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BY-LAWS

of

VILLA ENCANTADA HOMEOWNERS ASSOCIATION
(a New Mexico non-profit corporation)

ARTICLE I

Definitions

Section 1. The following words when used in the By-Laws or any Amendment thereof (unless the context shall prohibit) shall have the following meanings:

(a) "Association" shall mean and refer to the VILLA ENCANTADA HOMEOWNERS ASSOCIATION, a New Mexico non-profit corporation, and its successors.

(b) "The Properties" shall mean and refer to all such existing properties, and additions thereto, as are subject to the Declaration or any Supplemental Declaration.

(c) "Common Properties and Facilities" shall mean and refer to those areas of land so shown or designated on (1) any recorded subdivision plat, amended plat, replat, or supplemental plat of The Properties; and (2) those areas of land designated as "Common Properties and Facilities" in any Supplemental Declaration; all of which land is intended to be devoted to the common use and enjoyment of the owners of The Properties, and shall include the facilities intended for common use and enjoyment which are or hereafter may be constructed upon, affixed to, placed upon, or otherwise located upon any part of those areas of land designated as "Common Properties and Facilities."

(d) "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat, amended plat, replat, or supplemental plat of The Properties with the exception of Common Properties and Facilities as heretofore defined.

(e) "Living Unit" shall mean and refer to (1) any portion of a building situated upon The Properties designed and intended for use and occupancy as a residence by a single family, or (2) any lot intended for residential facilities. "Living Unit" shall include the term "Lot" unless such inclusion is expressly or by implication prevented by the text hereof in which reference is made thereto. The use sometimes herein of the term "Lot" in addition to the term "Living Unit", e.g., "Lot or Living Unit", is for purposes of clarity in meaning or for emphasis and is not intended to limit the meaning of the term "Living Unit," or to infer that the term "Living Unit" does not include the term "Lot."

(f) "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or Living Unit situate upon The Properties but, notwithstanding any applicable theory of the mortgage, shall not mean or refer to any person or entity who holds title merely as security for the performance of an obligation. However, "Owner" shall include a record owner of the fee simple title to any Lot or Living Unit, who acquired such title at a judicial sale or by conveyance in lieu of foreclosure.

(g) "Members" shall mean and refer to all those Owners who are members of the Association as provided in Article II, Section 1, hereof, and a "member" shall mean and refer to any one of the members.

(h) "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions which was recorded on July 31, 1973, in the office of the County Clerk of Bernalillo County, New Mexico, as Document No. 65350, and to any amendment or modification of the Declaration and shall include any Supplemental Declaration, unless the context shall prohibit such construction.

(i) "Supplemental Declaration" shall mean and refer to any instrument which amends, modifies, or terminates the Declaration, or which accomplishes some action taken under the Declaration, and which has been executed and acknowledged in the manner required by the Declaration, and recorded in the office of the Bernalillo County Clerk, and shall be included in the term "Declaration" unless the context shall prohibit such construction.

(j) "Regulations" shall mean and refer to the rules and regulations promulgated by the Board of Directors of the Association from time to time in the manner permitted by the By-Laws of the Association.

(k) "Board" shall mean and refer to the Board of Directors of the Association.

(m) "By-Laws" shall mean and refer to the By-Laws of the Association.

ARTICLE II

Members

Section 1. Membership. Every person or entity who is a record owner of a fee or undivided-fee interest in any Living Unit which is subject by the terms of the Declaration to assessment by the Association shall be a member of the Association (a "member"), provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a member. The rights of membership, including the right to participate in Association affairs, the right to vote, and the right to use the Common Properties and Facilities are subject to suspension by the Board of Directors of the Association for (1) failure or refusal to pay any as-

assessment payable by the member during the period that such assessment payable by the member remains unpaid for more than 30 days; (2) an infraction of, default in, or breach of the By-Laws of the Association, the Declaration, or the Regulations of the Association by the member, as provided therein; and (3) any other breach or non-compliance by the member, determined from time to time by the Board of Directors of the Association. No owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any Living Unit which is subject to assessment by the Association. Ownership of such Living Unit shall be the sole qualification for membership.

Section 2. Voting Rights. The Association has one class of voting membership: Class A. Class A members shall be all of those members as defined in Section 1 of this Article II. Class A members shall be entitled to one vote for each Living Unit in which they hold the interests required for membership as provided in Section 1 of this Article II. When more than one person or entity holds such interest or interests in any Living Unit, all such persons or entities shall be members, and the vote for such Living Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any such Living Unit.

Section 3. Rights of Membership are Subject to Assessments et al. In addition to the other matters to which the rights of membership are subject, as set forth in Section 6 of this Article II and elsewhere in these By-Laws, and as set forth in the Articles of Incorporation of the Association and in the Declaration, the rights of membership are subject to the payment of monthly and special assessments levied by the Association, the obligation of which assessments is imposed against each Owner of and become a lien upon the property against which such assessments are made as provided by Article V of the Declaration to which The Properties are subject.

Section 4. Members' Easements of Enjoyment. Subject to the provisions of Section 3 of this Article, every member shall have a right and easement of enjoyment in and to the Common Properties and Facilities and such easement shall be appurtenant to and shall pass with the title to every Living Unit.

Section 5. Title to Common Properties. The Association retains the legal title to the Common Properties and Facilities, which was effective on or before December 31, 1975.

Section 5.1 Extent of Members' Easements. The rights and easements of enjoyment created by the Declaration shall be subject to the following:

(a) The right of the Association, in accordance with its Articles and By-Laws, to borrow money for the purpose of improving the Common Properties and Facilities and in aid thereof to mortgage otherwise encumber the Common Properties and Facilities. In the event of a default in any such mortgage or other encumbrance, the lender's rights thereunder shall be limited to a right, after taking possession of such properties, to charge admission and other fees as a condition to continued enjoyment by the members and, if necessary, to open the enjoyment of

such properties to a wider public until the mortgage or other type of secured debt is satisfied, whereupon the possession of such properties shall be returned to the Association and all rights of the members hereunder shall be fully restored; and

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Properties and Facilities against foreclosure; and

(c) The right of the Association, as provided in its Articles and By-Laws, acting by the Board of Directors of the Association to suspend the rights of membership, including the right to participate in Association affairs, the rights to vote, and the right to use the Common Properties and Facilities for (1) failure or refusal to pay any assessment payable by the member during the period that such assessment payable by the member remains unpaid for more than 30 days; (2) an infraction of, default in, or breach of the By-Laws of the Association, the Declaration, or the Regulations of the Association by the member, as provided therein; and (3) any other breach or non-compliance by the member, determined from time to time by the Board of Directors of the Association; and

(d) The right of the Association to charge reasonable admission and other fees for the use of the Common Properties and Facilities; and

(e) The right of the Association to dedicate or transfer all or any part of the Common properties and Facilities to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members, provided that no such dedication or transfer, determination as to the purposes or as to the conditions thereof, shall be effective unless an instrument signed by members entitled to cast two-thirds (2/3) of the votes of each class of membership has been recorded, agreeing to such dedication, transfer, purpose or condition, and unless written notice of the proposed agreement and action thereunder is sent to every member at least ninety (90) days in advance of any action taken; and

(f) The right of individual members to delegate their rights and easements of enjoyment in and to the Common Properties and Facilities as provided in Section 6 of this Article II.

Section 6. Delegation of Use. Subject to the Declaration and in accordance with any applicable provisions of the By-Laws, any member may delegate his right and easement of enjoyment in and to the Common Properties and Facilities to members of his family, his tenants, or contract purchasers from him who reside in his Living Unit. Such member delegating his rights of enjoyment in the Common Properties and Facilities shall notify promptly the Secretary in writing of the name of any such person(s) to whom the member's rights have been delegated and of the relationship between such person(s) and the member. The delegated rights of such person, to whom the member's rights have been delegated, are subject to all of the provisions, limitations, and conditions hereof to the same extent as those of the delegating member.

Section 7. Meeting. The Annual Meeting of Members will be held during June each year in the Albuquerque metropolitan area at the time and place fixed by the Board on notice given to each member. Special meetings of the members will be held at the time and place fixed by the President, and may be called at any time by the President or by majority of the Board of Directors, or by members having the right to one-quarter of the votes of Members, on notice given to each member.

Section 8. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the Secretary, the Board of Directors, or the members authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least 15 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

Section 9. Quorum - Action. The presence at a meeting in person or by proxy of members entitled to cast one-tenth of the votes of each class of membership will constitute a quorum for action unless a different quorum is required by law, the Declaration, the Articles, or these By-Laws. If such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented. A quorum once attained continues until adjournment despite withdrawal of enough members to leave less than a quorum. The action of members entitled to cast a majority of the votes present in person or by proxy at a meeting at which a quorum is present will be the act of the members unless a greater vote or class voting is required by law, the Declaration, the Articles, or these By-Laws.

Section 10. Proxies. Members may proxy delegate to one or more other persons or entities the member's right to cast at a member's meeting one or more of the votes the member would be entitled to cast at the meeting. The delegated right to vote by proxy entitles the proxy holder to attend and participate in the meeting at which the proxy may be voted. Proxies must be in writing, dated, signed by all the members entitled to cast the vote, and filed with the Secretary. No proxy shall extend beyond a period of eleven months, unless otherwise provided in the proxy. Every proxy automatically terminates upon termination of the membership of the member granting the proxy, and is revocable despite any provision to the contrary.

ARTICLE III

Board of Directors

Section 1. Number and Tenure. The property and affairs of the Association shall be managed by a Board of Directors. The Board of Directors will consist of nine Directors, three of whom will be elected annually by the members at their Annual Meeting for a three-year term.

Section 2. Qualifications, Removal, Vacancies. Directors need not be members, and will hold office until their successors are elected and qualify. A Director may be removed from the Board, with or without cause, by the majority vote of the members. In the event of death, resignation, or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 3. Compensation. No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 4. Meetings of the Board of Directors. The Annual Meeting of the Board of Directors will be held without notice immediately following the Annual Meeting of Members. Regular meetings of the Board of Directors shall be held periodically without notice, at such time and place as may be fixed from time to time by resolution of the Board. Should such a meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday. Special Meetings of the Board of Directors will be held at the time and place fixed by the President, and may be called at any time by the President or by any two Directors on notice given to each Director at least three days before the Meeting. Presence in person of a majority of the Directors then in office will constitute a quorum which, once attained, continues until adjournment despite withdrawal of enough Directors to leave less than a quorum.

Section 5. Action of the Board of Directors. The Directors will manage the affairs and property of the Association and may act only as a Board with each Director having one vote. The action of a majority of Directors present at a meeting at which a quorum is present, or, in the absence of a meeting, the action of a majority of Directors assented to in writing by all of the Directors, will be the action of the Board.

Section 6. Nominations and Election of Directors. The Members will nominate and elect Directors in the following manner:

(a) Nominations for election to the Board of Directors shall be made by the Nominating Committee. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association, who need not be members of the Board of Directors. The Board shall appoint the Chairman and the two or more members of the Nominating Committee. The Nominating Committee shall be appointed by the Board of Directors prior to each Annual Meeting of Members, to serve from the close of that Annual Meeting until the close of the next Annual Meeting of Members, and such appointment shall be announced at each Annual Meeting.

(b) At least 45 days before each Annual Meeting of Members, the Board will allow nominations of as many persons for Directors as it wishes, but not less than the number of

directorships to be filled at the Annual Meeting of Members. Such nominations may be made from among members and or non-members.

(c) The nominations will be given to the Manager who will prepare a ballot describing the vacancies to be filled, setting forth the names of those nominated for such vacancies, and containing a space for a write-in vote by the members for each vacancy. The ballots will be mailed by a person delegated by the Board to the members, or to the holders of any proxy on file, at least 14 days before the date set forth therein for the return of the ballot, which return date shall not be later than the day before the Annual Meeting of Members.

(d) Each member or proxy holder shall receive one ballot for each vote the member or proxy holder is entitled to cast; only one vote may be cast on one ballot. The member or proxy holder will cast one vote for each directorship to be filled, and will place the completed ballot in a sealed envelope marked "Ballot," but not marked in any other way; each "Ballot" envelope may contain only one ballot, and the inclusion of more than one ballot in any one "Ballot" envelope shall disqualify all ballots in the "Ballot" envelope. All "Ballot" envelopes containing ballots which the member or proxy holder is entitled to complete will be placed in a "Member's" envelope which shall bear on its face, the name and signature of the member or proxy holder, the number of ballots being returned, and such other information as the Board of Directors may require to determine the right of the member proxy holder to cast the votes in the ballots.

(e) The "Member's" envelope will be returned to the Board or a person designated by the Board who will place it in a safe place unopened until the day set for the Annual Meeting of Members at which the elections are to be held. On that day all of the "Member's" envelopes will be delivered, opened, to an Election Committee consisting of five members of the Association appointed by the Board of Directors which shall open all of the "Member's" envelopes and, in a manner which does not disclose an open member's vote, establish that:

(1) The number of "Ballot" envelopes corresponds to the number of votes allowed to the Member or proxy holder identified on the "Member's" envelope containing them; and

(2) The signature of the Member or proxy holder on the "Member's" envelope is genuine; and

(3) If the vote is by a proxy holder, that a proxy has been filed with the Board, in compliance with Section 11 of Article II hereof, and is valid.

(f) The "Member's" envelopes will be placed in a safe place, and the Election Committee will open the "Ballot" envelopes, and count the votes. If any "Ballot" envelope contains more than one ballot, all such ballots will be disqualified and not counted. The names receiving the largest number of votes will be elected as Directors, and the announcement of the elected Directors will be made at the Annual Meeting of Members. The ballots, "Ballot" envelopes, and "Members'" envelopes will be destroyed immediately after announcement of the results unless a

review of the procedure is demanded by a majority of the Members present in person or by proxy at the Annual Meeting of Members.

Section 7. Power, Authority, and Duties of the Board of Directors.

(a) The Board of Directors shall have power:

(1) To call special meetings of the Members whenever it deems necessary and it shall call a meeting at any time upon written request of one-fourth (1/4) of the voting membership, as provided in Article II, Section 8.

(2) To appoint and remove at pleasure all officers, agents, and employees of the Association, prescribe their duties, fix their compensation, and require of them such security or fidelity bond, if any, as it may deem expedient. Nothing contained in these By-Laws shall be construed to prohibit the employment of any Member, Officer, or Director of the Association in any capacity whatsoever.

(3) To establish, levy and assess, and collect the assessments or charges referred to in Article II, Section 3.

(4) To adopt and publish rules and regulations governing the use of the Common Properties and Facilities and the personal conduct of the members and their guests thereon.

(5) To exercise for the Association all powers, duties, and authority vested in or delegated to this Association, except those reserved to the Members herein, or in the Articles, or in the Declaration.

(6) In the event that any member of the Board of Directors of this Association shall be absent from three (3) consecutive regular meetings of the Board of Directors, the Board may by action taken at the meeting during which said third absence occurs, declare the office of said absent Director to be vacant.

(b) It shall be the duty of the Board of Directors:

(1) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the Annual Meeting of Members or at any Special Meeting of Members when such is requested in writing by one-fourth (1/4) of the voting membership, as provided in Article II, Section 8.

(2) To supervise all officers, agents, and employees of this Association, and to see that their duties are properly performed.

(3) As more fully provided in Article V of the Declaration:

(i) To fix the amount of the assessment against each Lot and Living Unit for each assessment period at least thirty days in advance of such date or period and, at the same time;

(ii) To prepare a roster of The Properties and assessments applicable thereto which shall be kept in the office of the Association and shall be open to inspection by any member, and, at the same time;

(iii) To send written notice of each assessment to every Owner subject thereto.

(4) To issue, or to cause an appropriate officer to issue, upon demand by any person a certificate setting forth whether any assessment has been paid. Such certificate shall be conclusive evidence of any assessment therein Stated to have been paid

(5) To maintain, repair, rebuild, reconstruct, and keep in good condition all of the Common Properties and Facilities.

(6) To obtain and keep in full force and effect at the expense of the Association insurance covering all of the Common Properties and Facilities and insuring the Association, its members, and all others having a security or other interest therein, against loss or damage by fire, those hazards covered by extended coverage insurance, vandalism, malicious mischief, and all other hazards which the Board of Directors may deem appropriate, in any amount sufficient to cover the full replacement cost of any loss, damage, repair, reconstruction work relating to all buildings, structures, and other improvements constructed upon or constituting any part of the Common Properties and Facilities, with such companies, in such forms of policies, as the Board of Directors deems in the best interest of the Association; any such insurance shall not prejudice the right of any Owner to insure his Living Unit and his undivided interest in the Common Properties and Facilities; and to obtain and keep in full force and effect at the expense of the Association bodily injury and property damage liability insurance in such forms of policies, in such amounts of coverage, and in such companies as the Board of Directors deems in the best interest of the Association.

ARTICLE IV

Officers

Section 1. Number, Tenure, Qualifications and Vacancies. The officers of the Association will be a President, a Vice President, a Secretary, a Treasurer, and such other officers as the Board may choose, each of whom will be elected annually by the Board at its Annual Meeting to hold office at the pleasure of the Board for one (1) year and until his successor is elected and

qualifies, unless he shall sooner resign or shall sooner be removed or disqualified to serve in such office. An officer may be removed with or without cause by the Board. The President and Vice President must be Directors. Vacancies and newly-created offices may be filled by the Board. One person may not hold more than one office. Officers will perform the duties and have the powers provided in these By-Laws and those assigned by the Board.

Section 2. President and Vice President. The President, or the Vice President during the absence, disability, or failure to act of the President, will be the chief executive officer of the Association, will preside at all meetings of the Members and of the Board, will appoint all standing and special committees, and when authorized will execute and deliver documents in the name and on behalf of the Association. The President shall be the principal executive officer of the Association and, subject to the control and direction of the Board of Directors, shall supervise and control all of the properties and affairs of the Association. He shall in general perform all duties incident to the office of President and such other duties as may be assigned from time to time by the Board of Directors. In the absence of the President or in event of his death, inability or refusal to act, the Vice-President shall perform 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 perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 3. Secretary. The Secretary, or any Assistant Secretary during the absence, disability, or refusal to act of the Secretary, will have custody of the Seal (if any), Minute Books, and Membership Roll of the Association; will keep the minutes of all meetings; will give all notices required; when authorized, will execute, attest, deliver and seal documents of the Association; and in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 4. Treasurer. The Treasurer, or any Assistant Treasurer during the absence, disability, or refusal to act of the Treasurer, will have custody of the funds, property, and books of account of the Association; and will keep strict account of all funds and property received, owned, and disbursed by the Association. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall have charge and custody of and be responsible for all funds and properties of the Association, receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such banks, or other depositories as shall be selected by the Board of Directors and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. The Treasurer shall prepare an annual budget for the next-ensuing year and balance sheet and operating statements to be presented to the membership at its Annual Meeting, after such budget and statements have first been considered and approved (if the Audit and Budget Committee approves them) by the Audit and Budget Committee.

Section 5. Salaries. The salaries, if any, of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Association.

ARTICLE V

Committees

Section 1. Standing Committees. The Standing Committees of the Association shall be assigned by the Board as needed.

Section 2. Personnel; Tenure. Each Standing Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association, who need not be members of the Board of Directors. The Board shall appoint the Chairman and the two or more members of each Standing Committee. The Standing Committees shall be appointed by the Board of Directors before each Annual Meeting of Members to serve from the close of that Annual Meeting until the close of the next Annual Meeting of Members, and the appointments shall be announced at each such Annual Meeting. The Board may appoint such Special Committees from time to time composed of such personnel as the Board deems advisable.

Section 3. Action; Subcommittees. The action of a majority of the members of a Committee expressed in writing will be the action of the Committee. Except for the Nominations Committee and the Architectural Control Committee, each Committee may appoint a subcommittee from among its membership, and may delegate to such subcommittee any of its powers, duties, and functions.

Section 4. Complaints. Each Committee shall receive complaints from Members on any matter involving Association functions, duties, and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate, including referring them to such other Committee, Director, or officer of the Association as is further concerned with the matter presented, or to the Board of Directors.

ARTICLE VI

Financial Matters

Section 1. Funds and Borrowing. The depository for the Association's funds, the persons entitled to draw against those funds, the persons entitled to borrow on behalf of the Association, and the manner of accomplishing these matters will be determined by the Board of Directors from time to time.

Section 2. Compensation and Pecuniary Benefits. No Member, Director, or officer will receive, directly or indirectly, any of the net earnings of the Association, or any of the assets of

the Association upon dissolution, or any other pecuniary benefit from the Association, except that they may be reimbursed from corporate funds upon proper documentation for expense incurred on behalf of the Association, and may receive compensation for services rendered. The Board may establish compensation for officers, agents, and employees of the Association, and may require any of them to post appropriate security. The Association may employ and compensate any Member, Director, or officer despite their status as such.

Section 3. Receipts and Disbursements. The Treasurer shall receive and deposit in appropriate bank accounts all moneys of the Association and shall disburse such funds either as directed by resolution of the Board, or without a resolution of the . Board when done in the ordinary course of business conducted within the limits of the approved budget. The Treasurer shall be one of the signatories on all checks and notes of the Association.

Section 4. Annual Audit and Annual Balance Sheet and Operating Statements. The Treasurer, shall prepare an annual budget for the next ensuing year and annual balance sheet z operating statements to be presented to the membership at its Annual Meeting, after such budget and statements have first been considered and approved by the Board. An annual audit may be undertaken by an auditor selected by the Board of Directors. The scope of the audit will be defined by the Board taking into account the best interests of the Association and its Members, but it is not contemplated that the audit to be undertaken shall call for an unqualified opinion and certificate of the auditor, unless such is deemed appropriate by the Board of Directors from time to time. The audit will be supervised and the results thereof considered by an Audit and Budget Committee after the Board of Directors has selected the auditor, defined the scope of the audit, and engaged the services of the auditor at the expense of the Association.

ARTICLE VII

Seal; Membership Records

The Board may, but need not, adopt a form of seal to be used by the Association. The Secretary will establish and keep a Membership Roll which will show the name and address of each member; the name, address, and right delegated of each person or entity to which a member has delegated any of the member's right and easement of enjoyment in and to the Common Properties and Facilities; the name and address of each proxy holder, together with the date of such proxy, and the signature of each member and proxy holder; the amount and payment status of the Assessments levied against the member's Living Unit; and any suspension of membership rights showing the duration of suspension. Each member and proxy holder will provide the Secretary with any of the information required by the Membership Roll. The books, records, and papers of the Association will always be open to inspection by the members, Directors, and officers during reasonable business hours.

ARTICLE VIII

Notice and Waiver of Notice

Any notice of meeting will state the time, place, and, if a special meeting, the purpose, of the special meeting; any notice may be given by mail to the person entitled thereto at the address shown on the Association's records, or may be given by personal delivery, and will be considered given when mailed or delivered. Any notice will be considered waived by any person who waives the notice in writing before or after the meeting, or who appears at a meeting in person for any reason other than contesting the validity of the call of the meeting. Failure to receive a notice will not affect the validity of the meeting involved.

ARTICLE IX

Indemnity

The Association will defend, indemnify, and save harmless each member, Director, officer, and committee member of the Association, and their heirs, legal representatives, and assigns, against expenses and liabilities reasonably incurred in connection with any claim, action, suit, or proceeding in which the member, Director, officer, or committee member is involved or made a party by reason of being or having been such, except in relation to matters as to which the indemnity shall be adjudged to be liable for negligence or misconduct in the performance of duty to the Association. The foregoing right of indemnification shall not be exclusive or other rights to which any member Director, officer, or committee member may be entitled as a matter of law and shall include reimbursement of any amount and expenses paid or incurred in settling any such claim, action, suit, or proceeding when such settlement has been approved by the Board.

ARTICLE X

Exempt Activities and Prohibited Transactions

No member, Director, officer, or committee member of the Association shall take any action or carry on any activity, or exercise any corporate power, by or on behalf of the Association, which is not in furtherance of its tax-exempt purposes and permitted to be taken, carried on, or exercised, by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now or hereafter exist.

ARTICLE XI

Interested Parties

No transaction of the Association will be affected because a member, Director, officer, or committee member of the Association is interested in the transaction as long as such transactions are

conducted at arms length and in good faith, and is not in violation of the proscriptions in the Declaration, the Articles, and these By-Laws. Such interested parties will be counted for quorum purposes and may vote when the Association considers the transaction. Any such interested person will not be liable to the Association for the person's profits on, or the Association's losses from, the transaction.

ARTICLE XII

Assessments

As more fully provided in ARTICLE V of the Declaration, each member is obligated to pay to the Association annual and special assessments, which are a personal obligation of the owner of, and which are secured by a continuing lien upon, the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of ten percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Properties and Facilities or abandonment of his Living Unit.

ARTICLE XIII

Fiscal Year

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XIV

Miscellaneous Provisions

Section 1. Amendments. These By-Laws may be amended, at a regular or special meeting of the members by a vote of a majority of a quorum of each class of members present in person or by proxy, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of this Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration applicable to The Properties may not be amended except as provided in the Declaration.

Section 2. In Case of Conflict. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control, and in the case of any conflict between the Declaration applicable to The Properties and these By-Laws, the Declaration shall control.

Section 3. Savings Clause. The invalidity of any one or more of the phrases, clauses, sentences, paragraphs, sections, or amendments hereof shall not affect the remaining portions of these By-Laws.

Section 4. Gender. Wherever used herein, the singular shall be construed to mean the plural when applicable, and the necessary grammatical changes required herein to make the provisions hereof apply either to corporations or individuals, men or women, shall in all instances be assumed as though fully expressed in each instance.

Section 5. Good Faith Compliance. These By-Laws have been prepared, and are hereby adopted, in good faith, intending to comply with all applicable laws and regulations of the United States and the State of New Mexico, including without limitation and only by way of illustration the New Mexico laws applicable to non-profit corporations, and the U. S. Internal Revenue Code, as well as the regulations of various Federal Agencies.

Section 6. Holder of Mortgage Entitled to Written Notification from Association of Default by Mortgagor. The holder of any recorded first mortgage on any Living Unit is entitled to written notification from the Association of any default by the Mortgagor of such unit in the performance of such Mortgagor's obligation to the Association which is not cured within thirty (30) days, provided that the holder of such recorded first mortgage previously shall have (1) notified the Association in writing of (a) the fact that he is the holder of such recorded first mortgage against a Living Unit, (b) the identity or description of such Living Unit, and (c) the name(s) of the Mortgagor, as well as the name(s) of the Owner of the Living Unit if not the same name as the Mortgagor; (2) furnished to the Association a copy of the recorded first mortgage, the name and permanent address of such mortgage holder, and any other information or documents reasonably requested by the Secretary of the Association; and (3) requested the Association in writing to furnish to such mortgage holder written notification from the Association of any default by the named Mortgagor of the identified or described unit in the performance of such Mortgagor's obligations to the Association which is not cured within thirty (30) days.

Section 7. Restrictions on Acts of Association Without Prior Written Approval of All Holders of First Mortgages on Living Units. Unless all holders of first mortgage liens on Living Units have given their prior written approval, the Association, except to the extent permitted in the following Section 8, shall not:

(a) change the prorate interest or obligations of any Living Unit for purposes of levying assessments and charges and determining shares of the Common Properties and Facilities and proceeds of the project;

(b) partition or subdivide any Living Unit or the Common Properties and Facilities; nor

(c) by act or omission seek to abandon the status of VILLA ENCANTADA except as provided by statute, and in conformity with the Declaration, in case of substantial loss to the Living Units and the Common Properties and Facilities; "all holders of first mortgage liens on Living Units" as used in this subparagraph shall mean and be limited to all holders of recorded first mortgage liens on Living Units each of whom previously shall have (1) notified the Association in writing of (a) the fact that he is the holder of such recorded first mortgage against a Living Unit, (b) the identity or description of such Living Unit, and (c) the name(s) of the Mortgagor, as well as the name(s) of the Owner of the Living Unit if not the same name as the Mortgagor; and (2) furnished to the Association a copy of the recorded first mortgage, the name and permanent address of such mortgage holder, and any other information or documents reasonably requested by the Secretary of the Association.

Section 8. Limitations upon General Plan of Development in Connection with Proposed Additions. The General Plan of Development, as provided in Article II, Section 2, subparagraph (a), of the Declaration, pursuant to which The Properties are subject to additions or expansion, shall comply with the following limitations:

(a) Owners of Living Units shall have a minimum percentage interest in the Common Properties and Facilities, as hereinafter set forth, and a maximum percentage interest in the Common Properties and Facilities, subject to additions to not less than such minimum, as hereinafter set forth:

Minimum Percentage Interest in Common Properties <u>and Facilities</u> 0.735%	Maximum Percentage Interest in Common Properties <u>and Facilities</u> 0.735%
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All such percentage interests in the Common Properties and Facilities shall be represented by the membership interest in the Association of each Owner of a Living Unit.

(b) The conditions on which any change in such percentage interest in the Common Properties and Facilities may take place are fully described in the Declaration, together with a description of the real property which may become subject to the Declaration, pursuant to Article II, Section 2, subparagraph (a), of the Declaration.

(c) No change in the percentage of interest in the Common Properties and Facilities may be effected.