

La Cumbre Mutual Water Company

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GENERAL MANAGER

June 24, 2025

Dear Stockholder:

We have not received your ballot and wanted to make sure that we address any questions or concerns you may have and are sending you these Frequently Asked Questions (FAQ) and a replacement ballot. We are urging you to vote **Yes** on the proposed bylaws amendment. A **Yes** vote will allow us to raise our borrowing limit, which is essential to implementing our Master Plan to keep our water system reliable, updated, and safe. With aging infrastructure and the growing threat of fires, earthquakes, acts of terrorism, and other emergencies, this change gives us the flexibility to act quickly and maintain your water service without a dramatic rate increase. If you have any questions, please send an email to office@lacumbrewater.com.

Sincerely,

Alex Rodriguez. Board President

Bylaws Amendment FAQ

1. Why is La Cumbre asking to raise the borrowing limit from \$4 million to \$20 million?

The current limit no longer reflects the scale of our infrastructure needs. The \$20 million figure was selected based on the estimated costs of long-term Master Plan projects, which outlines over \$50 million in much-needed projects. This increase gives the Company flexibility to access funding if needed, especially after a fire, act of terrorism, an earthquake, or major system failure. ***Voting Yes ensures the Company is financially prepared to respond and protect your water service.***

2. How was the \$20 million number determined?

It comes from a detailed assessment of the infrastructure improvements outlined in the Master Plan and our ability to pay for these improvements by either substantial and immediate rate increases, landowner assessments (only require board approval), or our limited borrowing authorization. This includes replacing/refurbishing three aging reservoirs while increasing capacity by 57% for additional firefighting capabilities and potable water availability, updating wells, and preparing for emergencies. The Water Company needs to be able to deliver clean, safe potable water to our stockholders' properties for human consumption, sanitation, and fire safety. It is a borrowing ceiling, not a commitment to take on debt all at once or immediately.

Voting Yes allows responsible planning and readiness without immediate financial impact.

3. How will the money be used if borrowed?

Any borrowed funds would be used to pay for specific critical infrastructure projects like reservoir improvements or replacement, pipeline upgrades, or system restoration after an emergency or disaster. Any spending would be done with Board oversight and approval.

Voting Yes ensures funding is available to protect public safety and improve reliability.

4. Does approving the bylaw amendment mean the Company will borrow \$20 million immediately?

No. It only authorizes the Company to borrow up to that amount over time, if, and when, needed.

Borrowing would be done carefully and in phases, based on project requirements and financial conditions.

Voting Yes provides flexibility without triggering immediate borrowing.

5. Will this vote raise my water rates?

No. Returning your ballot and voting Yes does not change your current water rates. Rates are set separately by the Board based on actual operating costs. To be clear, the Water Company will need to raise rates in the future to pay for Master Plan improvements, whether gradually to pay debt or dramatically and immediately if we are unable to increase our borrowing capacity.

Voting Yes protects water quality and service without affecting current rates.

6. What happens if the Water Company faces a major failure or disaster?

If the Company cannot borrow, it may delay or prevent critical repairs in the event of a major emergency. The increase in borrowing capacity provides a financial safety net.

Voting Yes helps the Company act quickly when it matters most.

7. Could stockholders be personally liable if the Company borrows money and later fails?

No. Stockholders are not personally liable for any Company debt. The Company is a separate legal entity and recourse for such debt is limited to the Company's assets. The Company's stockholders are not personally liable for the Company's debt.

Voting Yes carries no personal financial risk to you as a stockholder.

8. What infrastructure problems are we currently facing?

The system has aging pipes, outdated reservoirs, and wells that need upgrades. Some of our equipment and infrastructure are nearly 100 years old. Without action, reliability will continue to decline.

Voting Yes supports modernization of the system to ensure long-term water security.

9. Why can't we fund improvements entirely through water sales?

Water sales will cover much of the work, but not all of it. After a major catastrophic event or for larger projects, we need access to financing. The borrowing authority gives us that option.

Voting Yes ensures the Company can fund repairs without delay when sales revenue is not enough.

10. Why does my vote matter?

Approval requires two-thirds of all shares to say Yes, not just those who return ballots. Every vote counts. If enough ballots are not returned, the measure cannot pass. Ultimately, if we are unable to change the Water Company's bylaws to increase our borrowing capacity with a 2/3 majority vote, water rates will need to increase immediately and dramatically to pay for any upgrade called out in the Master Plan or for an emergency repair rather than spreading the expense over the coming decades.

Voting Yes helps the Company move forward and protects the entire water system.