

Dear Shareholders:

Below I have listed what the Pine Meadow Mutual Water Company (PMMWC) has accomplished in the past 4 years. All of this was made possible due to the securing a \$3.6 million dollar loan (20 year loan at 3% interest) from the Division of Drinking Water. The split between the State and Federal DDW was as follows; 20% from the State DDW and 80% from the Federal DDW and the loan will be closed on or around November 30, 2010. With this loan we were able to complete and accomplish the items listed below. In closing, the board appreciates all of the patience that was shown during this immense construction process by the majority of the shareholders and we hope the improvements will make your future time on the ranch much easier and much more enjoyable.

Eric Cylvick
President PMMWC

- 1) The ranch has now moved completely out of a construction phase and strictly into a repair and maintenance phase
 - a. Tremendous long term cost savings for shareholders
- 2) Ranch wide fire flow
 - a. Protect your home/asset
 - b. Lower insurance premiums
- 3) Year round water
 - a. All lines should now be buried deep enough for winter use (only time will tell)
 - b. Increased property value
- 4) Two full time Water Company Employees
 - a. Safety improvements (fixing leaks, going in vaults Etc)
 - b. Improved response to summer and winter time water line breaks and other technical problems
 - c. Corporate knowledge protection
- 5) Sufficient water pressure at the top of I-Plate

- 6) We now fully understand the design and layout of the entire water system
- 7) Installation of 135 new fire hydrants
- 8) Installation of 60,000 feet of new water lines
 - a. Reduced the amount of leaks in old water lines by ~2,000,000 gallons per year
 - b. Allowed us to provide adequate supply for required fire flow
 - c. Used bedding sand on all new water line installs
- 9) Installed a 500,000 gallon water storage tank
 - a. Allowed us to provide adequate storage to meet required fire flow
- 10) Completely updated and improved telemetry system
 - a. Includes an auto dialer for leak protection (automatically calls board members if there is a large loss of water)
 - b. Remote access (employees can access the water system anywhere there is internet)
 - c. Remote sensing and control of entire pumping system
- 11) 19 new pressure reducing valves (PRV's) throughout the ranch. This should reduce the amount of broken lines in Forest Meadows.
- 12) Rewired all of the pump houses to current UTAH CODE
- 13) Purchased safer gas chlorinator (Bobcat Springs)
- 14) Improved and consistently updated Web-Site for immediate information
- 15) Purchased additional safety equipment for workers
- 16) Water meters installed at Uncle Tom's Well, Tollgate Canyon Well and between the 500K tank and 200K tank. We will now be able to record the total amount of water being pumped, and then we can back calculate the amount of water being lost
- 17) New road base on effected roads
- 18) Epoxy coated pump houses (weather proofing)
- 19) Stained and re-roofed pump houses where required

- 20) Purchased new side by side, new Ford F-250 work truck, trailer ,mini hoe, track hoe and fully paid off back hoe
 - a. Allowed all work and future projects to be done in house
- 21) Purchased spare parts for the future maintenance
- 22) Built 3000 sq. ft. shop with new office.
 - a. We are able to keep all of our equipment inside and out of the weather, thus reducing maintenance costs
- 23) Renting out old shop space to the Homeowners Association
- 24) Developed new protocols for reading meters
 - a. Re-read with board member present if new meter reading is 20K gallons over previous year.
 - b. Test meter after re-read (completed the same fall as meter reading)
- 25) Additional Income Collection
 - a. Sending shareholders that are one year past due to collections
 - b. We are going to be removing the water rights and locking meters on shareholders who are more than one year past due and have found a way to avoid collections
- 26) Water theft protection from non shareholders
 - a. We will be removing free water taps from Bobcat Springs and at the Gravel Pit
 - b. Shareholders in need of water can contact Water Company for access to Bobcat Springs
- 27) Improved winter time repair protocols
 - a. Insulation and protection of effected area until blue stakes can arrive
- 28) Scrubbing and cleaning of Uncle Toms Well
- 29) Working with hyrogeologist to better understand our sources

- 30) Test Pumped Contact well and put into system with new pump
- 31) Test pumped Salt Box well (no water)
- 32) Put in 7 new meters for testing future meter possibilities
- 33) Drilled test well on Salt Box Circle
 - a. Unfortunately the well came up dry
- 34) Drilling a ~600 foot deep "test" well on Tollgate Canyon Road
 - a. Process begins this month.
 - b. We are air drilling this well to determine when we hit water and what those amounts may be (gallons per minute)
- 35) Options to upgrade existing water meter to our new "remote" radio read meters

Future considerations:

The problem exists that if Uncle Tom's well goes down in the winter, we cannot get equipment into the site to pull and swap out the pump. Because of the amount of water storage we currently have we would more than likely have enough water for indoor use through the winter but it would definitely eliminate the fire protection.

- 1) Develop new water sources
 - a. Develop existing wells on or near PMMWC property
 - b. Develop the Tollgate Canyon Source if it contains a sufficient amount of water
 - c. The general approach is to have enough source that if one goes down then we would have others to supplement through the winter

Take care,

Eric Cylvick

www.pinemeadowwater.com