La Cumbre Mutual Water Company 695 Via Tranquila, Santa Barbara, CA 93110-2296 Phone 805 967-2376 Fax 805 967-8102

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STAGE I DROUGHT LEVEL - WATER CONSERVATION EFFORTS

Dear La Cumbre Water Customer,

Following the second driest year on record and with near record low storage in California's largest reservoirs, Governor Newsom declared a statewide drought on October 20 of this year. The situation that the La Cumbre Mutual Water Company finds itself in is not a good one, and we are calling on all shareholders to please increase their efforts to conserve water. The good news is that we are currently at a 11% conservation level, but the bad news is our governor is asking for 15% conservation compared to 2020.

Over the past few months, the Water Company has notified shareholders about this situation, and unfortunately if conservation does not increase considerably, we, as a board, will have no recourse but to declare our own water emergency. On October 25, the Board of Directors approved a Water Conservation Plan, which is available on our website, that establishes a four-stage water supply-demand scale to guide LCMWC's response to water supply conditions. Currently we are in a Stage I Drought. If a water emergency is declared, then we will need to look at options to reduce water consumption within our service area. Some of these efforts may include: increasing water rates for Tiers Three and Four to offset imported water costs; limiting irrigation to certain days/times; consideration of a seasonal water surcharge; a moratorium on new meters; a moratorium on "Will Serve Letters"; fines for overwatering or water loss; a surcharge for excess water use; or any number of other solutions.

As a homeowner I know the importance of maintaining my property value, and, like many of our shareholders I enjoy consuming the fruits and vegetables I grow. The last thing that our board and staff want to do is impose draconian measures to make our shareholders comply with conservation, but at some point, we, as a water utility, need to weigh the delivery of a sanitary water supply for human consumption with the delivery of water for outdoor irrigation.

Please take advantage of our complimentary water audits (a \$750 value) by our professional staff. Also, I invite every shareholder to take advantage of the rebates we announced a few months ago. For water saving tips and to find out more information on the limited rebate offers, please go to www.lacumbrewater.com. For all questions or comments please email office@lacumbrewater.com or call 805 967-2376. Please feel free to email me directly at alex@dcgco.com. Thank you for conserving.

Kind reards.

Alex Lodriguez
Board President