LAS FLORES WATER COMPANY

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September 4, 2025

Dear Shareholders,

Company Update and Notice of Annual Shareholder Meeting

Since our last communication, Las Flores staff and the board of directors have been working diligently on several fronts to ensure the Company's day-to-day viability as well as implementing long-term fire recovery plans. This letter is intended to provide a summary of activities and accomplishments to date and to outline the work ahead that will lead to a full post-fire recovery for the Company.

Earlier this year, the Company joined a lawsuit against Southern California Edison with other agencies that were impacted by the fire. As many of you may be aware, the theory of the case is that the Eaton Fire originated near a SCE high voltage power tower in Eaton Canyon, and that SCE is the responsible party for the cause of the fire. The Company is seeking remuneration from SCE for damages caused by the fire. It is expected that this lawsuit will take multiple years to reach resolution.

The Company has been working with the Federal Emergency Management Authority (FEMA), California Office of Emergency Services (Cal OES), and the Small Business Administration (SBA) in attempts to obtain funding to rebuild the destroyed Lake Avenue Reservoirs and additional damaged water infrastructure. In the absence of these two reservoirs, the Company is operating our system by flowing water from the Lincoln Avenue Water Company's Coulter Reservoir into our system at the top of Lake Avenue. We greatly appreciate Lincoln's ongoing assistance in this area as it allows us to remain fully operational until such time as at least one of our Lake Reservoirs is rebuilt and operational.

The Company operates with a very small and efficient workforce. Since the fire, we have converted our full-time office manager to a part time position which has resulted in reduced office hours to address shareholder inquiries. We operate and maintain the system with four staff. Additional staff reductions would compromise our ability to safely conduct our routine operations while responding to shareholder service call outs.

Thanks to the support of Foothill Municipal Water District, Los Angeles County Supervisor Kathryn Barger (5th District), State Assemblyman John Harabedian (District 41), and State Senator Sasha Renee Perez (District 25), an earmark of $4 million was established in the States' 2026 budget to support the fire rebuild activities on Altadena. We expect that a portion of those funds will be allocated to the rebuilding effort for the Lake Reservoir site. Additionally, US Senators Schiff and Padilla, along with Assemblymember Judy Chu (28th Congressional District) have forwarded a recommendation to the federal congressional budget office to appropriate funds for the rebuild of the company's 100-year-old Mountain View Well. We expect to hear the status of this budget request from the federal government later this year.

With these relative successes in hand, the Board is now focused on ensuring the day-to-day financial viability of the Company going forward. In particular, the Company needs to remain financially solvent until such time as all our shareholders resume water use at or near pre-fire levels. As many of you know, Las Flores is a private business entity. As a private mutual water company, each of you, as shareholders of the company are the direct owners and beneficiaries of the Company's operations. Over the last six months, with the exception of the funding identified above to help rebuild critical infrastructure, the Company has had no success in gaining public funds to maintain our operational viability. Consequently, the Board is turning to each of you, as shareholder owners of Company, to work with us to develop a plan for financial solvency to support our day-to-day operations during this critical period of rebuilding.

As we disclosed in our April letter, the fire destroyed the residences or businesses of approximately 75% of our shareholders. As you can imagine, this tragedy has resulted in a dramatic loss of operational revenues for the Company. Fortunately, the Company had amassed sufficient cash reserves for approximately 6-9 months of operations for unanticipated emergencies. But it's obvious that it will take multiple years to reestablish our revenue streams to pre-fire levels. We now have approximately 575 shareholders with active service connections. Over time, the remaining nearly 1,000 inactive service connections are expected to come back online as shareholders obtain building permits to rebuild properties. Until that happens, the Company operating revenues are being generated by those active service connections. Under our current rate structure, this small number of active accounts will not be sufficient to ensure continued operation of the Company.

Consequently, the Board is considering adopting a new fixed charge that would be applied to all open service accounts. Currently, we envision that this temporary fixed charge would be between $30 to $60 per month and would be added to your monthly bill. This fixed charge would only be in place until such time as revenues from water sales increase sufficiently to cover operating expenses. Such an action is not taken lightly, and we recognize that the imposition of this flat fixed fee may have economic consequences for some of you. That is why the board does not believe we can make this decision by ourselves, and instead is seeking input from the shareholders at large. The annual shareholder meeting, deferred from April 2025, will be held on October 7, 2025, from 4-6 PM at the Altadena Public Library (600 E Mariposa St, Altadena). At this meeting, we can collectively discuss this proposed assessment along with other relevant Company business. We welcome all ideas and suggestions as to how best to cover expenses over the next two years. We encourage each of you to attend this meeting if your schedules permit.

In the meantime, please contact our General Manager Mr. Bill Kimberling if you have any questions. We look forward to seeing you at the upcoming shareholder meeting.

John Bednarski
Board President

William Kimberling
General Manager