

The Blue Stone Ditch Association  
Board of Directors Meeting  
March 30, 2023

A meeting of the Board of Directors was requested by Kathy Haas and was held Thursday March 30, 2023 at 6:30 PM at the DeBeque Fire Station. All board members had been notified by phone, text and email. Those present at the meeting were -

Marvin Fender - President  
John Hilderbradt - Vice President  
Guy Herwick - Director  
Zach Pigati - Director  
Kathy Haas - Secretary

Also present -

Cyndie Graham - Treasurer  
Rich Livingston - Attorney for the Ditch

The meeting minutes were discussed and how to get them to shareholders. Meeting minutes from the annual meeting are currently not available to shareholders until they are approved at the next annual meeting by shareholders and the board. The question was whether or not the board could approve the annual meeting minutes without the shareholders and Rich said no. Historically, if anyone had a question they would call Cyndie and she would send them a copy. Board will work on ways to make the minutes more readily available to shareholders.

Rich brought up that at the board meeting in January that there was a misunderstanding as to who and how the vote was conducted for certain positions within and related to the board. This was in reference to Cyndie Graham taking both positions of Secretary and Treasurer. It was agreed that 3 out of 5 board members did not vote this way. It was decided that Cyndie Graham will remain as Treasurer for the calendar year and Kathy Haas will be Secretary.

Zach pointed out how much of a value Cyndie brings to the ditch with her knowledge and years serving on the Board and hopes we can all work together to transition the positions. Zach also pointed out that moving forward, it will be important to open the line of communications between the Board Members so that all members can be involved. Rich said we need to create redundancy within the Board positions in case something happens to a Board member. Rich also suggested the formation of sub-committees (finance, grants, etc) to help handle budget and future issues with the Ditch. Every Board member should clearly understand all roles and positions,

Rich suggested that volunteers will not work forever for the jobs that need to be done on the ditch. We may eventually need an Executive Director. All employees of the Ditch will have to

follow the new employment laws (Payroll, Workman's Comp, etc) We will need to look at raising share amounts in the future.

Our current insurance company does not allow volunteers on the ditch and does not recommend waivers for volunteers. Are there other companies that would fill this need? If we have another entity working on the ditch, they have to have their own insurance. In order to have someone back up Guy as the Ditch Rider, we are going to have to hire someone to follow him.

We need to have meeting agendas and voting items ready to present to shareholders prior to the annual meeting. Mailed out or presented digitally. One of these being the amount per share that we pay?

What do we vote on as a board as representatives of the shareholders vs items that are voted on by the shareholders?

Rich pointed out that the change in the demographics of the owners on the ditch and the increase in the number of owners will continue to change the operations of the Ditch.

Kathy voiced a concern about leadership and whether all board members would be on board and positively contributing to the changes that need to be made to the ditch and Rich commented that if there were any questions about leadership it should be put to the shareholders vote at the next annual board meeting.

Grants were discussed. Who gets to vote on grants - Rich suggested that although the Board will generate the information and suggestions for any Grants, that the final decision about moving forward with Grants should be put to a vote by the Shareholders. We would not move forward with any grants until we are able to show shareholders that we are making these decisions with a fiscal responsibility at the forefront. We also discussed which decisions should be Board decisions or decisions that are voted on by the shareholders.

We talked about ways to clearly communicate as a board and creating emails for each Board Member so that we could communicate through email. The current decision is to communicate via group texts until we can come to a decision on the best way to share information and ideas among the board members. We also discussed the importance of having better communication with shareholders regarding what is going on with the Ditch. This can be accomplished through collecting phone numbers, emails and reporting Ditch instances through the website.

All Board members have come to mutual agreement that all decision making will involve all Board members moving forward.

We discussed how important it will be moving forward to communicate with shareholders about increases in fees and Special Assessments. No one wants to spend more money than we need to, but pay less than any other shareholders in the state and we will have to potentially increase

payments to ensure that we can move forward with improvements. We need to consider what the reserves are in the bank account.

Proxies were discussed. Historically, all meetings have required proxies to require the Quorum. Proxy says an individual is given power to use their vote. However, the way it is being done at the moment, does not follow Robert's Rules. Discussed the need for written ballots on larger issues. If we want absolute certainty that the wishes of the shareholders are being addressed, then we may need to take larger votes to a paper vote to shareholders.

The primary functions of the annual meeting are the elections of the Directors and approval of the budget. We need to provide this information to shareholders prior to the meeting.

Rich pointed out that as Board members we should be meeting at a minimum of every quarter - if not more. We need to properly document all decisions and how they decisions were made.

It was asked by Marvin if shareholders were allowed to attend board meetings and the answer is yes. Executive sessions are called for in cases of member issues or lawsuits.

We discussed the Bylaws stating that there is 1 vote per share. It was pointed out by Rich that this creates a situation where large shareholders can control the majority of the votes. It was recommended by Rich that we amend the Bylaws to allow 1 vote per shareholder. The Bylaws restrict the share ownership of the water to the property that the shares are attached to. However, Colorado Law states you can sell your land, but retain the water rights associated with the land - you just cannot remove the water except from the point of diversions and can only be used on the land that the water was designated for.

Leasing water was brought up. Kathy asked how do we know how much water each individual is able to lease out if water use is not metered? Rich responded by saying historically that the Ditch Rider knows what each person is doing and how much they are using.

The locking of head gates was brought up. If head gates are shared between landowners then some type of sub-agreement (or laterals) may need to be formed to determine how the water is distributed, especially if someone sharing the headgate has not paid on their dues. There are delinquent shareholders that will be notified and will have locks put on the gates. John reassured Guy that it is not his sole responsibility to inform these individuals - that we would address it as a board.

Rich has recommended that we have a committee that ensures that we have a reserve that covers any emergency repairs, litigations, equipment, etc. We do not have a fiscal policy that says how much money we should have in reserve. This should be the responsibility of the board. A budget should also be set prior to each annual meeting for the upcoming year.

Rich also pointed out that all Board members should walk the entire length of the Ditch. The Board is scheduled to do this April 15th at 9am. We will be meeting at Guy's house. It is expected to take approximately 6 hours.

The Boulder that rolled into the ditch right before the narrows has to be removed before we can let the water run. We received a bid from Rock Solid Solutions. John and other Board members said there are no other companies that do this. The Carnahans will then have to haul it off. Board will look into details of additional costs for clean water, etc that may cost more. This needs to be done as soon as possible. Rich pointed out how important it is for the Board to make sure all factors are considered when hiring subcontractors to perform work on the Ditch. The idea of renting equipment and doing the work ourselves was brought up, but Cyndie re-stated that our current insurance would not cover this. The pipe that is being put in will either be a half or full pipe and also a "catwalk" has to be created for Guy to be able to access the area. Drainage that comes from the south runs under the flume, and a spillway on the other side which puts Guy on the wrong side to be able to shut it down.

Cyndie said we had 1 response to buy the piece of equipment that the Ditch owns. The only response was from Brian Sheley for \$6000. The Board unanimously voted to allow Brian to purchase the equipment. Kathy will send Brian an email regarding payment and requesting that the equipment be removed no later than April 30th from its current location - weather pending.

Cyndie also reported to the Board that we are not required to pay Federal Income taxes. She brought minutes and financials to the meetings and Kathy asked if she could borrow the files to scan them into a digital format. Rich brought up to remember that when shareholders are requesting information, the Board should always have on record as to why they are requesting that information. Kathy requested to digitally scan the copies and Cyndie told her she would scan the copies to Kathy and share with the Board members in the next few weeks. The Board requested that the P&L's be presented in a way that shows where the expenses incurred (what parts of the Ditch were involved)

Kathy presented the Board with a questionnaire she created for shareholders to gain more information about the projects and visions that are currently being looked at by the Board. The Board unanimously voted in favor of Kathy sending the survey out. Rich reiterated that we need to focus on recording procedural decisions during our meetings.

Rich has informed the Board that this is his last year. The Board voted to allow Kathy and John to work together to form a list of potential attorneys and obtain proposals from them to provide legal services to the ditch starting in January of 2024. Rich feels that a new firm should be able to come in and present what they are able to offer us on their own terms. It may be difficult to find an attorney that is willing to work with our evening meetings and the drive time to DeBeque. Rich again reminded the Board to look at our current fiscal obligations prior to committing to future projects. Maybe reach out to Ute Valley and Grand Valley Power to see who they are using.

We have a deadline to present an engineering study proposal to the Water Roundtable May 22nd. This will be a study that will be conducted to update the state of the Ditch study that was done in 2009. Kathy has been reaching out to local engineering firms to obtain bids for this job. This will be paid for through Grants from the Water Roundtable and the Colorado River District. The Ditch may have to put a small amount of money in to meet the requirements of the Grant.

John mentioned that it would be a smart fiscal decision to purchase a brush hog that would be compatible with multiple makes of equipment.

Cyndie wanted to know if we wanted to approve past meeting minutes. The Board asked that Cyndie provide copies of the last minutes so that the Board could review them and approve them at the next meeting.

Motion to adjourn - all approved. Meeting was adjourned at 8:56PM.