

**CEDARPINES PARK MUTUAL WATER COMPANY, Inc,
REGULAR BOARD MEETING**

April 21, 2009

**PUBLIC COMMENT
by
PATRICK J. MARLEY, Esq.,
on behalf of a number of Shareholders**

It was August 2008 when the Shareholders discovered that the financial books of the Water Company did not have adequate source documents nor did they follow standard accounting policies. In fact, it was surprising that nearly every month the Board rubber-stamped the monthly financial reports as they were clearly inaccurate. The Shareholders have consistently been asking questions. The Board has asked the Shareholders to be patient.

When the Shareholders offered potential solutions and made suggestions of possible new employees for the Company, the Board advised that the Company would follow standard procedures such as advertising and offering public opportunities for any job openings. It was a surprise, then, when the Board announced it was hiring a consulting firm – without Shareholder input and without any public offering or announcement. The details of the arrangement have not been released to the Shareholders.

During the past eight months I have privately kept the Board informed of my concerns and questions.

For example, I gave Past President and current Director Bob Friedman what I believed to be sufficient reliable information to quickly resolve a Director's shortcoming in the number of shares owned. He told me he would attempt to resolve the issue. Now, months later, it appears the Company has a Director who is not a "Shareholder in good standing" yet he continues to serve on the Board and receives water delivery, in direct contradiction of the Company's Rules & Regulations and By-Laws. All Shareholders, including Board Members, must purchase the required number of shares for the property owned. A review of the March 2009 Regular Board Meeting Minutes looks like a cover-up of this issue.

Some time ago, I requested an audit of the Company's books and received back the same old figures, not the audit necessary to discover not only if money was missing,

but if so, how much. Vice President Ron Albright may be satisfied with the figures, but has failed to provide the documents explaining the audit figures. The whole process makes it look like the Board is involved in a cover-up.

At the February 2009 Regular Board Meeting, President Perry Dahlstrom said that the valve cans covering the new valves for the Canyon Vista water main, although off-grade, were OK because the pipes were installed at an angle. This is not standard and not to Code. CSA18, our local Road Department, has twice informed the Water Company that the off-grade valve cans in the CSA18 road (Lakeland View) are not acceptable and must be corrected. This process makes it look like the Board is again involved in a cover-up.

Secretary Bill Steiner has made it clear he does not want Shareholders looking at the Company's books. When the Shareholders reported source documents for financial records were missing, Bill did not want to permit further investigation. This example makes it look like the Board is involved in a cover-up.

Then, there is the issue of a Director not having sufficient shares for the amount of property owned – a claim that a purported engineer's report will support Treasurer Howard McLeod's ownership of only 35,000 square feet of contiguous property when the County records show ownership of 55,700 square feet of contiguous property. Looks like another situation where the Board is involved in a cover-up.

These and many other Shareholder questions have gone unanswered for a half a year. Everything seems to be a secret. What the Shareholders are asking for is transparency in the conducting of this Company's business.

Our President is trying to say the Company has accepted the Canyon Vista water main, even though the requirements set forth in the hidden contract with our ex-Field Manager have not been met. Too often the Shareholders do not have an opportunity to participate in any evaluation or give any input until after the fact.

Why is the dismissal of the Office Manager a secret?

Why were the discussions on the Canyon Vista water main a secret?

Why is the Canyon Vista water main installation a secret?

Why is the Company inspector's evaluation about the Canyon Vista water main installation a secret?

Why the secret Church Street giveaway to the (then) Office Manager?

Why the Church Street \$5,000 secret payment to the (then) Field Manager?

Why is the audit of the Company books a secret?

Why were the shares of the Directors kept a secret?

Why is everything this Company seems to do a secret?

Why has this Board regularly approved the monthly financial reports, often when the reports could not be understood and when they clearly do not accurately reflect the finances of the Water Company?

Why has this Board failed to present a budget for the fiscal year beginning May 1, 2009?

MISSING \$140,000

The Cedarpines Park Mutual Water Company's Annual Financial Report dated April 30, 2008, stated that the cash and accounts receivables were over \$440,000.

Now, about one year later, the Balance Sheet dated March 31, 2009, contained in the Cedarpines Park Mutual Water Company Agenda and packet for the April 21, 2009 meeting, states that the cash and accounts receivable were less than \$300,000. Where is the missing \$140,000?

One explanation could be that the Company in fiscal year 2008-2009 has lost \$140,000, but, in fact, the March 31, 2009 financial reports show the Company has made a profit for the current fiscal year of \$6,991.05. Where is the Company Reserve Account and the \$140,000 that should be in it? Where is the missing \$140,000? (Note: These figures are quoted from the Company's Annual Report for April 30, 2008 and the latest Company Balance Sheet dated 3/31/09.)

Some months ago, when the Board was informed by Shareholders that, based upon the Company's own financial reports presented at the Board meetings, thousands of dollars were missing – not one Board Member asked a single questions about it. Why?

During the past several months, I have privately presented each of the Board members with over 100 pages of Shareholder concerns and requests, which for the most

part have gone unanswered. Recently, I requested a private meeting with the Board to discuss serious problems and concerns. The Board did not even give me the courtesy of a response.

If the Board proceeds in this manner, the Board leaves me with only two avenues of resolution. First, I can sue the Company on behalf of the Shareholders to obtain the secret information the Board has failed to provide. I will prevail, and I suspect I will be granted attorney's fees. In this first scenario because of the actions and lack of transparency of this Board, only the Company will be the loser.

In the alternative, I can expose these issues to the press and each of the Board Members will have the opportunity to respond. In this scenario, the Board Members will be the losers, not the Company.

I believe that each one of you started your tenure on this Board with the best of intentions. Because of the pattern of secrecy that has developed over time, I now question this Board's present intentions.

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on behalf of a number of Shareholders