes, I don't. Right, David? David, you ask anybody here, if I've called in or asked them about a vote or anything, I know who the votes are, where the votes are, but I can tell you this, it doesn't matter.

Today it won't matter. And who knows, with straight voting, they might win anyway. But the problem is, the reason this has been taken away all across our country is because this is very dual. It is almost impossible... to shake up a board to make any changes you really want in a constructive way. Now, if you just wanted to... You're saying that the majority holds its majority through cumulative. Yes, that's how they... And because you have to understand, this is the only number that matters. They don't care how many people vote or which way it goes. This is important. This is all that matters today. Can I make one comment on that? You're absolutely right with... respect to today's voting, okay? But next year, there's only one seat. But you don't care about next year. I do. Excuse me, can I just finish? The year after that, there's only one vote. You'll pick off that seat if you still have the one vote majority, and you'll pick off the next seat, you'll pick off my seat, and that's fine, okay? But you don't care about that.

And you don't care about it either. You just care about it today. Well, yes, and that's the truth. And that's why you brought the amendment up, right? Yes, because if it comes to a situation where an arcane rule that's voted out everywhere else across the country, and we find it in our bylaws from 40 years ago for different reasons, and it's still stuck there, and now the majority of people, and like I said, we... You may not have a majority of people. It doesn't matter what the majority of people say. You get over the rules. And it's not to elect, and just so you guys know, it's not to elect a single person who might be a minority here. We're not in that situation. We're in the situation of this. And in this situation, in this circumstance,

and a lot of others, this is why California being California, we still have to keep those votes. You can research this until your eyes bleed. It's still going to be the same. And so today, if cumulative voting is allowed to remain, there is no way dividing votes three ways can beat dividing votes two ways.

What you're going to get is a continuation of dysfunctional board with that. Wow. That's right. Because everybody will end up with the same opinion. There won't be any troublemakers. There won't be anybody that might call attention. Guys, I think we're going, let's not go there. Let's stick to just a little voting because we haven't discussed we haven't discussed why why this is happening. We're sticking with three minutes. So that's, but this is The best way to explain why they want them to do cumulative voting, the majority of the people here today, if they vote this way for some changes, it won't matter. Yes, ma'am. Sam, are you suggesting that the people in this room today are trying to stack the vote? Well, David already told me he wouldn't. So I don't even understand the concept of what we do if you stack the vote. Is that what you're saying? Well, yeah. If you stack the vote, and you put all your votes here, and we just don't do straight voting like we've not done or done in the past or whatever.

And by the way, just so you know, not one board member here knew what Kim was voting for. I knew what it was, but I had no clue it was in our bylaws until about... What, guys, two months ago? Maybe two months ago. It just sat there like a bomb with a fuse on it, and now it's been lit. Yeah, so you just put all your bolts right there. But why is that? I'm confused. Why is that called stacking? That's actually the term. It's called stacking. I've never heard it. I'm sorry. It must be... Why would that be stacking the vote? If a person wants to vote and use their votes for a particular person, why is that stacking? OK. Well, let's just say this. We have a number of shareholders here who have two votes, right? We do? Yeah, yeah. I mean, we do. They have two lots. OK. And so today, we have more spots. That means Larry, Russ. Ah, Scott, I have no knowledge. Okay, here we go. So, each person gets four votes. Correct. Well, no. Let's just say you have the nomen vote and the foreman vote. Between the two of them, they get 16 votes.

And let's say you wanted these guys to win. You're able to stack and split your votes just eight and eight, let's say. It's game over. Just by doing that, two people Two people, two households, almost make this unbeatable just by themselves. And that... But I have a question again. I'm sorry. The people that have the two lots, I'm not even sure, I guess you guys are one of them, whoever else. I have to apologize, I'm not that up on... the politics or the neighborhood. I really don't know too many of you. Well, you always were the smarter one in the . Well, I thank you very much. Why shouldn't they be allowed to have extra votes? Because they're paying the water bill twice. They're paying all the expenses twice. It would be only logical to me that they should have an extra . Nobody's disagreeing. No, no, no. I didn't. But that's what I'm hearing, Rick. I'm hearing that there's some type of prejudice if you own two lots. Why are we penalizing him for the way he votes? No, Margaret, I promise you, I only pick them just for the numbers.

Who else owns two lots? Orman Newman and NFB sounds like a bad rap. But anyway, so... Can I add something? Yes, maybe where she's not following is you haven't explained that you can put all four or all eight boats on one. Yeah, and that's true because so let's say you're a regular person with one lot and you have four boats. Normally we have four positions. So you would decide I'm going to put a boat here. I'm going to put a boat here and I'm going to put a boat here. So three. I don't like Sam's. I'm not putting a vote there. I'm just not going to vote. But why is that stacking? They're allowed to make a choice, no? Or am I wrong? No, no, no. Let me keep going, Margaret. So, you know, each homeowner has four votes. And I'm sorry, Judy, I'm just answering questions. Each homeowner has four votes because there's four positions open. So normally a person could say, I'm going to vote for Rick, I'm going to vote for Bill, I'm going to vote for Henry. But I'm not going to vote for Sam. Or I'm going to vote for Sandy.

saying is... Well, here's why. I can answer that. You can only divide 112 so many ways. And trust me, the math works out this way. David knows it. He wouldn't be fighting so hard for something he never heard of a few months ago. Trust me, Bill. He's done the math. Whether we have 112 votes or 2,000 votes, it doesn't matter. At the end of the day, if you have to divide them up three ways... you're not going to ever be able to feed someone who only has to divide almost what's up two ways. And that's the basic math that is undeniable. Okay, so I think we should move on. I think you made your point, right? Okay. Does anybody else like to say something? I just have a real question. We all have the bylaws. We have a set of rules that we are supposed to follow. And again, the bylaws are changing to fit a narrative.

I appreciate what Sam just said. Obviously, that took a lot of effort and research on this part. But I still don't believe that you should change the rules. The rules are the rules. Just because you're not making the outcome isn't what you expect. Maybe it'll surprise you. But I don't think it's fair. I don't think it's right. That's my opinion. May I say one? Why did anybody come up with this cumulative voting thing? Because straight voting, it's winner take all. You have straight voting, you have a monolithic board. That's also came up with some of the emails that were circulating out about cumulative and straight voting. Once you get that majority set, there's no way the minority can get in there. So let's come up with cumulative voting and at least the minority gets a say. We stick with straight voting and it's winner take all, it all goes one way, that's it. The majority just wins it all. There's no way you can compete. If once they get that 15 votes, they win everything. So do you want to promote a diversity in your board? Or do you want a monolithic board? That's where oil stands.

Oh, God. Sounds like it. If you add up the amount of years that you talk about a monolithic board, if you add up the amount of years of the sitting members that want people to vote, we could even do it in years. It's decades. That's about as monolithic as it comes. And that's a good twist on it. Twist? Well, it's a twist on the facts because the majority of the people who want change right now can't get it. And so if the majority of the people on the bill who want page, and you guys are assuming that that's it, and I'm not, but let's say you're right and say they want to give Bill or Henry's position to somebody else. Okay? So they decide that. There's no way they can do it now. There's no way to actually, to be honest, there's no way people in the voting... If people wanted to change Henry or Bill's position, there's no way they could ever do it, even if they have the majority. It would have to be a super majority in order to pull it off. And with only 28 votes, that's pretty dang hard to do.

And so the whole reason right now that you guys want it is to block any change moving forward. Let's say Rick and I don't get on the board today. I don't know who else is running, but the other people that are running, they get on the board. It won't matter because their voice is still a four to three. And I really wanted to spend some time about the assessments. I wanted to tell you other things, but I guess I probably won't be allowed to. But if anyone wants to know what that part of it, I can tell you. And it's pretty interesting. Anyway, that's all. I'm sorry, that's my . Any other comments before we move to doing our vote? So one point that should be made clear, accumulative voting only applies to the director's election. It doesn't apply to the vote about cumulative voting. It doesn't apply to any other vote. It just applies to directors. So the vote to keep it or get rid of it is greater. Yes. I have a question slash request. My situation, I don't know the bylaws, what they say.

My situation is a little bit particular. I don't know if it's going to be in the bylaws. I had a renter that was renting a house. He was about to buy it by the end of the month. He ended up not buying it. As David knows, he was supposed to pay the second \$7,000. Last week, he decided not to purchase the house anymore, so that fall on me. As David knows, I sent the check last Monday. Unfortunately, I wasn't allowed to do it over internet because my tenant is on the payment online. I wasn't able to access online

the payment, so my only way would be Unfortunately, they didn't receive it yet. It was on Monday. So I'm wondering if I'm still allowed to vote or not. That's my question. I've been here, I drove four hours specifically to come here and understand what's going on because it's not a fault of me again. I wanted to understand what's going on and I feel like now I'm going to leave with empty hands. I don't even have a voice because of my situation. So they tell you you can't vote? Basically, they just let me know that my check never made it.

I mailed it on Monday. I have a question. Is there something in the Bible? That's what I was asking. I don't know. You have to be in good standing. You paid all your assessments. You paid all your fees. Is there a date that you have to be before an election? No, you won't have a date. of the meeting, we have to be in good standing. OK. And because the check wasn't received, that negates the vote. Well, that's not my decision. It's up to the board to decide. I have a ballot here for him. But it's up to the board to decide. I have a question. In the bylaws, it says that you need to be notified when you're not in good standing. Correct. That was last week. and that was last week we did it. So I had one full week to mail the cheque, it was my only way, at least if I didn't drive myself here. And by the way, Pallis, which was the lady that I was talking to, the phone changed her number so there was not even a way for me to actually pay my bills because my tenant, The name is under my name. So there was no way for me.

So that was the only way for me to pay my \$7,000. Well, I can't imagine. David was nice enough to get in touch with my tenant to get the payment up to date as far as his bill. But the \$7,000 fell on me. And so that was my only way to pay. I didn't have any access online. So we don't let you vote. We're saying you're lying that you didn't put the check in the mail. I can't imagine this group of people would stop you from voting. I can't imagine. Excuse me, Griff. Nobody said anybody was lying. No, no, no. I'm just saying. If the check didn't get there, that's not a lie. That's a fact. That's why I'm asking all of you guys. I appreciate what you said. That's fair enough. We don't have to be mean to each other. I don't have to be mean. I made a mistake. I apologize for that. I just want everybody to understand. We're trying to comply with bylaws no matter who they apply to. So that's the only point I'm making. Sandy read the bylaws. Rick knows them. I don't know the bylaws. I'm not involved on the board.

But when you have an organization, there has to be some rules that you comply with, and that's the way it is. I'm sorry, Alberto. I'm not saying this to be mean. No, no, no, for sure. The problem is... the problem, what I'm trying to say to all of you guys, I'm not accusing anybody or I'm not saying the last things that I want to do, okay? I'm just saying I have text message, I have phone call with David that, you know, proved that the communication started last week. Right. He was really kind enough to help me out with my payment. So, I'm not accusing, I'm not even saying that he's not saying that the mail, the check never got here. No, I don't think that. I'm not accusing anybody. I'm just saying in the bylaws, I'm sure my specific situation is not expressed. So... It is a particular situation where, unfortunately, that was my only way to do payment. I'm not sure if there's anybody else. I don't know. I don't have access to it. But if there's anybody else that falls into that category today that isn't allowed to, I don't know.

But I'm not sure. Of course, there's cadets, there's second graders, there's veterans, and there's candidates. Can I have extra in-service? Can the board call for a vote? Yeah. And make the decision? Yeah. Yes. Sure. Wait, what are we going on? That seems to be a fair way to do it. Well, is this a... I don't know about that. I don't know that you can just take a vote and change bylaws arbitrarily. I don't know. I don't know that it couldn't be contested and somebody would get angry with it and say, well, you made an exception here, not here. I'm not sure. I'll leave it to you guys. Whatever. I'm just saying. Not at all. The problem is that he's always... The pro and cons, right? Like David said, if you have a cheque present right here, I could write it, but it's a piece of paper. So you could say, like, you cannot vote because I have to

cash this cheque. You know what I mean? So you can always get left and right. At the end of the day, it is a problem because, unfortunately, it's a specific situation.

I think it could be made an exception, honestly. I leave it up to you guys. But we don't know how you're going to vote. I don't know. Either one of us could be at a disadvantage. I don't know you, and I don't know how you're going to vote. Sure, absolutely. Is there a way for the board to just vote to suspend the bylaws? In other words, somebody requests that we take a vote to suspend the bylaws. It's not in the bylaws. It's not in the bylaws. To allow him to vote. It's good standing. It's good standing. We can declare him in good standing. Can I solve this? Can I? This would be setting the precedent. Because somebody would come back and say, you know, you did it then. Order of orders. Then we can make that decision. Can I resolve this? Yes. It takes two seconds. If Alberto signs a promissory note right now, that eliminates it from the discussion. And precedence was set with Jeanine Stillman that there was an agreement. It was accepted by the board. All he's got to do is sign a promissory note right now.

And that is the end of the subject. This has happened in the past. We didn't have to change the bylaw. Janine has voted since before she even paid. She's been there. So that's really all he has to do. So can we move on? Yes. So if he literally can sign, and I can show you, I think I probably have Janine's promissory note, and that was for a payment that wasn't going to be paid for... Possibly a year. We gave her a year. And because she signed... She said it's paid. Well, she said it's paid, yes. But we gave her a year, and during that time, her voting rights weren't taken away. Nothing. Let's make a promise. Sorry, not for Alberto. It's come all this way to be a part of this. Hannah, do you have any feelings on this? I said, is there anything that you... can add that would make it clear if this is possible. Do we have another Republican building? Can you write a promissory note? What would it say? We haven't decided on which yet. But now we're making up rules to change things. We have very descriptive bylaws.

You knew it was a very, very, very important thing to get your check here on time. Right, of course we did. Okay, I can make another point though. David could let me know, hey, the check didn't get here because I've been in communication with him up to a couple days ago. Say, please let me know when the check gets there. And he could let me know, say, hey, bring me a new check if you want to go. I never told them. So it's a wheel that can spin. We can be here. You knew, I knew it. That's why I was in communication with David. And period. I mean, you guys are making a big deal like you don't want me to vote. Just be clear. I don't want you to vote. And I go back to Orange County before the time. So I think you guys are making a big deal for something that is also recorded on the phone. I don't know. I mean, honestly. Yes, please. I contacted you last Thursday. We could go Thursday. That was like, what, 12, 13 days? You told me whenever it was, I called you. Jessica answered, I think. But anyway, you said you were going to send a check right away.

Yes, I did. On Monday. It's Monday. I sent it on Monday. I texted you on Monday morning, and I told you that I sent it. So, David, I'm not accusing you on anything, but what I'm trying to say, you guys are making a big deal. Excuse me a second. Yes, please. You told me you were going to do it right away. Yes. Which I assume right away was right away. But actually, you waited four days, and then you sent it to me. I sent it to us regular mail. If it was so important, it seems to me you could have at least sent a priority mail. I mean, an extra \$4 or FedEx or something. We're trying to make whatever combinations... I know, but if you also see that Friday I texted you asking you if you got the check, can you please let me know? And you didn't let me know. I mean, you could have been nice enough also to let me know that you didn't receive it. I said, Alberto, if you want to vote, please bring the check. At least you covered yourself up. I thought we were fine with that. And now you guys tell me that I'm fine.

Oh, yes. No, I'm not Sandy. I didn't hear you, Sandy. What is it? I want to read from the bylaws, which might explain it. Thank you. Thank you. That would be helpful to me. I'm not that adept at this. Article 3, section 3.12, deals with election of directors. OK. Every shareholder entitled to vote at any election for directors shall have the right to accumulate his votes and give one candidate a number of votes equal to the number of directors to be elected, multiplied by the number of votes to which his shares are entitled. Which means you have one share, you can get four votes. Because we have four... because we have four directors turndown. But can they switch them between two people, Sandy? Whatever combination. You have one lot, one share, and you have four turndown directors. You can vote all four of your votes to one director, or you can vote one to each director. So it goes on, or to distribute his votes on the same principle among as many candidates as he shall think fit. OK, I understand.

The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected. So am I wrong in assuming that if you had two lots, What you're saying is that the person that isn't allowed to vote on the fact that they do have two lots, you're trying to limit it to one vote. Boy, it would sure be advantageous then to take the guy that had four lots out to dinner, wouldn't it? I'm just suggesting the way my mind's working. I don't understand it. It's the fact that you can put all four of your votes on one person instead of voting four different kinds. I understand what you're saying. I just don't know why the person has to be penalized for owning the two books. They still pay. No, they're not. All right. Thank you. This is, Margaret, the same question that I said. This is why we need to talk about this, because some people don't understand how it works. Well, and I said in the beginning, literally people spend their entire careers doing this. And look, folks, Margaret especially, You have four votes.

You and David have four votes because you're on one lot. And the reason you have four votes is because there's four positions. So you're allowed to vote on each person. Even if there's ten people running, you still have four votes. There's only four positions open. That's what dictates the amount of votes you have. So there could be ten candidates. I didn't want to write them all here, but there are quite a few candidates, which is a first. So... But let's say you get all four of your votes, and you and David said, hey, we're gonna go vote for Sam. So now, instead of voting for four, now you're putting all your eggs in one basket. And if you get five or 10 people to do that, and let's say one of them is one of the people with two votes, so they have eight. Now, all you need is a smaller number of people to get me on the board than you would normally use or need. And that's the point. That is why, because of this, or you have four votes today, and you want to put them on Henry, and you want to put them on Bill, you've just doubled your voting power.

But wouldn't the person that I'm talking to have an opinion of their own? Are you suggesting, Sam, that I would try to change someone's opinion? That doesn't make sense to me. Doesn't everybody in here have an opinion on how they want to vote? Well, yes. And it goes that way for straight voting also. Everyone, of course, votes how they want. The only problem with that is that for the last four months, what's been going on on the Hill is it's like a recruitment effort, I swear. We make the Republicans and Democrats look peaceful. And so here's the problem. Is that... At the end of the day, there are those here, and maybe they feel they don't have enough votes to carry it on a straight vote. I'm not going to assume anything, David. I'm not putting words in your mouth, but there's no other way to why you would want to use... Never have, never have. Okay, well, if there's anybody in this room that would say that I contacted you on how to vote, please tell me, because I don't think that I understand it.

I don't think it's good, but thank you for explaining. I want to say, I'm sorry, I don't want to interrupt you. There's 112 votes in the Hill. How does the cumulative votes include double dollars? No, no, no. What I'm

It's okay. You guys don't want me to vote? That's fine. I think you guys are making a big deal for my little vote. That's fine. That's not a problem. I wish I never came at this point because why I even came for it. You know what I mean? I've been in communications. I do my diligence and all of that. And now because my check didn't make any time, you guys want to take a look at them? It's fine. Ken, you got any kind of solution to this issue? I got a question. Can I write a check for him? No. No. Why not? Why not? Why not? There's specific statutes regarding foreign votes. I don't know which way it's pointing. I have no idea. I have only known him not even an hour. I've never met him until now. We met today. I have no idea. I would just like to know what the correct legal way for this thing to proceed because we're going to go on and on until it gets dark. But what I would like to know is what do the bylaws state? The bylaws state if you're not in good standing you can't vote. In order to do that you have to be notified and you have to have a chance to say How long you've got to be notified? How long to Adam? What's the time to be notified? That's not specified.

Is good standing specified? Yes. Oh, yeah. But at the end of the day? At the end of the day, we have rules. At the end of the day, there's precedence already set that the board accepted. True. Now, it doesn't change the bylaws. It doesn't change the bylaws. So precedent is not valid. I am really trying to prevent from walking out and saying, screw all this electing, because we're just, ah, ah, ah, ah. And honestly, we're back to, I hate, erase my board. We're going to vote. No, I know. But at the time of the day, certain parties don't want him to vote for their own reasons. Certain parties want him to vote for their own reasons. And we're all back to square one. We don't know how he's voting. We don't know how he's voting. Well, they both said, we know how he's voting. David and Bill both shouted out, we know exactly how you're voting. Can we just move this aisle? I don't either. Okay, come on. We can be here all day. We've got to get up here. Look, it's a quarter to five. And we haven't even...

done this. I'm really sorry, Umberto. We have rules. It's like a stop sign. Did you stop? Yes or no? Right? So let's move on. We'll move on. This is disgusting. So this is really disgusting. It's vulnerable. You're up there blabbering about rules. Hey look, Janine got to write a promissory note and gets the vote. Now all of a sudden you don't like it. You don't want him to do it. He's willing to write the promissory note. I never saw a promissory note. You and Sam just did it. It just happened. So anyway, it wasn't my deal. You guys wanted that and, you know, that's what you wanted and, you know, that's how you dealt with it. I didn't have anything to do with it. With what? With that promissory note. It's just, we're all talking, we're all working out, we're getting stuff done as a team. But in order to be a good team, you have to follow rules. What are rules for if you can't follow them? Terry, you can't hear. Well, we'll... We turned in the prom story to go up with Janine, and we had talked about it for a month.

Let's take it and argue for another hour about this. Well, I don't want to argue. Let's move on to the next thing. Okay, do you want to table this? Do you know the voting thing? Just move on to term limits? So the solution here is to table it and we don't have to switch. Is that all right? Wait, wait, wait. Wait, stop. Wait, you want us to table the whole? Table the discussion or table the vote? There's some information that just I've been told about. You have how many addresses, official addresses? You've got home address, you've got an office address, you've got a PO Box address? I have a home and I have an office. Well, what address did he mail it to? Because it may be in the office right now. No, it's not my address that they sent the check to. It's the P.O. Box. P.O. Box. Pretty slow. So was it checked this morning? It was checked this morning. They don't deliver mail on Sundays. It was checked yesterday, and it wasn't there. What time did he check it? Well, now this is important.

Important. I can break in, you know, and see if you can check it again. I just wondered, I'm thinking this through, and I'm just wondering if the shoes on the other foot, you know, if one of our people was not... What's our people? What's our people? Our candidates, okay, or preferred... Shareholders that were more. Oh, so they're preferred and they're non-preferred shareholders. Whatever you want to call it. I understand. I understand. I understand that. That's why everybody's sitting over there. Get on point here. Can we start our election? Yes. Wait, wait. Right? Wait, wait. We haven't... We're not on our vote for King Lincoln and straight voting. Right. We're just voting on that. Yes. Yeah. And that's straight voting, by the way. We just don't know what it is. Okay? We don't have a ballot. So, you want to start, Henry? I don't want to do that. You don't want to start? No. I thought... Can you go that way? What are we going to do? We're going to vote for a straight voting, right? Just say straight, everybody raises their hand if they want straight.

Wow, but there's all these proxies, and so we kind of have to tally it. How else can we do it? Yes, I have your... Just wait, just go around the room, we'll just get the proxy in. Wait a minute, wait a minute. You haven't got all the people here. No, but we have proxies. Well, we have proxies. For what, though? What's the proxy say? Do you want cumulative or do you want straight voting? No, no, no. The proxy is the person, the ability to vote for them. Whatever the decision, whatever. Because this wasn't on the list. Well, that's what the proxy means, is you can vote in your cap. It's limited. It's a limited proxy, and it's dated today. This is as far as it goes. But we have a majority so that we can't go back and say that, correct? Oh, we definitely can. That's okay. We have plenty of time. Ron, can we just have Sandy call a name and then it's your talk, so we just say what it is. Okay. Thank you. I miss my son. I miss my son so much. I love him so much. They say I'm totally evil, and my problem is that I'm so evil.

I had the idea to take a breather. You want a recession? Where else? Do you want to do this? Well, they can be outside. We can still start voting. David, anyone want to start for this session? Okay, the vote is beginning. David? Do you have any proxies? Okay. Littell? Littell? We both continue to vote and we have a proxy. Gallagher. McKay. Yeah. And I have three votes. One proxy, two sheriffs. And I vote to, I vote to retain the sign. Hewlett. Hewlett. Hewlett. Straight. Straight. Straight. Sandy. Sandy. Can I ask you a question? What? How do you do? What? Can you do it or straight forward? Can I do it? Uh, murder. Oh wait, no, I'm sorry. Okay, one for us, and I've got five proxies all straight. One, two, three, four, five. Six. You've got six. You've got six. No. What? Two more. You put the line through five. You have six on the first. You have five slats. I'm sorry. Plus an additional. Sit along me. I'm sorry. There's coffee there. Two more. Your first grouping. Your first grouping. Oh! I'm sorry.

I can't follow. You have to add two here. Yes. Is that right? No. Oh, another one? No. Take one away. Take one away. No. We got eight and eight. Do we really have five? Yeah, we got to start over. No, that's eight. You're missing one line, so it's five down below, five up top, and three on the side. Let's start over because this is going to go on and on. Please, let's start over. One, two, four, three, one, cross, two. Yeah, that's right. That's correct. Later, straight. Straight. Straight. Roger. He voted to go. He voted to go. She voted. I voted. She voted. She had. Oh, oh, oh, oh. Yeah, I'm sorry. Sandy, yeah. I think. He voted. I think they voted. Oh, yeah, that's right. I didn't see. He voted. Roger. I don't think he voted. Oh, no, he voted. Oh, okay, okay. Straight. six for straight. Okay, one, two, three, four, five, six, seven, eight. Two for straight. One, two, three, and two for straight. One, two, three, and two for straight. Oh my gosh. It wasn't tied and nothing happened. I wonder why.

Okay, let's drop it. We're representing the United States of America here. Thank you. So now we can move along. I know Alberto's probably got to go. He's on the line. Do you want to take a little break? yeah yeah yeah yeah yeah yeah yeah yeah yeah Sam, are you going to talk after a minute what this thing

is? Oh, okay. Not 30 minutes. I'm just going to get it. I'm sorry? We have to do that today. Sorry, sorry, sorry. Actually, look at how you didn't vote for John. Sorry. Okay, we have... You want to get Bill? Okay. So I guess everyone wanted me to read the corporate bylaw provision regarding term limits. And this is truly brand new. We've been discussing it off and on. And it was kind of part of the governance reform that we all signed on to, pretty much most of us, a couple months ago. So we've never had term limits here. To be honest with you, we never had a need for it because we had a hard time finding people to run. But it is an issue now, and you can see by the voting, it is what it is.

I'm going to read these. This is nonpartisan. This is just a straight reading of the by law that we're voting on to implement. And so, I also, is there anyone? So last, what day did we meet Ron, Thursday? Yeah, so last Thursday, the board met Ken, did I lose Ken? So anyway, after a lot of back and forth, we kind of came to a mutual agreement that this is how we think the bylaws should be implemented, if it is to be implemented. Each director shall be elected to serve a term of either two or three years as determined by the board at the time of the election or as specified in the notice of the annual meeting. Despite the variation in individual term lengths, no director shall be elected to a term that would cause them to exceed the aggregate consecutive service limit defined in Section 2. So, two and three years, it staggers, so all of this is trying to mathematically promote turnover and new blood on the board. That's the shortest version of that I can come up with. Consecutive term limits.

No individual may serve as a member of the board of directors more than five consecutive years or the maximum consecutive tenure. This limit applies regardless of whether the service was compromised of multiple two-year terms, three-year terms, or a combination thereof. At the end of the day, right now, Well, we don't have any term limits, but our term limits, our terms are four years. Now, they can be added, I believe, Ron, if they're president or vice president or no. Is there another year added? No. Officers are totally different. They're elected by the directors every... Right, but there's no other additional year added if you're a treasurer? Okay, good. Okay, so... Mandatory sabbatical time. This is a timeout period. So you can run for a two-year, three-year term, serve that time, and then you have to step aside for a year and let someone else get on the board. Upon reaching the maximum consecutive tenure of five years, a director shall be ineligible for re-election or re-appointment to the board for a period of at least one full calendar year, the timeout period.

Following the expiration of the one-year timeout period, the individual shall regain eligibility for election to the board, subject to the standard nomination and election procedures of the corporation. Upon re-election, the individual's consecutive service clock shall reset to zero. So if you serve your five years, and you take a year off, and you're still dumb enough to do it again, you can stick on there for another five years. And that, I don't see, it's not in here, but I would imagine that would continue if someone wanted to stick on But that process would continue. Vacancies and midterm resignations. A director who resigns or is removed prior to reaching the five-year limit but has served at least four consecutive years must still observe the one-year timeout period before being eligible for reelection. So if you're on the board for four years, you've done a three-year term and another year or whatever, it's four years, and then you decide to step off the board, you still have to take the one-year time out.

And the reason for that is they wouldn't want someone stepping off the board for a couple of months, then getting back on and resetting the clock to zero. So I can't imagine that would happen, but evidently it has. Do we have another question? Where did I get all that? Okay, so unless the board determines by a two-thirds majority that the resignation was for emergency health or personal reasons unrelated to term limits or conventions. And then the last section, section five, is the transition clause. I think there was a lot of confusion. This is not, how do I put it? It doesn't affect any board member who has served X amount of

years prior to this. If we implement it today, Ron and Henry have been on here for a long time. It doesn't matter. Everyone starts at zero. It's not retroactive. It's not retroactive. Does that make sense? So directors serving at this time... Directors serving at the time this bylaw is adopted shall not have their prior consecutive years of service counted toward the five-year limit.

This was what the board hammered out Thursday. The only reason I'm the lucky guy to stand up here and do it is because I had to go draft the second day. I think that's it. Yes, sir? One of the reasons this came up, especially with staggering, is to avoid the situation we've got right now. So I think this next time around, two or three makes sense. But continuing to add two or three, eventually they're going to sync up and you're going to have the exact same problem we've got today. Well, no, because remember, we have board members coming off next year. And we have board members coming out the following year. It's already staggered, so that shouldn't happen. If it does, it may happen way after we're all dead and gone. 2050. Yeah. I don't think it would be a problem in the near term whatsoever. We can always imagine. Yeah, we can screw it up later. And it sets a pie, which is in odd numbers. Yeah, yeah. And the other thing, I think Ron and I were talking about it at some point. Roger, his clock starts ticking.

Two years from now? Yeah. Yeah. So they're all kind of offset anyway. So I can't say that they're, oh, no, no. This is what we agreed we thought was workable. Yeah, that's it. It's the intent. There's a couple of intents. One is the staggering to avoid this. Another is Briggs. Not significantly a lung break, but breaks are reduced, which forces... Yeah. So we just have to make sure everyone is going to be wanting to raise their hands. Oh, yeah, that's one thing. We all agreed I wasn't going to stand up here and give an opinion, but I will say this. Mike? But you're at the back of the classroom. I'm glad you called him out. It's hard raising a kid, isn't it? But here's the one thing we all agreed is that this only works if you guys participate. And I mean, for better or worse, it's turned into a WrestleMania III in here today. But at least you're here, because every board member here will tell you that in the past, we fit in, the whole shareholder meeting was in a room we were in Thursday, and we had one little conference table, and that's what our annual shareholder meeting was.

A lot of the problems we're having now are apathy, complacency, and if the water turns on, leave it be. Except now there's hundreds of thousands of dollars involved. Everyone's but involved. But regardless of which side or this or that you're on, and I think I speak for the board, you guys have to step up now. I didn't want to step up. I got thrown on here. Right? Everybody did. We got volunteered on here. We showed up for a waterboard meeting. Yeah, that taught us a lesson. So, does that make sense? I mean... I'm sorry. I do have a concern about And that is, what if there's not enough people that actually want to do this? Are we going to go back to the old system? Because you're here, please, please, please. I hate to see somebody who's really, really involved be turned out to bring in somebody who... Well, I mean, that's always... How difficult would it be, if that happens, to revert back to... 5. That's an excellent... We could revert back to 5. And the other thing, too, with this, and that's a good point, Larry, if it goes back to the days of apathy and non-participation, then, as long as we've had a quorum in the past, we were okay.

We'd have, I remember poor Megan got thrown on a few years ago, and, you know, we needed a volunteer. Yeah. And so... It won't happen. Water is going to be an issue. The only thing is, are we going to be alive? I just want people who want to be involved. Not, you know, passively. I want people with, you know, again, no matter their view, I want somebody who is really involved. And I hate to see somebody be termed out. who is really, really productive. That's my biggest concern. But the thing is, it starts so far into the future. It's getting dark outside. And I'll be honest with you. Yes, and that is true. Because regardless, we're talking five years from now, and I'm not getting any younger. It's just a theory. No, no, no. I get it. It is a possibility. But I think Herb's right. When you're talking about, you know, we've got future

assessments now. We're looking at spending as much money almost as we spent on this tank in four years. So now, nothing affects people like a checkbook. You know what I mean? Now, unfortunately for the board, now you guys are all paying attention.

And this is going to really put a dent in some people's pocketbook. It's not over. But I do appreciate the passion. Actually, I'll put it on both sides. That's the problem. We don't have the passion. Yes. Yeah. And, you know, it is... But there's money involved now. So maybe you guys... Money talks. What's that? Money talks. Money talks. Just a quick question. I don't understand how you decide if you're going to run for a two-year or a three-year term. How does that work? The number of votes, right? Well, no, I don't think so. And we can hammer that out because I... You choose. You choose. I want to do it two years or I want to do it three years. And then we could even say that, okay, well, how many votes did you get? Okay, since you got more votes, you get to choose first. Or whatever. There's a... Yeah, and then whatever you choose, if you choose three years, then you don't have a choice. You're... Next term is for two years. I hope this all makes sense. Scott just caught on the cumulative vote I didn't count it, Russ Bick gets two.

He would have had two. I said six votes, I got seven. I do. That's right. Don't change the option. It's okay, just one vote apart. Are we done? Yes. Thank you. All right, guys. We're voting. OK. I'm sorry. I'm sorry. I covered. Voting for term limits. We're starting this side. So yes. Sam. Two for yes. Seven for yes. Two. Three, four, five, six, seven. Oh. Is that ten? Yeah. Thank you. Yes. You're right. Yes. One. One. That's me. One. Which way? Yes. Oh, no. Margaret? No. Okay. No. Robert? Yes. One? One. No, no. I'm fragile, I'm sorry. Okay, up here. Yes. Ken? Yes. Up here. Yes. Yes. Mike? No. Three, four minutes, no. One, two, three. Bill? Two, no. And... Oh, that's right. And then I'm to you. Sure. Okay. You got two minutes! It's not the same number of votes as it was before. 25. Oh yeah, we missed some. Did somebody not vote? Did you vote? Yeah, I just put two. Yeah, I put two. Well, count your votes. You should have 27. Because Alvaro couldn't vote. Yeah, so we're missing two. Yeah.

For lack of interest. Did I miss somebody? It looked like it was only me. Believe me, if two votes were no, it still would pass. It still would pass. It doesn't matter. It passes this time. Okay, can we take a break? No. No. Yeah, that's it. Oh, yes. Got it in our limits. All right, so. So the 500 came in. Yes. Yeah, so that whole, I think we strike the whole section and put this document in here. Is that how you do it? It's the old section that's all sealed now. What's the initial? You choose either two or three. They're right there. When you get a letter, that's your... Try it for two. Oh, here it is. I like it. I like it. I like it. I like it. Thank you. Thank you. Thank you. Yes. Thank you. Thank you. Thank you. Thank you. . . . Thank you. Thank you. I'm leaving. Leaving. How? Okay. Okay. Thank you. Thank you. Thank you. Thank you. Thank you. Thank you. It's half o'clock.