

Crestview Mutual Water Company

328 Valley Vista Drive
Camarillo, CA 93010
805-482-2001
www.crestviewwater.org

January 31, 2019

CRITICAL IMPORTANCE

Dear Shareholders,

This letter is to notify you of a matter of critical importance that **jeopardizes the future of your Company**, and could cause an increase in water rates up to 30% within the next year, with additional rate increases in the following years.

Well #4

Well #4, drilled in 1985, has historically produced approximately 60% of your local water supply. In recent years, that amount has decreased to approximately 42% due to decreasing groundwater levels. We now expect that well to go “dry” this summer as a result of the continuing drought. Our only other operational well, Well #6, does not have sufficient capacity to meet all summertime peak demands, even if it operates 24 hours a day. We planned for that contingency in 2015, and expected the replacement well to be operational in 2019. We reported our plans at our annual meetings.

Well #7

In order to address the need for an additional reliable water supply and the lack of capacity at Well #6, Crestview reviewed *all* of its options in 2015, and determined the only option was to purchase a lot on Alviso Drive, the only vacant parcel in our service area within the upper pressure zone, and drill Well #7 to a lower depth. Planning and design for this \$2.2 million-dollar project started in middle of 2017, and startup was expected to be in late summer 2019.

Staff met with adjoining shareholders to the parcel, and offered to change viewsapes of the planned operation. Unfortunately, a small minority of 5 shareholders, representing 10.95 shares out of 2,500 shares within your Company have recently filed a legal action to stop the construction of Well #7. The minority shareholders falsely assert there will be a “severe” impact to property values if the well is installed. Crestview has no evidence this will be the case. In fact, given the continued operation of Well #4 on Alviso Drive for over 33 years, the former Well #3 that was located at 589 Avocado, Well #5, and Well #6 have not caused an apparent loss of value to adjacent residences. All evidence of this assertion is to the contrary. We have concluded that these shareholders wish to eliminate Well #7 at that location.

Crestview also realizes the Alviso property is an ideal location for an emergency natural gas- powered electricity generator in case of a loss of Edison power. There already is a natural gas pipeline located on Alviso that could provide fuel. It will only be used in the event of an emergency or natural disaster requiring its use to ensure a potable water supply and for fire suppression. When installed, it will provide a very valuable back-up emergency water supply to all members of the Company. To date, the Company has invested over \$200,000 just in sound, environmental, biological and geotechnical engineering studies, along with civil engineering,

landscape designs and color combinations for the facilities. We are prepared to submit for County permitting and solicit bids for well drilling.

This letter is to notify you that Crestview has every intention to continue with the construction of Well #7, and we expect to incur increased legal costs along the way. We have no choice but to proceed with this project to meet our mission to provide a dependable supply of quality water to all Company shareholders at a competitive cost. Crestview is open to continue meeting with any and all shareholders to review and discuss the project design, and how we propose to mitigate any perceived concerns, but please be assured the very future of the company is at risk, and Well #7 is the best option to keep your water rates at the lowest prices possible.

Board Meetings

Each month, the Board of Directors meets in the Crestview office. Shareholders are welcome to attend and there is a standing Agenda item for Shareholder Comments for the Board to receive your input. If you are interested in speaking, please contact the office so Staff can place your item on the Agenda. Copies of the Agenda, Minutes of prior Board Meetings, and audited financials can be viewed from our website at www.crestviewwater.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Norman Fahnoe". The signature is fluid and cursive, with a large initial "N" and "F".

Norman Fahnoe,
President - Crestview Mutual Water Company