

CRESTVIEW MUTUAL WATER COMPANY

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Las Posas Groundwater Basin Adjudication: Update to Shareholders

You will recall that Crestview is a named defendant in the lawsuit that was filed to comprehensively adjudicate the rights to groundwater in the Las Posas Groundwater Basin (Basin). The plaintiff who filed suit has named itself the Las Posas Valley Water Rights Coalition. The defendants are the owners and representatives of owners who claim the right to water from the Basin. As shareholders, you own overlying rights to water from the Basin. As your representative, and as authorized by our Articles of Incorporation and Amended and Restated Bylaws, the Crestview Mutual Water Company has responded to the lawsuit on your behalf.

This update announces the two actions that Crestview's Board of Directors authorized during Executive Session in its regular meeting of February 24, 2022. One, the Board unanimously approved (President Sol Chooljian absent) entering into a Resolution that, two, in turn, authorizes Crestview's President to sign and submit a proposed Phase 2 Settlement Agreement in the lawsuit. Both the Resolution and the proposed Settlement will be posted to the Crestview website for your review. The proposed Settlement is the result of extensive hours of mediation and negotiation among all of the parties to the lawsuit.

If the Court were to accept the Phase 2 Settlement Agreement, which has been agreed to by a substantial majority of the water rights holders in the Basin, Crestview would receive an allocation of 717 acre-feet of water per year, for the benefit of its shareholders. From 2016-2019, during the current drought, Crestview historically received approximately 652 acre-feet of water from the Basin. The Settlement also expressly recognizes Crestview's right to import additional water from sources other than the Basin for the benefit of its shareholders.

Under the proposed Settlement, the 717 acre-feet awarded to Crestview may be adjusted annually, on a pro-rata basis with the awards to all other water rights holders, if the sustainable operating yield of water to be drawn from the Basin, as determined by the Fox Canyon Groundwater Management Agency, is not sufficient to meet all amounts awarded. The allocations to all water rights holders are premised on a sustainable operating yield of 40,000 acre-feet per year.

The Board of Directors of Crestview took its actions to approve the Resolution and the proposed Phase 2 Settlement Agreement as being in the best interests of its shareholders. We do not know at this time whether the Court will accept the proposed Phase 2 Settlement. The Court may alternatively determine to require a trial to adjudicate all of the Las Posas Basin groundwater rights. We will keep you updated.

Best regards,



Sol Chooljian, President
Board of Directors