

FIRE MOUNTAIN CANAL & RESERVOIR CO.

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ANNUAL MEETING

January 20, 2011

The annual meeting of the Fire Mountain Canal and Reservoir Company shareholders was called to order by President Dixie Luke at 7:30PM. Directors present were Bill Houseweart, John Stroh, Dan Robinson and Wes Spore. Also present were Bob Madden and Trey Denison.

Superintendent Report:

Trey Denison spoke about the work accomplished in 2010, adding details to the items listed in the newsletter that had been sent to shareholders. Trey also reported on the safety inspection, current snowpack and that there had been 159 irrigation days last season.

President Report:

President Luke spoke on the state of the Fire Mountain Canal and Reservoir Company covering several major topics including the actions that have been taken to predict vulnerability and protect the canal from breaks and other failures caused by extreme weather, results of salinity and selenium studies, the continuing sedimentation study at the dam, the remodeling of the campground at Lost Lake, the installation of the automated gate controls at the reservoir and grants received.

Paul Schmucker and Wes Spore have been working with the USFS on permission for signage at the Lost Lake campground, complete with a historic picture provided by the Chermak family, that will credit the shareholders of the Fire Mountain Canal.

President Luke also spoke about training seminars attended by Trey Denison, Scott Howell and members of the Board, results of the financial compilation, construction of an equipment shed, an inventory of company owned tools and equipment, off-site storage of digital records, developing a policy on weed control, exploration of hydro possibilities, research being done into the purchase of a backhoe and creating an informational brochure for people living along the canal.

President Luke discussed the meetings held in 2010 and reminded shareholders that regular monthly meetings are held on the second Thursday of each month at the Hotchkiss annex at 7:30 and the public is always welcome to attend.

During a discussion on salinity, Myles Roberts reported that the Bureau of Reclamation will be doing additional salt load studies.

Other discussion included Ed Tuft's concerns regarding damage outside of the right of way on Sunshine Mesa during work on the canal, and questions as to access to the ditch easements. Tom Blanford discussed the maps and surveys available from the Bureau of Reclamation. Trey met with Mr. Tuft during the election to discuss his concerns.

TREASURER REPORT:

Randy Fisher presented the 2010 financial report and reviewed the line by line items, providing additional details where necessary and explaining changes from prior year expenses such as lower fuel costs vs paying mileage reimbursement.

Secretary-Treasurer Randy Fisher reported that a quorum was present at the annual meeting.

The meeting then opened to nominations for the positions on the Fire Mountain Canal Board of Directors.

Bob Madden nominated Susan Raymond and the nomination was seconded by Norman Lewark.

Myles Roberts nominated Wes Spore and the nomination was seconded by Dion Luke.

Danny Cotten nominated John Stroh and the nomination was seconded by Ron Smith.

Jerry Dance moved that the nominations be closed, Dion Luke seconded and the motion carried.

The credentials committee of Steve Ruder, Marilyn Blanford and Ralph Dalisandro was appointed, followed by introductions of the candidates.

The vote of the shareholders was taken and the credentials committee reported the results. Directors Wes Spore and John Stroh were reelected to the Board.

The annual meeting of the shareholders of the Fire Mountain Canal and Reservoir Company adjourned at 9:00 PM.

Respectfully submitted,



Randall W. Fisher
Secretary-Treasurer

ATTACHMENTS:

- 1) President Luke presentation at the annual meeting
- 2) Shareholder newsletter

No breaks during the 2010 delivery season. It is the goal of the board to deliver water efficiently, safely, and economically. During the water season we expect one of our employees to travel the entire length of the ditch daily. An August cloud burst below Terror Creek caused some panic, but the undershot work as designed and kept the ditch from overtopping. Trey and Scott were on location within minutes of the first call. There had been a smaller event the week before and Trey was able to get Chesnik Construction on the ditch quickly. All undershots were cleaned this fall to insure effective operation. BOR wrote letters to irrigators above the canal who have tail water flowing into the canal regarding their responsibility to control this. In April we expect to receive a report from a consultant hired by BOR as part of the Urbanized Canal Program. Aerial photographs and on the ground wet and dry inspections were done to look for areas that might be vulnerable to failure and cause significant loss of property or potential loss of life. We have attended meetings and had numerous phone conversations hoping to find money for canal lining through the salinity or selenium reduction programs but the number for loading in our area is not significant enough for us to bid in these grant programs.

11 board meetings were held beginning at 7:30 at Court House Annex in Hotchkiss. Visitors are always welcome. A 12th meeting was at the Reservoir in October to review the gate automation project. Several board members visited various canal sites to review work and meet with shareholders. Trey Denison, Randy Fisher, Wes Spore and Dixie Luke have attended trainings/workshops in Denver, Grand Junction and Delta. Bill Houseweart and Luke serve on the board of the North Fork Conservation District. Luke is an at-large representative on the Gunnison Basin Roundtable. Denison and Spore have worked with Forest Service, Gunnison Cty, and the contractor remodeling the Lost Lake Campground. Spore and Paul Schmucker are working with FS to add historic signage at Lost Lake to increase awareness of Fire Mtn/irrigators part in developing recreation opportunities. Luke has attended BLM Wild & Scenic Rivers stakeholders meetings. Dan Robinson is distributing winter stock water on Rogers Meas.

Sedimentation Study funded by Gunnison Basin Roundtable Final report will be available in spring. The preliminary report (fall 2009) indicated flushing during high water should maintain the current sedimentation level. Agricultural production cannot pay for silt removal.

Automation of gates on the Paonia Reservoir and Bowie dump station BOR grant \$20500, CO R Water Conservation District \$11480, and North Fork Conservation District up to \$5000. Work was completed 12/30/2010. Some fine tuning of the system will be necessary when we go into storage/delivery season 2012. This should make delivery of calls more timely, save \$\$ when gates can be operated via computer rather than driving to the reservoir and save water as measurements will be more precise. We are encouraged by CRWCD to do more automation to enhance efficiency of delivery and safety. T Denison met with BOR personnel and Brian Mitchum of Mtn Peaks Controls last week to review possible future projects. BOR staff urged that we develop a comprehensive plan and incorporate it into our management plan and go back to BOR for grant money.

Others: Financial compilation was completed. Inventoried & built a portable storage shed for equipment owned by the company. Weed policy in progress. Discussing a brochure for people living along the canal. Exploring purchase of a backhoe.. Exploring hydro possibilities. All records in digital format and stored off site.

FIRE MOUNTAIN CANAL & RESERVOIR CO. WINTER 2010 NEWSLETTER

ANNUAL MEETING

The annual meeting is Thursday, January 20, 2011, at 7:30 PM Memorial Hall in Hotchkiss, Co. If you cannot attend, please mail in your signed proxy card. Copies of the Treasurer's report will be available at the meeting. You may request a copy by calling Randall Fisher, Secretary, at 970-527-3662.

GOOD NEWS

Because there were no major unforeseen expenditures, the Board of Directors rolled back the 2010 assessments to \$.80 cents per share and user and transfer fees were not increased.

The Bureau of Reclamation performed a complete review of the operations and maintenance contract and found that Fire Mountain Canal and Reservoir is in compliance with contract terms.

We are again grateful to the North Fork Water Conservancy District for the contribution of \$7671.00 to repair cost of several projects. They paid for a parshall flume on the Patterson. The assistance received saved each shareholders \$.035 per share. They will also pay up to \$5,000.00 for the new gate controls at the dam.

AUTOMATED GATE CONTROLS

The Company received grants from the Bureau of Reclamation, Colorado River Water Conservancy District and the NFWCD has committed additional funding for the design and installation of automated gate controls at the Paonia reservoir. The controls have been installed at the dam and the software is being fine tuned. This will allow the Superintendent to control water levels remotely and eliminate trips to the dam, saving time and travel expense.

REPAIRS AND IMPROVEMENTS

More than 3 miles of ditch was reshaped and several small sections of concrete lining were poured. Maintenance has been completed on the Hubbard Creek, Jay Creek, and Leroux Creek siphons. The Leroux Creek diversion, a bank undercut repaired and siphon structure better protected. The Patterson lateral parshall was replaced and a new, safer bridge installed. Work on the Fire Mountain Canal Extension included repairs to ditches and parshalls were reset or replaced. Detailed information on work done this year are recorded in the monthly meeting minutes which are available on the website.

Weed control was another large project this year with FMC employees spot spraying during the irrigation season and spraying of the entire ditch after the water was turned off. Ditch mowing was also done for weed control. It continues to be important that adjacent landowners help with weed and debris control along the ditch bank.

Other work at the dam includes the removal of trees and vegetation at the spillway, the addition of a boat ramp at the stilling basin, access to the south groin of the dam and the construction of a new trash rack at the headgate below Somerset, currently in progress.

CONTINUING EDUCATION

Superintendent Trey Denison attended a five day Bureau of Reclamation training seminar on construction and repair techniques. Both Trey and Scott Howell, ditch rider will attend water management and general operations and maintenance seminars in 2011. Several Board members also attended educational workshops.

WEBSITE

The Company website firemountaincanal.com is an excellent source of information related to canal history, operations, emergency contacts, and meeting times. Notices are posted during the irrigation season for when the water will be turned on and again near the end of the season for the approximate "turn off" date. The "Quick Links" tab gives access to many informative items and includes a link regarding noxious weeds.