

PINE MEADOW MUTUAL WATER COMPANY
WATER SYSTEM UPDATE
NOVEMBER 3, 2009

Dear Shareholders:

Below I have listed what the Pine Meadow Mutual Water Company has accomplished in the past 3 years. All of this was made possible due to the securing of a \$3.8 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. We budget that the principle on the loan will end up around \$3 million by the end of 2009 (the loan will be closed on November 30 2009). With the \$3 million 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 share holders
- 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 ect.)
 - 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-Plat
- 6) We now fully understand the design and layout of the entire water system
- 7) Installed a 500,000 gallon water storage tank
 - a. Allowed us to provide adequate storage to meet required fire flow
- 8) Installation of 135 new fire hydrants
- 9) 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 and water tape on all new water line installs

Water System Update, 2009, cont'd

- 10) Completely updated and improved telemetry system
 - a. Includes an auto dialer for leak protection (automatically calls employees 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 leaks
- 12) Rewired all pump houses to current Utah code
- 13) Purchased safer gas chlorinator (Bobcat Springs)
- 14) Improved and consistently updated Web-Site
- 15) Purchased additional safety equipment for employees
- 16) Water meters installed at Uncle Tom's Well, Tollgate Canyon Well and the Booster pump to the 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, 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 future maintenance
- 22) We will sell the track hoe in Fall of 2009 and pay the loan down
- 23) Built 3000 sq. ft. shop with new office
 - a. We are able to keep all equipment inside, out of the weather, thus reducing maintenance costs
- 24) Renting out old shop space to Homeowners Association
- 25) Developed new protocols for reading meters (September)
 - 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)
- 26) Additional Income Collection
 - a. Sending Shareholders that are one year past due to collections
 - b. We are 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
- 27) Water theft protection from non shareholders
 - a. We will be locking free water taps from Bobcat Springs and Gravel Pit
 - b. Shareholders in need of water can contact the Water Company for access to Bobcat Springs
- 28) Improved winter time repair protocols
 - a. Insulation and protection of affected area until Blue Stakes can arrive
- 29) Scrubbing and cleaning of Uncle Toms Well

- 30) Working with hydro geologist to better understand our sources
- 31) Test pumped Contact well and put into system with new pump

- 32) Test pumped Salt Box well (no water)
- 33) Put in 7 new meters for testing future meter possibilities

Future consideration:

- 1) Look for new sources
 - a. Drill an additional well (the location is the question and it would be important to have any new source close to Bobcat or the Gravel Pit
 - b. The other approach is to have enough sources that if one goes down then we would have others to supplement through the winter
 - c. Consider purchasing additional water from Mountain Regional Water Company from a line they are currently installing near A-Plat (no prospective deal has been negotiated at this point)

Take Care,

Eric Cylvick
www.pinemeadowwater.com