

RECORDING REQUESTED BY:
Highlands Water Company

AND WHEN RECORDED MAIL TO:
Highlands Water Company
14580 Lakeshore Dr.
Clearlake, CA 95422

Exempt from fee per GC 27388.1 (A) (2) (D)

Filed & Recorded in Official Records
County of Lake

Richard A. Ford
Assessor-Recorder

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CA SB2 Fee:	\$0.00
Total:	\$50.00



BY-LAWS

THIS SPACE FOR RECORDER'S USE ONLY

TITLE OF DOCUMENT

BY-LAWS
OF
HIGHLANDS WATER COMPANY

Approved and adopted on:

September 24, 2025

**AMENDED AND RESTATED BY-LAWS OF HIGHLANDS WATER COMPANY
(September 2025 Revision)**

**ARTICLE I.
OFFICES**

Section 1. The name of the California corporation created hereby is “Highlands Water Company” (the “Company”). The Company also operates in Lake County under the registered fictitious business name “Highlands Mutual Water Company”.

Section 2. The principal office of the Company shall be 14580 Lakeshore Drive, Clearlake, CA 95422. More particularly described as: Lots 16,17,18,49 and 50 in Block 42, as shown on that certain map entitled “CLUB HOUSE ADDITION TO CLEAR LAKE HIGHLANDS THIRD PORTION OF TRACTS A & B”, filed in the office of the County Recorder of said Lake County on October 15, 1924, in Book 4 of Town Maps at Page 4. AP# 040-182-29. The Board of Directors (the “Board”) shall have the authority to change the principal office from one location to another within the State of California.

**ARTICLE II.
MEETING OF SHAREHOLDERS**

Section 1. All annual meetings of the shareholders of the Company shall be held at its principle office in Clearlake, Lake County, California, at six o’clock in the evening on the Second Wednesday of April of each year, or as determined by the Board of Directors. At this meeting, the shareholders or their proxies shall elect members of the Board of Directors up for election that year as described below in Section 2. Further the Board of Directors may consider reports of the affairs of the Company, and transact such other business as may properly be brought before the meeting.

Section 2. Commencing with the election of the Board of Directors in 2025, each Director shall serve a term of four (4) years in their respective Director position. Elections shall occur on a staggered cycle as outlined below. In order to establish the staggered terms contemplated by this Section 2, the election of the Board of Directors in 2024 shall elect five (5) Directors for the Company with terms of varying lengths to initiate the staggered election cycle. Solely for the 2024 election, Directors shall have the following terms:

- Board of Directors Position 1 & 2: Shall be elected in 2024 for a one (1) year term and thereafter starting in 2025 be elected for four (4) year terms.
- Board of Directors Position 3 & 4: Shall be elected in 2024 for a two (2) year term and thereafter starting in 2026 be elected for four (4) year terms.
- Board of Directors Position 5: Shall be elected in 2024 for a three (3) year term and thereafter starting in 2027 be elected for four (4) year terms.

Thus, assuming that 2025 is year one, the following election cycle would repeat every four years.

- Year 1: Board of Directors Position 1 & 2 are elected for four (4) year terms.
- Year 2: Board of Directors Position 3 & 4 are elected for four (4) year terms.
- Year 3: Board of Directors Position 5 is elected for a four (4) year term.
- Year 4: No elections.

Section 3. Ten percent of the shares issued and outstanding, represented either in person or by proxy, shall constitute a quorum for the transaction of business. Each shareholder shall be entitled to one vote for each share held in their name on the books of the Company, either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Secretary of the Company. A proxy shall be deemed signed if the member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, or otherwise) by the shareholder or the shareholder's attorney in fact. A validly executed proxy shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Company stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at a meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted. Unless otherwise stated in the proxy, the proxy will be valid for a period of eleven (11) months; provided, however, that no proxy shall be valid after the expiration of thirty-six (36) months from the date of the proxy.

Section 4. Written notice of each annual meeting shall be given, either personally or by sending a copy of the Notice through electronic mail or the United States Postal Service mail, to each shareholder entitled to vote, postage prepaid, to the address appearing on the books of the Company, or if no such address appears, at the last known place of address, at least ten days prior to the annual meeting. If a quorum be not present at the annual meeting, the shareholders represented in person or by proxy, may adjourn to such future time as shall be agreed upon by those present. If a quorum be present, they may adjourn from day to day as they see fit and no Notice of such adjournment need be given.

Section 5. Special meetings of the shareholders may be called at any time, for any purpose or purposes whatsoever by the President, or by the Board, or any three Directors thereof, or by the holders of a majority of the outstanding shares of the Company. The Secretary, or the Secretary's designee, shall mail, either via electronic mail or standard United States Postal Service mail, a Notice of such a call to each shareholder of the Company, at least ten days before such meeting, and such Notice shall state the time and place of such meeting and the object and general nature of the business to be transacted, or such Notice may be given by legal publication.

ARTICLE III.

DIRECTORS

Section 1. Powers: Subject to limitations of the Articles of Incorporation, of the By-Laws, and to the duties of the Directors as prescribed by law and by the By-Laws, all corporate powers shall be exercised by, or under the authority of, and the business and affairs of the

Company shall be controlled by, the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Directors shall have the following powers, to-wit:

First: To select or remove all the other officers, agents and employees of the Company, prescribe such powers and duties for them as may not be inconsistent with law, with the Articles of Incorporation or the By-Laws, fix their compensation and require from them security for faithful service.

Second: To conduct, manage and control the affairs, and business of the Company, and to make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem best.

Third: To adopt, make or use a corporate seal and to prescribe the forms of Certificates of Stock, and to alter the form of such seal and such Certificates from time to time as in their judgement they may deem best, provided such seal and such Certificates shall at all times comply with the provisions of law.

Fourth: To authorize the issuance of shares of stock of the Company from time to time, upon such terms as may be lawful, and in conformity with the By-Laws of this Company.

Fifth: To buy and sell real and personal property in connection with the business of the Company as well as to borrow money and incur indebtedness for the purposes of the Company, and to cause to be executed and delivered therefor, in the corporate name, Promissory Notes, Bonds, Debentures, Deeds of Trust, Mortgages, Pledges, Hypothecations, or other evidences of debt and securities therefor.

Section 2. Vacancies: Vacancies in the Board may be filled by a vote of the majority of the remaining Directors, though less than a quorum, and each Director so elected shall hold office until their successor is elected at an annual meeting of shareholders, or at a special meeting of shareholders called for that purpose. A vacancy, or vacancies, shall be deemed to exist in case of death, resignation or removal of any Director. The shareholders may at any time elect Directors to fill any vacancy not filled by the Directors. If any Director tender their resignation to the Board, the Board shall have the power to elect a successor to take office at such time as the resignation shall become effective. Any Director elected to fill a vacancy shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 3. Regular Meetings: Regular meetings of the Board shall be held on the last Wednesday of each month at the principle office of the Company, at Clearlake, Lake County, California, at four o'clock in the evening, or at such other time and place as the Board, by Resolution, may designate. All regular meetings of the Board will be open to shareholders and other eligible persons described in Section 12. Regular meetings will be conducted in accordance with the requirements of Section 14305 of the Corporations Code. The Board shall not take action on any matter that is not on the written agenda that has been posted for the meeting unless otherwise permitted pursuant to the Corporations Code.

Section 4. Special Meetings: Special meetings of the Board for any purpose, or purposes, may be called at any time by the Board, the President, or if the President is absent or unable or refuses to act, by any three Directors. Written Notice of the time and place of special meetings shall be delivered personally to the Directors or sent to each Director by electronic mail, United States Postal Service letter, postage prepaid, addressed to the Director at the address as shown upon the books of the Company or, if it is not so shown, or is not readily ascertainable, at Clearlake, Lake County, California. In case such Notice is mailed, it shall be deposited in the United States Mail in the place in which the principle office of the Company is located, at least 48 hours prior to the time of the holding of the meeting. In case such Notice is delivered as otherwise above provided, it shall be so delivered at least 24 hours prior to the time of the holding of the meeting. Such mailing or delivery as above provided, shall be due, legal and personal Notice to each Director.

Section 5. Waiver of Notice to the Directors: The transaction of any meeting of the Board, if a quorum be present, however called and noticed or whenever held, shall be valid as though had at a meeting duly held after roll call and notice to the Directors, and if, either before or after the meeting, each of the Directors not present sign a written Waiver of Notice or a Consent to holding such meeting, or an approval of the Minutes thereof. All such Waivers, Consents or Approvals shall be filed with the corporate records or made a part of the Minutes of the meeting.

Section 6. Quorum: A majority of the members of the Board, as fixed by the Articles of Incorporation, shall be necessary to constitute a quorum for the transaction of business, except to adjourn as hereinafter provided. Every act or decision done or made by a majority of the Directors present at a meeting duly held in which a quorum is present shall be regarded as the act of the Board.

Section 7. Adjournment: A quorum of the Board may adjourn any Directors' meeting to meet again at a stated day and hour. In the absence of a quorum, the Directors present at any Directors' meeting, either regular or special, may adjourn from time to time until the time fixed for the next regular meeting of the Board.

Section 8. Notice to Eligible Persons: Notice of meetings of the Board shall be given to the following eligible persons: shareholders of the company; an occupant of commercial space or a dwelling unit to which the Company sells, distributes, supplies, or delivers drinking water; an elected official of a city or county who represents people who receive drinking water directly from the Company on a retail basis. Except for an emergency meeting of the Board or a meeting that will be held solely in executive session, eligible persons shall be given notice of the time and place of a meeting at least four days prior to the meeting. Eligible persons shall be given notice of the time and place of a meeting that will be held solely in executive session at least two days prior to the meeting.

Notice shall be given by posting the notice in a prominent, publicly accessible place or places within the territory served by the Company and by mail to any eligible person who has

requested notification of Board meetings by mail. Notice may also be given, with the consent of the eligible person, by electronic means. The notice shall contain the agenda for the meeting.

ARTICLE IV.

OFFICERS

Section 1. The Officers of the Company shall be a President, Vice-President, Secretary, and a Treasurer, also known as a chief financial officer. One person may hold two or more offices, except those of President and Secretary. All other non-officer Directors shall be known as Members. All Officers and subordinate officers of the Company shall have the responsibilities of their title as described in the California Corporation Code, as those responsibilities are generally accepted and prescribed in similar companies, and as described in more detail herein.

Section 2. Election of Officers: The Officers of the company shall be chosen annually by the Board.

Section 3. Subordinate Officers: The Board may appoint such other officers as the business of the company may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided by the By-Laws, or as the Board may, from time to time, determine.

Section 4. Executive Committee: The Board may, in their discretion, appoint from their own number an Executive Committee of three members and such Executive Committee shall be vested with all powers of the Board, when such Board is not in session.

Section 5. Vacancies: A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the By-Laws for regular appointments to such office, see Article III, Section 4.

Section 6. President: The President shall be the chief executive officer of the company and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the corporation. The President shall preside at all meetings of the shareholders and at all meetings of the Board. The President shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board or by the By-Laws.

Section 7. Vice President: The Vice President shall have all of the powers of general supervision as those bestowed on the President. The Vice President shall only be allowed to execute such powers when either the President is not present or available, or when the President explicitly requests assistance on certain matters. While the President is available to perform their duties, the Vice President assists the President in the full performance of the President's duties.

Section 8. Secretary: The Secretary shall keep or caused to be kept, a book of Minutes at the principal office or such other place as the Board may order, of all meetings of Directors and Shareholders, with the time and place of holding, whether regular or special, and, if special,

how authorized, the Notice thereof given, the names of those present at Directors' meetings, the number of shareholders present or represented at Shareholders' Meetings, and the proceedings thereof.

The Secretary shall keep or cause to be kept at the principal office of the Company, a Share Register, showing the names of the shareholders and their addresses, the number of shares held by each, the number and date of Certificates issued for the same, and the number and date of the cancellation of every Certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, a Notice of all the meetings of shareholders and of the Board required by the By-Laws to be given and perform such other duties as may be prescribed by the Board or by the By-Laws.

Section 9. Treasurer: The Treasurer, also known as the chief financial officer, shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Company, including accounts of its assets, liabilities, receipts and disbursements. The books of account shall at all times be open for inspection by any Director.

The Treasurer shall manage, handle, and otherwise deposit all moneys and other valuables in the name, and to the credit, of the Company with such depositaries as may be designated by the Board. The Treasurer shall disburse the funds of the Company as may be ordered by the Board, shall render to the President and the Directors, whenever they request it, an account of all of the Treasurer's transactions, as Treasurer, and of the financial condition of the Company, and shall have such other powers and perform such other duties as may be prescribed by the Board or by the By-Laws.

ARTICLE V.

AMENDMENTS

Section 1. By-Laws may be adopted, amended or repealed by the vote or the written assent of shareholders in good standing entitled to exercise a majority of the voting power of the Company. Subject to the right of shareholders to adopt, amend or repeal the By-Laws, By-Laws may be adopted, amended or repealed by the Board, except that a By-Law or Amendment thereof changing the authorizing number of Directors may be adopted, amended or repealed by the Board only pursuant to the provisions of the Corporation Code of the State of California.

ARTICLE VI.

CERTIFICATES OF SHARES

Section 1. Certificate and Transfers: The Certificates or Shares shall be signed by the President or Vice-President or their designee and the Secretary or their designee and be attested by the corporate seal. Certificates or Shares may be transferred by the endorsement of the signature of the owner, or by the shareholder's attorney-in-fact, and by the delivery of the

Certificate to the Secretary, and such transfer shall not be valid until the same is entered upon the books of the company, showing the name or names of the party or parties by and to whom transferred, the number of shares and the date of transfer, provided that no Certificate or Certificates of shares shall be transferred on the books of the company unless accompanied by a bona fide transfer by the owner of the real property described on the reverse side of said Certificate or Certificates, to which the Certificate or Certificates of shares sought to be transferred shall be appurtenant, and the transfer of title to any parcel of land so described on the reverse side of said Certificate or Certificates shall operate as the transfer of the share or shares appurtenant thereto. A transfer fee of not less than \$100.00 shall be paid on the transfer of each Certificate, and the Board shall have the power, by Resolution, from time to time, to increase the amount of such transfer fee.

Section 2. Membership: Any person or persons owning a lot or lots, within Exhibit A "Map of Highlands Water Company Service Area" shall be entitled to membership in HIGHLANDS WATER COMPANY. It being understood that one share of stock shall be issued for each lot in separate ownership or each unsubdivided parcel in separate ownership, which share shall be appurtenant thereto, and in no instance shall any fraction share of stock be issued.

Notwithstanding the issuance of stock to the owner of a subdivided lot, the creation of new lots through subdivision will not automatically entitle the owner thereof to water service, it being understood that new water service connections are subject to the availability of capacity within the water system operated by the Company. The Board may create reasonable requirements for the issuance of will serve letters and the installation of water connections within the service area of the Company as are necessary to maintain the integrity and quality of the water system or to reflect limitations on the water supply available to the Company for providing water service.

The subdivisions and unsubdivided lands hereinbefore referred to are situate within the County of Lake, State of California, and are identified in Exhibit A "Map of Highland Water Company" to these By-Laws. Exhibit A may, as needed, be updated to incorporate changes as approved by the Board.

ARTICLE VII.

ASSESSMENTS

Section 1. Assessments for the installation, maintenance and operation of, or any other purpose related to, the pipe lines and water system, shall be levied by the Board from time to time, as they may see fit or necessary, and any such assessments shall be delinquent thirty days from the date of the call therefor, mailed from the office of the Company, and all delinquent payments and assessments shall be subject to such penalties as may be fixed by the Board.

Section 2. Penalties for Default in Payment of Assessments: Failure to comply with any of the By-Laws or water regulations herein set forth, or as may be hereafter ordered by Board, shall, at the option of the Board, act as a cancellation of the right to use water from the company's system. The Board shall establish procedural measures pursuant to California statute,

in the form of a written and adopted "shut-off policy", the rights and responsibilities of the Board and the delinquent shareholder. Before any action shall be taken, the Board shall afford the delinquent shareholder all procedural rights as described in the afore mentioned "shut-off policy."

In addition, if a shareholder has not timely paid any rate, charge, or assessment arising from, or related to, water service provided by the company to the shareholder's property, the Board may authorize the recording of a notice of lien against that shareholder's property to secure the collection of the rates, charges, and assessments owed to the company by the shareholder. The shareholder will be provided at least twenty (20) days' written notice before the Board authorizes any such notice of lien.

ARTICLE VIII.

OPERATION OF WATER SYSTEM

Section 1. Water Master: The Board may appoint a Water Master, whose duties shall consist of supervising and assisting the installation of pipelines, water connections and other works of the company, and who shall have charge of the distributing of water, and, subject to the approval of the Board, may employ all assistance and labor necessary therefor and discharge any person so employed. The Water Master shall make a report to the President and Directors monthly, or more often if required to do so, setting forth the results of the operations under the Water Master's charge, and shall perform other duties as the President and the Board may require. The salary of the Water Master shall be fixed by the Board.

Section 2. Installation of Pipelines, etc.: All installations of pipelines and water service shall be made under the direction of the Water Master, subject to the approval of the Board. No connections shall be made on the lines of the company without the approval of the Water Master and under the Water Master's direction, and in accordance with the rules and regulations of the company as fixed by the Board. No person or persons shall be entitled to the use of the water from the pipelines of the company, excepting shareholders, or persons residing on or occupying the property of shareholders.

Section 3. New Connections. The Board may require any shareholder requesting a new connection to the water system to pay the reasonable cost of such connection from the closest lateral operated by the Company, including the cost of installing any service lines, meters or other infrastructure necessary for such new connection. The Board may also impose a connection fee which represents the shareholder's share of the investment made by the Company in the water system. The Water Master will make a determination as to the cost of providing such service.

Section 4. Water Conservation. The Board may impose reasonable limitations on water usage by the shareholders as are necessary to preserve the water supply of the Company during periods of drought or emergency or as otherwise required under applicable law or governmental order. Such measures may include restrictions on non-potable use of domestic water served by the Company.

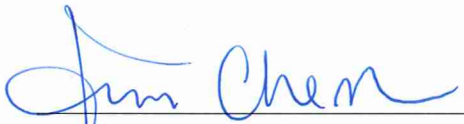
Section 5. Annual Budget and Reserves. The Board shall present an operating budget at the annual meeting of the shareholders, which budget shall provide for the accumulation of reserves as necessary for the repair and replacement of the water system of the Company over its useful life and to maintain the water system in good operating condition and repair.

ARTICLE IX.

**INDEMNIFICATION OF DIRECTORS, OFFICERS,
EMPLOYEES AND OTHER AGENTS**

Section 1. The Company shall, to the maximum extent permitted by the California General Corporation Law, indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the Company. For purposes of this Section, an "agent" of the Company includes, without limitation, any person who is or was a Director, Officer, or employee of the Company.

HIGHLANDS WATER COMPANY
14580 Lakeshore Dr
Clearlake, Ca 95422



Jessica Chernoh, Secretary
(Seal)



CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF California)SS

COUNTY OF Lake)

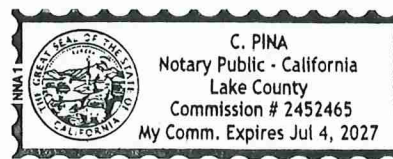
On Oct. 9, 2025 before me, C. Pina, Notary Public, personally appeared Jessica Chernoh

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature [Signature]



This area for official notarial seal.

OPTIONAL SECTION - NOT PART OF NOTARY ACKNOWLEDGEMENT CAPACITY CLAIMED BY SIGNER

Though statute does not require the Notary to fill in the data below, doing so may prove invaluable to persons relying on the documents.

- ☐ INDIVIDUAL
- ☐ CORPORATE OFFICER(S) TITLE(S)
- ☐ PARTNER(S) ☐ LIMITED ☐ GENERAL
- ☐ ATTORNEY-IN-FACT
- ☐ TRUSTEE(S)
- ☐ GUARDIAN/CONSERVATOR
- ☐ OTHER

SIGNER IS REPRESENTING:

Name of Person or Entity

Name of Person or Entity

OPTIONAL SECTION - NOT PART OF NOTARY ACKNOWLEDGEMENT

Though the data requested here is not required by law, it could prevent fraudulent reattachment of this form.

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW

TITLE OR TYPE OF DOCUMENT: _____

NUMBER OF PAGES _____ DATE OF DOCUMENT _____

SIGNER(S) OTHER THAN NAMED ABOVE _____

Exhibit A

Map of Highlands Water Company **Service Area**

In compliance with court order granted by Judge David Markham on February 20, 2025, (City of Clearlake vs. Highlands Mutual Water Company et al (CV425596)) attached herein as Exhibit A of the Highlands Water Company Bylaws hereby supersedes any and all previously defined lands of Highlands Water Company. Said map identifies and refines the current service area of Highlands Water Company without altering or abridging the status of the City of Clearlake as a shareholder.

As set forth herein, Exhibit A may, as needed, be updated to incorporate changes as approved by the Board.

