

November 10, 2016

Dear Shareholders:

I do apologize for missing the Annual Meeting this year, but I am currently on a business trip in the North East. This is the first Annual Meeting I have missed in 16 years.

We, the Board of the Pine Meadow Mutual Water Company (PMMWC), would like to share with you, accomplishments over the past 9 years. All of them were made possible due to securing in 2006, a \$3.6 million dollar loan & in 2011, securing access to an additional \$3.1 million dollars line of credit (30 years at 3% interest) from the Division of Drinking Water (DDW). The split between the State and Federal DDW was as follows; 20% from the State DDW and 80% from the Federal DDW. The 2nd loan closed on September 1, 2011. With these two loans, we have been able to complete all items (1-39).

In closing, we appreciate all of the patience that was shown by the majority of the shareholders during the immense construction process. We hope the improvements will make your future time on the ranch much easier and much more enjoyable. Take care ~Eric Cylwick, President

- 1) The Pine Meadow Ranch has moved into a preventative maintenance and improvement phase.
- 2) Increased Fire Flow
 - a) Tremendous long term cost savings for shareholders
 - b) Home/asset protection
 - c) Lower insurance premiums
- 3) Year round water available throughout the Ranch
 - 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
 - b) Improved response to summer and winter time water line breaks and other technical problems
 - c) Corporate knowledge protection
- 5) Installation of 135 new fire hydrants
- 6) Installation of 60,000 feet of new water lines
 - a) Reduced leaks in the old water lines by ~2,000,000 gallons per year
 - b) Allowed adequate supply for required fire flow for majority of Ranch
 - c) Used bedding sand on all new water line installs
- 7) Installed a 500,000 gallon water storage tank
 - a) Allowed us to provide adequate storage to meet required fire flow
- 8) Completely updated and improved telemetry system
 - a) Remote access so employees can access the water system anywhere this is internet
 - b) Remote sensing and control of entire pumping system
 - c) Installed new "smart meters" that can be read remotely
- 9) 19 new pressure reducing valves (PRV's) around the Ranch to reduce broken lines
- 10) Rewired all of the pump houses to current UTAH CODE
- 11) Purchased safer gas chlorinator (Bobcat Springs)
- 12) Improved and consistently updated Web-Site for immediate information
- 13) Purchased additional safety equipment for workers
- 14) Water meters installed at Uncle Tom's Well, Tollgate Canyon Well, between the 500K and 200K gallon tanks
 - a) Capability to record total amount of pumped water, and reverse calculate the amount of lost water
- 15) New road base on affected roads

- 16) Epoxy coated pump houses for weather proofing
- 17) Stained and re-roofed pump houses where required
- 18) Purchased Ford F-250 work truck, Side-by-Side, Trailer, Mini-Hoe, Trackhoe, VAC Trailer, Paid-off Backhoe
 - a) Allows all work and future projects to be done in-house
- 19) Purchased spare parts for future maintenance
- 20) Built 3000 sq. ft. shop with new office
 - a) All equipment is stored inside, out of the weather, which reduces maintenance costs
- 21) Rent out old shop space to the PMRHOA
- 22) Developed new protocols for reading meters
 - a) Test meter after re-read (within one week of excessive meter reading, a charge to shareholder)
- 23) Collections protocol established
 - a) Shareholders that are 1 year past due are sent to Revenue Recovery for collections
 - b) More than 1 year past due, shut-off notice sent, meter locked out until paid in full
 - c) 2 years past due, water share sold and lot is dry, devalued and unbuildable.
- 24) Water theft protection from non-shareholders
 - a) Removed free water taps from Bobcat Springs and the Gravel Pit
 - b) Shareholders in need of water can contact Water Company
- 25) Improved winter time repair protocols
 - a) Insulation and protection of affected area until Blue Stakes can arrive
- 26) Scrubbing and cleaning of Uncle Tom's Well
- 27) Test pumped Contact Well and put into system with new pump
- 28) Test pumped Salt Box Well (no water)
- 29) Drilled test the Well on Salt Box Circle, well came up dry
- 30) Drilled a 300 foot well on Tollgate Canyon Road
 - a) Air drilled this well, well site was developed and produces 35 gallons per minute
- 31) Upgraded existing (459) water meters to the new "remote" radio read meters
 - a) Detection of leaks that saved thousands of gallons of water at the shareholder's expense
- 32) We are designated a Community Water System by the DDW
- 33) Developed new water sources
 - a) Developed existing wells on or near PMMWC property
 - b) The general approach is to have enough water sources if one goes down
 - c) Rocky Mountain Power informed PMMWC that all power to the Ranch will be shut off if there is a wild fire
 - d) With no power available, there is no way of refilling the storage tanks to fight the fire and when the storage goes dry the fire department will leave the ranch.
 - e) Arranged to have water available to fight the fire
- 34) I-Plat Bypass line
 - a) Installed a new water line from Elk Road to I-Plat to ensure the I-Plat will have sufficient Fire Flow Protection and adequate pressure
 - b) I-Plat will now be supplied off the 200,000 gallon tanks rather than the 500,000 gallon tanks
 - c) Changes in supply storage will allow us to decrease the water pressure along Pine Meadow Drive which will greatly reduce the number of leaks on Pine Meadow Drive
- 35) Looked into developing Amoco Well on Oil Well site in Forest Meadows
 - a) Currently this well is being used by Aspen Ridge and PMMWC feels it has a security interest in this well.
 - b) We pulled the existing pump and used scope and camera down the well to see the condition of the casing that was currently in the ground
 - c) To determine the production of this well, a 24-hour test pump was used
 - d) Our tests determined that this well was not worth the cost of improvement
- 36) Installed two new pump houses, one on Oil Well Road parking lot and one at Bobcat Springs
- 37) Paved 4,300 feet of lower Tollgate Canyon Road in order to bring that section of road back up to the standard it was prior to beginning construction in 2006.

- a) Improved access to our water sources and equipment which expedited the process of annexation into the North Summit Fire District
- 38) Installed a new water line connecting PMMWC with Stagecoach in order to obtain emergency water flow from Mountain Regional Water SSD (MRWSSD).
 - a) Added an Emergency Exit road between Stagecoach and Pine Meadow
- 39) Upgraded the booster pump station between the 500K tank and 200K tank
 - a) Currently the booster pump can only supply 40 gpm to the 200K tank so a larger booster pump will supply over 200 gpm in emergency situations