



## Highlands Mutual Water Company

14580 Lakeshore Drive  
Clearlake, California 95422

Phone:(707) 994-2393 ~ Fax:(707) 994-7654

[www.highlandswater.com](http://www.highlandswater.com)

### **January 2025 Update on lawsuit: City of Clearlake vs. Highlands Water Company**

#### **Dear Shareholder/Customer:**

Highlands Water Company's Board of Directors would like to provide an update on the status of the lawsuit filed by the City of Clearlake in June 2024.

In June of 2024 the City of Clearlake sued Highlands Water Company challenging Highland's election process. **As directed by court order** a costly special election was held on September 30, 2024, that required all individuals that owned property within Highland's geographic area to be considered shareholders. Note: this included properties that do not have a connection, or in many cases, properties that are not serviced by Highlands Water Company be given the power to vote. Even though the City does not contest the overwhelming majority vote in favor of the existing Highlands Board of Directors they refuse to dismiss the lawsuit (*City of Clearlake vs. Highlands Mutual Water Company et al (CV425596)*) and continue to pursue further litigation.

Since the September election, it was brought to attention that by Law (Corporations Code section 14300) Highlands Mutual Water Company is required to cancel the shares for any land purchased by the State of California, any department of the State, any state agency, school district, *or other public agency*. With this Highlands did not single out the city, but instead objectively followed the law, and cancelled the shares of all state and local agencies. Many of the properties owned by the City are residential properties that have been acquired through foreclosure. If in the future a private entity acquires these properties, Highlands is required to reinstate the shares. While the City disagrees with this statute, Highlands will continue to follow the Law and implement it accordingly.

Much like the City is regulated by the Public Records Act, a law that says what documents must be provided to the public, Highlands is regulated by Corporations Code section 14307, which regulates what documents are shareable with "eligible persons". Throughout the process of litigation, the City has continuously stated that Highlands has not provided the required documents as they have requested. Please note: All documents required by Corporations Code section 14307 were provided to the City's legal counsel on May 15, 2024, and **AGAIN** on January 13, 2025.

Though the City refuses to dismiss this frivolous lawsuit we, the Highlands Water Company Board of Directors, along with dedicated staff, want to reassure our Shareholders/Customers that we will not allow this to stand in our way of providing clean, safe, high quality drinking water for all, just as Highlands Water has done for the past 100 years.