

Minutes to ICWC Board of Director's Operations Meeting

December 18, 2020

1. Meeting was called to order at 10:05am
2. Finance Report: (Giles and Cheryl)

The November financials were successfully completed in the new chart of accounts and in a consolidated format. They were posted to the reports section of the website.

There is still some ongoing cleaning of dormant accounts and entries on the balance sheet, which will be reflected in the January 2021 reporting.

The company currently has 3 bank accounts:

- Current Account
- Contingency
- Capital

All accounts have electronic management and bill pay is automated.

Lock box billing implementation will commence in February.

A revised contract with Cheryl's new company was executed by Giles effective January 1st 2021.

AQuality Water Co. contract will be assigned to ICWC effective January 1st 2021.

In transferring our APS accounts from ICRWUA to ICWC, APS required a \$33K security deposit (refundable in 2 years). This was an unanticipated closing cost.

It was determined that ICWC would write off the asset value (approx. \$8K) of the old brass meters. Attempts to sell them have not been successful due to COVID.

It was agreed that Cheryl will file the 2020 taxes for ICRWUA as a "final filing".

Taxes and reporting for ADEQ and ADWR/ACC will be filed for both companies.

Bob and Cheryl agreed to look through their records to see if there were any reserve accounts required for the WC or TRR development agreements.

3. Election 2020

Three nominees are expected to apply for the two open seats.

Ballots and Bios will be sent out approximately December 28th. They are due in by 3pm on January 21st.

Ballots will be counted at 10am on January 22nd Cheryl has requested the meeting room at her office complex. The room can safely hold 10 socially distanced persons. Cheryl will have a team of three plus herself. Bob volunteered to monitor on behalf of the board. That leaves five places for other people wanting to witness the count and verification. The first three will be offered to the candidates and a

notice for the remaining two (more if candidates do not accept) will be posted to the website and the first to request the available spaces will be granted access.

Results will be included in the January billing.

A final list of invalidated voters was reviewed and approved by the board. There were 11 meters that will not receive a ballot due to not being in good standing with the company billing process.

4. January Board Meeting

The first board meeting will be held telephonically on Tuesday January 26th at 10am.

Mark will arrange and test the conferencing subscription. The board may need to be in one location to allow all other attendees to be muted to avoid interruptions. TBD

A notice of the meeting will be posted early in January, and it will include the agenda. The agenda will include the seating of the new board members and an election of officers and a thank you to Bob. Mark volunteered to take over the president role, and Giles and randy agreed to continue in their current capacities.

The topic of the upcoming rate case will be deferred until April.

5. ARC Update

Mark has had several written communications with members of the former ARC board. A request was recently received to have the ICWC sponsor an election for the ARC board.

It does not appear that the ARC board understands the relationship between the ARC and the ICRWUA entity. For this reason, a description of what the ICRWUA board planned to do to facilitate the reinstatement of the ICR Lot 1-180 ARC was summarized in a communication to the former ARC board and posted to the website. (see attached). The ICR Lot 1-180 owners have been given until January 15th 2021 to submit 3-5 volunteer names for appointment to the ICRWUA board. If this does not occur, the existing ICRWUA board will resign, and the entity will become dormant.

Bob volunteered to investigate the legal requirements for the DBA and the wording changes to the bylaws. A ICRWUA board meeting will be called some time in Q1 of 2021 to take whatever appointment/resignation actions are required.

Mark will get access to all hidden ICRWUA records for all ICWC board members to allow research for this effort. It may take some time due to the holiday period.

6. Insurance Plan

Mark has been working with our insurance broker to determine coverage going forward. ICWC is currently covered by the ICRWUA policy for both liability and D&O.

It was agreed that ICWC should have its own policy with no linkage to any past entity. It was also agreed that some lower level of Officer protection needed to be maintained on the ICRWUA entity for at least next year. Mark will report back with progress.

The current policy renews in February so the goal is to have the changes on or before then.

7. ACC transaction punch list

Mark will change website emails. Cheryl to forward new gmail addresses.

Giles will complete the process required by APS.

8. TRR sufficiency study

The board accepted the sufficiency study provided by Katie Geyer. The TRR wellfield report will be available shortly. The board agreed that the study and its conclusion should be provided in the form of a letter to Jay Frank and Peter Burger after the new board is seated, and that Jay should be invited to an official board meeting (with minutes) to discuss the findings and explore options.

Meeting Adjourned at 11:15am

SPECIAL UPDATE – Disposition of ICR Lot 1-180 Architectural Review Committee (ARC)

Dear ICWC Members:

This information applies most directly to lot/home owners in Lots 1-180 in the ICR development. For all other members, this communication is for information and transparency purposes only. Please feel free to forward questions to the ICWC board if you have them.

As you will recall, in October of this year ICWC became the Water Utility authorized by the State of Arizona to supply water to our 4 communities. The primary reason this change was proposed and implemented by the Board of Directors of both the ICRWUA and ICWC companies was to eliminate a legacy legal connection that the ICRWUA had to an Architectural Review Committee (HOA) associated with Lots 1-180 in the ICR development. During the changeover process, the board of the ARC was suspended so as to eliminate any potential liability to water customers based on ARC proceedings.

During the change process, some discussions with owners of Lots 1-180 in the ICR development occurred with respect to re-instating the ARC after the Water Utility was separated from any connection to it. Our response has been that we would be supportive of that, but that the organization and implementation of that re-instatement would have to come from the ownership group themselves.

That being said, due of the way the Lot 1-180 CC&R's are written (currently), the ARC cannot exist without the presence of the ICRWUA legal entity in some form. In order to provide an environment and opportunity for the lot/home 1-180 owners to re-instate their ARC, the ICRWUA board has offered to perform the following actions:

1. The ICRWUA board will file a DBA with the appropriate authorities, adding the name of "ARC for ICR Lots 1-180" to ICRWUA.
2. The ICRWUA board will vote to amend the membership and voting clauses of the company bylaws to facilitate seating of a new board for the ARC for ICR Lots 1-180 entity, with provisions for subsequent elections.
3. The ICRWUA board will maintain insurance on the entity for the 2021 calendar year.

The board will then ask that the Lot 1-180 ownership group, through whatever means it deems fair and appropriate, submit between 3 to 5 names of volunteers to be appointed to the ARC for ICR Lots 1-180 board. If there are more persons interested in submitting their names for consideration, it will be up to the Lot/home owner's group to have a process to select the names for submission. All board term and resignation provisions will remain intact.

The current board of the ICRWUA will appoint the named volunteers to the board of directors of the ARC for ICR Lots 1-180 entity and the current ICRWUA board will resign. The new board may determine how the ARC is managed and operated going forward, and will have full control of the entity subject to the articles of incorporation and bylaws. Change control of articles and bylaws will be the same as currently exists.

These actions will only be performed if monies are released from the ARC bank account to pay the current invoice to the ARC from ICWC for deposit refunds paid out on the ARC's behalf. If this does not occur, or there are insufficient volunteers to staff the required minimum three -person board, the

ICRWUA board will resign without appointing a new board, and the ARC will remain inactive until the ICRWUA entity is lapsed by the State of Arizona.

The ICRWUA board is setting a deadline of January 15th 2021 for submission of the volunteer names. They may be submitted to Mark Armstrong, VP Operations ICRWUA, via email. Those members will be contacted to verify their intentions at that time. We believe that this is a very good-faith effort to support the goals of this portion of our membership.

Regards,

Your Board of Directors,

Inscription Canyon Water Company