

BYLAWS
OF
WILLOW SPRINGS RANCH PHASE I OWNERS ASSOCIATION, INC.

ARTICLE I
General Provisions

Section 1.1 Applicability. These Bylaws provide for governance of Willow Springs Ranch Phase I Owners Association, Inc., a non-profit corporation that has been created pursuant to the New Mexico Non-Profit Corporation Act, § 53-8-1 et seq. NMSA 1978 (the "Act"), in accordance with the Declaration of Covenants, Conditions and Restrictions/Willow Spring Ranch (the "Declaration") for the Ranch Phase I. The Ranch Phase I and the Property, located in Socorro County, New Mexico, and more particularly described in Section 1.2(h) below, has been subjected to the provisions of the Declaration by recordation of the Declaration in the real estate records of Socorro County, New Mexico.

Section 1.2. Definitions.

- (a) "Association" means the Willow Springs Ranch Phase I Owners Association, Inc.
- (b) "Association Instruments" means the Declaration, any Supplemental Declaration as contemplated by the Declaration, the Articles of Incorporation for the Association, these Bylaws of the Association, and the Rules and Regulations of the Association, if any, and any amendments to any of these documents.

(c) "consent of a Majority of Owners" means a vote of agreement of the Owners of parcel units within the Property to which more than fifty percent (50%) of the aggregate votes of the Association membership are allocated under the Declaration and cast in person or by proxy at a meeting called for the purpose of consenting to any action permitted under these Bylaws.

(d) "Declarant" means Willow Springs Ranches, L.L.C., a New Mexico limited liability company, its successors, successors-in-interest and assigns.

(e) "Declaration" means the Declaration of Covenants, Conditions and Restrictions/Willow Springs Ranches for the Ranch Phase I.

(f) "Owner" means the record holder or holders of record fee title to a Parcel or Parcels. "Owner" does not include any persons or entities who hold an interest in a Parcel merely as security for performance of an obligation.

(g) "Parcel" means a presently owned lot or parcel unit within Ranch Phase I.

(h) "Property" means Ranch Phase I road and recreational easements and other common areas, if any, that are owned by the Association as established by the Declaration or that may be later specifically transferred to the Association by appropriate transfer document or documents, including, but not limited to, a Supplemental Declaration signed by Declarant, as contemplated by the Declaration.

(i) "Ranch Phase I" means the Parcels more particularly described on

attached Exhibit A. In addition, Ranch Phase I means any additional lots or parcel units created from portions of the Willow Springs Ranch owned by Declarant and specifically subjected by Declarant to the Declaration.

Section 1.3. Capitalized terms. Capitalized terms without definition have the meanings specified for these terms in the Declaration and any amendments to the Declaration and any Supplemental Declaration.

Section 1.4 Compliance. Every Owner and all those entitled to occupy a Parcel will comply with these Bylaws.

Section 1.5. Office. The office of the Association and the Board of Directors of the Association will be located at such place as may be designated from time to time by the Board of Directors (the "Board").

ARTICLE II

Association

Section 2.1. Composition. The Association will be a New Mexico nonprofit corporation. The Association will have the responsibility of administering the Property and the Declaration and any supplemental Declaration, establishing the means and methods of collecting assessments and charges, arranging for the purchase, maintenance and repair of facilities, roads, perimeters, fences and gates and other property that are Property within Ranch Phase I, and performing all of the other acts that may be required or permitted to be performed by the Association, by the Act,

and by the Declaration or any Supplemental Declaration. Except as to amendments to the Declaration, election of the Board, or determinations as to the qualifications, powers, duties and terms of office of the Board, other than filling vacancies in its membership for the unexpired portion of any term, the foregoing responsibilities will be performed by the Board as more particularly provided in Article III of these Bylaws.

Section 2.2. Membership. Ownership of a Parcel is required in order to qualify for membership in the Association. Any person on becoming an owner of a Parcel will automatically become a member of this Association and be subject to these Bylaws. Such membership will terminate without any formal Association action whenever such person ceases to own a Parcel within Ranch Phase I, but such termination will not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with the Association during the period of such ownership and membership in the Association, or impair any rights or remedies that the Owners have, either through the Board or directly, against the former Owner and member arising out of or in any way connected with ownership and membership and the agreements and obligations incident to ownership and membership.

Section 2.3. Annual Meetings. The annual meetings of the Association will be held the first Tuesday of June. At such annual meetings, (1) the Board will be elected by ballot of the Association members in accordance with the requirements of Section 3.5 of Article III of these Bylaws and (2) all budget changes will be considered in accordance with Article V of these Bylaws. So long as the Declarant owns Parcels representing more than seventy five percent (75%) of the Parcels within Ranch

Phase I, including Parcels specified and subjected to the Declaration by Supplemental Declaration, the Declarant will be entitled to designate the maximum members of the Board who will serve for the longest term.

Section 2.4. Place of Meeting. Meetings of the Association will be held at the principal office of the Association or at such other suitable place convenient to the Owners as may be designated by the Board.

Section 2.5 Special Meetings.

(a) The President will call a special meeting of the Association if so directed by resolution of the Board or upon a petition signed and presented to the Secretary by Owners of not less than twenty percent (20%) of the Parcels within Ranch Phase I. The notice of any special meeting will state the time, place and purpose of the meeting. No business will be transacted at a special meeting except as stated in the notice.

(b) On the earlier of (1) a day within one hundred eighty (180) days after deeds of conveyance of Parcels within Ranch Phase I representing more than seventy five percent (75%) of the Parcels described in the Declaration will have been delivered to Owners by the Declarant or (2) thirty (30) days after written notice by Declarant of its voluntary relinquishment of the Declarant's right to appoint and remove officers and members of the Board, a special meeting of the Association will be held at which all of the members of the Board designated by the Declarant will resign, and the Owners, including the Declarant if the Declarant owns one or more Parcels, will thereupon elect successor members of the Board to act in the place and stead of those resigning.

Section 2.6. Notice of Meetings. Unless otherwise waived, the Secretary will mail or deliver to each Owner a notice of each meeting of the Association at least fourteen (14) but not more than sixty (60) days (or not more than thirty (30) days if the meeting is for ratification of the budget under Article V, Section 5.1 (b)(3)) before the meeting, stating the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or the Bylaws, any budget changes and any proposal to remove a director or officer. The mailing of a notice of meeting in the manner provided in this Section and Section 9.1 of Article IX of these Bylaws will be considered service of notice.

Section 2.7. Adjournment of Meetings. Other than a meeting convened for ratification of any proposed budget, if at any meeting of the Association a quorum is not present, a majority of the Owners who are present at such meeting in person or by proxy may adjourn the meeting to a time not less than forty-eight (48) hours after the time the original meeting was called.

Section 2.8. Order of Business. The order of business of all meetings of the Association will be as follows:

- (a) Roll call;
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Report of Board;
- (f) Reports of committees;
- (g) Election or appointment of tellers or inspectors of election (when so

required);

- (h) Election of members of the Board (when so required);
- (i) Unfinished business;
- (j) New business.

Section 2.9. Title to Parcels. Title to a Parcel may be taken in the name of one or more persons, in any manner permitted by law.

Section 2.10 Voting. The Association will have one class of voting membership, and one vote will be assigned to each acre within a Parcel as provided in the Declaration.

(a) Whenever the approval or disapproval of an Owner is required by the Declaration or these Bylaws, such approval or disapproval will be made only by the person who would be entitled to cast the vote of such Parcel at the meeting of the Association. Where the ownership of a Parcel vests in more than one person, the person who will be entitled to cast the vote of the Parcel will be the person named in a certificate executed by all of the owners of the Parcel and filed with the Secretary. The certificate will be valid until revoked by a later certificate similarly executed. In the absence of such named person from the meeting, and if only one of the multiple owners of a Parcel is present, that one owner is entitled, to cast the vote allocated to that Parcel. Except where a greater number is required by the Declaration or these Bylaws, the owners of more than sixty percent (60%) of the aggregate votes in the Association voting in person or by proxy at one time at a duly convened meeting at which a quorum is present is required to adopt decisions at any meeting of the Association.

(b) If the Declarant owns or holds title to one or more Parcels, the Declarant will have the right at any meeting of the Association to cast the votes to which such Parcels are entitled.

(c) No Owner may vote at any meeting of the Association or be elected to or serve on the Board if the Association has perfected a lien against the Parcel owned by the Owner and the amount necessary to release the lien has not been paid at the time of the meeting or election.

Section 2.11. Proxies. A vote may be cast in person or by proxy. The proxy may be granted by any Owner in favor of only another Owner, a mortgagee or the Declarant. Proxies will, be duly executed in writing, will be valid only for the particular meeting or meetings designated in the proxy and must be filed with the Secretary before the appointed time of the meeting. The proxy will be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning the Parcel. No proxy will in any event be valid for a period over one (1) year after the execution of the proxy.

Section 2.12. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners entitled to cast sixty percent (60%) or more of the aggregate votes in the Association will constitute a quorum at all meetings of the Association.

Section 2.13. Conduct of Meetings. The President will preside over all meetings of the Association and the Secretary will keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions occurring at the meeting. The President may appoint a person to

serve as parliamentarian at any meeting. The then current edition of Robert's Rules of Order will govern the conduct of all meetings of the Association when not in conflict with the Declaration, these Bylaws or the Act. Failure to follow Robert's Rules of Order will not, in itself, invalidate any action taken. All votes will be tallied by tellers or inspectors of election appointed by the President.

ARTICLE III Board of Directors

Section 3.1.

(a) Number of Members. The affairs of the Association will be governed by a Board of Directors (the "Board"). The Board will be composed of not less than three (3) nor more than seven (7) persons as determined by the Board, all of whom will be Owners or spouses of Owners, or designees of the Declarant.

(b) Designation by Declarant. Until deeds of conveyance representing more than seventy five percent (75%) of the Parcels will have been delivered to Owners by the Declarant, and thereafter until their successors will have been elected by the Owners, the Board will consist of such persons as may be designated by the Declarant. The Declarant will have the right in its sole discretion to replace the Directors as may be so designated, and to designate their successors.

Section 3.2. Powers and Duties. The Board will have all the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not reserved by the Declaration, or by these Bylaws required to be exercised and done by the Owners. The Board will have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit

and enjoyment of the Property; provided, however, that the Rules and Regulations will not be in conflict with the Declaration, or these Bylaws. In addition to the duties specifically imposed by these Bylaws or by any resolution of the Association that may later be adopted by the Board, the Board will on behalf of the Association:

(a) Prepare an annual budget, in which the assessments of each Owner for the Common Expense as provided in Article V of these Bylaws will be established.

(b) Make assessments against Owners to defray the costs and expenses of the Property, establish the means and methods of collecting the assessments from the Owners; and establish the period of the installation payment of the annual assessment for Common Expenses. Unless otherwise determined by the Board, the annual assessment against each Owner for the proportionate share of the Common Expenses of the Owner will be payable annually in equal quarterly installments.

(c) Provide for the operation, care, upkeep and maintenance of all of the Property to the extent determined by a resolution of the Board;

(d) Designate, contract with, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Property and provide services for the Property and, where appropriate, provide for the compensation of the personnel and for the purchase of equipment, supplies and material to be used by the personnel in the performance of their duties, which supplies and equipment will be deemed part of the Property; provided that any such

contract and hiring will not be for a term of over one (1) year without the consent of a majority of Owners.

(e) Collect the assessments against the Owners, deposit the proceeds of the collection in bank depositories designated by the Board and use the proceeds to carry out the administration of the Property.

(f) Make and amend the Rules and Regulations;

(g) Open bank accounts on behalf of the Association and designate the signatories on the bank accounts.

(h) Make, or contract for the making of, repairs, additions and improvements or alterations of the Property, and repairs to and restoration of the Property, in accordance with the Declaration and these Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means the terms of the Declaration, these Bylaws and the Rules and Regulations and act on behalf of the Owners with respect to all matters arising out of any eminent domain proceeding.

(j) To the extent required by a resolution of the Board, obtain and carry insurance against casualties and liabilities, as provided in Article VI of these Bylaws, pay the premiums for the insurance and adjust and settle any claims under the insurance.

(k) Pay the cost of all authorized services rendered to the Association and not billed to Owners of individual Parcels or otherwise provided for in Article V, Sections 5.1 and 5.2 of these Bylaws.

(l) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the accounts, specifying the expenses of maintenance and repair of the Property and any other expenses incurred. The books and vouchers accrediting the entries will be available for examination by the Owners, their duly authorized agents or attorneys, during general business hours on working days at the time and in the manner set and announced by the Board for general knowledge of the Owners. All books and records will be kept in accordance with generally accepted accounting practices, and the books and records may (but need not necessarily) be audited at least once every year by an independent accountant retained by the Board who will not be an Owner. The cost of the audit will be a Common Expense;

(m) Notify a mortgagee of any default under these Bylaws by the Owner subject to the mortgage, if the default continues for a period over sixty (60) days.

(n) Furnish a statement of any unpaid assessments with regard to a designated Parcel within ten (10) working days after the receipt of a written request for the statement from the Owner of the Parcel.

(o) File all required governmental reports.

(p) together with Declarant, dedicate some or all of the roads that constitute Property to the County of Socorro upon such terms for repair and maintenance of the roads as the Declarant and the Association reasonably determine.

(q) Do such other things and acts not inconsistent with the Association Instruments.

Section 3.3. Election and Term of Office..

(a) At the first annual meeting of the Association, the term of office of one (1) member of the Board will be fixed at three (3) years, the term of office of one (1) member will be fixed at two (2) years, and the term of office of any remaining member of the Board will be fixed at one (1) year. At the expiration of the initial term of office of each member of the initial Board, a successor will be elected to serve for a term of two (2) years. The members of the Board will hold office until their respective successors will have been elected by the Association.

(b) Persons qualified to be members of the Board may be nominated for election only as follows:

(1) Any Owner may submit to the Secretary at least thirty (30) days before the meeting at which the election is to be held a nominating petition signed by Owners owning at least three (3) Parcels a statement that the person nominated is willing to serve on the Board and a biographical sketch of the nominee. The Secretary will mail or hand-deliver the submitted items to every Owner along with the notice of the meeting; or

(2) Nominations may be submitted from the floor at the meeting at which the election is held for each vacancy on the Board for which no more than one person has been nominated by petition as provided in subparagraph (1) above.

Section 3.4. Removal or Resignation of Members of the Board of Directors. Except with respect to directors appointed by Declarant, at any regular or special meeting properly called, any one or more of the members of the Board may be removed with or without cause by a two-third (2/3) vote of all persons present and entitled to vote at any meeting of Owners at which a quorum is present and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Owners will be given at least seven (7) days notice of the time, place and purpose of the meeting and will be given an opportunity to be heard at the meeting. A member of the Board may resign at any time and will be deemed to have resigned upon disposition of the Parcel owned by the member.

Section 3.5. Vacancies. Vacancies in the Board caused by any reason other than the removal of a director by a vote of the Association will be filled by a vote of a majority of the remaining Directors at a special meeting of the Board held for the purpose promptly after the occurrence of a vacancy, even though the directors present at the meeting may constitute less than a quorum. Each person so elected will be a member of the Board for the remainder of the term of the member being replaced and until a successor will be elected at the next annual meeting of the Association. Despite anything to the contrary in this Section or in the preceding Section 3.4, so long as the Declarant owns twenty percent (20%) or more of the Parcels, the Declarant will designate the successor to any resigned or removed member previously designated by the Declarant.

Section 3.6. Organization Meetings. The first meeting of the Board will

be held within thirty (30) days after the annual meeting of the Association at such time and place as will be fixed by the Association at the meeting at which the Board is elected. No notice will be necessary to the newly elected members of the Board in order to legally constitute the meeting, providing a majority of the whole Board is present.

Section 3.7. Regular Meetings. Regular meetings of the Board may be held at such time and place as determined from time to time by a majority of the directors, but the meetings will be held at least once annually during each fiscal year. Notice of regular meetings of the Board will be given to each director, by mail, electronic mail, facsimile transmission, or telegraph, at least ten (10) business days before the day named for the meeting.

Section 3.8. Special Meetings. Special meetings of the Board may be called by the President on, ten (10) business days' notice to each director, given by mail, electronic mail, facsimile transmission, or telegraph, which notice will state the time, place and purpose of the meeting. Special meetings of the Board will be called by the President or Secretary in like manner and on like notice on the written request of **at least** one (1) director.

Section 3.9. Waiver of Notice. Any director may at any time, in writing, waive notice of any meeting of the Board and such waiver will be deemed equivalent to the giving of the notice. Attendance by a director at any meeting of the Board will constitute a waiver of notice by the director of the time, place and purpose of the meeting. If all directors are present at any meeting of the Board, no notice will be required and any business may be transacted at the meeting.

Section 3.10. Quorum of Board of Directors. At all meetings of the Board, a majority of the directors will constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present will constitute the decision of the Board. If at any meeting of the Board less than a quorum is present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

Section 3.11. Compensation. No director will receive any compensation from the Association for acting as such but may be reimbursed for expenses incurred on behalf of the Association.

Section 3.12. Conduct of Meetings. The President will preside over all meetings of the Board of Directors and the Secretary will keep a minute book of the Board recording in the minute book all resolutions adopted by the Board and a record of all transactions and proceedings occurring at the meetings. The then current edition of Robert's Rules of Order will govern the conduct of the meetings of the Board when not in conflict with the Declaration or these Bylaws.

Section 3.13. Action Without Meeting. Any action by the Board required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board individually or collectively consent in writing to the action. Any such written consent will be filed with the minutes of the proceedings of the Board.

Section 3.14. Liability of the Board of Directors, Officer and Association.

(a) To the extent authorized by the Nonprofit Corporation Act, NMSA 1978, § 53-8-1 et seq., the officers and members of the Board will not be liable to the Association for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. Officers and members of the Board will have no personal liability with respect to any contract made by them on behalf of the Association. Every agreement made by the officer or the Board on behalf of the Association will, if obtainable, provide that the officers or the members of the Board, as the case may be, are acting only as agents for the Association and will have no personal liability under the agreement.

(b) The Association will not be liable for any failure or services to be obtained by the Association or paid for as a Common Expense, or for injury or damage to person or property caused by the elements or by any Owner, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the Property or from any pipe, drain, conduit, culvert, appliance or equipment. The Association will not be liable to any Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Property. No diminution or abatement of any assessments, as elsewhere provided by these Bylaws, will be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Property or from any action taken by the Association to comply with any law, ordinance or with the order of directive of any municipal or other governmental authority.

Section 3.15. Indemnification.

(a) As used in this Section:

(i) the term "director" has the meaning set forth in NMSA 1978, § 53-8-26 as amended.

(ii) the term "officer" includes any person, corporation or entity, who is or was an officer of the Association or is or was serving at the request of the Association as a officer or agent of any nonprofit corporation, or any incorporated or unincorporated association.

(iii) the term "proceeding" means any threatened or pending action, suit or proceeding, civil or criminal, in which a director or officer is involved or made a party by reason of being or having been a director or officer.

(iv) the term "Nonprofit Corporation Act" means the New Mexico Nonprofit Corporation Act, NMSA 1978, § 53-8-1 et seq., as amended, provided however, in case of any such amendment, the amendment will apply only to the extent that the amendment permits the Association to provide broader indemnification rights than permitted before the amendment.

(a) Right to Indemnification. Subject to the provisions of the Nonprofit Corporation Act, any director or officer will be indemnified and held harmless by the Association for the reasonable expenses, costs, attorneys' fees, actually or reasonably incurred by the director or officer with respect to the involvement of the officer or director in any proceeding by reason of the director or officer being or having been a director or officer. Any director or officer will also be indemnified for those reasonable amounts paid to satisfy a judgment, fine, or penalty or to compromise or settle a claim. The indemnification provided will be to the fullest extent authorized by the Nonprofit

Corporation Act and will inure to the benefit of the heirs, devisees and personal representatives of any director or officer.

(b) Advance Indemnification. The Board will permit indemnification and payment of reasonable expenses to be incurred by a director or officer for the defense of any proceeding, provided that the director or officer first enters into a written agreement with the Association to reimburse the Association if determination is later made that the director or officer was not entitled to indemnification due to a later adjudication of liability on the basis of willful misconduct or recklessness in the performance of the duties of the office held as provided under the Nonprofit Corporation Act, NMSA 1978, § 53-8-26.

(c) Right to Bring Action to Enforce Indemnification.

(i) If a valid claim is not paid in full by the Association within ninety (90) days after an itemized claim has been received by the Association, the claimant may thereafter, but not exceeding a period of two (2) years after tendering the itemized claim to the Association, bring an action against the Association to recover on any unpaid amount of the claim. The prevailing party in the action will be entitled to collect the reasonable attorneys fees from the other party.

(ii) In addition to the defense of full accord and satisfaction of any claim, a defense exists to any such action that the claimant has not complied with the standards of conduct permitting indemnification under the provisions of the Nonprofit Corporation Act. Any prior determination by the Association (including its Board, independent counsel, or its members) of the eligibility or ineligibility of claimant for indemnification due to the standards of conduct provided in the Nonprofit

Corporation Act will not be a defense to the action or create any presumption as to the eligibility of claimant for indemnification.

(d) Non-Exclusivity. The right to advance indemnification conferred in this Article III will not be exclusive of any other right that any person may have or later acquire under any statute or terms of the Association's Articles of Incorporation, these Bylaws, or any agreement, or vote of members or disinterested directors.

(e) Insurance. The Association may maintain insurance, at its expense, to protect itself and any director or officer, or any related corporation, trust or other incorporated or unincorporated enterprise against any such expense, liability or loss, whether or not the Association would have the power to indemnify such person against the expense, liability or loss under the terms of the Nonprofit Corporation Act.

Section 3.16. Common or Interested Directors. Each member of the Board will exercise the powers and duties of the member in good faith and with a view to the interests of the Association. No contract or other transaction between the Association and any of its directors, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors of the Association are directors or officers or are pecuniarily or otherwise interested is voidable because any such director is present at the meeting of the Board or any committee of the Board that authorizes or approves the contract or transaction, or because the vote of the member is counted for the purpose, if any of the conditions specified in any of the following subparagraphs exists:

(a) the fact of the common directorate or interest is disclosed or known to the Board or a majority of the directors or noted in the minutes, and the Board

authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose; or

(b) the fact of the common directorate or interest is disclosed or known to at least a majority of the Owners, and the Owners approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) the contract or transaction is commercially reasonable to the Association at the time the contract or transaction is authorized, ratified, approved or executed.

Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board or committee of the Board that authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or transaction with like force and effect as if the director were not the director or officer of the Association or not so interested.

Section 3.17. Architectural Control Committee. The Board will establish an Architectural Control Committee (the "Committee"), consisting of three (3) persons, and, when the Declarant no longer owns Parcels representing more than seventy five percent (75%) of the Parcels within Ranch Phase I, including Parcels specified and subjected to the Declaration by Supplemental Declaration, at least two (2) of whom will be Owners appointed by the Board, each to serve for a term of two (2) years, in order to assure that the Parcels and Ranch Phase I will always be maintained in a manner:

(a) providing for visual harmony and soundness of repair;

(b) avoiding activities deleterious to the aesthetic or property values of

the Association;

(c) furthering the comfort of the Owners, their guests, occupants, invitees and tenants; and

(d) promoting the general welfare of the Association.

(1) Powers. The Committee will regulate the design and appearance of the Parcels and Property. The Committee will have the power to issue a cease and desist request to an Owner, occupant, guest, invitee, or tenant whose actions are inconsistent with the terms of the Declaration, these Bylaws, Rules and Regulations or resolutions of the Board (upon petition of any Parcel Owner or upon the motion of the Board). The Committee will from time to time, as required, provide interpretations of the Declaration, these Bylaws, Rules and Regulations and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by any Parcel Owner or the Board. Any action, ruling or decision of the Committee may be appealed to the Board by any party deemed by the Board to have standing as an aggrieved party and a vote of a quorum of the Board may modify or reverse any such action, ruling or decision.

(2) Authority. The Committee will have such additional duties, power and authority as the Board may from time to time provide by resolution. The Board may relieve the Committee of any of the duties, powers and authority of the Committee either generally or on a case by case basis by majority vote of a quorum of the Board. The Committee will carry out the duties of the Committee and exercise the powers and authority of the Committee in the manner provided for in the Rules

and Regulations or by resolution of the Board.

ARTICLES IV

Officers

Section 4.1. Designation. The principal officers of the Association will be the President, one or more Vice-Presidents, the Secretary and the Treasurer, all of whom will be elected by the Board. The Board may appoint an assistant treasurer, an assistant secretary and such other officers as in the judgment of the Board may be necessary. The President and one of the Vice Presidents will be members of the Board. Any other officers may, but need not, be members of the Board.

Section 4.2. Election of Officers. The officers of the Association will be elected annually by the Board at the organizational meeting of each new Board and will hold office at the pleasure of the Board.

Section 4.3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Board any officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for the purpose.

Section 4.4. President. The President will be the chief executive officer of the Association; preside at all meetings of the Association and of the Board; and have all of the general powers and duties that are incident to the office of President of the Association, including, without limitation, the power to appoint committees from among the Owners from time to time as the President may, in the discretion of the President, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 4.5. Vice-President. A Vice-President will take the place of the

President and perform the duties of the President whenever the President will be absent or unable to act. If neither the President nor any Vice-President is able to act, the Board of Directors will appoint some other member of the Board to act in the place of the President, on an interim basis. The Vice-Presidents will also perform such other duties as will from time to time be imposed upon them by the Board or by the President.

Section 4.6. Secretary. The Secretary will keep the minutes of all meetings of the Association and of the Board; have charge of such books and papers as the Board may direct; maintain a register setting forth the place to which all notices to Owners and eligible mortgagees will be delivered; and, in general, perform all the duties incident to the office of secretary of the Association.

Section 4.7. Treasurer. The Treasurer will have the responsibility for Association funds and securities and will be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data; and be responsible for the deposit of all monies and other valuable effects in the name of the Board or the Association, in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the office of Treasurer of the Association.

Section 4.8. Execution of Documents. Unless modified by a resolution of the Board, all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations over Five Thousand Dollars (\$5,000.00) will be executed by any two persons designated by the Board. Unless

modified by a resolution of the Board, all such instruments for expenditures or obligations of Five Thousand Dollars (\$5,000.00) or less may be executed by any one person designated by the Board. All amendments to the Declaration requiring the approval of the Association, and to these Bylaws, required to be signed by the Association, will be signed by the President and the Secretary.

Section 4.9. Compensation of Officers. No officer who is also a director will receive any compensation from the Association for acting as the officer, provided however, that officers may be reimbursed for expenses incurred on behalf of the Association upon approval of the Board.

ARTICLE V

Operation of the Property

Section 5.1. Determination of Common Expenses and Assessments
Against Owners.

(a) Fiscal Year. The fiscal year of the Association will be the calendar year unless otherwise determined by the Board.

(b) Preparation and Approval of Budget.

(1) At least sixty (60) days before the start of the fiscal year, the Board will adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of acquisition (if any), maintenance, management, operation, repair and replacement of the Property (including, but not limited to, insurance, garbage removal, security and maintenance of roads, easements, fences and gates) as to which it is the responsibility of the Board to

maintain, repair and replace, and the cost of wages, materials, insurance premiums, and services, supplies and other expenses that may be declared to be common expenses by the Declaration, these Bylaws or a resolution of the Association and that will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Owners of all related services (the "Common Expenses").

(2) The budget will also include such reasonable amounts as the Board considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least forty-five (45) days before the start of the fiscal year, the Board will send to each Owner a copy of the budget in a reasonably itemized form that provides the amount of the Common Expenses and any special assessment payable by each Owner. The budget will constitute the basis for determining each Owner's assessment for the Common Expenses of the Association, if ratified.

(3) The Board will set a date for a meeting of the Parcel Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days before the annual meeting scheduled under Article II, Section 2.3 and subparagraph (3) below after mailing of the copy of the budget. Unless a vote of seventy-five percent (75%) of the votes allocated to the Parcels for which Owners are present reject the budget, the budget will be deemed to be ratified, whether or not a quorum is present. If the proposed budget is rejected, the periodic budget last ratified by the Owners will continue until such time as the Owners ratify a later budget proposed by the Board.

(c) Assessment and Payment of Common Expenses. Subject to the provisions of Article VII of these Bylaws, the total amount of the estimated funds required for the operation of the Property provided in the budget adopted by the Board and ratified by the Owners will be assessed pro-rata, based upon the number of acres within a Parcel owned as provided in the Declaration, against each Owner as defined in the Declaration and will be a lien against each Owner's interest as provided in Article VII, Section 7.2 of these Bylaws. On or before the first day of each fiscal year or on such other date as determined by the Board, each Owner will be obligated to pay the annual assessment of the Owner, in advance. The Board may authorize the payment of the annual assessment in quarterly or semiannual installments. Within sixty (60) days after the end of each fiscal year, the Board will supply to all Owners an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board for the fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated over the amount required for actual expenses and reserves will, if the Board deems advisable, be credited according to each Owner's pro-rata Common Expense liability to the next annual assessment due from Owners under the current fiscal year's budget, until exhausted.

Any net shortage will be assessed promptly against the Owners as provided above in subsection 5.1(b)(2) and 5.1(b)(3). The shortage will be assessed in accordance with their Common Expense Liability and will be payable either: (1) in full with payment of the next periodic assessment due; or (2) in not more than six (6)

equal monthly installments, as the Board may determine. Thereafter, a revised budget may be prepared to reflect future shortages.

(d) Reserves. The Board will build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget that may become necessary during the year will be charged first against such reserves. If the reserves are inadequate for any reason, including nonpayment of any Owner's assessment, upon ratification by the Owners of an adjusted budget, the Board may at any time levy a further assessment. The assessment will be assessed against the Parcel Owners according to their respective Common Expense Liabilities, and may be payable in a lump sum or in installments as the Board may determine.

The Board will serve notice of any such further assessment on all Owners by a statement in writing giving the amount and reasons for the further assessment, and time of payment. All Owners will be obligated to pay the adjusted assessment amount and, if the further assessment is not payable in installments, the assessment will be a lien as of the effective date as provided in the preceding subsection 5.1(c).

(e) Initial Assessment. (1) Upon taking office, the first Board elected or designated as provided in these Bylaws will determine the budget, as defined in this Section, for the period starting sixty (60) days after the election and ending on the last day of the fiscal year in which the election or designation occurs. The budget will be approved by the Owners as provided under subsections 5.1(b)(1), 5.1(b)(2) and 5.1 (b)(3) above. Assessments will be levied and become a lien against the Owners during the period as provided in subsection 5.1(c) of this Section.

(2) The Declarant, as the agent of the Board, will collect from each initial purchaser at the time of settlement an "initial assessment" as provided in the Declaration. The Declarant will deliver the funds so collected to the Board to provide the necessary working capital for the Association.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or **delay of the Board to prepare** or adopt a budget for any fiscal year will not constitute a waiver or release in any manner of any Owner's obligation to pay the allocable share of the Owner of the Common Expenses as provided in these Bylaws whenever the allocable share will be determined and, in the absence of any annual budget or adjusted budget, each Owner will continue to pay each periodic assessment at the rate established for the previous fiscal year until notice of the adjusted payment and new annual or adjusted budget will have been delivered and ratified by the Owners.

(g) Accounts. All sums collected by the Board with respect to assessments against the Owners or from any other source may be commingled into a single fund, but will be held for each Owner in accordance with the Common Expense Liability of the Owner.

Section 5.2 Payment of Common Expenses. Each Owner will pay the Common Expenses assessed by the Board as provided in Section 5.1 of this Article V. No Owner may exempt the Owner from liability for the contribution of the Owner toward Common Expenses by waiver of the use or enjoyment of any of the Property or by abandonment of part of the Property. No Owner will be liable for payment of any part of the Common Expenses assessed against the Parcel of the Owner after the

date of recordation of a conveyance by the Owner in fee of the Parcel, provided notice is given to the Association before conveyance. Before or at the time of any such conveyance, all liens, unpaid charges and assessments will be paid in full and discharged. The purchaser of a Parcel will be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for the proportionate share of the Common Expenses of the purchaser up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser for Common Expenses; provided, however, any such purchaser will be entitled to a statement providing the amount of the unpaid assessments against the selling Owner within ten (10) working days following a written request for the statement to the Board. The purchaser will not be liable for, nor will the Parcel conveyed be subject to a lien for, any unpaid assessment over the amount provided in the statement by the Board; provided, further, that each eligible mortgagee who comes into possession of a Parcel by virtue of foreclosure or by deed or assignment instead of foreclosure, or any purchaser at a foreclosure sale, will take the Parcel free of any claims for unpaid assessments or charges against the Parcel that accrue before the time the eligible mortgagee comes into possession of the Parcel except for claims for a pro rata share of the assessments or charges resulting from a pro rata reallocation of the assessments or charges to all Parcels including the mortgaged Parcel.

Section 5.3. Collection of Assessments. The Board will take prompt action to collect any assessments for Common Expenses due from any Owner that remain unpaid for more than thirty (30) days from the due date for payment of the

assessments. Any assessment, or installment of an assessment, not paid within thirty (30) days after due will accrue a late charge from the due date, in the amount of eighteen percent (18%) a year until paid.

Section 5.4. Statement of Common Expenses. The Board will promptly provide any Owner, contract purchaser or mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from the Owner. The statement will be furnished within ten (10) business days after receipt of the request and is binding on the Board and every Owner. The Board may impose a reasonable charge for the preparation of the statement to cover the cost of preparation.

Section 5.5 Alterations or Improvements by Board of Directors. Except during the period of Declarant control, when ever in the judgment of the Board alterations or improvements estimated to cost over Ten Thousand Dollars (\$10,000.00) during any period of five (5) consecutive months are considered necessary, the making of the alterations or improvements will first be approved by consent of a majority of Owners, and the Board will proceed with the alterations or improvements and will assess all Owners for the cost of the alterations or improvements as a Common Expense. Any alterations or improvements estimated to cost Ten Thousand Dollars (\$10,000.00) or less during any period of five (5) consecutive months may be made by the Board without approval of the Owners and the cost of the alterations or improvements will constitute a Common Expense. Despite the foregoing; if, in the opinion of not less than fifty percent (50%) of the members of the Board, the alterations or improvements are exclusively or primarily

for the benefit of the Owner or Owners requesting the alterations and improvements, the requesting Owners will be assessed for the alterations and improvements in such proportion as the requesting Owners jointly approve or, if the requesting Owners are unable to agree on the proportion, in the proportions as may be determined by the Board.

Section 5.6. Disclaimer of Bailee Liability. The Board, the Association, any Parcel Owner and the Declarant will not be considered a bailee of any personal property stored on the Property (including property located in vehicles parked on the Association Property), whether or not exclusive possession of the particular area is given to a Parcel Owner for storage purposes, and will not be responsible for the security of the personal property or for any loss or damage to the personal property, whether or not due to negligence.

ARTICLE VI

Insurance

Section 6.1. Authority to Purchase. (a) Except as otherwise modified by a resolution of the Board, all insurance policies with respect to the Property will be purchased by the Board. Neither the Board nor the Declarant will be liable for failure to obtain any coverages required by this Article VI or for any loss or damage resulting from the failure if the failure is due to the unavailability of the coverages from reputable insurance companies, or if the coverages are so available only at a demonstrably unreasonable cost.

(b) Each insurance policy will provide that:

(1) The insurer waives any right to claim by way of subrogation against the Declarant, the Association, the Board, or the Owners, and their respective agents, employees, guests and, in the case of the Owners, the members of the households of the Owners;

(2) The policy will not be substantially modified or suspended due to the act or omission of any Owner (including the invitees, agents and employees of the Owner) or of any member (acting within the scope of the authority of the member for the Association), officer or employee of the Board without a prior demand in writing that the Board cure the defect and neither will have so cured the defect within sixty (60) days after the demand.

(3) The policy may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the Board and, in the case of physical damage insurance, if any, to all eligible mortgagees registered with the Association.

(c) The Declarant, so long as Declarant owns any Parcel, will be protected by all the policies as an Owner.

(d) All policies of insurance will be written by reputable companies licensed to do business in New Mexico. Physical damage policies will be in form and substance acceptable to the eligible mortgagees.

Section 6.2. Liability Insurance. The Board will obtain and maintain comprehensive general liability (including libel, slander, false arrest and invasion of privacy coverage and errors and omissions coverage for directors) and property damage insurance in such limits as the Board may from time to time determine,

insuring each member of the Board, each Owner and the Declarant against any liability to the public or to the Owners (and their invitees, agents and employees) arising out of, or incident to the ownership and/or use of the Property. The insurance will be issued on a comprehensive liability basis and will contain: (i) a cross liability endorsement under which the rights of a named insured under the policy will not be prejudiced with respect to the action of the named insured against another named insured; (ii) hired and nonowned vehicle coverage; (iii) host liquor liability coverage with respect to events, if any, sponsored by the Association; (iv) deletion of the normal products exclusion with respect to events sponsored by the Association; and (v) a "severability of interest" endorsement that will preclude the insurer from denying liability to an Owner because of negligent acts of the Association or of another Parcel Owner. The Board will review the limits once each year, but in no event will the insurance be less than One Million Dollars (\$1,000,000) covering all claims for bodily injury or property damage arising out of one occurrence. Reasonable amounts of "umbrella" liability insurance over the primary limits will also be obtained.

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however, that no Owner will be entitled to exercise the right of the Owner to acquire or maintain the insurance coverage so as to decrease the amount that the Board, on behalf of all Owners, may realize under any insurance policy maintained by the Board or to cause any insurance coverage maintained by the Board to be brought into contribution with insurance coverage obtained by an Owner.

ARTICLE VII

Compliance and Default

Section 7.1. Relief. Each Owner will be governed by, and will comply with, all of the terms of the Association Instruments as any of these Instruments may be amended from time to time. A default by an Owner will entitle the Association, acting through the Board to the following relief:

(a) Additional Liability. Each Owner will be liable for the expense of all maintenance, repair or replacement rendered necessary by the act of the Owner, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, occupants, invitees, agents or licensees, but only to the extent that the expense is not covered by the proceeds of insurance carried by the Board. The liability will include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Parcel or its appurtenances.

(b) Costs and Attorneys' Fees. In any action arising out of any alleged default by an Owner, the prevailing party will be entitled to recover the costs of the action and such reasonable attorneys' fees as may be determined by the court.

(c) No Waiver of Rights. The failure of the Association, the Board or of an Owner to enforce any right, term, covenant or condition that may be granted by the Association Instruments will not constitute a waiver of the right of the Association, the Board or the Owner to enforce the right, term, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board or any Owner as provided in any term, covenant or condition of the Association Instruments will be deemed to be cumulative and the exercise of any one or more thereof will not be deemed to constitute an election of remedies, nor will it preclude the party

exercising the same from exercising such other privileges as may be granted to such party by the Association Instruments or at law or in equity.

(d) Interest. If any Owner defaults in paying any sum assessed against the Parcel of the Owner that continues for a period over thirty (30) days, the principal amount unpaid will bear interest at the rate of eighteen percent (18%) a year from the due date until paid.

(e) Abating and Enjoining Violations by Owners. The violation of any of the Regulations adopted by the Board, the breach of any of these Bylaws or the breach of any term of the Declaration will give the Board the right, in addition to any other rights provided in these Bylaws: (1) to enter the Parcel on which, or as to which, the violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist on the Parcel contrary to the intent and meaning of the terms of these Bylaws, and the Board will not thereby be deemed guilty in any manner of trespass; or (2) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity the continuance of any such breach.

(f) Legal Proceedings. Failure to comply with any of the terms of the Declaration, these Bylaws and the Rules and Regulations will be grounds for relief, including, without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board, or, if appropriate, by any aggrieved Owner and will not

constitute an election of remedies.

(g) Action by the Board. If an Owner defaults in payment of any installation of the annual assessment authorized in Article V, which default continues for ninety (90) days, the Board will notify the Owner of the default and interest due and issue a demand for payment. If the default continues for an additional ninety (90) days the Board will institute legal proceedings to collect the assessment due, together with interest and attorneys' fees authorized in this Article VII and to foreclose the assessment lien against the defaulting Owner's Parcel in the same manner as a transcribed judgment lien or real property mortgage or deed of trust.

Section 7.2. Lien for Assessments.

(a) The total annual assessment of each Owner for Common Expenses or any special assessment made pursuant to these Bylaws is declared to be a lien levied against the Parcel of the Owner, which assessment will be due and which foreclosure may be maintained despite the pendency of any action to recover a money judgment.

Section 7.3. Supplemental Enforcement of the Lien. In addition to the proceedings at law or in equity for the enforcement of the lien established by the Declaration or these Bylaws, all of the Parcel Owners may be required by the Declarant or the Board to deliver an advanced deposit on assessment or to execute bonds conditioned upon the faithful performance and payment of the installments of the lien established by the Declaration or these Bylaws.

Section 7.4. Subordination and eligible mortgagee Protection. Despite any other terms of these Bylaws to the contrary, the lien of any assessment levied

pursuant to these Bylaws upon a Parcel (and any penalties, interest on assessments, late charges or the like) will be subordinate to, and will in no way affect the rights of an eligible mortgagee; provided, however, that the subordination will apply only to assessments that have become due and payable before a sale or transfer of the Parcel pursuant to a decree of foreclosure, or any proceeding instead of foreclosure. The sale or transfer will not relieve the purchaser of the Parcel at the sale from liability from any assessment later becoming due, nor from the lien of any such later assessment, which lien will have the same effect and be enforced in the same manner as provided in these Bylaws.

ARTICLE VIII

Amendments to Articles and Bylaws

Section 8.1. Amendments. The Articles of Incorporation and these Bylaws may not be modified or amended except by vote of agreement of Owners to which more than seventy-five percent (75%) of the votes in the Association present at the meeting in person or by proxy, provided, however, that until the expiration of Declarant control as established in the Declaration, neither Section 3.1 of Article III, Section 3.5 of Article III, this Section 8.1 nor any term for the protection of the Declarant may be amended without the consent in writing of the Declarant.

Section 8.2. Implied Consent of Owners. A proposed amendment will be deemed approved by an Owner if the Owner fails:

- (a) to vote in person or by proxy at a meeting properly called for that purpose; and
- (b) fails to object or approve a written proposal or an amendment

within. thirty (30) days after receipt of a written proposal following the meeting.

ARTICLE IX

Miscellaneous

Section 9.1. Notices. All notices, demands, bills, statements or other communications under these Bylaws will be in writing and will be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, postage prepaid (a) if to a Owner, at the address which the Owner designates in writing and files with the Secretary or, if no such address is designated, at the address of the Parcel of such Owner, or (b) if to the Association, the Board or at such other address as will be designated by notice in writing to the Parcel Owners as provided in this Section. If a Parcel is owned by more than one person, each such person who so designated an address in writing to the Secretary will be entitled to receive all notices provided.

Section 9.2. Captions. The captions of these Bylaws are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision of these Bylaws.

Section 9.3. Gender. The use of the masculine gender in these Bylaws will be deemed to include the feminine and neuter genders and the use of the singular will be deemed to include the plural, and vice versa, whenever the context so requires.

The President and Secretary have caused these Bylaws to be executed and attested on behalf of the Association.

Dated: _____ , 2000

Attest:

A handwritten signature in black ink, appearing to be 'J. N. O.', written over a horizontal line.

President

RANCH PHASE I PARCELS

All or any lots, parcels, or parcel units divided and established by authorized survey or by narrative metes and bounds descriptions from the area described in the attached "Legal Description of Excepted Parcel 1" which area is generally shown as Parcel 1 containing 6807.714 acres, more or less, on the attached map of the Cienega Ranch, now known as the Willow Springs Ranch.

EXHIBIT A