

LEEDS DOMESTIC WATER USERS ASSOCIATION

1901 Silver Reef Drive, PO Box 460627, Leeds UT 84746

CONTACT EMAIL: ldwacorp@infowest.com // WEBSITE: www.LDWAUtah.org

VOICE MAIL: 435-879-0278

January 19, 2016

To all Shareholders:

2015 was another productive year for LDWA with a modest net gain to close LDWA's 4th consecutive year operating in the black. The Annual Shareholder Meeting will begin at 7:00 pm, Tuesday, February 2, 2016, at the Leeds Town Hall Building, 218 N. Main St in Leeds; doors will open at 6:30 pm. There are three positions that are up for election; Board members Danielle Stirling, Ron Cundick, and John Markovich have agreed to run for re-election. Shareholders will also vote to amend the Bylaws Article IV, Board of Directors, Section 2, Term of Office. The amendments are included at the end of this letter.

Here are a few highlights of 2015 projects and upgrades of LDWA infrastructure –

PROJECT 1a. The existing telemetry remote data reporting system to remotely relay water tank levels experienced various failures since its initial installation about 10 years ago. With Board and Engineering input, installation of an automatic float device that operates much like the float in a toilet bowl was completed and has proven to be ideal for LDWA needs.

PROJECT 1b. The pump's old automated switching system failed and was replaced with an upgraded electrical coil and switching unit.

PROJECT 2. Early in 2015, LDWA's largest storage tank #450 (fka "The Pink Tank") suffered structural damage to an area on the lid and adjacent wall. The original (and only) air vent was not sufficient to release the increased air pressure as water filled in the tank. The damaged sections of lid and adjacent wall were removed, replaced with new steel sections, welded on-site by a professional welder certified specifically to repair water storage tanks, per DDW/DEQ welding requirements. The old vent was removed and replaced with four 16" tall 8-inch diameter air vents with safety screens to prevent birds and debris from falling through the vents into the tank.

PROJECT 3. Installation of a new 12-inch diameter pipeline was completed in late spring 2015. The 12-inch diameter C900 pipeline meets the American Water Works Association (AWWA) class 12454 per ASTM D1784 Standard Specification for Polyvinyl Chloride (PVC) Compounds and Chlorinated Polyvinyl Chloride (CPVC) Compounds. This pipeline intercepts any water flow that may result from accidental tank overages caused by heavy rainstorms, failed telemetry, or defective on-off valves. It is diverted back into Leeds Creek as required per the point of diversion recorded with the Division of Water Rights. The line spans almost 400 feet in length, secured in bedding sand about 15 feet deep (to accommodate gravity flow).

PROJECT 4. About a year ago, we found there was a consistent rise in monthly utility kilowatt hours for the electricity used to operate the pump at the SRH well. There was a correlating increase in the amount of water flowing from LDWA water sources. However, the amount of

water sold to shareholders remained at a constant. Comparing this data, we suspected there was a chronic leak somewhere within the system. Sections of pipeline downtown were initially inspected; no leaks or breaks were found. Because there was no existing documentation for the placement of the old lines up in Oak Grove, investigative pot-holing needed to be completed. The Division of Forestry expedited the request and granted timely approval to LDWA to begin work in the area. Mark followed the line down Oak Grove which led into the Leeds Creek and began removing debris to follow the underground line. He found the decades-old 4-inch plastic line was originally laid inside and under the creek bed in Leeds Creek. Over time, the creek bed shifted - the plastic line had cracked and split apart. The water flow from the broken line was undetectable from ground surface. The repair was extensive. An access road was cleared beginning at the top of the creek, down to the creek bed to provide a path for the excavation and welding equipment, pipelines and materials. Temporary lines were then constructed to divert the water out of the area while the new lines were welded and set in place for permanent installation. 6-inch solid steel pipeline and materials were delivered to the site. The new line was solidly welded to create a 40-foot length of pipeline, and installed in a newly excavated trench. The completion of this project is a great accomplishment. Review of the past 10 years kilowatt hours used to run the pump indicates the line break probably began the first quarter of 2014.

PROJECT 5. The Leeds Creek Pipeline project was the foundation for the most recent project to replace and upgrade with new pipeline and valves to control the water flow into the in-ground Oak Grove storage tank. Again over the decades, documentation of locations for the valves and lines were either lost or non-existent. There were mystery lines going nowhere and inoperable valves, all in need of redesign improvements and upgrade.

This project consists of 1,600 feet all new 6-inch diameter C900 pipeline. All new valves, and materials have been relocated off the main road installed about 3 feet deep, laid in new bedding sand. Our engineer uses infrastructure Global Positioning System (GPS) to identify the new infrastructure to be included with LDWA's permanent data records.

Project photos are posted on www.ldwautah.org/PROJECTS.html.

CROSS CONNECTION AWARENESS. Last year's Sanitary Survey completed by the DDW/DEQ focused primarily on LDWA's Cross-Connection Awareness Program. The Division has expanded its requirements to include public informational seminars, workshops, meetings and field inspections to identify cross-connections that may exist throughout the Town. All activities must be documented for permanent record, or as deemed necessary by the DDW. The DDW is cracking down on this and other requirements in efforts to monitor and control water resources. Please read the enclosures and plan to attend a Cross Connection Seminar to be held late Spring 2016, date, time and location to be announced and posted at the Leeds post office, on LDWA website and Town Hall. If you would like to volunteer to help implement this program, email: LDWAcorp@infowest.com. Please review the enclosures, and visit the LDWA website at: http://www.ldwautah.org/CROSS_CONNECTIONS.html.

UPDATE ON LOAN DDW #3F138, "PROJECT UPGRADE". The initial amount of the 30-year loan that LDWA is scheduled to repay was \$1,104,000.00. Scheduled payments began in 2011 with the final payment loan payment scheduled for 2041.

LDWA has made 6 scheduled annual payments including 2016 and 2 additional payments toward the principal. To-date, those additional principal payments have saved LDWA shareholders \$189,612.00 in interest off the life of the loan.

APPRECIATION & MANY THANKS TO MARK OSMER, LDWA FIELD OPERATIONS. These projects would not have been identified or completed without the consistent proactive dedication from LDWA's Field Operator Mark Osmer. Mark has worked for LDWA since late 2011 and continues to provide endless energy and insight to improve and strengthen our drinking water system.

Like you, LDWA staff and volunteer Board of Directors are shareholders. We work as a team, continuing to dedicate personal time to protect and improve our culinary drinking water system.

If you would like to volunteer to help LDWA, please email us at LDWAcorp@infowest.com.

We'd love to receive shareholder input on LDWA's website. Email your suggestions, recommendations and ideas to ldwacorp@infowest.com.

Have additional questions? Please attend the annual LDWA Shareholder Meeting on Feb 2, 2016.

Sincerely,

LDWA

2016 PROPOSED AMENDMENTS TO LDWA BYLAWS

PROPOSED AMENDMENT #1 to Article IV, Board of Directors, Section 2, Term of Office – Qualifications, will eliminate the requirement that the Association shall have at least twice as many nominations as there are board seat vacancies.

RATIONALE. In view of the reduced interest by qualified shareholders to be elected and actively serve as a member of the Association's Board of Directors, deletion of this requirement will eliminate the need for nominations of shareholders who are unable or reluctant to serve.

PROPOSED AMENDMENT #2 to Article IV, Board of Directors, Section 2, Term of Office – Qualifications, to include: "If, at the annual shareholder meeting, the shareholders fail to elect a number of directors to fill all vacancies, the Board of Directors shall have the power to appoint directors to fill any vacancies as soon as practical thereafter. Appointed directors shall hold office for the remainder of the two-year term as though they had been elected." [February 2, 2016]

RATIONALE. This provides the authority for the Board of Directors to proceed to recruit a qualified shareholder as a director following the election in the event there are not a sufficient number of qualified nominees to fill the board seat vacancies.

Below are the current and proposed sections of the Bylaws.

CURRENT: LDWA BYLAW ARTICLE IV, Board of Directors, Section 2. Term of Office – Qualifications

At each annual meeting, the shareholders shall elect Directors for terms of two (2) years, with an odd number on even numbered years and an even number on odd numbered years. Directors shall be elected at the annual meeting of the shareholders and shall hold office until a successor has been elected and qualified.

Election of Directors shall proceed as follows: Nominations shall be made from the floor by any member present. Nominees shall be shareholders. Names of all nominees shall be placed or inscribed in order that all members present may be aware of the name of all nominees. There shall be at least twice as many nominations as there are vacancies. Voting shall be by secret ballot. The President shall appoint three (3) judges from those present to rule on qualification of members, disputes, and to canvas the votes. The results of the voting will be announced immediately after tallying is completed, in the meeting. *[Bylaws, March 4, 1995]*

PROPOSED: LDWA BYLAW ARTICLE IV, Board of Directors, Section 2. Term of Office – Qualifications

At each annual meeting, the shareholders shall elect Directors for terms of two (2) years, with an odd number on even numbered years and an even number on odd numbered years. Directors shall be elected at the annual meeting of the shareholders and shall hold office until a successor has been elected and qualified.

Election of Directors shall proceed as follows: Nominations shall be made from the floor by any member present. Nominees shall be shareholders. Names of all nominees shall be placed or inscribed in order that all members present may be aware of the name of all nominees. Voting shall be by secret ballot. The President shall appoint three (3) judges from those present to rule on qualification of members, disputes, and to canvas the votes. The results of the voting will be announced immediately after tallying is completed, in the meeting. *[Bylaws, March 4, 1995].*

If, at the annual shareholder meeting, the shareholders fail to elect a number of directors to fill all vacancies, the Board of Directors shall have the power to appoint directors to fill any vacancies as soon as practical thereafter. Appointed directors shall hold office for the remainder of the two-year term as though they had been elected. *[February 2, 2016]*

SHAREHOLDER VOTING ELIGIBILITY, for February 2, 2016, in compliance with LDWA BYLAW. Shareholders will not be eligible to vote at the February 2, 2016 Annual Shareholder Meeting if: (a) The shareholder account balance due by December 30, 2015 is not paid in full by January 2, 2016; or (b) the shareholder rents his/her property, their tenant pays the LDWA bill, and that tenant is delinquent per (a); or (c) the property deed is recorded after January 2, 2016. In compliance with the LDWA Bylaws, ARTICLE III, Meetings of the Shareholder, the LDWA books close on Jan 2, 2016, to verify shareholders entitled to notice of shareholder meeting and eligibility to vote at the Feb 2, 2016 Annual Shareholder Meeting. Please review your records to determine if you are eligible to vote at the 2016 Annual Shareholder Meeting. If you are unsure of status, please email LDWAcorp@infowest.com.