LAS FLORES WATER COMPANY
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March 2026

Dear Shareholders,

This past year has been devastating for our Altadena community. Many of you lost your home or business, some of you have a partial loss, and the rest have dealt with other damages, including being displaced or recovering from smoke damage. Please know that the Board's thoughts continue to be with each of you.

Recovery Efforts

The Las Flores Board of Directors and staff have been working diligently to ensure the Company's day-to-day operations as well as implementing long-term fire recovery plan. As you know the Eaton fire destroyed our two reservoirs at the top of Lake Ave. As a result, we now rely on Lincoln Ave Water Company for water supplies to the northern portion of our system. There is some positive news on the horizon. We have recently been informed that the Company will receive assistance from Foothill Municipal Water District (Foothill) to rebuild one of the reservoirs as Foothill directs a $4 million earmark from the State's 2026 budget to the Las Flores reservoir project. We are currently working through the details on arrangement for the assistance with Foothill. We expect the rebuild effort to take 2 to 2.5 years.

On the financial front, the Eaton fire resulted in the loss of approximately 75% of properties the Company serves. The loss of customers and the corresponding loss of revenue is a serious threat to the Company's continued operations. The company's financial situation and our proposed recovery plans were outlined at two recent shareholder meetings in October 2025 and January 2026. We want to thank all the shareholders that attended the meetings and the input you provided on the recovery plans.

Currently, with the reduced water sales due to property losses, our reserve fund is adequate to cover 12 more months of operational costs. To address the shortfall, the Board adopted a $3,000 Fire Recovery Assessment at the February 2026 regular board meeting to be effective April 1, 2026. There are two payment options for shareholders to consider:

- Pay the assessment in one upfront lump sum payment. If you choose this option, you will receive a $400 discount on the $3,000 assessment. The total upfront payment will be $2,600.
- Pay $50 per month for 60 months for a total of $3000.

It is important to note that this fire assessment payment only begins when a shareholder reactivates their water service. For example, if you are currently receiving water, your assessment will begin with your April 2026 bill and last for 60 months (five years). If your meter is reconnected in August 2026, your assessment

would begin in September and last five years.

If you want to take advantage of the upfront option, please contact the office during March to authorize that option and make the payment.

Other Items

Last year, the Company joined a lawsuit against Southern California Edison with other agencies that were impacted by the fire. It is our understanding that the lawsuit will be heard in the near future. We have also filed claims with the Federal Emergency Management Authority (FEMA) California Office of Emergency Servies (Cal OES), and the Small Business Administration (SBA) in attempts to obtain funding to rebuild the second destroyed reservoir and damaged water infrastructure. However, funding has not been forthcoming.

The Company is also exploring the possibility of consolidation with Lincoln Avenue Water Company. A study is being funded by and headed up by the California Water Resources Control Board with support from a local consultant team. We will keep you informed as this process proceeds.

The Board of Directors and staff at Las Flores Water Company remain committed to providing high quality, reliable water service to our customers at the most cost-efficient cost. We appreciate your patience, understanding, and continued support as we move forward.

If you have questions, please call our General Manager, William Kimberling, at 626-797-1138.

John Bednarski
President