

ATTN: SHEEP CREEK WATER COMPANY SHAREHOLDERS

Six years ago California issued a compliance order and imposed a building moratorium on Sheep Creek Water Company. This has been a difficult time for our community and water company. For years, we have been told the problem was the long drought, no water in the wells...

Enclosed with this letter you can see Sheep Creek's letter to the State Water Resource Control Board in December 2023. Richard Trower requested this letter from the SWRCB, and wrote the analysis you can see on the flipside. Mr. Trower passed away peacefully this past March. If you knew him, you knew he was a thoughtful, insightful, and caring man. And you probably got an earful about Sheep Creek Water Company being mismanaged. I miss him :-(

Well guess what? There's MORE to this story...

In Sheep Creek's letter to the state, they make clear that the water crisis was NOT caused by drought. Nope. **Turns out the company had failed to do basic maintenance on OUR wells.** The water stopped flowing because our hard water clogged and caked the bottom of the wells. Because the water stopped flowing, the state ordered us to dig more wells.

We've spent almost **\$4 million** digging three wells. We don't need the water in these wells. The refurbished wells and the tunnel provide all the water we need:

- The company hasn't run Well 11 for anything other than basic testing in several years. It's expensive to run.
- Well 12 was abandoned after hitting bedrock during drilling.
- Well 13 is even more expensive to run than 11, it takes lots of power to pump water 1900' to the surface. SCWC hasn't announced total construction costs, but I gather from Board meetings they are over \$2 million.

~**\$4 million.** Around **\$3000 per meter.** Paid with assessments, higher monthly fees, and more expensive water.

There's also our unused Well 10 in LA County. All the money spent digging the well and litigating the court adjudication was spent for naught. Today Well 10 gathers dust – we have never seen any water from that well.

In July 2024 SCWC changed the water allocation, allowing each share to receive the same amount of water. This was a direct result of a lawsuit I filed in 2023, representing myself, alleging the previous allocation violated our own Articles of Incorporation, which treats all shares equally. After I won a pre-trial hearing April 2024, the Board supported shareholders voting last May to change the allocation after Well 13 was complete. (as of this writing, it is still not finished and fully operational).

I refused to end the lawsuit until Sheep Creek Water Company followed the Articles of Incorporation and treated every share the same. In June 2024, the Board changed the water allotment, and after seeing the updated bills, I filed to dismiss the lawsuit. I received no money from this lawsuit. Never meant to.

We cannot afford leadership that does not respect basic shareholder rights and mismanages company assets. According to the latest Master Plan we need to spend millions of dollars on infrastructure improvements. We've just spent millions on wells we can't use or don't need. Simply put - we cannot afford this kind of leadership anymore.

If you don't appreciate the work the current Board has done, please sign and return the enclosed proxy form so I can vote OUR interests at the Annual Meeting. Together we can make a difference!

SCWC Budget/Actual Expenses

2018 Actual: \$1.2 million
2019 Actual: \$1.4 million
2020 Actual: \$1.2 million
2021 Budget: \$1.3 million Actual: \$1.2 million
2022 Budget: \$1.4 million Actual: \$1.4 million
2023 Budget: \$1.6 million Actual: \$1.6 million
2024 Budget: \$1.7 million Actual: \$1.9 million
2025 Budget: \$2 million

Peter Barnes

Sheep Creek Water Company's letter to the SWRCB is also available @ www.scwcshareholders.org