

La Cumbre Mutual Water Company

**PLEASE VOTE ON THIS CRITICAL WATER ISSUE AND
RETURN YOUR SIGNED DOCUMENT PROMPTLY**

BACKGROUND INFORMATION: THE NEW WATER TREATMENT FACILITY PROJECT

The Board of Directors of La Cumbre Mutual Water Company (the "**Company**") has determined that the Company should construct a water treatment facility to remove iron and manganese from the Company's drinking water (the "**Treatment Facility**"). This will significantly improve water quality, in particular reducing the color and staining ability of the water. The Treatment Facility will be located in the Company's Nogal Drive yard.

The Treatment Facility is estimated to cost \$1,500,000. The Company is investigating the most favorable financing arrangement for the construction of the Treatment Facility. The Company anticipates the financing arrangement will be a lease-purchase in which the Treatment Facility will be purchased by a bank which will lease it to the Company on a long-term basis and then eventually sell it to the Company. It is also possible the Company will borrow funds long-term in order to immediately purchase the Treatment Facility, instead of leasing it.

How much will this cost each stockholder? Assuming a 10 year loan with an estimated 6% interest rate, the cost per month for each acre of land owned is \$8.07. Alternatively, if this project does **not** pass, because of heightened regulations by the State Health Department we will be forced to take corrective action. Instead of spreading out the payments, we would be obligated to find alternative sources of water or enact a special assessment to pay for a treatment facility.

Section 4 of Article II of the Company's By-Laws authorizes the Company's Board of Directors, without the consent of the stockholders, to incur indebtedness up to \$50,000, or up to \$250,000 if the debt is to a recognized banking institution. Any greater amount of indebtedness requires "the consent of the stockholders holding upon the books of this corporation at least two-thirds of the issued capital stock thereof, such consent to be either in writing or by the affirmative vote of the stockholders given in a meeting."

Therefore, the Board of Directors wishes to obtain the consent of the stockholders for the financing of the new Treatment Facility.

CONSENT OF STOCKHOLDER Please Sign and Return Promptly

NOTE: A self-addressed return envelope is enclosed with this document

I am a stockholder of La Cumbre Mutual Water Company. I understand the Company's Board of Directors, in order to finance the purchase and construction of the new Treatment Facility, wishes the Company to agree with a bank or other financial institution either (a) to borrow up to a principal amount of \$1,500,000, or (b) to lease, and eventually purchase, the Treatment Facility for a principal amount, not including the interest component, of up to \$1,500,000. **I hereby consent to the Board of Directors causing the Company to incur debt for the stated purpose, in a principal amount not to exceed \$1,500,000, and on such other terms, including interest rate, payment schedule and security, as the Board of Directors reasonably approves.**

Date: _____, 2009

Signature(s): _____

Name(s): _____

Property Address: _____