



La Mesa Water Cooperative Articles of Incorporation

Amended 2000

Amended 2000

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2000 Amended Articles of Incorporation

Articles of Incorporation of The La Mesa Water Cooperative

In compliance with the provisions of the State of New Mexico laws regarding cooperative associations, N.M.S.A. Section 53-4-1, et seq., 1978 the undersigned do hereby certify and adopt in duplicate these Articles of Incorporation for the La Mesa Water Cooperative:

Article I: Name

The Name of the Cooperative shall be LA MESA WATER COOPERATIVE (hereinafter the "COOPERATIVE").

Article II: Objects and Purposes

The objects and purposes for which the Cooperative is formed is as follows.

Section 1. To associate its members together for their interest and benefit, and to that end, to acquire, construct, install, maintain and operate a water system for the supplying and distribution of water for domestic uses and purposes to its members and the lands of members, and to engage in any activity related thereto, including but not limited to the acquisition of water by purchase, appropriation, lease, or otherwise, and the diversion and storage thereof, the drilling, pumping and the purchase, laying, installation, operation, maintenance and repair of wells, pumping equipment, canals, ditches, structures, pipelines, valves, and all other material and equipment necessary to the construction, repair, maintenance and operation of a complete domestic water supply and distribution system, and the installation of sewage and other sanitary systems and the like, including all functions and services necessary and incidental to accomplishing any of the foregoing purposes.

Section 2. To acquire, by purchase or otherwise, water and water rights from individuals, firms, corporations, counties or municipalities, as the same may from time to time be required for the adequate supply of water to the members and the lands of members, as this Cooperative may from time to time determine.

Section 3. To divert, appropriate and use, in such manner as the law may allow, the waters of springs, wells, and other sources, upon, under and within the lands of members, and to convey and distribute same for members' household and domestic purposes, for the watering of members' livestock, and for such other purposes as may from time to time be determined by the Cooperative.

Section 4. To own, by purchase or otherwise, lease, rent, or in any other manner, lawfully acquire lands, rights-of-way, pipelines and mains for the transportation, delivery and furnishing of water to the lands of members, and to construct, build, maintain and operate the same.

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Section 5. To own, operate, maintain and control such meters and other appliances as may be necessary in conducting and maintaining the water system aforesaid.

Section 6. To levy assessments, collect charges and create and enforce liens upon the lands of members for water service, including the cost of acquisition, construction, repair, improvement and maintenance of wells, reservoirs, canals, ditches and water systems and other works and for such other purposes as may be necessary for the effective operation of this Cooperative.

Section 7. To borrow from any source money, goods, or services, and to pledge or mortgage any of the Association's property as security therefor, in any manner permitted by law.

Section 8. To acquire and to hold, own and exercise all rights of ownership in, and to sell, transfer or pledge shares of capital stock or memberships of any corporation or cooperative engaged in related activities.

Section 9. To buy, lease, hold and exercise all privileges of ownership in and to real or personal property, as may be necessary or convenient for the conduct and operation of the Cooperative.

Section 10. To have and to exercise all power, privileges and rights conferred on cooperative associations or corporations by the laws of the State of New Mexico, all of which are hereby expressly claimed, including all powers which may be necessary, convenient or expedient for the accomplishment of the purposes of this Cooperative, except such powers as are inconsistent with the provisions of the Act under which this Cooperative is incorporated.

Article III: Principal Office

The location of the principal office of the Cooperative shall be in Placitas, Sandoval County, New Mexico, and its mailing address shall P. O. Box 53, Placitas, New Mexico 87043.

Article IV: Duration

This Cooperative shall have perpetual existence.

Article V: Membership

Each Owner of a Lot in the La Mesa Subdivision and each Owner of a Lot or Residential Unit, in the Sundance Mesa Subdivision shall be eligible to become a Member of the Cooperative. The number of Lots permitted in the La Mesa Subdivision and the number of Lots or residential units in the Sundance Mesa Subdivision is limited by that certain Agreement dated June 2, 1994 and amended by an Addendum dated September 23, 1994 between the Cooperative and KGA Development Corporation recorded in the records of Sandoval County, New Mexico at Volume Misc. 312, folios 489 and 494 respectively ("Water Agreement"). The Water Agreement limits

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the number of Lots in La Mesa Subdivision to 173 and the number of Residential Units in Sundance Mesa Subdivision to 250. The number of Lots or Residential Units may be increased by the affirmative vote of a majority of Members of the Cooperative provided the requirements of the Water Agreement are met. The Water Agreement is attached to these Articles of Incorporation as Attachment I and the Addendum as Attachment II.

The Bylaws of the Cooperative shall set forth any additional qualifications for membership. Membership status shall be evidenced by a Membership Certificate executed by the Treasurer of the Cooperative. In no event shall membership be conditioned upon a vote of either the Board of Directors, or the membership.

Members shall not be personally liable for the debts or claims against the Cooperative.

Each Member shall be entitled to one vote.

Article VI: Board of Directors

The business and affairs of this Cooperative shall be conducted and managed by a board of seven (7) directors who shall be Members of this Cooperative. The names and addresses of the persons who comprised the initial Board of Directors are:

Thomas J. Ashe	Star Route Box 315 Placitas, New Mexico 87043
John J. Kelly	3510 Wolters Place, N.E. Albuquerque, New Mexico 87106
Steven M. Gudelj	Sky Ranch, New Mexico 87043
Wendy Gudelj	Sky Ranch, New Mexico 87043
Joanne S. Ashe	Star Route Box 315 Placitas, New Mexico 87043

The Directors shall be elected at the annual meeting and shall serve a two-year term. The terms of the Directors shall be staggered. Directors' seats numbers 1, 2 and 3 shall be subject to an election by the Members of the Cooperative at the 2001 annual meeting. Directors, seats number 4, 5, 6, and 7 shall be subject to an election at the next following annual meeting. The election cycle shall repeat every two years after the 2002 annual meeting. The election shall be executed as specified in the Bylaws.

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Article VII: Dissolution

In the event this Cooperative shall be directed to dissolve by a vote of two-thirds (2/3) of the membership as provided by law, the Trustees, designated by the Members within the time fixed by the members, or any extension thereof, shall liquidate the assets of this Cooperative, shall pay its debts and expenses, and shall distribute any surplus among the Members upon the basis of their patronage during the period of six years immediately preceding the dissolution.

Article VIII: Amendments

Amendments to these Articles shall require the assent of two-thirds (2/3) of the membership. The presentment of a petition to amend and notice of meeting to consider the proposed amendment shall be as provided by law.

Article IX: Issuance of Stock or Shares

This Cooperative shall not issue capital stock or shares, nor shall the members thereof be assessed any sum whatsoever except as provided by the Bylaws and other rules and regulations of this Cooperative.

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AGREEMENT

This agreement ("Agreement") is made this 2 day of June, 1994, by and among KGA Development Corporation ("KGA") and the La Mesa Water Cooperative ("Cooperative") regarding KGA's dedication of water rights to the Cooperative's wells for the use of La Mesa Subdivision and Sundance Mesa Subdivision.

WHEREAS the Cooperative has filed two well applications with the State Engineer Office numbered RG-49802-Enlarged and RG-49802-S-Enlarged(2) ("Applications") in order, among other things, to expand its service area to include Sundance Mesa Subdivision sought to be developed by KGA; and

WHEREAS the Applications are for 65 acre-feet consumptive use annually and for an additional right of 50 acre-feet consumptive use annually which, if approved, could allow the Cooperative to divert 115 acre-feet annually; and

WHEREAS the Pueblo of Sandia ("Pueblo") and the Bureau of Indian Affairs ("BIA") have filed protests to the Applications; and

WHEREAS KGA and the Cooperative are in the process of negotiating an agreement with the Pueblo, the BIA and State Engineer Office with regard to the Applications; and

WHEREAS the Pueblo and the BIA have requested that the Cooperative drop the request for any return flow credit from the State Engineer Office with respect to the Applications; and

WHEREAS KGA has proceeded to purchase additional water rights to offset the future anticipated combined use of both La Mesa and Sundance Mesa Subdivisions up to an average of 7,750 gallons of water per household per month for forty years, as discussed and subject to the limitations in the disclosure statement to be filed for Sundance Mesa Subdivision (hereinafter "Disclosure Statement"); and

WHEREAS KGA estimates that the use for the La Mesa and Sundance Mesa Subdivisions will be satisfied by the diversion of 102 acre-feet annually which totals 102 acre-feet consumptive use annually ("CU") in the absence of any return flow credit; and

WHEREAS KGA had previously purchased 47.65 CU and has recently acquired an additional sum of 33.43 CU which it is dedicating to the Cooperative's well(s) for a total of 81.08 CU.

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NOW THEREFORE, the parties to this Agreement agree as follows:

KGA agrees that within five years of the date of this Agreement, KGA will purchase the additional water rights ("Additional Water Right") to provide the Cooperative with the right to divert a total of 102 acre-feet annually, including the amounts KGA has dedicated or is in the process of dedicating to the Cooperative's well(s) prior to this Agreement. In the absence of return flow credit, the Additional Water Right totals 20.92 CU.

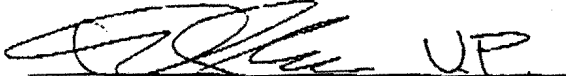
KGA is not obligated to dedicate to the Cooperative's well(s) any water rights in excess of those water rights that would allow the Cooperative to divert 102 acre-feet annually ("Excess Water Right"). Should the State Engineer Office allow the Cooperative to divert in excess of 102 acre-feet annually, the Cooperative would be responsible for purchasing or retiring any Excess Water Right to be used in diverting in excess of 102 acre-feet annually. Should the State Engineer Office allow the Cooperative to divert up to 115 acre-feet annually and the Cooperative purchases the additional 13 acre-feet over that right to divert 102 acre-feet annually to be provided by KGA, then the Cooperative can charge each Sundance Mesa Subdivision lot owner a one-time fee, at the time of the closing of the sale by KGA to the lot owner, of .28% (the approximate pro-rata cost per lot in Sundance Mesa and La Mesa Subdivisions based on 361 lots) of the cost of the additional 13 acre-feet.

KGA further agrees that the number of lots sold in Sundance Mesa Subdivision will not exceed the number of lots for which KGA has provided water rights to the Cooperative's well(s) anticipated to provide an average of 7,750 gallons of water per month for each lot for forty years, subject to the limitations in the Disclosure Statement. Upon KGA's dedication to the Cooperative's well(s) of the right to divert the total of 102 acre-feet annually, the Cooperative agrees that KGA can sell up to, but not more than, 195 lots in Sundance Mesa Subdivision without providing other water rights.

All of KGA's obligations under this Agreement are contingent upon (1) final subdivision approval for Sundance Mesa Subdivision by the County of Sandoval, (2) the granting of all regulatory approvals required for sale of lots in Sundance Mesa Subdivision, and (3) commencement of the sale of lots in Sundance Mesa Subdivision. Furthermore, all of KGA's obligations under this Agreement are for the benefit of the Cooperative only and such obligations are not enforceable by third parties. Should the County of Sandoval deny approval of Sundance Mesa Subdivision or should KGA decide not to proceed with obtaining approval or with the sale of the lots of Sundance Mesa Subdivision for any reason, then the Cooperative shall transfer those water rights transferred by KGA to the Cooperative back to KGA, or purchase such rights from KGA at a mutually agreed price, that are in excess of water rights anticipated to provide an average of 7,750 gallons of water per household per month for forty years for the lots in La Mesa Subdivision (hereinafter referred to as the "Sundance Mesa

Water Rights"). If the Cooperative has not reached an agreement with KGA regarding the price of the Sundance Mesa Water Rights within thirty days of delivery of KGA's written request for such an agreement, then the Cooperative will at that time transfer the Sundance Mesa Water Rights back to KGA.

KGA DEVELOPMENT CORPORATION




Thomas J. Ashe, Vice-President

LA MESA WATER COOPERATIVE




Kelly Williams, Director




Hunter Chiles, Director



Wendy A. Gudelj, Director



Steven M. Gudelj, Director



Thomas J. Ashe, Director

STATE OF NEW MEXICO)
COUNTY OF Sandoval)

On this 3rd day of June 1994, before me appeared Thomas J. Ashe, to me personally known, who, being by me duly sworn did say that he is the Vice-President of KGA Development Corporation and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Thomas J. Ashe acknowledged said instrument to be the free act and deed of said corporation.

Annetta Ackerman
Notary Public

My commission expires:
Oct. 14, 1996

STATE OF NEW MEXICO)
COUNTY OF Sandoval)

On this 3rd day of June 1994, before me appeared Kelly Williams, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Kelly Williams acknowledged said instrument to be the free act and deed of said corporation.

Annetta Ackerman
Notary Public

My commission expires:
Oct. 14, 1996

STATE OF NEW MEXICO)
COUNTY OF Sandoval)

On this 3rd day of June 1994, before me appeared Hunter Chiles, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Hunter Chiles acknowledged said instrument to be the free act and deed of said corporation.

Anetta Ackerman
Notary Public

My commission expires:

Oct. 16, 1994

STATE OF NEW MEXICO)
COUNTY OF Sandoval)

On this 3rd day of June 1994, before me appeared Wendy A. Gudelj, to me personally known, who, being by me duly sworn did say that she is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Wendy A. Gudelj acknowledged said instrument to be the free act and deed of said corporation.

Anetta Ackerman
Notary Public

My commission expires:

Oct. 16, 1994

Handwritten initials and date: 11/16/94 h 70

STATE OF NEW MEXICO)
COUNTY OF Sandoval)

On this 3rd day of June 1994, before me appeared Steven M. Gudelj, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Steven M. Gudelj acknowledged said instrument to be the free act and deed of said corporation.

Janette Ackerman
Notary Public

My commission expires:

Oct. 16, 1996

STATE OF NEW MEXICO)
COUNTY OF Sandoval)

On this 3rd day of June 1994, before me appeared Thomas J. Ashe, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Thomas J. Ashe acknowledged said instrument to be the free act and deed of said corporation.

Janette Ackerman
Notary Public

My commission expires:

Oct. 16, 1994

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**ADDENDUM TO AGREEMENT DATED JUNE 2, 1994 BETWEEN
KGA DEVELOPMENT CORPORATION AND LA MESA WATER COOPERATIVE**

This addendum ("Addendum") is made this 23rd day of September, 1994, by and among KGA Development Corporation ("KGA") and the La Mesa Water Cooperative ("Cooperative") in order to clarify the agreement dated June 2, 1994 between KGA and the Cooperative regarding KGA's dedication of water rights to the Cooperative's wells for the use of La Mesa Subdivision and Sundance Mesa Subdivision ("June 2, 1994 Agreement").

The following provisions are added prior to the last paragraph of the June 2, 1994 Agreement:

If the 195 lots in Sundance Mesa Subdivision need water rights in excess of those water rights anticipated to provide an average of 7,750 gallons of water per month per lot for approximately forty years, the Cooperative, not KGA, must obtain and pay for the additional water rights. KGA does not represent, warrant, or guaranty the availability of such rights.

If KGA replats Sundance Mesa Subdivision into more than 195 lots, the Cooperative will not have to service those lots in excess of the 195 lots (hereinafter "additional lots") out of the right to divert 115 acre-feet annually that is to be provided by the 102 acre-feet from KGA and 13 acre-feet to be purchased by the Cooperative, as referred to herein. Instead, KGA, as opposed to the Cooperative, will bear the cost of additional water rights, of expanding the well permit for the Cooperative, and of necessary approvals from the State Engineer in order to provide water rights for such additional lots. With respect to such additional lots, KGA will provide water rights for each additional lot anticipated to provide, for a period of approximately forty (40) years, an amount of water equal to the amount that the Cooperative has estimated on the average would service each lot in Sundance Mesa Subdivision prior to replat (which amount is currently estimated at 8500 gallons per month per lot) from the total of the Cooperative's then existing water rights. Should the State Engineer Office determine that the Cooperative is entitled to a return flow credit, or other water credit, based on water dedicated by KGA to the Cooperative's well(s), then such credit will go toward satisfying KGA's obligations under this Agreement.

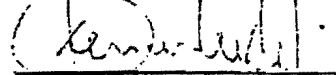
The parties agree and understand that if Sundance Mesa Subdivision is rezoned to allow for multi-family dwellings, then the above restriction that KGA can sell up to, but not more than, 195 lots in Sundance Mesa Subdivision without providing other water rights will be interpreted to mean that KGA can sell a total of lots that allows for up to, but not more than, 195 residential units without providing other water rights. KGA will not rezone or replat Sundance Mesa Subdivision into lots that would allow for more than 250 residential units without agreement by La Mesa Water Cooperative. The term residential unit does not include guest

houses, if any, on the lots and KGA bears no responsibility for water rights for guest houses.

Nothing in this Agreement limits the Cooperative from agreeing to expansion of its service area beyond 250 residential units in Sundance Mesa Subdivision and 162 residential units in La Mesa Subdivision provided that (a) the Cooperative can adequately service up to 250 residential units in Sundance Mesa Subdivision and up to 162 residential units in La Mesa Subdivision in addition to such further expansion and (b) such further expansion must be approved by the vote of a simple majority of the Cooperative's members.

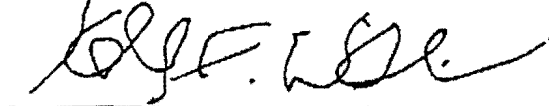
All other provisions of the June 2, 1994 Agreement not modified by this Addendum remain in full force and effect.

KGA DEVELOPMENT CORPORATION



Steven M. Gudelj, President

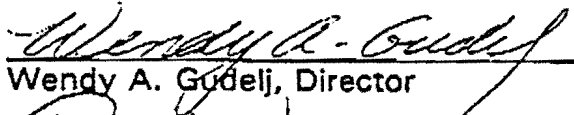
LA MESA WATER COOPERATIVE



Kelly Williams, Director



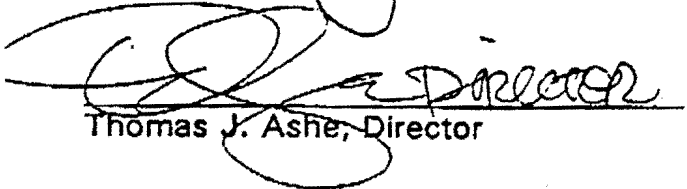
Hunter Chiles, Director



Wendy A. Gudelj, Director



Steven M. Gudelj, Director



Thomas J. Ashe, Director

STATE OF NEW MEXICO)
)
COUNTY OF)

On this 30th day of September 1994, before me appeared Steven M. Gudelj, to me personally known, who, being by me duly sworn did say that he is the President of KGA Development Corporation and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Steven M. Gudelj acknowledged said instrument to be the free act and deed of said corporation.

Laura R. Matickezy
Notary Public

My commission expires:

Oct. 18, 1997

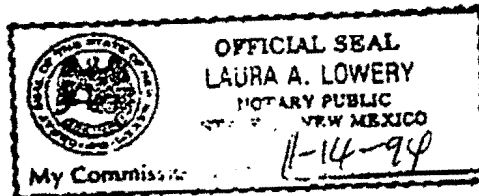
STATE OF NEW MEXICO)
)
COUNTY OF)

On this 27th day of September 1994, before me appeared Kelly Williams, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Kelly Williams acknowledged said instrument to be the free act and deed of said corporation.

Laura A. Lowery
Notary Public

My commission expires:

11-14-94



STATE OF NEW MEXICO)
)
COUNTY OF)

On this 23rd day of September 1994, before me appeared Hunter Chiles, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Hunter Chiles acknowledged said instrument to be the free act and deed of said corporation.

Don Lizardo
Notary Public

My commission expires:
5-9-95

STATE OF NEW MEXICO)
)
COUNTY OF)

On this 30th day of September 1994, before me appeared Wendy A. Gudelj, to me personally known, who, being by me duly sworn did say that she is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Wendy A. Gudelj acknowledged said instrument to be the free act and deed of said corporation.

Shirley R. Gutierrez
Notary Public

My commission expires:
Oct. 18, 1997

STATE OF NEW MEXICO)
)
COUNTY OF)

On this 30th day of September 1994, before me appeared Steven M. Gudelj, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Steven M. Gudelj acknowledged said instrument to be the free act and deed of said corporation.

Shirley R. Antikoff
Notary Public

My commission expires:
Oct. 18, 1997

STATE OF NEW MEXICO)
)
COUNTY OF)

On this 30th day of September 1994, before me appeared Thomas J. Ashe, to me personally known, who, being by me duly sworn did say that he is the Director of La Mesa Water Cooperative and that said instrument was signed in behalf of said corporation by the authority of its board of directors and said Thomas J. Ashe acknowledged said instrument to be the free act and deed of said corporation.

Shirley R. Antikoff
Notary Public

My commission expires:
Oct. 18, 1997

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2000 Amended Articles of Incorporation

Certification of Articles of Incorporation

I, Solon A. Ellison, Secretary, and I, Edward Spivak, President, of the La Mesa Water Cooperative, a cooperative Association existing under the laws of the State of New Mexico, hereby certify that the above is a true and correct copy of the Articles of Incorporation as of this 31st day of October 2000.

Solon A. Ellison

Solon A. Ellison, Secretary

Edward Spivak

Edward Spivak, President

UNDERSTANDING
BETWEEN KGA DEVELOPMENT CORPORATION
AND
LA MESA WATER COOPERATIVE

This Understanding is made this 6 day of JUNE, 2001 between KGA Development Corporation, a New Mexico corporation and its assigns ("Developer") and La Mesa Water Cooperative, a New Mexico cooperative association ("Cooperative").

RECITALS:

1. The Developer of La Mesa and Sundance Mesa has the right to expand the water system's service capacity.

2. KGA originally platted 196 lots in Sundance Mesa which are benefited with the right to hook up to and use water from the cooperative system. Water rights, which were provided by KGA Development Corporation, are being held by the Cooperative for use by these lots. KGA desires to replat lots within the Subdivision and provide these new lots with water from the existing La Mesa Water Cooperative distribution system. The net increase in lots beyond the initial 196 lots will determine the amount of new water rights KGA would need to purchase and transfer to the Cooperative for each new lot in excess of water rights already being held by the water co-op.

118 acre feet of water rights dedicated times 325,851 gallons of water (one acre foot) equals 38,450,418 gallons (available annually), divided by 102,000 gallons (annual allotment for each home) equals 376.96 homes possible. Subtract the 359 existing lots (at present) and there are 17 additional lots available with the existing 118 acre feet.

The net increase in the number of lots to be created with the replat of 155A, 147A, 121A, 154A, 153A, 119A and 85A and the integration of lot 36 into existing lots, constitutes a net increase of 8, with 9 potential lots still remaining.

3. The Cooperative and Developer agree to work together to effectuate the expansion of the Water System into these "new lots".

IT IS THEREFORE AGREED AS FOLLOWS:

4. The Developer shall create the New Lots, which will be part of the Sundance Mesa Subdivision, and physically extend the Water System to the New Lots. The Cooperative will add the owners of the New Lots as members of the Cooperative and be entitled to hook up to and use water from the Water System. The hook up fee for each New Lot shall be determined by the Cooperative's Member Fees and Rate Schedule, payable to the Cooperative. Developer shall collect the hook up fee and pay the Cooperative at the time of closing the sale of each New Lot.

5. Developer shall also pay the cost of extending the water to the New Lots at Developer's sole cost. Developer shall install a main line tap, water line to copper sets and meter can to each New Lot. The Cooperative shall pay for and install the water meter for each New Lot at the time each New Lot owner obtains a building permit and commences construction.

6. The Cooperative will furnish a letter to KGA stating that these new lots are members of the Association for approval purposes at Sandoval County as soon as this agreement is signed and money is placed in escrow.

7. Developer may assign its rights under this Agreement to another entity.

8. This Understanding constitutes the entire understanding of the parties and cannot be amended without the written consent of the parties.

COOPERATIVE:

LA MESA WATER COOPERATIVE
a New Mexico Cooperative Association

By: Edward Spinck

Its: President

Date: 6/8/01

State of New Mexico)

County of Sandoval

The foregoing was acknowledged before me this 8th day of June, 2001

Hilde Penhallurick
Notary

My Commission Expires: 10/12/2001

DEVELOPER:

KGA DEVELOPMENT CORPORATION
a New Mexico Corporation

By: [Signature]

Its: President

Date: 5-25-01



OFFICIAL SEAL
HILDE PENHALLURICK
NOTARY PUBLIC - STATE OF NEW MEXICO
Notary Bond Filed With Secretary of State
My Commission Expires 10/12/2001

State of New Mexico)

County of Sandoval

The foregoing was acknowledged before me this 25th day of May, 2001

Susan M. Dorey White
Notary

My Commission Expires: 4-19-05