



June 1, 2022

Dear Terrace Lakes Water Subscribers,

The Terrace Lakes Water Company Board would like to take a few minutes and provide an update on your water company. Regarding the current lawsuit, the judge has issued a "Finding of Fact" that would have allowed the following:

1. Would have allowed us to have our annual meeting as planned.
2. Found that although we provide water currently to Northridge Subdivision, they are not part of the Terrace Lakes Water Company. *(Per the bylaws it takes 75% of the current subscribers to agree to add a new subdivision. No vote was ever taken.)*
3. Would have allowed us the ability to conduct a vote by mail to add Northridge and 7 other properties to the water company.
4. Found that the previous Board of Directors have not turned over all the records and appointed a Special Master to make sure the Current Board of Directors have all the records necessary for operation of the Water Company to the benefit of the subscribers.

Unfortunately, the previous board has now motioned for Reconsideration of the Finding of Fact, which effectively puts everything on hold, again. The hearing for Reconsideration is scheduled for June 10, 2022. The previous board of directors continue to cause delays in everything the current Board tries to accomplish and/or move forward.

The current Board is trying to take advantage of the USDA grant awarded to the water company to improve the water system by drilling a new well for the benefit of all subscribers. However, we have still not obtained an easement for the new Well # 7. Terrace Lakes Recreation Ranch initially informed the subscribers at a meeting that there would be no charge for expanding the existing Well #3 easement by 50 feet for construction of the new Well # 7 at the Well # 3 site. With this in mind, the water company moved forward with having the land surveyed and legal easement documentation completed according to USDA grant requirements. When TLRR was presented with the easement paperwork months ago, they refused to sign unless the water company agreed to pay \$60,000.00 for the expanded easement. Ongoing attempts to negotiate with TLRR were ignored. Fortunately, the water engineer for the grant project offered to speak to previous board member Ilene Johnson along with current Board member Rolly Woolsey and a price of \$42,500.00 was requested by Ilene. Again, the water company can't afford to pay that price so we approached USDA and asked if they would allow us to use the grant contingency money to pay for the expanded easement. USDA agreed and indicated if we run short of money to complete the project, we could apply for another loan or grant to finish the project. The initial budget the previous board submitted to USDA for award of this grant stated a total cost of \$25,000.00 for 'land, survey, and legal'. That is a far cry from the \$62,500.00 we are currently looking at (*this figure includes the proposed land price and fees paid for surveying and legal services for the easement*). The only thing that has changed in this process is a new Board of Directors.

Another concern holding up the easement is getting the required USDA document signed by an attorney stating the water company has 'continuous and unrestricted access' to the easement. The problem is the attorney is unable to identify the legal owner/owners of the roads in the Terrace Lakes subdivisions. All he can find concerning the roads is that they are private. The county assessor has no recorded owner of the roads and only that there are no taxes levied on the roads.

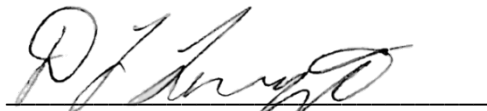
Additional issues we are dealing with are missing documents such as no easement paperwork for Well # 6 which sits on Marc Johnsons land; Bylaws never amended; no documentation of outstanding liens; and construction loans and receipts not accounted for by previous water board which were rolled into the \$1.2 M loan the water company is currently paying on.

Lastly, the water rights issue is significant. The water company owns 3 water rights. These water rights are enforced by Idaho Department of Water Resources (IDWR). Our 3 water rights for TLWC are for **domestic use only** to service up to 450 homes. TLWC does not have any water rights for commercial use (TLRR lodge, pool and motel). TLWC has been in violation of its water rights for years under the previous board. TLWC can be fined and or have our water rights revoked if nothing is done regarding this issue. The current Board contacted IDWR and they are willing to work with TLWC as long as we are attempting to correct the violation. There are two options for correcting the violation. One option is to immediately disconnect any commercial connections. The second option is for TLRR, Inc. to apply for a water right through IDWR and then work with TLWC in an agreement to provide water. IDWR stated that TLWC does not have to provide water to TLRR and we are perfectly within our legal authority to shut off water going to any commercial establishment. We don't want to shut off TLRR commercial water, but the ongoing lack of cooperation from TLRR and the previous board of directors does not bode well for a resolution to this problem.

The previous board has left us with quite a mess which we are continually trying to address and fix. We can't get started on the new well because of TLRR delaying the signing of the easement and now we are not sure we will even get started drilling this year. There is no need for TLRR and TLWC to be adversaries but ever since the new water Board members were elected there has been an extreme lack of cooperation with the previous board of directors and TLRR to the point of disruption.

The current Board of Directors are trying our best to operate the Water Company to the benefit of the Subscribers. As always, we encourage you to contact any of the TLWC Board members if you have any questions, concerns or hear rumors that bother you. As stated before, your current TLWC Board's only intention is to operate and improve our water system to the benefit of the subscribers while providing complete transparency and full disclosure of TLWC operations and finances. We sincerely appreciate your continued support.

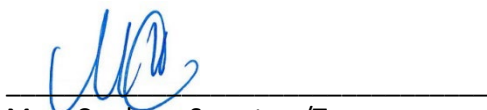
Best regards,
Terrace Lakes Water Company
Board of Directors



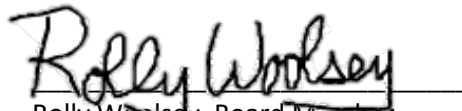
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