

Dear Shareholder,

The Directors of Pleasant Valley Mutual Water Company are sending out this letter to all shareholders to inform them of the Board's decision to borrow \$500,000 from Montecito Bank and Trust and the need to impose a Special Assessment to repay that loan.

The Company has been on sound financial ground for the past 3 years and revenues exceeded expenses and left a comfortable balance in all its bank accounts. However, beginning with the rehabilitation of the 1 million gallon tank on N. Loop requiring significantly more work than planned, then with the complete failure of both the Company's wells which required the purchase of water from Calleguas, all cash reserves as well as a line of credit were exhausted.

The unplanned (not budgeted) expenses were as follows:

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| a. Unbudgeted unforeseen work on the 1 million gallon tank:
(Useful life estimated to be 15 years.) | \$240,000 |
| b. Rehabilitate wells, includes cleaning well screens, new stainless steel pumps,
replacing/recoating columns and replacing damaged drive-shafts.
(Useful life estimated to be 10 years.) | \$180,000 |
| c. Additional cost of water purchased from Calleguas:
(One-time expense.) | \$240,000 |

That totals \$660,000 of un-budgeted expenses and leaves no reserves in the bank should any other unforeseen expense arise.

Your Board of Directors did anticipate most of these expenses and built them in to the most recent rate increase, planning to set aside 14% of income in a savings account to cover these costs in the future. The Board and staff did not foresee the catastrophic and almost immediate failure of both of the wells and having to purchase water from Calleguas at a little more than 10 times the cost to produce water from the wells.

The Special Assessment will be \$25 per billing period for single family dwellings, irrigation and commercial accounts and \$36 for properties having a single water meter providing water to more than one home. Undeveloped parcels not having meters and properties having inactive water service (meters) will have the Assessment accrue and be due and payable before issuing a Will-Serve Letter, or upon reactivation of service.

It is expected the assessment will remain in place for approximately 2 years (12 billing periods).

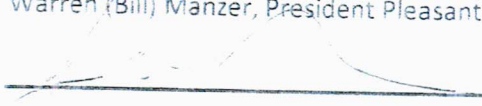
Your Board would like to take this opportunity to provide an update on progress with construction of the reverse osmosis water treatment plant which will be installed to remove the high mineral content of the well water to reduce its hardness. The Company has been awarded a Grant from the State for 75% of the cost and a design/build firm has been retained. The Project is, however, at a standstill as we are in the plan-check phase with the City of Camarillo as well as the process of complying with the California Environmental Quality Act, also in the City's hands. The Board is also working with the Fox Canyon Groundwater Management Agency to obtain additional allocation of groundwater to reduce reliance on State Water Project water purchased from Calleguas Municipal Water District.

Please feel free to check the current status of these projects and other goings on at the Water Company at our web-site www.pvmwc.com


Very truly yours,



Warren (Bill) Manzer, President Pleasant Valley Mutual Water Company



James Graham, Vice President/Secretary



Paul DeBuschere, Treasurer



Dr. Michael Williams, Director



Edward Saxey, Director