

La Cumbre Mutual Water Company

695 Via Tranquila, Santa Barbara, CA 93110-2296

Phone 805 967-2376 Fax 805 967-8102

WWW.LACUMBREWATER.COM

May 18, 2018

DIRECTORS

JANE LODAS

PRESIDENT

ALEX RODRIQUEZ

VICE-PRESIDENT

BOB URADNICEK

MARC RUSSO

DOUG CAMPBELL

MIKE ALVARADO

GENERAL MANAGER

IMPORTANT INFORMATION

Proxy & Bylaw Changes

Dear La Cumbre Water Shareholders,

Your annual meeting is scheduled for Tuesday June 12th at Vieja Valley School at 6 pm. It's a great time to hear the status of your water company and be able to ask any questions you may have.

On April 27th we sent out a letter explaining that we are hoping to amend our bylaws. Thank you to our shareholders who have already voted, the response overall has been very positive. For those who have not voted yet, we have included an extra copy of the Amendment. To date, we have received 437 of the 1226 Bylaw Amendments mailed. We need 2/3rds acreage approval for the Bylaw Amendments to be passed. So, if you have not voted yet, please take the time to do so. We plan to have a campaign of emailing and calling our stockholders who have not voted. The next two paragraphs describe why we want to amend the bylaws.

We are asking you to approve two important and separate changes in our bylaws. Our bylaws were originally written in 1925. The bylaws have a stipulation that the Water Company may incur indebtedness up to \$250,000. We would like to raise this limit of borrowing authority to \$4 million. \$250,000 in 1925 dollars equates to \$3.6 million today (Sources: saving.org). We concluded that \$4 million was a good target amount to bring our bylaw indebtedness up to date. \$4 million is also the estimate of what it would take to replace one of our three reservoirs if it were severely damaged or destroyed in a catastrophic event. Please understand, there are currently no plans to borrow these funds. The recent Thomas Fire and ensuing mudflow event has reinforced the fact that we wouldn't have adequate funds if we were to have an emergency such as an earthquake or fire. If we didn't have the higher indebtedness limits in place, an assessment would be needed. To have the ability to borrow funds without the delay of getting 2/3rds shareholder approval will speed up the process of restoring water facilities and water deliveries. The additional major benefit will be the ability to spread out the payments of a loan, as opposed to charging the total sum in an assessment to the shareholders.

The other change we would like to make in the bylaws involves an easier process to get our annual proxy approved. A proxy vote is a ballot cast on the behalf of the shareholder who would rather cast a written vote than attend the annual meeting to vote. Every year for the annual proxy we struggle to get 50% of the total acreage in proxies signed and returned. As many other mutual water companies have done, we want to change the percentage needed from 50% to 20%. We have spoken with numerous other mutual water agencies (Valley Water Company, Amarillo Mutual & Rubio Canyon Mutual to name a few) who have all gone from a previous 50% proxy to 20%. This percentage change is only for reaching a quorum for our annual meeting, so we may conduct normal business such as election of officers. All other changes to the Bylaws in the future would still require 2/3rds majority as it always has been.

Please also send in your enclosed Proxy for the annual meeting. Reminder, your annual meeting is scheduled for Tuesday June 12th at Vieja Valley School at 6 pm. Hope to see you there. Thank you for your continued efforts in conserving water as the current drought marches on. In 2017 your Water Company used 38% less water than in 2013!

Sincerely,



Jane Lodas
Board President