

Table of Contents

ARTICLE I Names, Objects, Purposes and Principal Place of Business

Page 4

ARTICLE II The Seal of this Association

Page 4

ARTICLE III Fiscal Year

Page 4

ARTICLE IV Membership

Page 4,5

Section 1. Categories (3) of Memberships Page 4,5

Resident

Commercial

Government entity

Section 2. Application for Membership(s) Page 5

Section 3. Rights, Privileges, and Obligations of Membership(s) Page 5

Section 4. Members responsibility Page 6

Section 5. Definition of (1) One member Page 6

Section 6. (1) Member Vote Definition Page 6

ARTICLE V Meetings of Members

Page 6,7

Section 1. Meetings Held Page 6

A. Annual Meetings Page 6,7

Quorum or Not

B. Special Meetings Page 7

President

Board of Directors

Petition of 1% of Members

C. Normal Monthly Meetings Page 7?

Posted

Section 2. Notice of Annual, Special Meetings Page 7

Section 3. Order of business Page 6

Agenda items must be posted in advance of annual or special meetings.

ARTICLE VI Directors

Page 8

Section 1. Functions of the Board of Directors Page 8

Section 2. Election and Term of Board Members Page 8

Section 3. Election of Officers. Page 8,9

Section 4. Compensation of Officers Page 9

Section 5. Board Conflict of Interest and Disclosure Page 9

A. Criminal Background

B. Board Training Requirements

- Section 6. Meetings of the Board of Directors** Page 9,10
Section 7. Powers of the Board Page 10
Section 8. Membership Status and Good Standing Page 10
Section 9. Terminating the Supply of Water/Wastewater Service Page 10
Section 10. Terminating Membership Page 10,11
 A. Authority to Terminate Membership.
 B. Re-apply after Termination.
 C. Written notice of the delinquency or violation
 D. Member(s) may Voluntarily Relinquish their Membership.
Section 11. Board of Director(s) Vacancies Page 11
Section 12. Removal of Directors and Officers Page 11
Section 13. Indemnification of Directors and Officers Page 11

ARTICLE VII Duties of Officers

Page 12

- Section 1. Duties of the President** Page 12
Section 2. Duties of the Vice-President Page 12
Section 3. Duties of the Secretary-Treasurer Page 12
Section 4. Other Employees or Agents Page 11,12
Section 5. Guardian and Custodian of the Records Page 13

ARTICLE VIII Water and/or Sewer Charges, Assessments, and Distribution of

Water and/or Collection of Sewage and Sales Page 13,14

- Section 1. Water shall not be delivered** Page 13
Section 2. The Association may from time to time enter into a contract for the sale of water to non-members for any commercial purpose Page 13
Section 3. The Board of Directors shall establish a rate schedule Page 14
Section 4. If at any time within the fiscal year, it appears Page 14
Section 5. The initial bill of any water charges or assessments Page 114
Section 6. The Association shall cancel the delivery of water immediately if found cross connected. Page 14
Section 7. Distribution of Available Water Page 15

ARTICLE IX Membership Certificates

Page 15

- Section 1. Form of Certificate** Page 15
Section 2. Membership Book Page 15
Section 3. Transfer of Membership Page 15

ARTICLE X Other

Page 16

- Section 1. Non-Liability for Debts of the Association** Page 16

Section 2. Membership Book Page 16
ARTICLE XI [Amendments](#) Page 16

Definitions Page 16

BYLAWS SEAL
OF
OTIS
**MUTUAL DOMESTIC WATER CONSUMERS
AND SEWAGE WORKS ASSOCIATION**

Domestic Non-Profit Corporation formed under the Sanitary Projects Act (SPA)
(Jan 1, 2006).

ARTICLE I

Names, Objects, Purposes and Principal Place of Business

The corporate name is Otis Mutual Domestic Water Consumers and Sewage Works Association (herein after "Association"), the objects and purposes, of this Association shall be as stated and provided in the Certificate of Incorporation of the Association. The principal office of the Association shall be in Eddy County, New Mexico. The Association may have other offices within the County, as the Board of Directors may designate or as the business of the Association may require from time to time. The address of the registered office may be changed from time to time as provided by law.

ARTICLE II

The Seal of this Association shall be in the form of a circle and shall have inscribed in it the name of the Association, the words "Otis Mutual Domestic Water Consumers and Sewage Works Association", and the date **January 1, 2006** of original incorporation. 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 of July of each year.

ARTICLE IV

Membership

Section 1. The Association recognizes three categories of membership:

A. Bona fide occupants, residents, commercial business, and government entities within and in the vicinity of the community of Otis, County of Eddy, New Mexico, being reasonably accessible to the system of the Association and who are in need of water for domestic purposes and/or livestock and/or the collection and disposal of sewage, if such service is available by the Association, and who are eligible for membership as provided by Article VI of the Articles of Incorporation, may be admitted to membership upon application therefore and the payment of a membership fee to be determined by a quorum of the Board of Directors in a resolution. The membership fee includes administrative, installation, capital improvements, water rights, other assessments, and fees established by the Board of Directors. Membership may be denied if the capacity of the Association's system is deemed exhausted by the Board of Directors and the need of its existing members cannot be met at the discretion of the Board is not financially or otherwise feasible for the Association to acquire additional facilities to accommodate new members.

B. Commercial Businesses within the district of the Association may be admitted to membership upon application therefore, and the payment of a membership fee shall be determined by a quorum of the board of directors in a resolution. The business shall be restricted to the use of the water for ordinary human and/or livestock consumption, hygiene, flushing, cleaning, maintaining the human occupied areas, outdoor watering, and reasonable uses associated with said business. Membership may be denied if the capacity of the Association's system is deemed exhausted by the Board of Directors and the need of its existing members cannot be met or at the discretion of the Board is it not financially or otherwise feasible for the Association to acquire additional facilities to accommodate new members. If adequate water supply and water rights exist.

C. Government Entities. (i.e. County Road Dept, County Fire Dept, Carlsbad Irrigation District).

Section 2. All applications for membership shall be voted on by the Board of Directors. Applications for membership of this Association shall 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, sex, or sexual orientation.

Section 3. The rights, privileges, and obligations of all members of this association shall be equal. Members shall not have any individual legal interest or ownership in the assets of the Association, which may include land, water supplies, wells, diversion structures, well house, pumping equipment, water storage tanks, system meters, and all water system distribution lines up to and including the metered box and contents near the Member's property line. The Member shall be responsible for maintaining all water lines within the Member's property from the point of meter box and plumbing fixtures on the

Member's property. The Member shall promptly repair all water leaks or damaged pipes in accordance with the Rules and Regulations of the Association.

Section 4. All service connections into the Association shall meet the Association construction criteria (NM plumbing code). All service connections requiring distribution line extension shall be paid for by the applicant unless public funding has been approved including such connection within the stated scope of such project.

A: New Mexico plumbing code. Ch 8 State Statute 14.8.2.1-14.8.2.30

Section 5. Each household, business, or organization is defined as one member or membership. Each member shall be entitled to one vote only. There shall only be one vote per household or per business connected to the system regardless of the number of meter connections owned or listed under a particular individual, business, or organization. Meter connections listed under a government entity or organization e.g. Eddy County Fire Departments, Carlsbad Irrigation district, etc. shall be represented by the highest ranking official, or their designee, of that government entity and shall be allowed one vote. Voting by proxy will not be permitted. Voting by mail will be permitted as provided in Section 6.

Section 6. Any member who is not present and voting at such meeting may cast his vote on all matters in the agenda by mailing such vote to the Secretary-Treasurer in such time that it is received not later than the time of the holding of the meeting, as specified in the notice thereof. All such votes by mail so received will be counted in the same manner and to the same effect as votes cast in person by members in attendance at the meeting. In no event shall the voters casting their ballots by mail be counted in determining a quorum. Other voting and election processes shall be in a manner prescribed by policies or procedures established by the Board of Directors.

ARTICLE V

Meetings of Members

Section 1. The annual meeting of the members of this Association shall be held at Otis Association (office), 2501 Bannister Road, P.O. Box 599, Carlsbad, NM 88221 or such other places as set forth in the notice of the meeting to the members, at 7:00 p.m. on the fourth Thursday of February of each year if not a legal holiday, or if a legal holiday, on the next business day following.

- A. Annual membership meeting.** The purpose of the annual meeting is for the members to elect the governing Board of Directors and if necessary vote on any documents to amend or modify the governing the Association. To aid the members in their voting, the Members will receive the following for evaluation: (i) Reports regarding revenue, expenditures and overall financial condition of the Association; (ii) Changes to and the condition of the water system; and (iii) the Consumer Confidence Report.

- B. Other matters that concern the primary purpose of the meeting, *i.e.* the election of a Board of Directors may come before the Members.
- C. Quorum: A quorum shall consist of members present at the the annual meeting or special meeting.
- D. Special Meetings of the members of the Association may be called at any time by:
 - 1. President,
 - 2. Board of Directors,
 - 3. Petition signed by 1% of members.

There shall only be one signature counted per household, business, organization, or government entity connected to the system. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat, except as specified in the notice.

Section 2. Notice of all meetings shall comply with the Open Meeting Act (“OMA” - NMSA 1978 §10-15-1 to 10-15-4). Unless otherwise specified in the OMA resolution adopted annually by the Board, notice will be given as follows, at least ten (10) days prior to the annual meeting; three (3) days prior to a special meeting; one (1) day, if possible, prior to an emergency meeting. Such a notice will state the nature, time, place, and purpose of the meeting. The notice shall be mailed by first-class mail and electronic communication to each member on record. Notice to be directed to the address as shown upon the books of the Association. The failure of any Member to receive notice of an annual or special meeting of the Members shall not invalidate any action that may be taken by the Members at such meeting.

Section 3: The order of business at the Annual or Special meeting, shall be:

- A. Calling to order and proof of quorum
- B. Proof of notice of meeting
- C. Approval of Agenda
- D. Reading and action of any approved minutes
- E. Reports of officers and committees
- F. Election of directors (must be submitted in advance to the meeting).
- G. Unfinished Business
- H. Agenda items (Listed in the meeting advance notices)

I. Adjournment

ARTICLE VI

Directors

Section 1. Functions 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 such Board shall include, but not limited to:

- A.** The selection of and 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 establishment of and implementation of a code of conduct for staff.
- D.** The control of expenditures by authorizing budgets.
- E.** Keeping members fully informed of the business of the Association.
- F.** The causing of audits to be made from time to time as necessary or required by the Audit Act 12-6-1 to 12-6-14 NMSA 1978 to include all US Federal and State of New Mexico entities.
- G.** The evaluation of the requirements of members and promoting fair, adequate, and reasonable Association's Rules and Regulations.
- H.** The prescribing of the form of Membership Certificates.
- I.** The establishing of water and/or sewer, if such service is available by the Association. Establish charges and the levying of assessments and the enforcement and collection thereof, in accordance with the provisions of these bylaws, Rules and Regulations and the Laws of the State of New Mexico.
- J.** A Board member shall serve as an ex-officio member of any standing or ad-hoc committee.

Section 2. Election and Term of Board Members.

The annual meeting shall be for the purpose of electing Board of Director members whose terms are expiring. The members shall be elected for a three-year term. The Board of Directors of the Association shall be those members elected by Otis Mutual Domestic Water Consumers and Sewage Works Association.

- A. Term Limits. A term that is not completed will be appointed by the Directors to continue to serve the remainder length of that position. (see Section 11 Vacancy)
- B. Term Limits. Two - Three-year terms, which may be served consecutively. A person who has served for six consecutive years must “set out” for at least one three-year term to be eligible for re-election to the Board.
- C. Nepotism- no direct relationship allowed as under Section 5.

Section 3. 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 a President, Vice-President, and Secretary-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 other cause.

Each Director shall sign a copy of the Director Code of Ethics and a Letter of Commitment prior to conducting the business of the Association.

Section 4. Compensation of Officers.

The members of the Board of Directors shall receive no compensation for their services as Directors. The Association may compensate members of the community or the board of directors or outside contractors for services the Association needs to have carried out. The Association will pay/reimburse expenditures for training and related efforts that would enable a Board Member to perform more effectively on behalf of the Association.

Section 5. Board 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(s) has, or may have, a direct, indirect, or material interest in a transaction between the Association and another entity and that Director(s) or his/her immediate family might benefit financially or personally. An actual or apparent conflict of interest may also occur when a Director(s) 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.

The 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.

A. Any Member who has been convicted of a crime that is designated under federal and/or state law as a felony or of any crime involving dishonesty or false statement regardless of the punishment shall not be eligible to run for office or serve on the Board of Directors. If convicted of a felony while serving, then that member is immediately dismissed from their position.

B. Board Training Requirements - Board members are required to attend training as stipulated in state rules promulgated under the SPA. The purpose of the training is to help clarify, understand, and/or expand knowledge of their duties and responsibilities as board members. Travel and related expenses will be reimbursed by the Association.

Section 6. 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 at any meeting shall constitute a quorum for the conduct of business thereat. Notice of all meetings shall comply with the Open Meeting Act (“OMA” - NMSA 1978 §10-15-1 to 10-15-4). Unless otherwise specified in the OMA resolution adopted annually by the Board.

Section 7. 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 their agencies, the Board of Directors shall pursue such management methods, including accounting and audits, as such agency may prescribe.

The Association acting through its Board of Directors may exercise the right of eminent domain to take and acquire the necessary property or rights of way for the construction, maintenance, and operation of water and wastewater lines and related facilities. The association shall exercise this right in the manner provided by the Eminent Domain Code. Move to Article VI Section 7 (A) Eminent Domain Constitution NMSA 1078 42A-1-1 to 42A-1-33

Section 8. Membership Status and Good Standing

Members of the Association have the obligation to keep the membership in good standing so that the association operates in the best manner to provide safe drinking water to all users. Board members or persons wishing to serve on the Board must be in good standing and not have any amount in arrears.

Section 9. Terminating the Supply of Water/Wastewater Service

The Board of Directors shall have the authority to terminate the delivery of water and/or wastewater service to a member that fails to pay either water or wastewater fees and/or other causes as stated in the Rules and Regulations of the Association. The Board shall act after a written notice of delinquency has been sent to the delinquent member by mail and/or by posting on the premises of the service meter or location.

Section 10. Terminating Membership

- A.** In addition to terminating the water and/or wastewater services, the Board of Directors shall have the authority to terminate the Membership of any Member in the event of non-payment of any water/wastewater charges or assessments owing by such Member or for violating the Association's Bylaws or Rules and Regulations. The board must collect any amount due to the association from a terminated membership according to the SPA -NMSA 1978.
- B.** 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.
- C.** The Board shall not terminate any Membership until after a written notice of the delinquency or violation has been sent to the Member by mail and/or by posting on premises of the service location and the Member has been offered a hearing before the Board. The Member shall have the opportunity to correct the violation or pay the account in full and if the Member shall refuse or fail to comply, then the Board of Directors shall terminate the Membership.
- D.** Any Member may voluntarily relinquish their Membership upon compliance with the Rules and Regulations prescribed by the Board of Directors for such an action with documentation. The Association shall issue a written notification of the termination or voluntary relinquishment of any Membership. Termination of Membership in any manner or relinquish of membership 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.
- E.** Termination of membership and or voluntary relinquishment of membership shall not be available to the public.

Section 11. Board of Director (s) 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, shall choose a successor by soliciting letters of interest from the members that have an interest in serving on the Board. Selection will be delayed until the next scheduled board meeting.

The selected member shall hold office until the next regular meeting of the members of the Association, (Annual Meeting) 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 12. Removal of Directors and Officers.

- A.** Any Director or officer of the board may be removed from office for cause shown. 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 or officer shall have the opportunity to appear in person or by counsel before the board and present witnesses on his/her behalf.

A vote of not less than 15 of Members in attendance for the Association present at the annual meeting, or at any special meeting called for that purpose. Vacancies caused by such removal shall be filled by the vote provided in these Bylaws for election of Directors at the meeting where the removal occurs. Employees and agents, other than Directors and Officers, may be removed from office or employment at any time by action of the Board of Directors.

- B.** Removal of Members of the Board of Directors

Any Member of the Board of Directors who fails to attend five (5) regularly scheduled, meetings of the Board of Directors in a one-year period may be deemed to have resigned from the Board unless a majority of the remaining board members vote to retain them. A tie vote on the Board of Director in question, will be retained on the Board of Directors.

Section 13. Indemnification of Directors and Officers

The Association shall indemnify any Director, Officer, former Director, or Officer of the Association against reasonable expenses, costs, and attorney's fees actually and reasonable incurred by them in connection with the defense of any action, suit or proceeding, civil or criminal, in which they are made a part by reason of being or having been a Director or Officer. The Director or Officer shall not be indemnified if they shall be adjudged to be liable on the basis that they breached or failed to perform duties of their office and the breach or failure to perform constitutes willful misconduct or recklessness.

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 shall sign all membership certificates, notes, bonds, mortgages, contracts and other instruments on behalf of the Association. He 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 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-Treasurer.

The Secretary-Treasurer, in the absence or disability of the Vice-President, shall perform the duties of the Vice-President. The Secretary-Treasurer 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. He shall supervise the collection of all assessments and monies due the Association and shall supervise the deposit of 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 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 supervise the serving, mailing, or delivering of all notices required by law and by these bylaws 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 Association 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 be responsible for making 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 Secretary-Treasurer shall be covered in the performance of his duties by a surety bond in an amount to be determined by the Association.

Section 4. Other Employees or Agents.

The Board of Directors shall appoint in addition to the officers named above, a manager and other agents which may be necessary to superintend the water and/or sewer if such service is available by the Association, 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 and/or sewer service if such service is available by the Association, service to the members of the Association. Such agents shall be paid a compensation for the performance of their duties in an amount to be determined by the Board of Directors. The Board of Directors will authorize the manager to recruit, hire, discipline, evaluate, and terminate employees of the Association.

Section 5. Guardian and Custodian of the Records

The records of the Association are maintained according to the requirements of law and the Rules and Regulations of the Association and made available upon receipt of a written request in compliance with the Inspection of Public Records Act (NMSA 1978 §14-2-1 to 14-2-12) and other applicable State Laws. 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. The board of directors will appoint a Guardian and Custodian of the Records.

Li

ARTICLE VIII

Water and/or Sewer Charges, Assessments, and Distribution of Water and/or Collection of Sewage and Sales

Section 1. Water shall not be delivered and/or sewer, if such service is available by the Association, collected by the systems of the Association, except to users who are members of the Association. If any member needs and desires service of more than one connection(s) with the system, such additional membership shall be made only upon application to and approval of the Board of Directors and upon the payment of the membership fees in accordance with article IV, Section 1, Part A. The membership may be denied as provided in Article IV, Section 1, Part A.

Section 2. The Association may from time to time enter into a contract for the sale of water to non-members for any commercial purpose or purposes if the Board determines that the sale is in the best interest of the Association. The contract for the sale shall set forth all the terms and conditions with respect to the sale of water, the quantity, the conditions, and the terms for the termination of said contract.

Section 3. The Board of Directors shall establish a rate schedule to be charged the members for services provided by the Association. The established rate schedule applying to each service connection shall be the approved rate schedule then in effect. Annually the Board of Directors shall review the established rate schedule of charges and adjust the charges to assure that sufficient income will be generated for the coming year to cover anticipated expenses. This determination shall be based on the previous year's actual expenses, estimated budget for the coming year, and other factors as necessary.

Section 4. If at any time within the fiscal year, it appears in the judgment of the Board of Directors that the revenue derived, or which will be derived, from the collection of water and/or sewer, if such service is available by the Association, charges during any fiscal year, will 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 members of the Association so that the total revenue reasonably expected to be collected from water and/or sewer, if such service is available by the Association, charges to fully pay when due all cost of operation, maintenance, replacement and repayments on indebtedness, or other expenses of the year's operation. A proportionate amount of necessary total of such assessments levied in any year shall be levied against each member in an amount which bears the same relation to the total assessment as the number of service connections serving such member bears to the total number of service connections with the entire Association system.

Section 5. The initial bill of any water charges or assessments is a demand for payment. In the event of non-payment of any water charges or assessments owing by said member, within thirty (30) days after initial billing by mail, properly addressed to such delinquent member, the Board of Directors shall terminate the supply of water to the delinquent membership. The Board of Directors shall make every attempt to collect the outstanding debt by any means authorized under the laws of New Mexico. The process of collecting outstanding debts shall be in a policy approved by the Board of Directors. In the event the outstanding debt remains unpaid by the member and after all other means of collection are exhausted, the Board of Directors shall have the authority to buy the membership at a price determined by the Board of Directors to be the fair value of the membership. The proceeds from either a sale of the membership or the purchase thereof shall be first applied to the payment of any indebtedness due to the Association by the delinquent member. Any proceeds from the sale of the membership over and above the amount due the Association shall be paid to the delinquent member.

Section 6. The Association shall cancel the delivery of water immediately upon the discovery that the Association's water system is cross-connected to any other water source. The Association has the right to immediately terminate the delivery of water to any member in any situation or condition which violates any water safety codes, rules or regulations enacted by any governmental agency, bureau, or institution. Members are required to safeguard the integrity and quality of the ground water aquifer or surface water that supplies the Association's water source. The Member is held responsible to use the

supplied domestic water in a prudent manner. Unnecessary usage or wasting of water shall not be permitted. Members shall be warned in writing of such abuse. Second or subsequent offenses shall result in a fine levied against the Member in such an amount as shall be determined by the Board of Directors. Continuing abuses may result in termination of Membership.

Section 7. Distribution of Available Water

In times of water shortage or drought as determined by the Board of Directors, the Board shall determine how water rationing rules shall be applied. The following sequence shall govern the delivery of water:

- A. Water shall first be delivered for domestic uses. Volumes delivered to each household shall be set at a maximum quantity to protect the health and safety of the water customers according to the Rules and Regulations of the Association.
- B. If sufficient supplies exist, then water shall next be delivered to commercial customers at quantities sufficient to meet efficient uses, and subject to implementation of any mandatory conservation measures set out in the Rules and Regulations of the Association.
- C. If adequate water supply and water rights exist, the Board may at their discretion authorize the sales of water for other uses not authorized under Sections A or B

ARTICLE IX Membership Certificates

Section 1. Form of Certificate. The Board of Directors shall determine the form of membership certificate and the same shall be signed by the President and his signature attested by the Secretary-Treasurer, who shall impress thereon the 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's documentation, there shall be kept a list of memberships, which shall contain a list of the certificates of membership which have been issued, noting the number of the certificate, the date thereof, and the name and address of the person to who issued.

Section 3. Transfer of Membership. The membership in the Association may be sold by the owner at any time, however for the sale to be valid, it must be recorded in the office of the Association on a form that is approved by the Board of Directors. Until this transfer is made, the seller will remain the recognized owner of the membership by the

Association. A membership cannot be moved to another location without the written approval of the Association.

The member's certificate is personal property and is not tied to the land upon which it serves. Any sale, transfer, or other changes of a member's certificate (water meter) shall be noted and recorded on the books of the Association.

ARTICLE X

Other

Section 1. 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 XI

Amendments

The bylaws may be repealed or amended by a vote of the majority of the members present, pursuant to Article V at any annual or special meeting of the Association. 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, 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.

Definitions

Membership / Membership A person who has paid the appropriate fees and has been issued a certificate as required by association bylaws.

Person / Resident A single resident or property owner, as determined by the rules adopted by the Association Board of Directors.

Certificate.

Membership voting.

Annual Quorum.

**Special Meeting Quorum.
Main Block Valve.
Cross Connected**