

BYLAWS

OF THE

El Creston Mutual Domestic Water Consumers Association

**A Non-Profit Association Organized under the Sanitary Projects Act (“SPA”) NMSA 1978
Sections 3-29-1 through 3-29-20.**

Adopted September 10, 2009

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**BYLAWS
OF
EL CRESTON MUTUAL DOMESTIC WATER CONSUMERS
ASSOCIATION**

A Non-Profit Association Formed Under the Sanitary Projects Act.

Resolution

WHEREAS, the members of the El Creston Mutual Domestic Water Consumers Association, hereafter referred to as the Association, desire to amend the bylaws previously adopted by the membership.

NOW, THEREFORE be it resolved that the Bylaws adopted by the membership of the Association on this the 10 day of September, 2009, be, and they hereby are amended to read as follows:

ARTICLE I

Names, Objects, Purposes, Principal Place of Business

The corporate name, the objects and purposes, and the principal place of business of this Association will be as stated and provided in the Certificate of Incorporation of the Association.

ARTICLE II

Seal

The Seal of this Association will have inscribed in it the name of the Association and the words "Non-Profit Association." The secretary of the Association shall have custody of the seal.

ARTICLE III

Fiscal Year

The fiscal year of the Association shall begin on the first day in January of each year.

ARTICLE IV

Membership

Section 1. Membership & Membership Application.

As stated in the Articles of Incorporation of the Association, any person in the community who owns a house or who owns property or is inherited property in the community to build a house within the community water system, even if said person does not reside in the community at present but intends to reside in the future, may become a member by applying for membership to

the board of directors and upon being approved, by paying the current non refundable membership fees as set by the board, and upon complying with the Articles, Bylaws and Rules of the Association. Membership is required for each hookup or in case of vacant property for each future hookup in the Association. Thus a land owner may purchase more than one Membership and receive more than one Membership Certificate.

Provided, however, that new memberships may be denied if the capacity or water rights of the Association is inadequate to supply the need of additional members and if it is financially impossible for the Association to acquire additional facilities to accommodate new members. Membership will not be denied because of the applicant's race, color, creed, national origin or sex. If the membership is denied all documents and payments submitted will be returned to the applicant.

The Association shall consider memberships to be either SINGLE memberships or ENTITY memberships as follows:

1. Single Memberships shall be issued to:
 - a. Individual persons;
 - b. Married persons who shall own the single membership jointly as community property associated with ownership of the property within the landed limits of the community;
 - c. Co-tenants, joint property owners, or other properties where there is more than one property owner such as Estates.
2. Entity Memberships shall be issued to:
 - a. businesses, partnerships, corporations, or any other form of business organization;
 - b. churches;
 - c. body politic (ex. a Senior Center)
 - d. governmental agencies
 - e. rental property

Section 2. Membership and Application Approval.

All applications for membership must be approved by a quorum of the board of directors. Individual officers or directors do not have the power to approve a membership.

Section 3. Rights, Privileges and Obligations of Members.

The rights, privileges and obligations of all members of this Association will be equal. In the event of a shortage of water, the Association will take appropriate measures to provide water to meet the needs of the members of the Association.

Section 4. Voting.

Each member will be entitled to only one vote for each authorized tap. When more than one person holds an interest in any Lot serviced by said authorized tap, all such persons shall be

Members. The vote for such authorized tap shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any one tap. Voting by proxy and/or by will not be permitted.

ARTICLE V Meetings of Members

Section 1. Date and Time of Membership Meeting.

The Annual Meeting of the members of this Association will be held annually in or near Ojitos Frios Ranches, County of San Miguel, State of New Mexico, or in a public place designated by the Board of Directors on or about the 1st of March and no later than the 1st of April at 7 PM or at a time designated by the board. In the event that such meeting cannot be held on this day, the meeting will be rescheduled and held within thirty (30) days of the date specified above. The Association will follow Open Meetings Act and give appropriate notice of this meeting.

Section 2. Calling For a Special Meetings.

Special meetings of the members of the Association may be called at any time by the President, or upon resolution of the board of directors, or upon a written petition to the President, signed by ten (10 %) percent of the members. The purpose of every special meeting will be stated in the notice thereof, and no business will be transacted thereat, except such as is specified in the notice.

Section 3. Notice of Meetings.

Notice of the annual, special, and emergency meetings of the members of the Association, will be given by a notice posted at various locations determined by the board or by a notice mailed or delivered to each member of record at least ten (10) days prior to the annual meeting; three (3) days prior to a special meeting; and one (1) day prior to an emergency meeting. Such a notice will state the nature, time, place and purpose of the meeting.

Section 4. Quorum.

Ten percent (10%) of the total membership of the Association will constitute a quorum at any meeting of the Association for the transaction of business. If no quorum is determined, another meeting will be held within ten (10) days. At that meeting the members present will constitute a quorum for the transaction of business. The arrangement for such a meeting will follow Sections 2 and 3 of Article V above of these Bylaws.

Section 5. Meeting Agenda.

The order of business at the meeting of the membership, and as far as possible, at other meetings, shall be:

1. Calling to order and proof of the quorum

2. Proof of notice of meeting
3. Approval of the agenda
4. Reading and approval of minutes of previous meeting(s)
5. Reports of officers and committees
6. Election of directors
7. Old/unfinished business
8. New business
9. Adjournment

Section 6. Purpose of Annual Membership Meeting.

The purpose of the annual meeting is to elect Directors, if applicable, provide reports to the members regarding revenue and expenditures, changes to and the condition of the water system, and to transact such other matters as may properly come before the members. Failure to hold the annual meeting at the designated time shall not work as forfeiture or dissolution of the Association.

ARTICLE VI Board of Directors

Section 1. Functions of the Board of Directors.

A board of five (5) directors (with a minimum of three (3)) will manage the business and affairs of this Association. The functions of such board include:

- (1) Election of, and delegation of authority to, the officers necessary for the management of the Association's business;
- (2) Determination of policies for guidance of the management of the Association;
- (3) Control of expenditures by authorizing budgets;
- (4) Keeping members fully informed of business of the Association;
- (5) Causing of audits to be made from time to time as is necessary or required by the USDA/Rural Utilities Services and/or the Laws of the State of New Mexico;
- (6) Studying the requirements of members and promoting good membership regulations;
- (7) Prescribing the form of Membership Certificates;
- (8) Establishing of water charges and the levying of assessments and the enforcement and collection thereof, in accordance with the provisions of these bylaws, equitable uniform rules and regulations and the Laws of the State of New Mexico.

Section 2. Election and Term of Board Members.

The business and affairs of this Association shall be conducted and managed by a board of directors, consisting of five (5) members (with a minimum of three (3)), all of whom shall be members of the Association. The members of the board of directors shall be elected biennially (every two years) from the membership of the Association, for staggered terms of four (4) years each. The purpose of the election every two (2) years is to provide a system of staggered four (4)

year terms, so that half of the directors will be elected in one (1) year and two (2) years later the remainder of the directors shall be elected.

Election of Officers. The board of Directors shall meet as soon as possible after the holding of the election of directors and in any event within ten (10) days of that time. They will review their duties as directors and may elect a President, Vice-President, and Secretary-Treasurer from among themselves, each of whom shall hold office until the next membership meeting and until the election and qualification of his or her successor unless sooner removed by death, resignation, or for just cause.

Any person in arrears over 90 days can not serve on the board. In addition, any board member who falls in arrears over 90 days must resign from the board.

As required by the Sanitary projects Act, all board members are required to attend training that would help clarify, understand, and/or expand their knowledge of their duties and responsibilities, and must do so as soon as possible after joining the board. Related travel expenses for such training must be reimbursed by the Association.

Section 3. Compensation of Directors.

The members of the board of directors will receive no compensation for their services as directors. However, training and related expenses that will enable a board member to perform more effectively on behalf of the Association will be eligible for reimbursement. With proper documentation and/or receipts, directors may be reimbursed for per diem or mileage expenses at the New Mexico's current state rate and other actual expenses. Directors completing duties related to bookkeeping and billing such as the duties of the treasurer may be paid a fee for their services.

Section 4. Meetings of the Board of Directors.

In addition to the annual and any special or emergency meeting, the board shall hold meetings at such regular intervals as stated in the Association's Articles, Bylaws, Rules and/or Regulations. A majority of the board present at any meeting will constitute a quorum for the conduct of business thereat. All meetings of the Board are open to the membership/public as required by the Open Meetings Act of 1978.

Section 5. Powers of the Board.

The board of directors shall have the general power to act for the Association in any manner not prohibited by Statute or the Articles of Incorporation. If the Association shall, at any time, borrow or receive by way of grant, any property of the United States or the state of New Mexico, through any of its agencies, the board of directors shall pursue such management methods, including accountings and audits, as such agency may prescribe and must notify and get consent from the membership. This must be through a special membership meeting held as prescribed in these Bylaws.

Section 6. Vacancies.

If the office of any director becomes vacant by reason of death, resignation, retirement, disqualification or otherwise, except by removal from office, a majority of the remaining directors, though less than a quorum shall by a majority vote, choose a successor who shall hold office until the next Annual Meeting of the members of the Association, at which time the members shall elect a director for the unexpired term or terms, providing that in the call of such regular meeting a notice of such election shall be given.

Section 7. Removal of Directors and Officers.

Any director or officer of the Association may be removed from office for cause shown, by a vote of not less than two-thirds (2/3) of the members of the Association present at any annual meeting, or at any special meeting called for that purpose, provided that a quorum is present. The director or officer shall be informed in writing of the charges against him/her at least ten (10) days before such meeting. The director/officer may appear in person or by counsel, and present witnesses in his/her behalf. Employees or agents, other than directors and officers, may be removed from office or employment at any time by action of the board of directors.

Section 8. Self Removal of Members of the Board of Directors.

Any member of the Board of Directors who fails to attend as many as three (3) regularly scheduled consecutive meetings of the Board of Directors in a one year period and without prior notification and cause shall be deemed to have resigned from the Board.

ARTICLE VII
Duties of Officers

Section 1. Duties of the President.

The President shall preside over all meetings of the Association and the board of directors, shall call special meetings of the board of directors and perform all acts and duties usually performed by an executive and presiding officer. He or she shall sign all membership certificates, notes, bonds, mortgages, contracts and other instruments on behalf of the Association. However the president's signature must always be attested by another member of the board. The president shall be an ex-officio member of all standing committees and shall have such powers and shall perform such other duties as may be properly required of him or her by the board of directors.

Section 2. Duties of the Vice-President.

The Vice-President, in the absence or disability of the President, shall perform the duties of the President. However, in case of death, resignation or disability of the President, the board of directors may declare the office vacant and elect his or her successor, to fill the unexpired portion of the president's term.

Section 3. Duties of the Secretary.

The Secretary, unless otherwise directed by the board of directors, shall:

- (1) annually lead the board in passing an Open Meetings Act Resolution as required by the Open Meetings Act.
- (2) keep a complete record of all meetings of the Association and of the board of directors;
- (3) keep the corporate seal, complete all certificates issued and affix said Association seal to all papers requiring seal;
- (4) keep a proper membership certificate record, showing the name of each member of the Association and date of issuance, surrender, transfer, termination, cancellation or forfeiture;
- (5) prepare mail or notices required by law and by these bylaws;
- (6) serve, mail, or deliver all notices required by law and by these bylaws;
- (7) make a full report of all matters and business pertaining to his or her office to the members at the annual meeting, or at such other time or times as the board of directors may require; and
- (8) upon the election of his or her successor, the Secretary shall turn over to him or her all books and other property belonging to the Association that he or she may have in his or her possession.

Section 4. Duties of the Treasurer.

The Treasurer shall be covered in the performance of his or her duties by a surety bond in an amount to be determined by the board of directors. The premium for such bond shall be paid by the Association. Unless otherwise directed by the board of directors, the treasurer shall:

- (1) have general charge and supervision of the financial books and records of the Association;
- (2) shall maintain a record of the indebtedness of the Association and to the Association;
- (3) shall maintain a record of the payments made and the current condition of all accounts;
- (4) make a full report of all matters and business pertaining to his or her office to the members at the annual meeting, or at such other time or times as the board of directors may require;
- (5) collect all assessments and monies due the Association and deposit same in the depository designated by the board of directors; and,
- (6) shall disburse funds and keep the Association current of all compliance reports and accounts payable and shall make a report on the business transacted by him or her on a monthly basis or as requested; and
- (7) Upon the election of his or her successor, the Treasurer shall turn over to him or her all books and other property belonging to the Association that he or she may have in his or her possession.

Section 5. Duties of Members at Large.

The member at large shall performed duties in behalf of the Association as assigned by the board.

Section 6. Guardian of the Records.

The secretary of the Association shall have custody of the records and shall respond upon receipt of a written request from any member in compliance with the Inspection of Public Records Act of 1978. A written request shall provide the name, address and telephone number of the person seeking access to the records and shall identify the records sought with reasonable particularity. The Association reserves the right to charge for copying the documents requested.

Section 7. Other Employees or Agents.

The board of directors may hire a foreman, certified operator, meter reader, bookkeeper, and other agents/contractors for the performance of those duties, which may be necessary to superintend the water system of the Association and its construction, maintenance and repair. Such agents/contractors or employees may be authorized by the board of directors under its direction and pursuant to its rules and regulations to provide for the delivery of water service to the members of the Association. Such agents or employees shall be paid a compensation for the performance of their duties in an amount determined by the board of directors and paid by the users of the Association.

Section 8. Paid Training by the Association.

If the Association agrees to pay for training for a member of the board and/or the community such training must be necessary for the operation of the water Association. The person receiving the benefit must agree to perform the duties for which they were trained for during a period specified in a written agreement between the Association and the person receiving the training. If they resign or are relieved for just cause, that person must reimburse the Association for all training related costs.

Section 9. Performance Bond.

Officers and or contractors and employees of the Association who have the authority to sign financial documents and funds of the Association shall be covered in the performance of their duties by a surety/fidelity bond in an amount to be determined by the board of directors. The Association shall pay the premium(s) for these bonds.

Section 10. Property of the Association.

Any property and/or records that belong to the Association, which is in possession of board members, employees or agents of the Association, must be returned within thirty (30) days to the Association upon resignation, termination, dismissal or end of term.

Section 11. Water in exchange for Service.

No services, contracts or employment for the Association may be compensated for by reduced water rates, free water, free or reduced hook ups. Compensation (in both directions – to and from the Association) must be in U.S. currency and recorded in the books of the Association.

Section 12. Board Ethics, Conflict of Interest and Disclosure.

Directors must avoid actual or apparent conflict of interest and must disclose to the full board any such conflict. An actual or apparent conflict of interest occurs when a director has, or may have, a direct, indirect, or material interest in a transaction between the Association and another entity and that director or his/her immediate family might benefit financially or personally. An actual or apparent conflict of interest may also occur when a director is in a position to influence a decision of the Association that may result in direct or indirect personal gain for that director or his/her immediate family. Immediate family is defined as a spouse/domestic partner, parent, legal guardian, child or sibling, mother or father-in-law, spouse's child or sibling, son or daughter-in-law, grandparents, and grandchild. When an actual or apparent conflict of interest exists, the director must excuse himself/herself from consideration of that transaction by absenting himself/herself during Board discussion prior to a vote on the transaction and may not vote on that transaction. A transaction or the basis for imposing liability is not void if the transaction was fair at the time entered into and is approved by the remaining directors knowing of the transaction and the actual or apparent conflict of interest and reasonably believing in good faith that the transaction is fair to and in the best interest of the Association.

ARTICLE VIII

Water Charges, Assessments, and Distribution of Services

Section 1. Providing Water Services.

Water will not be delivered by the systems of the Association, except to users who are Members of the Association or have been approved by the board of directors to receive service as non-members as set out in the Association's Rules and Regulations. All membership shall pay a minimum monthly service fee regardless of whether or not they use the water. In compliance with Federal and/or State laws, all service connections shall be metered and a certified operator shall make all connections.

A representative of the Association will have the right at all reasonable hours and after prior notification to enter upon member's premises for the purpose of inspection and enforcement of state and federal laws including inspection related to cross connections, leak detection and line integrity.

Section 2. Establishing Rates and Budget.

The board of directors shall establish a rate schedule to be charged the members for services provided by the Association. The established rate schedule will apply to each service connection by an approved rate schedule in effect. Annually, the board of directors shall review the established rate schedule of charges to assure that sufficient income shall be generated for the

coming year to cover anticipated expenses. This determination shall be based on the previous year's actual expenses and the estimated budget for the coming year. The board of directors may, but need not establish different rate schedules for commercial, entity, single and residential use.

Section 3. Assessments.

If at any time prior to the end of any fiscal year, it appears in the judgment of the board of directors that the amount derived, or which shall be derived, from the collection of water charges during any fiscal year shall be insufficient to pay, when due, all costs incident to the operation of the Association's system(s) and the payment of all debts of the Association, the board shall make and levy an assessment against each member of the Association so that the total amount reasonably expected to be collected from water charges fully pay, when due, all cost of operation, maintenance, replacement and repayments on indebtedness, or other expenses of the year's operation.

Section 4. Establishing Reserve Funds.

Although this Association is a non-profit cooperative Association for the mutual benefit of its members, the board shall establish rates at a level which provides for reserve funds for the purpose of meeting contingent and unforeseen expenses of the Association.

Section 5. Terminating the Water Service.

The board of directors shall have the authority to terminate the delivery of water service to a delinquent member, in accordance with the Rules and Regulations of the Association. The board must act after a written notice of delinquency has been sent to the delinquent member by mail and/or by posting on premises.

Section 6. Terminating Membership.

The board of directors shall have the additional rights to terminate the membership of any member in the event of non-payment of any water charges or assessments owing by such member or for violating the Association's bylaws, rules and regulations or policies. The board shall act after written notice of the delinquency or violation has been sent to the member by mail and/or by posting on premises.

The board must collect any amount due to the Association from a terminated membership. In accordance with the Sanitary Projects Act, the Association through its board of directors may place a lien on the property in the manner provided by the laws of the state.

Any property owner whose Membership has been terminated may be eligible to apply for a new Membership upon payment of all previously owed monies and compliance with membership application set in this bylaws and all Rules and Regulations of the Association.

Section 7. Relinquishing Membership.

Any member may voluntarily relinquish their membership upon compliance with the Rules and Regulations prescribed by the board of directors. The Association shall issue a written notification of the termination or voluntary relinquishment of any membership. Termination of membership in any manner shall not release the member or the member's estate or successors from any debts due to the Association, which must be paid in full.

Section 8. Non User/Not Active Members.

In regards to non-user/not active members of the Association, the board shall have the additional right to terminate the membership of a member who is delinquent as specified in the Rules and Regulations of the Association.

Section 9. Water Conservation.

In times of water shortage or drought as determined by the board of directors, the board shall determine how water conservation policies/rules shall applied. The following sequence shall govern the delivery of water:

Water shall first be delivered for in-door domestic uses. If sufficient supplies exist, then water shall next be delivered to commercial customers. To the extend possible, volumes delivered shall be set at a maximum quantity to protect the health and safety of the users.

ARTICLE IX

Other

Section 1. Form of Certificate.

The board of directors will determine the form of membership certificate and the same shall be signed by the President and his or her signature attested by another director. The secretary of the board or his/her designee shall impress thereon the Corporate Seal of the Association. The form of certificate, in addition to any other matters required by the board of directors to appear therein, shall contain any statements required by the laws or regulations of the State of New Mexico, its departments and agencies.

Section 2. Membership Book/Record.

As a part of the records of the Association, there shall be kept a membership book or membership record, which will contain a list of the certificates of membership which have been issued, noting the number of the certificate, the date thereof, the number of service connections, and the name and address of the person to whom issued.

Section 3. Transfer & Purchase of Membership.

Certificates of membership may be transferred to another property owner but not another property (See Section 4 below), provided that any required transfer fee has been paid to the Association and that the transferee shall be eligible for membership and shall be approved by the

board of directors. Any indebtedness to the Association must be paid in full before the transfer is processed and noted on the books of the Association.

When there is a demand for membership and none are available, the directors may purchase a membership on behalf of the Association in accordance with the Rules and Regulations of the Association. In the event that the membership being purchased by the Association is delinquent to the Association, the proceeds of the sale shall first be applied to the payment of any indebtedness due to the Association by the member.

Section 4. Transfer of Meter.

All the meters are the property of the Association and are permanently fixed at their respective service locations. Therefore, no meter is transferable from the property that it is intended to serve. Thus, in the event of the sale, transfer, assignment, lease or conveyance of the subject property by the owner of record, all of the rights to service from the meter that serves the subject property shall automatically be included in the sale, transfer, assignment, lease or conveyance of that property. This also applies to all duly authorized service connections that have inoperable meters or where no meters exist.

In the event that a dwelling or place of service is permanently discontinued or eliminated by the owner of record, the Association may, in its sole discretion, elect to either remove the meter or leave the meter to provide service for possible future users.

Section 5. Membership Status and Good Standing.

Membership in good standing in the Association is one that is not overdue or delinquent with the Association. This status may entitle the member to an additional membership on his or her property and to serve on the board.

Section 6. Non-Liability for Debts of the Association.

The private property of the members shall be exempt from execution or other liability for the debts of the Association and no member shall be individually liable or responsible for any debts or liabilities of the Association.

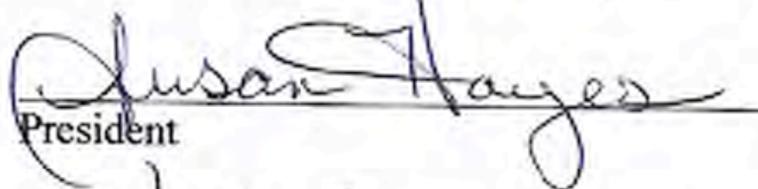
ARTICLE X Amendments

These bylaws may be repealed or amended by a vote of the majority of the members present at any annual meeting of the Association, or at any special meeting of the Association called for that purpose, except that so long as any indebtedness is held by or guaranteed by the USDA/Rural Utilities Services, the members shall not have the power to change the purposes of the Association so as to decrease its rights and powers under the laws of the state of New Mexico, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the Association or its members, or so to amend the bylaws as to effect a

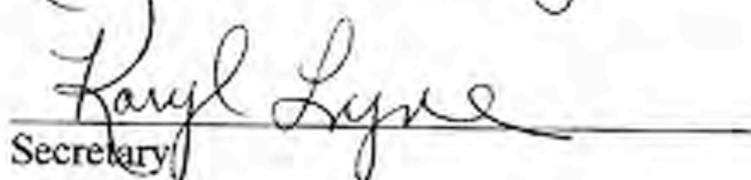
ARTICLE X
Amendments

These bylaws may be repealed or amended by a vote of the majority of the members present at any annual meeting of the Association, or at any special meeting of the Association called for that purpose, except that so long as any indebtedness is held by or guaranteed by the USDA/Rural Utilities Services, the members shall not have the power to change the purposes of the Association so as to decrease its rights and powers under the laws of the state of New Mexico, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the Association or its members, or so to amend the bylaws as to effect a fundamental change in the policies of the Association without the prior approval of the USDA/Rural Utilities Services in writing.

We the undersigned below President and Secretary of the El Creston Mutual Domestic Water Consumers Association, hereby certify that the above is a true and correct copy of the bylaws, together with any amendments thereto, which were duly adopted on September 10, 2009.



President



Secretary

(Seal)