

Dear Springs Hill WSC Members,

You should have received recently the official notice of the Springs Hill WSC's April 4, 2024 Annual Meeting of the Membership, which also included a ballot for an amendment to the Bylaws to indemnify and advance funds. Also included in that packet of materials was Springs Hill WSC's approved resolution to indemnify and advance funds for a particular lawsuit. We want to provide you with some additional context regarding these materials.

First, as always, Springs Hill provides you notice of the annual meeting of the membership so that you know what will be discussed and acted on in that annual meeting. Springs Hill is required by law to provide you with the official ballot concerning any matter that will be voted on in the meeting. Typically, you receive a ballot when there is a contested director election or if there is an amendment to the Bylaws. This year, there is no contested director election, but there is a proposed Bylaws amendment that will be put to a vote. Specifically, this proposed amendment exercises Springs Hill's right under Chapter 8 of the Business Organizations Code to indemnify and advance funds for its Directors, officers, and employees. Springs Hill WSC feels that this proposed amendment – which is typical for water supply corporations - is critical because it allows Springs Hill WSC to attract and retain qualified individuals to serve in those roles. Without this provision, individuals may be deterred from Springs Hill WSC if they have concerns about being personally liable for any action of the Corporation. It is true that Springs Hill WSC recently received notice that a lawsuit was filed against the corporation, its Directors, and General Manager regarding the provision of water service, and so this amendment is timely.

For the same reasons as the Bylaws amendment, the Board of Directors already passed a resolution to indemnify and advance funds for this specific lawsuit, also as permitted under Chapter 8 of the Business Organizations Code. Springs Hill WSC hopes that you will find this information helpful in your assessment of the proposed Bylaws amendment and vote.