

AMENDED AND RESTATED BYLAWS OF
PAA-KO COMMUNITIES SEWER ASSOCIATION,
A NONPROFIT CORPORATION

ARTICLE I

Name, Objects, Purposes and Principal Place of Business

The corporate name and, the objects and purposes of the Paa-Ko Communities Sewer Association, Inc. (hereinafter, the "Association") shall be as stated and provided for in the Certificate of Association of the Association, as amended. The principal place of business of the Association shall be in Bernalillo County, New Mexico.

ARTICLE II

Offices

- Section 1. Registered Office. The registered office of the Association shall be located at 1717 Louisiana Boulevard, Suite 111, Albuquerque, New Mexico 87110.
- Section 2. Change of Registered Office. The Board of Directors of the Association (the "Board") shall have the authority to change the location of the registered office in accordance with Section 3-29-17.2 and successor provisions of the New Mexico Sanitary Projects Act, NMSA 3-29-1 et seq. ("the Act"). The Association may have such other offices as the Board may designate or as the business of the Association may from time to time require.

ARTICLE III

Fiscal Year

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

ARTICLE IV

Membership

- Section 1. Membership. All persons who are bona fide owners of land in the service area of the Association and who thereby evidence their present or future need and desire for wastewater collection and treatment services provided by the Association shall be members of the Association.
- Section 2. Admission to Membership. Any person who satisfies the membership criteria stated in Section 1 of this Article shall be required to pay a one-time membership fee in the amount specified in Article IX, Section 4.

- Section 3. Membership List. The initial membership list shall be the list attached to the Certificate of Association filed with the New Mexico Public Regulation Commission on February 13, 2004. As provided in Article X, Section 4 of these Bylaws, a list of the Association's members shall be maintained and kept current at the Association's registered office.
- Section 4. Voting. Each member shall be entitled to one vote only, regardless of the number of lots that the member owns within the service area of the Association. Members owning the same lot, whether by joint tenancy, tenancy in common, community property or any other form of ownership, shall jointly have one vote. Voting by proxy is not permitted. Voting by mail is not permitted.
- Section 5. Non-transferability of Membership. Membership is not transferable and terminates upon the member's conveyance of the last property owned by the member within the Association's service area. Members are required to notify the Association when their ownership of property establishing membership commences or ceases.

ARTICLE V

Meetings of Members

- Section 1. Location of Meetings. Membership meetings shall be held at the Vista Grande Community Center, 15 La Madera Road, Sandia Park, New Mexico, or such other place or places as designated by the Board.
- Section 2. Annual Meeting. The annual meeting of members shall be held on the second Wednesday of October of each year, beginning with the year 2004, at six o'clock p.m., for the purpose of electing Directors and the transaction of such other business as may come before the meeting.
- Section 3. Special Meetings. Special meetings of the members of the Association may be called at any time by the Board or by written petition of at least ten percent (10%) of the members. Notice of any special meeting of the members shall be given as provided in Section 4 of this Article, and in the case of a special meeting called by petition of the members, the Secretary shall notify all members that a meeting will be held on a date not less than fifteen (15) nor more than thirty (30) days after the Secretary's receipt of the petition. A representative of the petitioners may give the notice if notice is not given within ten (10) days after the Secretary's receipt of the petition.

No business shall be transacted at the special meeting other than that specified in

the notice.

Notice of every special meeting of the members shall be posted in accordance with the Association's current Open Meetings Act Resolution, as well as given in writing to all members as set forth above and in Section 4 of this Article.

Section 4. Notice of Meetings. The Secretary shall give notice of annual or special meetings in writing to all members at each member's last known address as recorded on the Association's books. Except as otherwise provided in Section 3 of this Article, notice shall be given not less than fifteen (15) nor more than thirty (30) days before the date of the meeting. Notice shall be given personally or by mail or such other form of written communication as is reasonably probable to effect delivery of the notice to the member being notified. The notice shall specify the place, date and time of meeting, and (i) in case of a special meeting, the general nature of the business to be transacted and that no other business may be transacted, or (ii) in the case of an annual meeting, those matters which the Board as of the date of notice intends to present for discussion or vote by the members. At any meetings where Directors are to be elected, notice shall include the names of the persons, if any, nominated by the Board.

Notice of the annual meeting of members and of any special meeting of members shall also be posted in accordance with the Association's current Open Meetings Act Resolution.

Section 5. Quorum Required. At any meeting of members, and except as otherwise provided herein, ten percent (10%) of the total membership of the Association present shall constitute a quorum for the transaction of business. If no quorum is present, a majority of the members present may adjourn the meeting, and another meeting may be held within thirty (30) days. Notice of the place, date and time of the reconvened meeting shall be given in accordance with the requirements of Section 4 of this Article. At that meeting, five percent (5%) of the total membership present shall constitute a quorum for the transaction of business, and if a quorum is present, all business may be transacted that could properly have been transacted at the meeting as originally noticed.

The members present at a meeting in which a quorum was present when the meeting convened may continue to transact business until adjournment, notwithstanding the withdrawal of a sufficient number of members so that less than a quorum of the membership are present.

Section 6. Order of Business. The President, or another Director nominated by the

President, in shall call the meeting of members to order and shall act as chairperson of the meeting. The Secretary shall act as secretary of all meetings, but in the absence of the Secretary, the chairperson may appoint any person to act as Secretary of the meeting. The order of business at all meetings shall be as follows:

- 1) Call to order and confirmation of quorum;
- 2) Proof of notice of meeting or waiver of notice;
- 3) Reading of the minutes of the preceding meeting;
- 4) Reports of officers;
- 5) Reports of committees;
- 6) Election of Directors;
- 7) Unfinished business;
- 8) New business;
- 9) Public comment;
- 10) Adjournment.

ARTICLE VI

Directors and Officers

- Section 1. Functions of the Board of Directors. The business and affairs of the Association shall be managed, and its powers exercised by, a Board of Directors, the number of whom shall be as set forth in the Association's Certificate of Association. The Directors shall in all cases act as a Board and may adopt such rules and regulations for the conduct of their meetings and the management of the Association as they deem proper, not inconsistent with applicable law, these Bylaws and the Association's Certificate of Association.
- Section 2. Election of Board Members. The members of the Board shall be elected by and from the membership in the manner prescribed in the Association's Certificate of Association.
- Section 3. Term of Board Members. The Directors shall be elected to terms of the duration specified in the Association's Certificate of Association. Each Director shall hold office until a successor is elected and qualified or sooner if that Director dies, resigns, is disqualified or removed prior thereto.
- Section 4. Appointment of Officers. Within three (3) business days after the Association's annual membership meeting, the Board shall hold its annual meeting for the purpose of organization, appointment of officers and the transaction of such other

business as the Board deems necessary. The Board shall appoint from among its members a President, Vice President, Secretary-Treasurer or Secretary and Treasurer. Each officer shall hold office until the next annual meeting of the Board and qualified and until the appointment and qualification of his or her successor or sooner if that officer dies, resigns, is disqualified or removed prior thereto.

Notice of the annual meeting of the Board shall be posted in accordance with the Association's current Open Meetings Act Resolution.

Section 5. Compensation of Officers and Directors. Directors shall not receive any compensation for their services as Directors or officers.

Section 6. Reimbursement of Board Members' Business Expenses. Subject to the approval of the Board, Directors and officers may receive reimbursement for expenses reasonably incurred in the performance of that person's duties as a Director or officer of the Association.

Section 7. Meetings of the Board. In addition to the annual meeting of the Board, special meetings of the Board may be called at any time by the President, Vice President or Secretary, or by any two Directors, upon not less than four (4) days' written notice or seventy-two (72) hours' notice given personally or by telephone. Emergency meetings may be called by the President, Vice President or Secretary or by any two Directors; under unforeseen circumstances that, if not addressed immediately by the Board, are likely to result in injury or damage to persons or property or substantial financial loss to the Association. Emergency meetings may be called upon twenty-four (24) hours' notice, given in writing, personally or by telephone, unless the circumstances require less notice. Annual, special or emergency meetings shall be held at any place within or without the State of New Mexico as designated from time to time by the Board. In the absence of such designation, Board meetings shall be held at the registered office of the Association.

Notice of special meetings and emergency meetings of the Board shall be posted in accordance with the Association's current Open Meetings Act Resolution.

A majority of the authorized number of Directors present constitutes a quorum for the transaction of business by the Board, except to adjourn. Actions taken by a majority of the Directors present at a meeting at which a quorum is present are acts of the Board unless a greater number is required by law. A meeting at which a quorum is initially present may continue to transact business despite the

withdrawal of one (1) or more Directors if any action taken is approved by at least a majority of the required quorum for such meeting.

- Section 8. Vacancies on the Board. If the office of a Director becomes vacant by reason of death, resignation, or disqualification, a majority of the remaining Directors, even though they may be less than a quorum, shall choose a successor. Each Director so chosen shall hold office until the next annual meeting, at which the members shall elect a Director for the unexpired term, and until such Director's successor has been qualified. If the office of a Director become vacant by removal in accordance with Section 10 of this Article, a new Director shall be elected and qualified as provided in that Section.
- Section 9. Resignation of Directors and Officers. An oral or written resignation from any member of the Board or any officer is immediately deemed to be a resignation. No action by the Board is necessary to recognize the resignation other than to note such resignation in the Minutes.
- Section 10. Removal of Directors. Any Director of the Association may be removed for breach of fiduciary duty or a crime of moral turpitude by a vote of not less than three-fourths (3/4) of the members present at an annual or special meeting of the members at which a quorum is present. A vacancy caused by such removal shall be filled by nominations and vote at the meeting where the removal occurred, and the Director so elected shall serve for the unexpired term of the Director so removed.
- Section 11. Removal of Officers. Any officer appointed by the Board may be removed by the Board whenever in the Board's judgment the best interests of the Association would be served thereby.
- Section 12. Vacant Offices. If any office of the Association becomes vacant by reason of death, disqualification, resignation or removal of an officer, the Board shall appoint a Director as successor to fill that office until the next annual meeting of the Board and the appointment and qualification of a successor to that office, or sooner if that successor officer dies, resigns, is disqualified or removed prior thereto.
- Section 13. Committees. The Board may appoint committees of the Board consisting of one (1) or more Directors and such other persons as the Board may appoint. Committees shall have no powers other than to advise the Board as to the matters for which the committee was established.

ARTICLE VII

Duties of the Officers

- Section 1. Duties of the President. The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have such powers and duties as are normally associated with the position of chief executive officer. The President shall preside at all meetings of the members and of the Board, provided, however, that the President shall have the power to nominate another Director to preside at such meetings. The President shall have such other powers and shall perform such other duties as from time to time may be prescribed by the Board.
- Section 2. Duties of the Vice President. In the absence or disability of the President, the Vice President shall perform all the duties of the President, and when so acting shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice President shall have such other powers and perform such other duties as from time to time may be prescribed by the Board.
- Section 3. Duties of the Secretary and Treasurer. The Secretary-Treasurer or the Secretary and the Treasurer, between them, shall give all notices required by the Act, the Certificate of Association, these Bylaws, the Open Meetings Act and other law; take and maintain all minutes; oversee the disbursement of funds on the proper order of the Board; keep all records, books, checks, bank statements and financial information; oversee the preparation and distribution of all financial reports; maintain the Membership Register described in Article X, Section 4; and have such other powers and duties as are normally associated with the positions, respectively, of corporate secretary and chief financial officer. The Secretary-Treasurer or Secretary or Treasurer shall have such other powers and perform such other duties as from time to time may be prescribed by the Board.
- Section 4. Indemnification of Directors and Officers. The Association shall indemnify any person who has been or is threatened to be made a party to any threatened or pending or action, suit or proceeding, whether, civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director, officer, employee or agent of the Association or was serving at the request of the Association as a director, officer, partner, trustee, employee or agent of another association, cooperative, corporation, partnership, joint venture, trust or other incorporated or unincorporated enterprise or employee benefit plan or trust. The indemnification shall include any amounts reasonably incurred by him or her in connection with such action, suit or proceeding, including judgments, fines, amounts paid in settlement of claims, expenses, and attorneys' fees. The person shall not be indemnified if his or her liability is based upon his or her having

breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes willful misconduct or recklessness.

Unless otherwise ordered by a court, the determination of the entitlement to indemnification and the reasonableness of the amounts incurred and subject to indemnification shall be made (1) by the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding or (2) by the voting members at a regular or special meeting called for the purpose of making such a determination. A determination to make advance indemnification may be made in the same manner as the determination of entitlement and amount set forth herein, but only upon the condition that the person receiving such advance indemnification shall reimburse the Association if it is subsequently determined that he or she was not entitled to the indemnification so advanced.

The foregoing right of indemnification shall not be deemed exclusive of any rights to which those seeking indemnification may have under any agreement, vote of members or disinterested directors, by operation of law, or otherwise. The right of indemnification shall inure to the benefit of the heirs, executors and administrators of the person entitled to such right.

ARTICLE VIII

Employment of Other Employees and Agents

The Board shall appoint or hire, in addition to the officers named above, a licensed wastewater treatment plant operator, and may appoint or hire such other employees or agents as required or permitted by law.

ARTICLE IX

Dues, Special Assessments and Fees

Section 1. Dues. Subject to the provisions of Section 5 of this Article, members shall pay dues to the Association in the amount and in the manner determined by the Board to be reasonably necessary for the construction, improvement and operation and maintenance of its wastewater collection and treatment facilities and services and all indebtedness incurred in connection therewith.

Section 2. Special Assessments. Subject to the provisions of Section 5 of this Article, the members shall pay to the Association any and all special assessments levied by the Board in the amount and in the manner determined by the Board to be reasonably necessary for the construction, improvement and operation and maintenance of the Association's wastewater collection and treatment facilities

and services and all indebtedness incurred in connection therewith.

Section 3. Sewer Hook-up Fees. Subject to the provisions of Section 6 of this Article, any member or prospective member who, after the effective date of these Bylaws as amended and restated, (i) contracts to purchase land within the service area of the Association; and (ii) intends to construct an improvement on said land that will utilize the Association's wastewater collection and treatment facilities, shall pay to the Association prior to commencement of construction a one-time sewer hook-up fee in an amount determined by the Board.

Section 4. Membership Fee. Upon admission to membership, a new member shall pay to the Association a one-time membership fee in the amount of \$100.00, which amount may be adjusted by the Board from time to time.

Section 5. Limitation on Dues and Special Assessments. The dues and special assessments (but not sewer hook-up fees and membership fees) payable by residential members under this Article IX shall not exceed in the aggregate \$500.00 for any year until 2010 without the affirmative vote of two-thirds of the members present at a duly noticed meeting at which a quorum of thirty-five percent (35%) of the total membership is present and voting.

Section 6. Amount of Sewer Hook-up Fees. The sewer hook-up fees payable under Section 3 of this Article shall be as follows:

A. Single Family Residence:

\$5,000 for all houses greater than 4,500 square feet (excluding garage)
\$4,500 for all houses 4,001 square feet - 4,500 square feet (excluding garage)
\$4,000 for all houses 3,501 square feet - 4,000 square feet (excluding garage)
\$3,500 for all houses 3,001 square feet - 3,500 square feet (excluding garage)
\$3,000 for all houses 2,501 square feet - 3,000 square feet (excluding garage)
\$2,500 for all houses 2,500 square feet or less (excluding garage).

B. Other:

The amount of the hook-up fee to be paid under Section 3 of this Article by a member or prospective member who intends to build a structure other than a single family residence or an auxiliary structure on a lot containing a residence shall be determined on a case-by-case basis and shall be reasonably related to the burden the structure will impose upon the capacity of the Association's wastewater collection and treatment facilities.

C. Authority to Change Fees:

The Board may not change the hook-up fees set forth in Section A above before January 1, 2010. Prior thereto, the hook-up fees set forth in Section A may be changed only upon the affirmative vote of two-thirds of the members present at a duly noticed meeting at which a quorum of thirty-five percent (35%) of the total membership is present and voting.

- Section 7. Lien for Indebtedness. The Board may cause a lien to be perfected against any property within its service area in the amount of all outstanding membership fees, dues, special assessments, hook-up fees and other charges and fees owed by the member owning that property. The Board may enforce the lien hereby created in any manner provided by the laws of the State of New Mexico. In any legal action relating thereto, the prevailing party shall be entitled to recover that party's reasonable attorneys' fees in addition to all other remedies.

ARTICLE X Records and Reports

- Section 1. Book, Records and Accounts. The Association shall maintain at its registered office adequate and correct accounts, books, and records of its business and properties.
- Section 2. Reports. The Association shall prepare and file an annual report and all other records and documents required, and in the manner and time prescribed, by the Act and other applicable statutes and regulations.
- Section 3. Evidence of Membership. The Board may authorize the issuance of certificates or other evidence of membership. The Association shall cause a copy of its Certificate of Association and its Bylaws, as amended and restated, to be provided to each new member no later than at the time the membership fee described in Article IX, Section 4 is paid.

Section 4. Membership Register. A Membership Register shall be kept as part of the records of the Association. The Membership Register shall contain a list of the current and past members, including the name(s) and mailing address(es) of the members, the date such membership commenced or terminated, and a description of the property of each member within the service area of the Association, by lot number or otherwise.

Section 5. Inspection of Records. The Membership Register, accounting books and records, and minutes of proceedings of the members, the Board and committees of the Board shall be open to inspection and copying upon written demand by any member for a purpose reasonably related to the member's interest in the Association. Inspection and copying shall be made during usual business and may be made in person, by agent, or by attorney.

ARTICLE XI

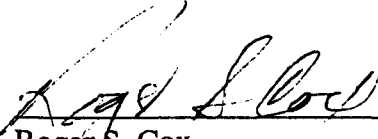
Amendments

Other than with respect to Article IX, these Bylaws may be amended or repealed only by the affirmative vote of the majority of the Association's members voting at any meeting of the members of the Association called for that purpose, provided that notice of the proposed repeal or amendment is incorporated in the notice of such meeting and that a copy of the proposed changes or a copy of the restated Bylaws—including any voting choices—is mailed to each Association member at least ten (10) days before the meeting. Article IX may only be amended at a meeting of the members called for that purpose at which a quorum consisting of thirty-five percent (35%) of the members is present and voting.


CERTIFICATION OF THE ADOPTION OF THE BY-LAWS

We, the undersigned President and Secretary and of Paa-Ko Communities Sewer Association, hereby certify that the foregoing is a true and correct copy of the By-Laws of the Association, together with all amendments thereto, as adopted by the affirmative vote of a majority of the Association's members on August 23, 2004, at a duly noticed meeting of the members.

Dated: September 2, 2004



Roger S. Cox
President



Nick Thompson
Secretary

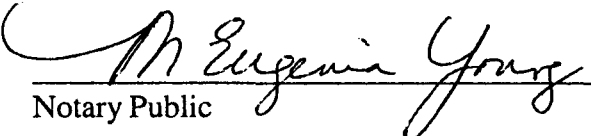
ACKNOWLEDGMENT

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

This instrument was acknowledged before me on this 2nd day of September, 2004, by Roger S. Cox as President of Paa-Ko Communities Sewer Association and by Nick Thompson as Secretary of Paa-Ko Communities Sewer Association.



OFFICIAL SEAL
M. EUGENIA YOUNG
NOTARY PUBLIC - STATE OF NEW MEXICO
Notary Bond Filed with Secretary of State
My Commission Expires 12/6/2005



Notary Public

My commission expires:
Dec 6, 2005

[Seal]