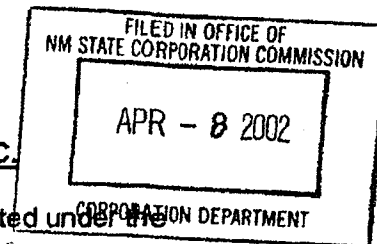


INITIAL BYLAWS OF
THE GARDENS HOMEOWNERS' ASSOCIATION, INC.



Preamble. This is a Non-profit Corporation organized and operated under the applicable laws of the State of New Mexico and the New Mexico Non-profit Corporation Act, NMSA 1978, §§53-8-1 through 53-8-99.

ARTICLE I: OFFICES

Section 1. Principal Office.

The principal office of the Corporation in the State of New Mexico shall be located as the Board of Directors may determine or as the affairs of the corporation may require from time to time.

Section 2. Registered Office and Registered Agent.

The corporation shall have and continuously maintain in the State of New Mexico a registered office and a registered agent, as required by law. The registered office may be, but need not be, identical with the principal office of the corporation, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II. DEFINITIONS

Section 1. Association.

The term "Association" shall have the same meaning as set forth in the Declaration.

Section 2. Common Areas.

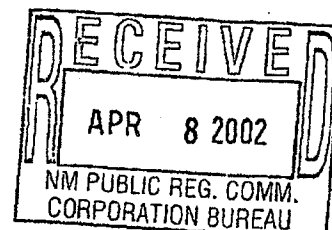
The term "common areas" shall have the same meaning as in the Declaration.

Section 3. Declarant.

The term "Declarant" shall have the same meaning as set forth in the Declaration.

Section 4. Declaration.

The term "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions of The Gardens Subdivision, a subdivision in the City of Albuquerque,



Bernalillo County, New Mexico (and amendments and supplements thereto) recorded in the Office of the County Clerk of Bernalillo County, New Mexico.

Section 5. Improvements.

The term "Improvements" shall have the same meaning as set forth in the Declaration.

Section 6. Lot.

The term "Lot" shall have the same meaning as set forth in the Declaration.

Section 7. Member(s).

The term "Member(s)" shall have the same meaning as set forth in the Declaration.

ARTICLE III: MEMBERSHIP

Section 1. Qualifications for Good Standing.

In addition to those qualifications set forth in Article 4 of the Declaration and in the Articles of Incorporation, the qualifications for being a Member in good standing shall be as follows:

- (a) Full payment of any and all assessments levied by the Association against the proposed Member's Lot; and
- (b) Full compliance with the Declaration and any rules and regulations promulgated by the Association.

Section 2. Voting.

Only members who meet the above qualifications shall be entitled to vote.

Each lot shall be entitled to one vote. In the event that a lot is owned by more than one person, it shall be the responsibility of all owners to agree on how to cast the one vote representing the lot involved and, on request, provide the Board of Directors with written certification of unanimous consent of all owners of such lot as to the vote to be cast.

ARTICLE IV: MEETINGS OF MEMBERS

Section 1. Annual Meeting.

The annual meeting of the Members of this Association shall be held at a location selected by the Board of Directors within the County of Bernalillo, State of New Mexico. At the annual meeting, the Board of Directors shall present a statement of the expenses, itemizing receipts and disbursements for the preceding calendar year, the allocation thereof to each Member, and the estimated budget for the coming calendar year, and any other business which may properly be brought before the Association. A quorum at the annual meeting shall be 20% of the entire membership entitled to vote.

Section 2. Special Meetings.

Special meetings of the Members of the Association may be called at any time by the President, or upon resolution signed by at least a majority of the Board of Directors, or upon written petition to the Board signed by fifty-one percent (51%) of the Members. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted except such as is specified in the notice. For purposes of a Special Meeting, a quorum of the Association shall be in attendance at the Special Meeting; a quorum shall be 75% of the entire membership entitled to vote.

Section 3. Notice.

Notice of meetings of the Members of the Association, both regular and special, shall include the purpose, place, date and hour of the meeting and shall be given to each Member of record in writing and delivered either personally or by mail to the address shown upon the books of the Association, at least three (3) days prior to the meeting, but not more than thirty (30) days prior to the meeting.

Section 4. Order of Business.

The order of business at the annual meetings, and as far as possible at other meetings, shall be:

- (a) Calling to order and proof of quorum;
- (b) Proof of notice of meeting;
- (c) Reading and action taken upon the minutes of the last meeting;
- (d) Reports of Directors;
- (e) Reports of Officers and Committees;
- (f) Election of Directors;
- (g) Unfinished business;
- (h) New business; and,
- (i) Adjournment.

ARTICLE V: DIRECTORS

Section 1. Initial Board of Directors.

The initial Board of Directors has been established by the Articles of Incorporation of the Association, as required by law.

Section 2. Number of Directors, Term, Election.

The initial Board of Directors as stated in the Articles, subject to these By-Laws and the Declaration, shall serve for an initial term of two (2) years from the date of recording the Articles. After the initial two-year term, all three director positions shall be subject to election by the members. The composition, term and election of such subsequent board shall be as follows:

1. The board shall consist of not less than three (3) nor more than five (5) members as established by resolution of the current board.
2. The terms of the members shall be one year and shall be staggered so that each year ½ of the board is elected.
3. Election for each expired board position shall be held at the annual meeting of the membership.

Section 3. Directors' Meetings.

Regular meetings of the Board of Directors shall be held quarterly on the first Thursday of January, April, July and October of each year, and at such place and hour as may be fixed from time to time by resolution of the Board. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors, after not less than three (3) days' notice to each Director. Directors' meetings shall be open to all Members of the Association. Notice of meetings of the Directors shall be given to all members by first class US mail at least five (5) days prior to such meeting.

Section 4. Quorum.

All Directors are required to constitute a quorum for the transaction of business. Until December 31, 2003, each act or decision done or made by the Directors shall require the unanimous consent of all Directors.

Section 5. Removal and Replacement of Directors.

Any Director or Officer of the Association may resign in writing at any time. At such time as the Members of the Association have the right to vote for Directors on the Board of Directors, any Director or Officer of the Association may be removed from office, with or without cause, by a vote of not less than two-thirds (2/3) of the Members of the Association present at any annual meeting, or at any special meeting called for that purpose. In the event of death, resignation or removal of a Director, his or her successor shall be selected by the remaining Directors on the Board and shall serve until the next meeting of the Association when another will be elected for the unexpired term.

Section 6. Compensation of Director.

No Director shall receive compensation for any service he or she may render to the Association; however, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 7. Action of Directors Without a Meeting.

The Directors shall have the right to take any action in the absence of a meeting of the Directors which could be taken at a meeting by obtaining the written approval of a majority of the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE VI: POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers.

The Board of Directors shall have the power to:

- (a) Adopt and publish rules and regulations ("Rules and Regulations") governing the use of the common areas and Improvements thereon, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) Suspend the good standing of any Member as specified in Article III of these Bylaws;
- (c) Suspend the right to use the common areas and Improvements thereon by a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 60 days for infraction of Rules and Regulations.
- (d) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;
- (e) Declare the office of a Director on the Board of Directors to be vacant in the event such Director shall be absent from four (4) consecutive regular meetings of the Board of Directors and fill that vacancy;

- (f) Employ independent contractors, or such other employees as they deem necessary, and to prescribe their duties;
- (g) To incur debt and approve contracts;
- (h) Approve new Members; and
- (i) Levy assessments and the enforcement and collection thereof in accordance with the provisions of these Bylaws, the Declaration, and the laws of the State of New Mexico.
- (j) Establish an advisory committee. The Board may create and establish an advisory committee pursuant to this paragraph. The committee shall consist of one member of the board and four members of the association eligible to vote. The purpose of the committee is to act as a liaison between the Board and the Membership to facilitate communication between the members and the Board with respect to matters relevant to the Association. The committee is to function in an informal manner, all members are encouraged to contact and communicate with committee members as needed to convey issues and ideas to the committee. The committee shall meet at times selected by the committee; action of the committee shall not be binding on the Board or the Association, but shall be considered by the Board. The committee may present any matter to the Board by written memorandum in which individual members of the committee may concur or dissent.

Section 2. Duties.

It shall be the duty of the Board of Directors to:

- (a) 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 the Members, or any special meeting;

- (b) Supervise all officers, agents and employees of this Association, to insure that their duties are properly performed;
- (c) Abide by and fulfill the Associations' obligations set forth in the Declaration;
- (d) Prepare the annual budget;
- (e) Pay all Association bills when they become due;
- (f) Enforce by legal means the provisions of the Declaration, these Bylaws, and the Rules and Regulations.

ARTICLE VII: OFFICERS

Section 1. Enumeration of Officers.

The Officers of this Association shall be President, Vice-President, a Secretary, and a Treasurer, and such other Officers as the Board of Directors may from time to time by resolution create. Each Officer shall be a Member of the Association or the authorized agent of a Member corporation or partnership. Only Directors shall be eligible for the offices of President and Vice-President.

Section 2. Election of Officers and Term of Office.

The Officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless the officer shall sooner resign, or shall be removed, or otherwise disqualified to serve. The election of Officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Special Officers.

The Board may elect such other Officers from the Members as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 4. Resignation and Removal.

Any Officer may be removed from office, with or without cause, by the Board. Any Officer may resign in writing at any time giving written notice to the Board. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies.

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 6. Duties.

The duties of the Officers are as follows:

- (a) **President.** The President shall preside at all meetings of the Members and the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all written instruments on behalf of the Association and shall co-sign all checks and promissory notes.
- (b) **Vice President.** The Vice-President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him or her by the Board.
- (c) **Secretary.** The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; shall keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their mailing address and whether or not they

are in good standing, and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditure to be presented to the membership at its regular annual meeting.

ARTICLE VIII: ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to promptly pay to the Association assessments all of which are secured by a lien upon the Lot 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 eighteen percent (18%) per annum, and the Association may bring an action at law against the Member, or former Member, personally obligated to pay the same or foreclose the lien on the Lot. If the assessment is placed in the hands of an attorney for collection or if suit is brought thereon or if collected through probate or other judicial proceedings, the Member, or former Member, shall pay to the Association an additional reasonable amount, but not less than ten percent (10%) of the amount owing, as attorneys' fees. In addition, the Member, or former Member, shall pay all costs of such collection or judicial proceeding. No Member may waive or otherwise escape liability for the assessments provided for herein. The Board of Directors shall be entitled to record a notice of the lien of the Association for any assessment which is delinquent.

ARTICLE IX: SALE OR TRANSFER OF MEMBERSHIP

Section 1. Sale or Transfer.

Membership in the Association shall be appurtenant to and shall automatically follow the legal ownership of each Lot and may not be separated from such ownership, all as provided for in the Declaration. Whenever the legal ownership of any lot passes from one person to another, by whatever means, it shall not be necessary that any instrument provide for transfer of membership in the Association.

Transfer of an interest in the Association will not affect or change any existing or accrued obligation. Such new interest holder will not be personally liable for such obligations unless otherwise specified in these Bylaws or the Declaration. However, any lien on the Lot will not terminate by the fact there is a new interest holder.

ARTICLE X: AMENDMENTS

These Bylaws may be repealed or amended by a vote of a majority of the Members voting at the annual meeting, or at any special meeting called for that purpose; provided notice of the proposed repeal or amendment is incorporated in the notice of such meeting.

ARTICLE XI: MISCELLANEOUS

Section 1. 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.

Section 2. Indemnification of Board of Directors and Association.

The Association shall indemnify any Director or Officer, or former Director or Officer, of the Association against reasonable expenses, costs, and attorney's fees actually and reasonably incurred by him or her in connection with the defense of any action, suit, or proceedings, civil or criminal, in which he or she is made a party, or in which he or she may become involved, by reason of being or having been a Director or Officer. The indemnification

shall include any amounts paid to satisfy a judgment or to compromise or settle a claim, provided that in the event of a settlement the indemnification shall apply when the Board of Directors approves such settlement and reimbursement as being in the best interests of the Association. The Director or Officer shall not be indemnified if he or she is adjudged to be liable on the basis that he or she has breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes willful misconduct or recklessness.

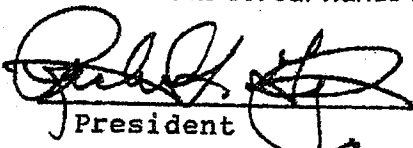
Section 3. Conflicts.

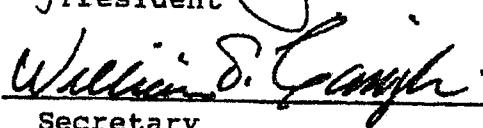
In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

Section 4. Interested Parties.

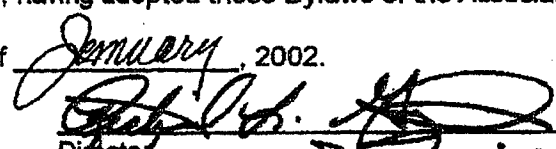
No transaction of the Association will be affected because a Member, Director, Officer, or Employee of the Association is interested in the transaction, provided full disclosure is made in advance to the Directors and Officers of the Association. Such interested parties will be counted for quorum purposes, and may vote, when the Association considers the transaction. Such interested persons will not be liable to the Association for the party's profits, or the Association's losses from the transaction.

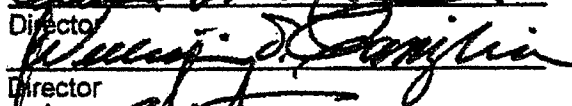
IN WITNESS WHEREOF, we, being the initial Board of Directors of the GARDENS HOMEOWNERS' ASSOCIATION, INC., having adopted these Bylaws of the Association, have hereunto set our hands this 18 day of January, 2002.

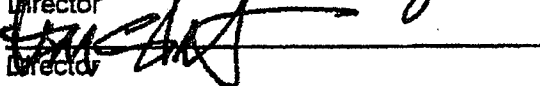


President


Secretary



Director


Director


Director

