

HIGH GABRIEL WATER SUPPLY CORPORATION

Proposed Revised Bylaws — Review Draft

Prepared for secretary and board review

Based on the March 31, 2025 bylaws currently posted by HGWSC

This draft keeps the same general article order so the secretary can compare the proposed wording to the current bylaws more easily. It incorporates the changes discussed in this review process, including removal of the Secretary-Treasurer office, election of officers at the first regular meeting following the annual meeting, email notice language, clarified quorum and voting language, updated banking language, minutes posting provisions, and a new website-management section.

This document is intended as a board working draft for review and markup. It is not a substitute for final legal review before formal adoption.

PART I — PROPOSED REVISED BYLAWS

ARTICLE I. OFFICERS — PRESIDENT

Section 1. President.

The President shall be the principal executive officer of the Corporation and shall preside at all meetings of the members and the Board of Directors; upon written request of one-third (1/3) of the members, call a special meeting of the members, and upon written request of two-thirds (2/3) of the directors, call a special meeting of the Board of Directors; sign, with the Secretary or other officer authorized by the Board, certificates of membership if issued by the Corporation and authorized by resolution of the Board; sign deeds, mortgages, deeds of trust, notes, bonds, contracts, and other instruments authorized by the Board of Directors, except where execution is delegated by the Board, these Bylaws, or applicable law to another officer or agent; and, in general, perform all duties incident to the office of President and such other duties as may be assigned by the Board of Directors.

ARTICLE II. OFFICERS — VICE PRESIDENT

Section 1. Vice President.

The Vice President shall perform the duties of the President in the absence, inability, or refusal of the President to act, and when so acting shall have all powers of and be subject to all restrictions upon the President. The Vice President shall perform such other duties as may be assigned by the Board of Directors.

ARTICLE III. OFFICERS — SECRETARY, TREASURER, AND ASSISTANT

SECRETARY

Section 1. Secretary.

The Secretary shall keep or cause to be kept the minutes of meetings of the members and of the Board of Directors; see that all notices are duly given in accordance with these Bylaws and applicable law; serve as custodian of the corporate records and seal, if any; maintain the official contact information of the Corporation, including its mailing address and email address, and the mailing address and email address of each member to the extent maintained by the Corporation; sign with the President certificates of membership if issued and authorized by resolution of the Board; keep on file a complete current copy of these Bylaws and all amendments thereto; validate ballots cast at the annual membership meeting and present election results at the first regular Board meeting following the annual membership meeting unless the Board appoints another election officer or committee; ensure that approved minutes of the previous monthly Board meeting are posted or otherwise made available to members within five (5) business days after approval; ensure that approved annual meeting minutes are posted or otherwise made available to members within a reasonable

time after approval; and, in general, perform all duties incident to the office of Secretary and such other duties as may be assigned by the Board of Directors.

Section 2. Treasurer.

The Treasurer shall have supervisory oversight of the funds and financial records of the Corporation; oversee the receipt and deposit of monies due and payable to the Corporation from any source whatsoever in the name of the Corporation in one or more banks or financial institutions selected by the Board of Directors; oversee financial reporting to the Board of Directors; work with the Corporation's manager, bookkeeper, accountant, or other authorized agents as directed by the Board; and, in general, perform all duties incident to the office of Treasurer and such other duties as may be assigned by the Board of Directors.

Section 3. Assistant Secretary.

The Board of Directors may appoint an Assistant Secretary if the Board determines such office is needed. The Assistant Secretary shall perform duties assigned by the Board of Directors and, when authorized by the Board or when the Secretary is absent or unable to act, may perform the duties of the Secretary.

Section 4. Corporation Website and Website Manager.

The Corporation may maintain an official website for the purpose of providing public information, member notices, governing documents, meeting agendas, approved minutes, rates, policies, reports, and other materials authorized by the Board of Directors. The Board of Directors may designate a Website Manager, who may be a director, officer, or other member volunteer approved by the Board, to assist with maintaining and updating the Corporation's website under the direction of the Board. The Website Manager shall serve at the pleasure of the Board and shall have only such authority and responsibilities as the Board may assign. The official website may be used as an authorized location for posting information and documents that the Board determines should be made available to members or the public, in addition to any other notice or recordkeeping methods required by law or these Bylaws.

Section 5. Combined Office Eliminated.

The office of Secretary-Treasurer is abolished. Any reference in prior bylaws, forms, ballots, notices, policies, or records to Secretary-Treasurer shall, after adoption of this revision, be construed to refer to the Secretary, the Treasurer, or both, as the context requires.

Section 6. Bonding.

Any officer, employee, manager, or agent with access to Corporation funds or authority over financial transactions may be required by the Board of Directors to be bonded in an amount determined by the Board.

ARTICLE IV. DIRECTORS

Section 1. General Powers.

The business and affairs of the Corporation shall be managed by a Board of seven (7) directors. A majority of the directors shall constitute a quorum for the transaction of business unless otherwise required by law or these Bylaws. The Board shall exercise all powers of the Corporation except those reserved to the members by law, the Certificate of Formation, or these Bylaws. At the first regular meeting following the annual meeting, the Board of Directors shall elect from among the directors a President, Vice President, Secretary, and Treasurer. The Board may also appoint an Assistant Secretary if needed. Directors shall serve without compensation, but may be reimbursed for actual and reasonable expenses approved by the Board of Directors. Upon the death, resignation, removal, or disqualification of a director, the remaining directors may fill the vacancy by majority vote for the unexpired portion of the term unless otherwise required by law.

Section 2. Qualifications and Tenure.

Terms shall be staggered so that three (3) terms expire in the first year, two (2) expire in the second year, and two (2) expire in the third year, subject to later adjustment as needed to maintain staggered terms. Any person elected for a first term to the Board of Directors must be a member of the Corporation and a bona fide resident of the community served by the Corporation. No member shall be eligible to become or remain a director or to hold any position of trust in the Corporation who is employed by or financially interested in a

competing enterprise or a business whose relationship with the Corporation creates a material conflict of interest. When a membership is held jointly, either one, but not both, may be elected as a director. Nothing in this section shall affect the validity of any action taken at any meeting of the Board of Directors. Any director may succeed himself or herself.

Section 3. Nominations.

Directors shall be elected by the members at the annual meeting provided for in Article XI. Nominations should be submitted at least twenty (20) days prior to the annual meeting when practicable, but this shall not prevent nominations from being made from the floor at the meeting of the members unless otherwise provided by duly adopted election procedures.

Section 4. Absenteeism.

If a Board member misses three (3) consecutive regular meetings without excuse accepted by the Board, the Board may initiate removal proceedings after notice and an opportunity to be heard. Any Board member may be removed for cause by a two-thirds (2/3) vote of the Board or by a two-thirds (2/3) vote of the membership at large, to the extent permitted by law.

ARTICLE V. BOARD OF DIRECTORS MEETINGS

Section 1. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such time and place as the Board of Directors may determine. Notice of regular meetings may be established by the Board's adopted meeting schedule or by action taken at a prior Board meeting.

Section 2. Special Meetings.

Special meetings of the Board of Directors may be called by the President or as otherwise provided in these Bylaws.

Section 3. Notice.

Notice of any special meeting of the Board of Directors may be given in person, by telephone, by mail, by email, or by other electronic means reasonably calculated to provide actual notice to each director.

Section 4. Manner of Acting.

The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless a greater vote is required by law, the Certificate of Formation, or these Bylaws.

ARTICLE VI. CORPORATION BUSINESS

Section 1. Non-Profit Status.

The Corporation shall conduct its business on a non-profit basis, and no dividends shall ever be paid upon the memberships of the Corporation while any indebtedness of the Corporation remains unpaid. The private property of the officers and directors of this Corporation shall be exempt from corporate debts, liabilities, and obligations except to the extent otherwise provided by law.

ARTICLE VII. RESERVE FUND

Section 1. Reserve Fund.

The Board of Directors shall establish and maintain reserve funds as required by law, sound financial practice, or Board policy. Reserve funds shall be maintained separately from operating funds in one or more federally insured banks or other federally insured financial institutions, as determined by the Board of Directors.

ARTICLE VIII. MEMBERSHIPS

Section 1. Eligibility and Service.

Every person, including any legal entity, owning or having a legal right to the control, possession, or occupancy of property served or that may reasonably be served by the Corporation shall have the right to

become a member of the Corporation upon payment of the membership fee and upon compliance with the reasonable requirements of the Corporation governing the purchase of water, connection charges, and operation of and service by the system. Membership shall not be denied because of race, color, creed, or national origin. It is the intent of the Corporation to provide service on a nondiscriminatory basis to all persons desiring service to the extent that the capability of the system reasonably permits. Membership and service may be denied when the additional service requested would prevent the system from providing adequate service.

Section 2. Membership Fee and Rights.

The membership fee, as set by the Board of Directors, shall entitle the member to one (1) connection to the water main of the Corporation unless otherwise provided by Board policy or service agreement. Membership certificates, if used, shall be in such form as may be determined by the Board of Directors. Voting rights shall be as provided in Article IX and Article XI of these Bylaws.

ARTICLE IX. VOTING

Section 1. Determining Eligibility.

For the purpose of determining members entitled to notice of or to vote at any meeting of members, or any adjournment thereof, or for any other proper purpose, ownership of memberships shall be deemed to be in those persons who are record owners of memberships as evidenced by the Corporation's membership records on the fifteenth (15th) day of the month next preceding the month in which the action requiring such determination is to be taken, unless otherwise fixed by the Board in accordance with law. When a membership is held jointly, either one, but not both, may vote at any regular or special meeting of the membership unless otherwise provided by law or written ownership designation.

Section 2. Voting Rights and Method of Voting.

Each tap holder shall be entitled to one (1) vote on each matter submitted to a vote of the members. Voting may be conducted in person, by valid proxy, by mail ballot, or by any other method authorized by law and approved by the Board of Directors.

ARTICLE X. MEMBERSHIP

Section 1. Transfer of Membership.

To help ensure that the business done by the Corporation continues within the capacity of its facilities and to prevent undue financial burden on the members of the Corporation, membership in the Corporation shall be non-transferable except as otherwise permitted by Board policy, tariff, or written service procedures adopted by the Board. New members shall purchase a membership certificate, if used, or otherwise establish membership at the fee set by the Board of Directors.

Section 2. Refund of Membership Fee.

A portion of the membership fee may be returned to the prior member after all prior member debt obligations to the Corporation have been satisfied, if and to the extent authorized by Board policy, tariff, or applicable service documents. Any refund shall be subject to presentation of proof that all debts and liabilities to the Corporation have been paid in full and, if applicable, surrender of the membership certificate to the Corporation.

ARTICLE XI. MEMBERSHIP MEETINGS

Section 1. Annual Meeting.

There shall be an annual meeting of the members to transact all business that may properly be brought before the membership, including election of directors, consideration of reports covering the previous fiscal year, and such other business as may be on the agenda. The Secretary shall give at least ten (10) days' notice of the annual meeting to the membership stating the time, place, and purpose of the meeting. Notice may be given personally, by mail, by email, or by any other lawful method reasonably calculated to provide actual notice using the contact information shown on the records of the Corporation. If notice is mailed, it shall be deemed

delivered when deposited in the United States mail, postage prepaid, addressed to the member at the address shown on the records of the Corporation. If notice is given by email, it shall be deemed delivered when sent to the email address shown on the records of the Corporation, unless returned as undeliverable. Failure of any member to receive notice of an annual or special meeting shall not invalidate action taken if notice was otherwise properly given.

Section 2. Quorum.

At any annual or special meeting of the members, ten percent (10%) of the members of the Corporation, present in person or represented by valid proxy, shall constitute a quorum.

Section 3. Annual Meeting Records.

The minutes of the annual meeting, together with the list of directors elected at the annual meeting and the officers elected by the Board at the first regular meeting following the annual meeting, shall be reflected in the official records of the Corporation and posted or otherwise made available to the members after approval.

ARTICLE XII. SPECIAL MEETINGS

Section 1. Called Meetings.

Special meetings of the members may be called by at least four (4) directors or upon a written request signed by at least thirty-three percent (33%) of all members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given in the same manner authorized for annual meeting notice. The notice of a special meeting shall state the purpose or purposes for which the meeting is called, and no business other than that stated in the notice shall be transacted.

ARTICLE XIII. CORPORATION BUSINESS

Section 1. General Powers of Board of Directors.

The Board of Directors shall have the power to make and adopt such rules, rates, and regulations as it may deem advisable for the management, administration, and regulation of the business affairs of the Corporation, insofar as such rules, rates, and regulations are not inconsistent with law, the Certificate of Formation, or these Bylaws. The Board of Directors shall be empowered to amend these Bylaws by a two-thirds (2/3) vote of the Board, subject to any rights reserved to the members under Article XX and applicable law.

Section 2. The Manager.

The Board of Directors may appoint a Manager who may, but need not, be a member of the Corporation. The Manager shall be appointed by a majority vote of the Board of Directors and may serve with or without compensation. The Manager shall perform such duties as the Board of Directors may from time to time require and shall have such authority as the Board may from time to time vest in the Manager. With the approval of the Board of Directors, the Manager may employ such supervisory, clerical, or other employees as may be necessary to effectively operate the business of the Corporation.

ARTICLE XIV. CONDITIONS OF SERVICE

Section 1. Monthly Billing.

All members shall be billed monthly for water charges, and bills shall be due and payable within fifteen (15) days of the billing date or postmark date shown on the bill, subject to the Corporation's tariff, policies, or adopted billing procedures. If payment is made after the designated grace period, a penalty may be assessed. Each member shall pay the minimum amount per month fixed by the Board of Directors, regardless of the amount of water consumed, together with any other obligations due and payable to the Corporation.

Section 2. Discontinuance of Service.

If payment is not made for regular or additional water charges or any other indebtedness owing to the Corporation within the time permitted by the Corporation's tariff or adopted billing procedures, the Corporation may discontinue water service after any notice required by law, tariff, or Board policy. After water service has been discontinued by reason of nonpayment, the member may be charged a reconnect fee fixed by the Board of Directors before service is restored. In the event a member surrenders a membership

certificate, if any, properly endorsed to the Corporation through the Secretary or other authorized representative of the Corporation, water service may be discontinued and the member's ongoing obligation to pay for future water service shall terminate except for the minimum charge for the current month, whichever is greater, and any prior unpaid amounts due the Corporation.

Section 3. Responsibilities of Membership.

By dealing with the Corporation, the members acknowledge that the terms and provisions of the Certificate of Formation and these Bylaws constitute a contract between the Corporation and each member, and both the Corporation and the members are bound by such contract as fully as though each member had individually signed a separate instrument containing such terms and provisions.

ARTICLE XV. FORFEITURE OF MEMBERSHIP

Section 1. Powers of Board of Directors.

The Board of Directors shall have the authority to terminate the membership of any member in the event of nonpayment of water charges or other indebtedness owing by that member within thirty (30) days after demand for payment by mail, email, or other notice properly addressed to the member at the address or email address last known to the Corporation, subject to the Corporation's tariff and applicable law.

Section 2. Corporate Dissolution.

Upon dissolution of the Corporation, all assets of the Corporation remaining after payment of its indebtedness shall be distributed among the members in direct proportion to their patronage with the Corporation or as otherwise required by law. Any indebtedness owed by a member to the Corporation shall be deducted from that member's share prior to final distribution.

ARTICLE XVI. INSURANCE

Section 1. Requirements.

The Corporation shall insure with a reputable insurance company such of its properties and in such amounts as the Board of Directors deems necessary. Public liability coverage should be maintained at such levels as are considered prudent by the Board of Directors.

ARTICLE XVII. FISCAL YEAR

Section 1. Definition.

The fiscal year of the Corporation shall be from January 1 through December 31 unless changed by action of the Board of Directors in accordance with law.

ARTICLE XVIII. SPECIAL ASSESSMENTS

Section 1. Operational Assessment.

If at the end of any fiscal year, or in the event of emergency repairs, the Board of Directors determines that the total amount derived from the collection of water charges is insufficient for payment of all costs incident to the operation of the Corporation's system during the year in which such charges are collected, the Board may make and levy an assessment against each member as the Board may determine so that the sum of such assessments and the amount collected from water and other charges is sufficient to pay all costs of operation, maintenance, replacement, and repayment on indebtedness for the year's operations. This provision shall not operate for the benefit of any third-party creditor other than a lending institution without a favorable vote of a majority of the members. A proportionate amount of the necessary total of such assessments levied in any year shall be assessed against each member in an amount that bears the same relation to the total assessment as the number of service connections supplying such member bears to the total number of service connections in the system of the Corporation.

Section 2. Members Responsibility.

In the event a member surrenders membership properly endorsed to the Corporation through the Secretary or other authorized representative of the Corporation, the member's obligation to pay such assessments shall be

limited to assessments made and levied prior to the date of surrender of the membership certificate; provided, however, that this paragraph and the last sentence of Section 2, Article XIV shall not apply to relieve a member of obligations under special agreements covering multiple membership certificates held by one member.

ARTICLE XIX. AUDIT

Section 1. Procedure.

The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit or financial review of the accounts, books, and financial condition of the Corporation as of the end of each fiscal year. Such report, prepared by a person or firm competent to perform same, shall be available to the members for inspection at the following annual meeting.

ARTICLE XX. BYLAWS

Section 1. Amendment Procedure.

These Bylaws may be altered, amended, or repealed by not less than the affirmative vote of two-thirds (2/3) of all members of the Board of Directors at any regular or special meeting. These Bylaws may also be altered, amended, or repealed by a vote of a majority of the members present at any special meeting of the Corporation called for that purpose, except that the members shall not have power to change the purposes of the Corporation so as to decrease its rights and powers under the laws of the State, waive any bond or other provision for the safety and security of the property of the Corporation or its members, or deprive any member of rights then existing under these Bylaws without due process and lawful authority.

PART II — SUMMARY OF PROPOSED CHANGES FROM THE MARCH 31, 2025 BYLAWS

This change list is keyed to the current bylaw structure and to the revisions requested during the review process. It is intended to help explain the proposed draft to the secretary and directors without requiring line-by-line comparison first.

Overall formatting and cleanup

- Reformatted in a more modern, readable font and layout for review and printing.
- Corrected obvious typos, spacing problems, punctuation issues, and inconsistent capitalization throughout.
- Kept the article order and section references aligned to the March 31, 2025 bylaws wherever practical for easier comparison.

Article III — officer structure and website section

- Removed the combined Secretary-Treasurer office and replaced it with separate Secretary and Treasurer positions.
- Added an optional Assistant Secretary position that the Board may create if needed.
- Inserted a new Corporation Website and Website Manager section near the Secretary duties to recognize the official HGWSC website and allow the Board to designate a website manager.
- Updated the bonding section so it can apply to any officer, employee, manager, or agent with access to funds, instead of only Treasurer or Secretary-Treasurer.

Article IV — directors

- Changed officer election timing from the first regular meeting in January to the first regular meeting following the annual meeting.
- Updated the officer list to President, Vice President, Secretary, and Treasurer, with optional Assistant Secretary.
- Cleaned up vacancy, expense reimbursement, and absenteeism wording.

Article V and Article XII — meetings and notice

- Modernized notice language so notice may be given by mail, email, or other electronic means where appropriate.
- Kept the ability to call special meetings by directors or by member request.
- Updated regular and special Board meeting wording to reflect modern notice methods.

Article VII — reserve fund

- Replaced the outdated phrase “bank or savings and loan” with “banks or other federally insured financial institutions.”
- Removed the outdated statutory citation and replaced it with broader modern reserve-fund language.

Article VIII and Article IX — memberships and voting

- Clarified that voting rights are stated in the voting and membership meeting articles rather than the older one-vote-regardless-of-memberships wording.
- Added the new statement that each tap holder is entitled to one vote on each matter submitted to a vote of the members.
- Retained the existing concepts of record-date eligibility, joint ownership voting, proxy voting, and mail ballot voting, while modernizing the wording.

Article XI — annual meeting

- Added modern notice language permitting notice by email as well as mail.
- Changed member-meeting quorum from a majority of members present to ten percent (10%) of the members, present in person or represented by valid proxy.

- Added a requirement that annual meeting minutes, elected directors, and the officers chosen at the first regular meeting following the annual meeting be reflected in the official records and posted or otherwise made available after approval.

Secretary duties and posting requirements

- Added Secretary responsibility to maintain official Corporation contact information, including mailing address and email address.
- Added the requirement that approved minutes of the previous monthly Board meeting be posted or otherwise made available within five business days after approval.
- Added annual meeting posting language for minutes and election results.

Banking and financial language

- Replaced older banking language with “bank or financial institution” terminology where appropriate.
- Updated Treasurer duties to reflect modern financial oversight and reporting practices.
- Removed legacy references that assumed only postal notice or outdated bank terminology.

Scattered conforming edits

- Replaced later references to Secretary-Treasurer in service discontinuance and special assessment sections with Secretary or other authorized representative.
- Updated older gendered or awkward phrasing to more neutral, modern wording where practical.
- Kept the overall structure conservative so the secretary can compare old and new versions more easily.