

2005 REVISED BY-LAWS

OF

**HILLSBORO MUTUAL DOMESTIC WATER CONSUMERS
AND MUTUAL SEWAGE WORKS ASSOCIATION
dba HMDWCA #00481036**

ARTICLE I

Names, Objects: Purposes and Principal Place of Business

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 Incorporation of the Association, as amended.

ARTICLE II

Seal

The Seal of the Association shall be inscribed thereon the name of the Association, a “Mutual 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 of January of each year.

ARTICLE IV

Membership

Section 1. Eligibility

Property owners in or near the community of Hillsboro, Sierra County, New Mexico (near is not more than 500 feet from the nearest water connection), who are in need of water for domestic purposes, and who are eligible for membership may be

admitted to membership upon application and the payment of a nonrefundable membership fee. It is hereby provided, however, that membership may be denied if the capacity of the Association's systems is limited by the needs of its existing members and/or if it is financially impossible for the association to acquire additional facilities to accommodate new members.

Section 2. Applications

All applications for membership shall be approved by the Board of Directors. Applications for, or subscription to, membership in this Association shall not be denied because of the applicant's race, color, creed, national origin, sex, age or economic status.

Section 3. Membership Classifications

The Board of Directors shall classify all memberships as either Individual Memberships or Organizational Memberships. Organizational Memberships will not confer voting rights.

Section 4. Membership Certificates

Certificates of Membership shall be issued to every Individual and Organizational Member. Each membership certificate; except Organizational Membership Certificates, will be entitled to one (1) vote.

Section 5. Suspension of Membership

Membership may be suspended for failure to pay charges and/or assessments. Suspended members may be reinstated after payment of all delinquent charges and assessments, plus any penalties and service charges due as a result of suspension.

Section 6. Transfer of Membership

Certificates of Membership are non-transferable. Any member relinquishing property or properties being serviced by an association water meter authorized by that party's membership, will notify the Board of Directors within five (5) working days from the transaction date. Failure to do so will obligate said member for all debts incurred. When a party relinquishes ownership of property or properties serviced by the Water Association, notifies the Board of Directors, and payment in full of all monies owed is received, any refundable membership will be returned to the member in accordance with the amount of the membership paid. All membership certificates issued after January 1, 2000 carry no value and therefore no refund will be issued. Parties desiring to purchase property previously serviced

by the Water Association cannot use the previous owner's membership or hook-up to receive water. These parties must apply for membership, receive Board approval, and pay any and all fees due prior to receiving any service. Water service will be turned on only by a Board member or a representative.

ARTICLE V

Meetings of Members

Section 1. Annual Meeting

The Annual Meeting of the members of this Association shall be held at Hillsboro, County of Sierra, State of New Mexico in January of each year.

Section 2. 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 written petition to the President of the Board signed by 10% of the members. The purpose of every special meeting shall be stated in the notice.

Section 3. Notice of Meetings

Notice of regular or special meetings of the members of the Association, may be given by a notice mailed to each member of record, directed to the address shown on the books of the Association, at least ten (10) days prior to the regular or special meeting. Such notice shall state the time, place and purpose of the meeting. The notice for the Annual Meeting will be mailed with the December billing. The notice shall state the time, place and an agenda.

Section 4. Quorum

Ten percent (10%) of the total membership of the Association shall constitute a quorum at any meeting of the Association for the transaction of business.

Section 5. Voting

Voting by proxy will not be permitted.

Section 6. Order of Business

The order of business at the Annual Meeting, shall be

1. Call to order and proof of quorum,

2. Proof of notice of meeting,
3. Read and approve the minutes of the last annual meeting,
4. Read and approve the yearly Financial Report,
5. Reports of Officers and Committees,
6. Election of Directors,
7. Unfinished business,
8. New business,
9. Adjournment.

Section 7 **Operating Rules**

Roberts Rules of Order shall govern Parliamentary Procedure.

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:

1. The selection of and delegation of authority to Officers necessary for the management of the Association business;
2. The determination of policies for guidance of the management of the Association;
3. The control of expenditures by authorizing budgets;
4. The keeping of members fully informed of the business of the Association;
5. The causing of audits to be made from time to time as is necessary;
6. The studying of the requirements of members and promoting good membership regulations;
7. The prescribing of the form of the Membership Certificate;
8. The establishment of water and/or sewer 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.
9. The Board of Directors will maintain an Officers & Directors Liability Insurance Policy at all times.

Section 2. Election and Term of Board Members

The Board of Directors shall be elected at every other Annual meeting for four year staggered terms. Nominees must be members in good standing of the Association. The Board of Directors shall establish a nominating committee at the October meeting. Nominations shall close on November 15. Ballots shall be mailed by December 1. Ballots must be postmarked by the first business Friday in January to be counted in the Advance poll. Members not participating in the advance poll may present their ballot at the Annual Meeting.

Section 3. Election of Officers

The Board of Directors shall meet within ten (10) days of the annual meeting, and shall elect by ballot a President, Vice-President, Secretary and Treasurer from among themselves. Each of the Officers shall hold office until the election and qualification of his or her successor, unless sooner removed by death, resignation, or for cause.

Section 4. Compensation of Officers

The members of the Board of Directors shall receive no compensation for their services as Directors or act as an employee, Agent, or contractor as defined in Article VII Section 4 of these bylaws.

Section 5. 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 (not less than 3 Board Members) at any meeting shall constitute a quorum for the conduct of business. Any two (2) members of the Board may require an emergency meeting of the Board upon an eight (8) hour notice, if possible, to the remaining Board members.

Section 6. 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 7. 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 by a majority vote to choose a successor. Successor(s) 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 un-expired term.

Section 8. Removal of Directors and Officers

- a) Any Director of the Association may be removed from office, for 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 shall be informed in writing of the charges against him or her at least ten (10) days before such meeting. He or she shall have the right and opportunity at such meeting to be heard in person or by counsel, and to present witnesses in his or her behalf. Employees or agents, other than Directors, may be removed from office or employment at any time by action of the Board of Directors.
- b) A Director or Officer of the Association may be removed from office by non-attendance without notice of three consecutive meetings per year.

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 shall 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. He or she 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.

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. He or she shall have general charge and supervision of the records of the Association. He or she 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 or she shall serve, mail, or deliver all notices required by law and these By-Laws. He or she shall 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. He or she 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 or she shall keep a proper Membership Certificate record, showing the name of each member of the Association, Date of issuance of Certificate, and date of surrender, termination, cancellation or forfeiture of Certificate. He or she shall make all reports required by law and shall perform such other duties as may be required of him or her by the Association or the Board of Directors. 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 he or she may have in his or her possession.

Section 4. Duties of Treasurer

The Treasurer shall be responsible for the keeping of and supervision of the financial records of the Association. He or she shall be responsible for the collecting of all assessments and moneys due the Association and 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. He or she shall supervise the duties of any person hired by the Board of Directors for the purpose of billing, accounts payable, payroll, tax payments and any general bookkeeping as prescribed by the Treasurer. He or she shall make a report on the business transacted by him or her as requested. He or she shall 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 time or times as the Board of Directors may require. 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. 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. Other Employees or Agents.

The Board of Directors may appoint a superintendent and other agents or employees which may be necessary to manage the Association operation, 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 compensated for the performance of their duties, in an amount to be determined by the Board of Directors.

ARTICLE VIII

Water, Assessments, and Distribution of Water

Section 1. Water shall be delivered and wastewater collected only for members. If any member needs and desires service connections with the system in excess of one, such connections shall be made only upon application to and approval of the Board of Directors and upon payment of a connection fee, to be determined by the Board of Directors and updated as needed, for each connection in excess of one. No service connections in excess of one shall be approved for any member or made pursuant to this section when the full capacity of the Association's system(s) is needed to serve the existing connections.

The Board of Directors may change the hook-up costs without a change in these By-Laws.

Section 2. All fees, to include membership fees, installation rates, late payment penalties, delinquent account assessments and water rates will be established by the Board of Directors. Annually, the Board of Directors shall review the established rate schedule and fees to assure that sufficient income will be generated for the coming years to cover anticipated expenses. This determination shall be based on the previous year's actual expenses and the estimated budget for the coming year.

Section 3. If at any time it appears that the amount derived from the collection of water charges during any fiscal year will be insufficient to pay when due all costs incident to the operation of the Association's systems(s) and the payment of all debts of the Association, the Board shall make and levy an assessment against the members of the Association. The total amount expected to be collected from water charges will fully pay all costs of operation, maintenance, replacement and repayments on indebtedness, or other expenses of the year's operation. A

proportionate amount of the necessary total 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 system(s) of the Association.

The private property of the members of this Association shall forever be exempt from the payment of corporate debts of this Association.

Section 4. The Board of Directors shall determine what constitutes delinquent non-payment of any water charges or assessments owed by any member and shall establish late payment penalties for same.

Section 5. The Board of Directors shall have the authority to buy or redeem the membership of any member holding a Certificate issued before January 1, 2000 in the event of delinquent non-payment of any water charges or assessments owed by said member. The proceeds of any purchase of membership over and above the amount due the Association shall be paid to the delinquent member. If any balance

remains due to the Association, it may proceed to collect the same as prescribed by law. Non-refundable memberships that are delinquent will be processed according to the Association's Rules & Regulations.

Section 6. 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 right to terminate the supply of water to the delinquent member.

Section 7. All meters and equipment shall belong to the Association. Each member will be financially liable for any abuse to their assigned water meter(s) including damage to the water meter(s) and/or equipment resulting from tampering by an outside person that was authorized by the member. The member assigned to said meter and/or equipment will be billed for all costs of repair resulting from said abuse. Assessment of these charges will be at the discretion of the Board of Directors.

ARTICLE IX

Records of the Association

Section 1. Form of Certificate

The Board of Directors shall determine the form of the Membership Certificate. The Certificate shall be signed by the President and his or her signature attested by

the Secretary who shall impress thereon the Corporate Seal of the Association. The form of the Certificate, in addition to any other matters required by the Board of Directors to appear therein, shall contain the statements 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, the dates thereof, the number of service connections and the names and addresses of the persons to whom issued.

ARTICLE X

Amendments

These By-Laws may be repealed or amended by a majority vote of the members present at the Annual Meeting or at a special meeting called for that purpose.

I, Barbara Pearlman, Secretary of the Hillsboro Mutual Domestic Water Consumers and Mutual Sewage Works Association, an Association existing under the laws of the State of New Mexico, hereby certify that the above is a true and correct copy of the By-Laws, together with all amendments thereto, as of this 5th day of February, _ 2005, which were duly adopted on the 12th of January, 2005.

Done at Hillsboro, New Mexico, this 9th day of February, 2005 / _____

Secretary.