

# High Knob Utilities, Inc.

## Annual Shareholders Meeting

Oct 8th 2007

**Call to Order:** Dave Henderson called the HKUI annual shareholders meeting to order at 7:05 PM. Other HKUI Board members in attendance were Keith Arnett, Josh Douglas, and Thomas Ricks.

**Previous Minutes:** Minutes for the previous annual meeting were not immediately available. Josh Douglas moved that the board members review, correct as necessary, and approve the minutes via email. The motion was seconded by Keith Arnett and approved unanimously.

**Treasurer's Report:** Chase Ragsdale was present and gave a written report, which is included here by reference. He noted that billings for the year are projected to be close to exactly on budget, and that maintenance costs are expected to be under budget. Josh Douglas moved to accept the report, with the notation that approximately \$16,000 paid toward loan principal was not reflected in the report. Keith Arnett seconded the motion, and the report was unanimously approved. There followed a discussion of how much cash needed to be left in checking for operations for the remainder of the quarter, and Chase Ragsdale estimated this amount at \$30,000. This meant that there was approximately \$38,000 in cash that could be moved elsewhere, plus the value of the current certificate of deposit, which was approximately \$36,000. Chase Ragsdale had researched some options, and presented them as follows: 1) a 13-month certificate of deposit at Rappahannock Bank bearing 5.2% interest; 2) Either a 6-month or 9-month certificate of deposit at United Bank bearing 4.9% interest. Keith Arnett commented that he would prefer to see a capital improvement fund developed in excess of \$100,000 before any more money went to early loan repayment, especially given that the loan repayments and interest rate are fixed for 20 years. Josh Douglas and Dan Althouse urged putting money toward early loan repayment instead. Keith Arnett suggested that perhaps a change to by-laws could be adopted that would require HKOA board approval for capital expenditures. Dan Althouse mentioned that 15% of annual gross receipts is the regulatory limit for contributions to a capital fund, and that he thought there was no limit on how much could be held in such a fund. Keith Arnett moved that the board adopt a goal of \$125,000 for a capital improvement fund, after which excess cash could be divided 50/50 between the fund and early loan repayment. Thomas Ricks seconded the motion, and it was approved unanimously. Dave Henderson suggested that the issue of whether there is regulatory limit on the total size of a capital improvement fund be further researched before consideration of the possibility of an increased tap fee. Returning to the issue of cash on hand, Keith Arnett moved to approve the purchase of a 13-month certificate of deposit in the amount of \$75,000 at Rappahannock Bank. Thomas Ricks seconded the motion, and the board approved it unanimously. Keith Arnett then moved that the certificate of deposit to be purchased be designated a "reserve fund" (as opposed to the term "capital improvement fund" used in the foregoing discussion). Thomas Ricks seconded the motion, and it was approved unanimously.

**Staff Reports:** Chase Ragsdale reported that he had a message from Daniel Pond earlier in the day in reference to HKUI's litigation against Garth Gatlin. The message indicated that Mr. Pond needed an itemized breakdown of HKUI's claim by Wednesday, September 12<sup>th</sup>. Dave Henderson noted that this information had already been provided, and Chase Ragsdale responded that the message from Mr. Pond indicated that the information provided was inadequate. Dave Henderson then noted that a settlement offer had been made by HKUI on Friday, September 7th, and that the response was unknown. Doug Stanley, who was in attendance at the meeting, volunteered to contact Daniel Pond at home immediately and find out the status of that offer. When he returned to the meeting, he reported to the board that the settlement offer had been rejected, and that Mr. Pond indicated that how the amount owed by Mr. Gatlin was calculated was the information he still needed.

**Water Operator's Report:** Dan Althouse was present for the meeting and submitted a written report, which is included here by reference. He noted that unless usage figures dropped during the subsequent month, he would want to call for voluntary water conservation measures, but that he expected that the anticipated seasonal variation in usage would curtail the imbalance.

**New Business:** There was a discussion of the ongoing problem of electrical power outage on the mountain. Dan Althouse noted that this is not merely a nuisance, but also an operational problem for the water system, because chlorine calibration is lost whenever there is a power outage. Keith Arnett noted that Allegheny Power has requested that residents report any and all outages so that they can track data with the purpose of identifying the cause. Josh Douglas suggested writing a letter of complaint to the state regulatory commission and providing a copy to Allegheny Power. Dan Althouse noted that the SCADA system notes the time and location of outages, so there is a record of outage data. Josh Douglas then moved that the board authorize Dave Henderson to write the aforementioned letter. The motion was seconded by Keith Arnett and approved unanimously by the board.

The annual meeting was tentatively scheduled for October 8th, 2007.

**Adjournment:** Keith Arnett moved to adjourn. The meeting was adjourned by Dave Henderson at 8:06 PM.

Thomas Ricks  
Secretary, HKUI Board