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4th Quarter, 2011, 1st & 2nd Quarter, 2012
July 20, 2012

Robert K. Burgess

1.0 Company Activities

1.1 2012 Annual Meeting

The 2012 annual meeting of the shareholders of Big Horn Valve will occur in September or October of this year. We had originally planned for an earlier meeting, but because of the high level of activity in the 1st and 2nd quarter of this year, the Board of Directors chose to postpone the meeting to the fall of 2012.

An informative meeting will precede the legal meeting. Investors will be brought up to date on recent developments: 1) Our relationship with Flowserve Corporation; 2) Progress with regard to the NASA projects; and 3) The accelerated pace of innovation that is taking place within the company.

1.2 Second Meeting with Flowserve Corporation, Billings, MT

On March 1 and 2, 2012, Representatives from Flowserve came to Billings, MT to meet with Big Horn Valve. This meeting was a follow up to the initial presentation that we made to Flowserve in Dallas last October. The purpose of the meeting was to discuss the possible ways of working together to bring BHVI inherently leak-free valves to the marketplace. Working with a company like Flowserve has the potential to accelerate the commercialization of our valve designs. The meeting was positive, with an understanding that follow-up steps toward a mutual arrangement between the two companies will go forward.

1.3 Third Meeting with Flowserve Corporation, Sheridan, WY

On June 21, Big Horn Valve met with Flowserve in Sheridan, WY to discuss on what project the two companies might begin working together. Flowserve has suggested that we go forward together with the development of two initial products: 1) A 2" In-line valve and 2) a 2" retrofit design that mates our new actuation technology to an existing 2" valve. Both of these projects will employ the new planetary gear reduction designs that were patented by Big Horn Valve in January of 2012. These designs greatly reduce the size of the magnetic couplings required for the valves, making these designs commercially viable.

1.4 NASA / JSC Award

On November, NASA / JSC did accept a proposal from BHVI to continue development of a cryogenic High Pressure helium valve. This project brings us much closer to a flight ready valve that has the potential to offer great weight reduction on in-space vehicles. Further details of this project can be found under **2.0 Product Development**.

1.5 Intellectual Property Update

Two additional patents were filed for during the first quarter of 2012. These patents were filed to protect innovations that occurred in 2011. There will certainly be more applications filed in 2012, as we are on the verge of a number of new breakthroughs.

1.5 Fund Raising

The private placement memorandum for the sale of common stock at \$1.00 per share will continue until September of 2012, or until the board of directors chooses to terminate the offering.

2.0 Product Development

NASA High-Pressure Helium Valve

The current project with NASA will result in two working prototypes; one that will be delivered in August for further testing at Johnson Space Center's; and one that will be used by BHVI to demonstrate the viability of the valve to other interested companies.

What is particularly exciting is that for this next phase of development, NASA has asked us to tailor the design for their newest space vehicle, the Morpheus II. We will be incorporating flow-control features along with shut-off features into this design. If we are successful at this stage, our valve will drastically change the way that high-pressure helium is handled on this vehicle as well as spacecraft in general. The valve has the potential to eliminate hundreds of pounds of weight that was previously required to handle the helium. It will open up commercial possibilities for Big Horn Valve, Inc. as well, because private aerospace companies have the same issues to deal with as NASA does. All liquid fueled rockets require helium to push



Cryogenic High Pressure Helium Valve for use in space.

the fuel and oxidants out of their respective tanks and into the engines for thrust. Every 100 pound reduction in weight equals a savings of at least \$1,000,000 in getting the vehicle into space. That is the incentive for reducing weight.

3.0 Patent Protection:

Two new patents were filed in January of 2012. These patents protect the use of planetary gear reduction between the magnetic cartridge and the valve itself. This greatly reduces the size of the magnetic cartridge required to open and close our stemless valves.

For the first time ever, magnetically driven, stemless valves will be able to provide actuation torques equal to or greater than the torques provided by traditional valve stems. This will lead to greater acceptance of these valves in industry as it has always been a concern among end-users whether magnetically driven valves are capable of operating under high torque conditions.