

BY-LAWS
OF
ARENAS VALLEY WATER DEVELOPMENT ASSOCIATION

A NON-PROFIT ASSOCIATION FORMED UNDER THE SANITARY PROJECTS ACT

ARTICLE I

Names, Objects, Purposes and Principal Place of Business

Section 1. The corporate name, the objects and purposes, and the principal place of business of this association shall be as stated and provided in the Certificate of Association of the Association.

ARTICLE II

Official Seal

Section 1. The Seal of the Association shall be inscribed thereon the name of the Association, a "Non-Profit Association." The Secretary of the association shall have custody of the seal.

ARTICLE III

Fiscal Year

Section 1. The fiscal year of the Association shall begin on the first day of July each year.

ARTICLE IV

Membership

Section 1. Bona fide occupants and residents within and in the vicinity of the Community of Arenas Valley, County of Grant, New Mexico, being reasonably accessible to the system of the association and who are in need of water for domestic purposes and who are eligible for membership as provided by Article VI of the Certificate of Association may be admitted to membership. Said membership fee and connection fee shall be determined by the board of directors and published along with the application for membership that can be obtained in the Association office. Provided however, that membership may be denied if the capacity of the Association's system is exhausted by the need of its existing members, and if it is financially impossible for the Association to acquire additional facilities to accommodate new members. In the event of a shortage of water, the Association shall take appropriate measures to provide additional water to meet the needs of the Association.

Section 2. All applications for membership shall be passed on by the board of directors. Applications for or subscriptions to membership in this association shall

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be in the form approved and provided by the board of directors. Membership shall not be denied because of the applicant's race, color, creed, national origin or sex.

Section 3. The rights, privileges and obligations of all members of this association shall be equal, provided that a member's right to delivery of water and the amount thereof shall be based upon the number of service connections with the distribution system of the association.

Section 4. Each member shall be entitled to one vote only. Voting by proxy will not be permitted.

ARTICLE V

Meetings of Members

Section 1. The annual meeting of the members of this association shall be held at Arenas Valley, County of Grant, State of New Mexico, at 7:00P.M. on the second Tuesday of August of each year, if not a legal holiday, or if a legal holiday, on the next business day following.

Section 2. 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, upon written petition to the President of the board, signed by ten per cent (10%) of the members. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat, except such as is specified in the notice.

Section 3. All meetings of the Association shall comply with the Open Meetings Act NMSA 1978, Sections 10-15-1 to 10-15-4, is known as a "sunshine law". The Association will post notice of all such meetings in its office and on its website www.arenasvalleywater.org

Section 4. All voting members present at a meeting shall constitute a quorum at any meeting of the association for transaction of business.

Section 5. The order of business at the regular meetings, and as far as possible at other meetings, shall be:

- a) Calling to order and proof of quorum
- b) Proof of notice of meeting
- c) Reading and action of any approved minutes
- d) Reports of officers and committees
- e) Election of directors
- f) Unfinished business

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- g) New business
- h) Adjournment

ARTICLE VI

Directors

Section 1. *Function of the Board of Directors.*

The business and affairs of this association shall be managed by a board of five (5) directors. The functions of the Board shall include:

- a) The selection of delegation of authority to officers necessary for the management of the Association business.
- b) The determination of policies for guidance of the management of the association.
- c) The control of expenditures by authorizing budgets.
- d) The keeping of members fully informed of business of the Association.
- e) The causing of audits to be made from time as is necessary or required by the Department of Finance and Administration, State of New Mexico.
- f) Studying of the requirements of members and promoting good membership regulations.
- g) Prescribing of the form of Membership Certificates.
- h) The establishing of water charges and the levying of assessments and the enforcement and collection thereof, in accordance with the provisions of these by-laws, equitable uniform rules and regulations and the Laws of the State of New Mexico. Election and Term of Board Members. The board of directors shall be elected in the manner provided in Article V of the Articles of Association, and for the terms as provided therein.

Section 2. *Election of Officers.*

The board of directors shall meet as soon as possible after the holding of the annual election of directors, and in any event within ten (10) days of that time, and shall elect by ballot a President, Vice-President, Secretary, and Treasurer from among themselves, each of whom shall hold office until the next annual meeting and until the election and qualification of his successor unless sooner removed by death, resignation, or for cause. The Secretary and Treasurer positions may be held by one or two people.

Section 3. *Compensation of Officers.*

The members of the Board of Directors shall receive no compensation for their services as Directors. The Secretary and Treasurer shall be paid for their service at a rate to be fixed by the board of directors. In the event the appointed Treasurer is not a well-qualified billing and bookkeeping clerk, the board of directors will hire a person to fill that position.

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Section 4. *Meetings of the Board of Directors.*

In addition to the annual meeting, the board shall hold meetings at such regular intervals as the board may determine. A majority of the board present in person at any meeting shall constitute a quorum for the conduct of business thereat.

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, through any of its agencies, the board of directors shall pursue such management methods, including accounting and audits, as such agency may prescribe.

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 majority vote, choose a successor who shall hold office until the next regular 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 with or without cause, 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 the purpose, provided that a majority of the total members shall be present. The director or officer shall be informed in writing of the charges against them at least ten (10) days before such meeting and at such meeting shall have the right and opportunity to be heard in person or by counsel, and to present witnesses in their 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.

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. They shall sign all membership certificates, notes, bonds, mortgages, contracts and other

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instruments on behalf of the association. They 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 them 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 successor, to fill the unexpired portion of the President's term.

Section 3. *Duties of the Secretary.*

The Secretary shall keep a complete record of all meetings of the association and of the board of directors and shall have general charge and supervision of the books and records of the association. They shall attest the President's signature on all membership certificates and other papers pertaining to the association unless otherwise directed by the board of directors. He shall serve, mail, or deliver all notices required by law and by these by-laws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting, or at such other time or times as the board of directors may require. He shall keep the corporate seal and membership certificate records of the association, complete and attest all certificates issued and affix said association seal to all papers requiring seal. He shall 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. He shall make all reports required by law and shall perform such other duties as may be required of him by the association or the board of directors. Upon the election of their successor, the Secretary shall turn over to them all books and other property belonging to the association that he may have in his possession.

Section 4. *Treasurer.*

The Treasurer shall collect all assessments and monies due to the association and deposit same in the depository designated by the board of directors and shall disburse funds on the proper order of the board of directors and shall make a report on the business transacted by him as requested. He shall make all reports required by law and shall perform such other duties as may be required of him by the association or the board of directors. The Treasurer shall be covered in the performance of his duties by a surety bond in an amount to be determined by the board of directors. The premium for such a bond shall be paid by the association. Upon the election of their successor, the Treasurer shall turn over to him all books and other property belonging to the association that he may have in his possession.

Section 5. *Other Employees or Agents.*

The board of directors shall appoint in addition to the officers named above, a

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foreman and other agents or employees which may be necessary to superintend the water system of the association and its construction, maintenance and repair. Such agents 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 to be determined by the board of directors.

ARTICLE VIII

Water Charges, Assessments, and Distribution of Water

Section 1. Notwithstanding the rights of the association to terminate the membership of a delinquent member as provided above, the association, through its board of directors, shall have the additional rights to terminate the supply of water service to the delinquent member after thirty (30) days' written notice by mail of the delinquency.

Section 2. The Association may, at the discretion of the Board of Directors and in accordance with applicable state and federal laws, enter into agreements to distribute water to entities other than its members. Such distribution shall be limited to bona fide water districts that are duly registered and recognized by the State of New Mexico, including but not limited to mutual domestic water consumers associations, water and sanitation districts, and other political subdivisions authorized to provide water services under New Mexico law. **In all such cases, a written contract shall be required.**

All such agreements shall:

- a) Be in writing and approved by a majority vote of the Board of Directors.
- b) Ensure that the Association's obligations to its members are not compromised.
- c) Comply with all water rights, reporting, and regulatory requirements as administered by the New Mexico Office of the State Engineer.
- d) Include provisions for cost recovery, infrastructure use, and service limitations as deemed necessary by the Board.

ARTICLE IX

Membership

Section 1. *Form of Certificate.*

The board of directors shall determine the form of membership certificate and the

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same shall be signed by the President and his signature attested by the Secretary, who shall impress thereon the Corporate Seal of the association, provided that the form of certificate, in addition to any other matters required by the board of directors to appear therein, shall contain the statements as required by the Laws of the State of New Mexico.

Section 2. *Membership Book.*

As a part of the records of the Association, there shall be kept a Membership Book which shall 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 of Membership.*

Certificates of membership may be transferred and the transfer shall be noted on the books of the association, provided that the right to transfer of membership shall be subject to preference right of the association to purchase such membership, as provided by the Laws of New Mexico, and also provided that the transferee shall be eligible for membership and shall be approved by the board of directors.

ARTICLE X

Distribution of New Savings

Section 1. Although this association is a non-profit cooperative association for the mutual benefit of its members and it is not intended to be operated in such a way as to accumulate funds in excess of those necessary for the operation of the system of the Association, at least once each year the board of directors in the event it is determined that funds have been accumulated in excess of those necessary for the operation of the association, shall apportion such surplus funds among the members of the Association on the basis of their patronage during the year; provided, however, that before such distribution among the members not less than ten percent (10%) of such surplus funds shall be placed in a fund to be used for the purpose of meeting contingent and unforeseen expenses of the association. The total amount of such contingent funds at which it shall be maintained shall be determined by the board of directors. Any excess over and above such total as so determined shall be distributed each year among the members as other excess funds, as above provided.

ARTICLE XI

Amendments

Section 1. These by-laws may be repealed or amended by a vote of the majority of the members present at any regular meeting of the corporation, or at any special

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meeting of the corporation called for that purpose, except that so long as any indebtedness is held by or guaranteed by the Department of Finance and Administration, State of New Mexico, the members shall not have the power to change the purposes of the corporation so as to decrease its rights and powers under the laws of the state, or to waive any requirement of bond or other provision for the safety and security of the property and funds of the corporation or its members, or so to amend the by-laws as to effect a fundamental change in the policies of the corporation without the prior approval of the Department of Finance and Administration, State of New Mexico, in writing.

PROPOSED