

ARTICLES OF INCORPORATION
OF
RANCHO VALENCIA HOMEOWNERS ASSOCIATION, INC.

The undersigned, acting as the incorporator of a non-profit corporation under the New Mexico Nonprofit Corporation Act, Section 53-8-1, *et. seq.* NMSA 1978 as amended (the "Act"), hereby adopts these Articles of Incorporation and does hereby certify as follows:

ARTICLE 1
Name

The name of the corporation is RANCHO VALENCIA HOMEOWNERS ASSOCIATION, INC., herein after referred to as the "Association".

ARTICLE 2
Purpose

The purpose of the Association is to carry out the purposes specified in the Declaration of Covenants, Conditions, Restrictions and Easements for Rancho Valencia (the "Declaration"), which will be recorded in the public records of Valencia County, New Mexico and will govern Property generally known as Rancho Valencia Subdivision, as shown and designated on the Plat thereof filed in the Office of the County Clerk of Valencia County, New Mexico on October 25, 2006 in Book J, Page 734, and without limitation to enforce the Declaration, as may be amended from time to time, and to own, hold, manage and otherwise deal with Common Area as otherwise defined in the Declaration, and to otherwise engage in the business of a homeowner association with the powers granted non-profit corporation under the Act. The Association shall have and be able to exercise all powers necessary or convenient to affect any or all of the purposes for which the Association is organized. All capitalized terms used herein but not defined herein shall have the same meaning ascribed to such terms in the Declaration.

ARTICLE 3
Powers

The powers of the Association will include and be governed by the following provisions:

A. The Association will have all of the common law and statutory powers conferred on a nonprofit corporation under New Mexico law and all of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers set forth in these Articles, the Bylaws and the Declaration, including, without limitation, the power:

(i) To fix and to collect Assessments and other charges to be levied against the Lots;

(ii) To manage, control, operate, maintain, repair, and improve property subject to the Declaration and any other property for which the Association by rule, regulation, covenant or contract has a right or duty to provide such services;

(iii) To enforce covenants, conditions or restrictions affecting any property to the extent the Association may be authorized to do so under the Declaration or the Bylaws;

(iv) To engage in activities that will actively foster, promote, and advance the common interests of all owners of real property subject to the Declaration;

(v) To buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate and otherwise deal in and with real, personal and mixed property of all kinds and any right or interest in such property for any purpose of the Association, subject to such limitations as may be set forth in the Declaration or the Bylaws;

(vi) To borrow money for any purpose, subject to such limitations as may be contained in the Bylaws;

(vii) To enter into, make, perform or enforce contracts of every kind and description, and to do all other acts necessary, appropriate or advisable in carrying out any purpose of the Association, with or in association with any other association, corporation or other entity or agency, public or private;

(viii) To make, amend and enforce reasonable rules and regulations for the use of the property it owns, maintains or controls;

(ix) To adopt, alter and amend or repeal the Bylaws as may be necessary or desirable for the proper management of the affairs of the Association; provided, however, the Bylaws may not be inconsistent with or contrary to any provisions of the Declaration; and

The foregoing enumeration of powers will not limit or restrict in any manner the exercise of other rights and powers that may now or hereafter be permitted by law. The powers specified in each of the paragraphs of this Article 3 are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph of this Article 3.

B. The Association will make no distributions of income to its members, directors or officers.

ARTICLE 4
Members

A. The Association will have no capital stock, but will have such class or classes of members as provided in the Declaration. Voting rights of members will be as provided in the Declaration.

B. Change of membership in the Association will be established by recording in the Office of the County Clerk of Valencia County, New Mexico, a deed or other instrument establishing record title to or real estate contract purchaser's interest in real property subject to the Declaration. On such recordation, the Owner designated by such instrument will become a member of the Association and the membership of the prior owner will be terminated.

C. The share of a member in the funds and assets of the Association cannot be assigned, hypothecated or transferred in any manner, except as an appurtenance of the member's Lot.

ARTICLE 5
Term

The Association will be of perpetual duration.

ARTICLE 6
Directors

A. The affairs of the Association will be conducted, managed and controlled by a Board of Directors. The initial Board of Directors will consist of three directors. The number of directors may be increased in accordance with the Bylaws.

B. The names and addresses of the members of the initial Board of Directors, who will hold office until their successors are elected and have qualified, or until removed, are as follows:

Max Lee Kiehne PO BOX 1417
 2206 Sun Ranch Village Loop
 Los Lunas NM 87031

Barbara C. Kiehne PO BOX 1417
 2206 Sun Ranch Village Loop
 Los Lunas NM 87031

Shawn B. Kiehne PO BOX 1417
 2206 Sun Ranch Village Loop
 Los Lunas NM 87031

C. The method of election, removal and filling of vacancies on the Board of Directors and the term of office of directors will be set forth in the Bylaws.

D. The Board of Directors may delegate its operation authority to such corporations, individuals and committees as the Board, in its discretion, may determine.

ARTICLE 7 **Bylaws**

The Bylaws of the Association will be adopted by the Board of Directors and may be altered, amended or rescinded in the manner provided in the Bylaws.

ARTICLE 8 **Liability and Indemnification of Directors**

To the fullest extent that Section 53-8-25.3 NMSA 1978, as it exists on the date of these Articles or as it may be amended hereafter, permits the limitation or elimination of the liability of directors, no director of the Association will be personally liable to the Association or its members for monetary damages for breach of duty of care or other duty as a director. No amendment of or repeal of this Article will apply to or have any effect on the liability or alleged liability of any director of the Association for or with respect to any acts or omissions of such directors occurring prior to such amendment or repeal. The Association will indemnify its officers and directors in accordance with (i) Section 53-8-26 NMSA 1978, as it exists on the date of these Articles or as it may be amended hereafter, and (ii) general principles of law, to the fullest extent permitted by law.

ARTICLE 9 **Amendments**

Amendments to these Articles may be proposed and adopted as provided in the Act; provided that no amendment may be in conflict with the Declaration, and provided further that no amendment will be effective to impair or dilute any rights of members that are governed by such Declaration. Any proposed amendment must be approved by Members representing more than two thirds (2/3) of the total Class "A" votes in the Association, and the consent of the Class "B" Member, if such exists; provided, however, no Members will be entitled to vote on any amendment to these Articles for the sole purpose of complying with the requirements of any governmental (including, without limitation, HUD or VA) or quasi-governmental entity or institutional lender authorized to fund, insure or guarantee mortgages on individual Lots, as such requirements may exist from time to time, which amendments may be adopted by the Board of Directors.

ARTICLE 10 **Dissolution**

The Association may be dissolved only on a resolution duly adopted by the Board of Directors and the affirmative vote of Members representing more than two

thirds (2/3) of the total Class "A" votes in the Association, and the consent of the Class B Member, if such exists. On dissolution of the Association, so long as the VA is guaranteeing and/or HUD is insuring any mortgage in the Property, and unless otherwise agreed in writing by HUD or VA, as applicable, any remaining real property of the Association will be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that acceptance of such dedication is refused, such assets will be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes. No such restriction will exist if VA is not guaranteeing or HUD is not insuring any mortgage in the Property; provided, however, HUD and/or VA will be notified of such dissolution.

ARTICLE 11
Merger and Consolidation

The Association may merge or consolidate only on a resolution duly adopted by the Board of Directors and the affirmative vote of Members representing more than two thirds (2/3) of the total Class "A" votes in the Association and the consent of the Class B Member, if such exists.

ARTICLE 12
Incorporator

The name of the incorporator of the Association is Steven J. Hile. The address of the incorporator is 612 First Street NW (87102), PO Box 27047, Albuquerque, New Mexico 87125.

ARTICLE 13
Registered Agent and Office

The initial registered office of the Association is _____, and the initial registered agent is HOAMCO,a _____ corporation.

Dated: _____.

ACCEPTANCE OF APPOINTMENT
AS REGISTERED AGENT

The undersigned, being duly sworn, accepts appointment as Registered Agent pursuant to the Nonprofit Corporation Act for Rancho Valencia Homeowners Association, Inc., a New Mexico nonprofit corporation.

STATE OF NEW MEXICO)
) SS.
COUNTY OF BERNALILLO)

The foregoing instrument was acknowledged before me this _____ day of _____, 2007, by _____.

NOTARY PUBLIC

BYLAWS
OF
RANCHO VALENCIA HOMEOWNERS ASSOCIATION INC.

1. Name, Principal Office, and Definitions.

A. Name. The name of the corporation is Rancho Valencia Homeowners Association Inc. (the "Association").

B. Principal Office. The principal office of the Association will be located in Valencia County, New Mexico. The Association may have such other offices, either within or outside the state of New Mexico, as the Board of Directors may determine or as the affairs of the Association may require.

A. Definitions. Capitalized terms will have the same meaning as set forth in that certain Declaration of Covenants, Conditions, Restrictions for Rancho Valencia filed in the real estate records of Valencia County, New Mexico, as it may be amended (the "Declaration"), unless the context indicates otherwise.

2. Association: Membership, Meetings, Quorum, Voting, Proxies.

A. Membership. The Association will have two classes of membership, Class A and Class B, as more fully described in the Declaration, the terms of which pertaining to membership are incorporated in these Bylaws by this reference. The Class B Member will be the Declarant.

(1) The Class B Membership will cease upon the happening of any of the following events, whichever occurs earlier:

(a) Until such time as the Class B Member no longer owns a Lot in Rancho Valencia; or

(b) January 1, 2020; or

(c) When the Declarant waives in writing its right to Class B Membership and agrees to the conversion of such into Class A Membership.

B. Place of Meetings. Meetings of the Association will be held at the principal office of the Association or at such other suitable place convenient to the Members as the Board may designate, either within the Properties or as convenient as possible and practical.

C. Annual Meetings. The first meeting of the Association, whether a regular

or special meeting, will be held within one (1) year from the date of incorporation of the Association. Meetings will be of the Members. Subsequent regular annual meetings will

be set by the Board so as to occur during the third quarter of the Association's fiscal year on a date and at a time set by the Board.

D. Special Meetings. The president of the Association (the "President") may call special meetings. In addition, it will be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by Members representing at least twenty-five percent (25%) of the total Class A Member votes of the Association.

E. Notice of Meetings. Written notice stating the place, day and hour of any meeting of the Members will be delivered or sent, either personally or by mail, to each Member entitled to vote at such meeting, not less than ten (10) or more than fifty (50) days before the date of such meeting, by or at the direction of the President, the secretary of the Association (the "Secretary") or other officers.

(1) In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called will be stated in the notice. No business will be transacted at a special meeting except as stated in the notice.

(2) If mailed, the notice of a meeting will be deemed to be delivered when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage prepaid.

F. Waiver of Notice. Waiver of notice of a meeting of the Members will be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member will be deemed waiver by such Member of notice of the time, date and place of the meeting, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also will be deemed waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

G. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting may adjourn the meeting to a time not less than five (5) or more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business may be transacted that might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting will be given to Members in the manner prescribed for regular meetings.

The Member present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that any action taken is approved by at least a majority of the votes required to constitute a quorum.

H. Voting. The voting rights of the Members will be as provided in the Declaration and in these Bylaws, and such voting rights provisions are specifically incorporated in these Bylaws by this reference.

I. Eligibility to Vote: Definition of Good Standing. Only Members in good standing will be entitled to vote at any membership meeting. In order to be in good standing, a Member must be current in the payment of all Assessments levied against the Member's Lot as of the day of the meeting.

J. Proxies. Members may cast votes in person or by proxy, subject to the limitations of New Mexico law relating to use of general proxies and subject to any specific provision to the contrary in the Declaration or these Bylaws. Every proxy will be in writing specifying the Lot for which it is given, signed by the Member or his duly authorized attorney-in-fact, dated, and filed with the secretary of the Association prior to the meeting for which it is to be effective.

Unless otherwise specifically provided in the proxy, a proxy will be presumed to cover all votes that the Member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy will prevail, or if dated as of the same date, both will be deemed invalid. Every proxy will be revocable and will automatically cease upon conveyance of any Lot for which it was given, upon receipt by the Secretary of written notice of revocation of the proxy or of the death or judicially declared incompetence of a Member who is a natural person, or eleven (11) months from the date of the proxy, unless a shorter period is specified in the proxy.

H. Majority. As used in these Bylaws, the term "majority" will mean those votes, Owners, or other group as the context may indicate, totaling more than fifty percent (50%) of the total eligible number.

I. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence of Members representing twenty percent (20%) of the total Class A votes in the Association will constitute a quorum at all meetings of the Association.

J. Conduct of Meetings. The President will preside over all meetings of the Association, and the Secretary will keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings. In the absence of specific rules to the contrary, meetings are to be governed and conducted according to the latest edition of Robert's Rules of Order Revised.

H. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the Members may be taken without a meeting, without prior notice and without a vote if written consent specifically authorizing the proposed action is signed by all Members entitled to vote on such matter.

H. 3. Board of Directors: Number, Powers, Meetings.

A. Governing Body Composition. The affairs of the Association will be governed by a Board of Directors, each member of which will have one equal vote. Except with respect to members of the Board of Directors (each a "Director" and, together, the "Directors") appointed by the Class B Member, the Directors will be Members. In the case of a Member that is not a natural person, any officer, Director, partner or trust officer of such Member will be eligible to serve as a Director unless otherwise specified by written notice to the Association signed by such Member; provided, no Member may have more than one such representative on the Board at a time, except in the case of Directors appointed by the Class B Member.

B. Number of Directors. The Board will consist of three (3) to five (5) Directors, as provided in Subsections 3.0 and 3.E. of these Bylaws. The initial Board will consist of three (3) Directors as identified in the Articles of Incorporation.

C. Directors During Class B Control Period. Subject to the provisions of Subsection 3.E. of these Bylaws, the Class B membership will exist and the Directors will be selected by the Class B Member acting in its sole discretion and will serve at the pleasure of the Class B Member until the first to occur of the following (the "Class B Control Period) after which the Directors appointed by the Declarant will serve until their respective successors are elected:

(1) Two (2) years after the Declarant has ceased to offer Lots for sale in the ordinary course of business;

(2) January 1, 2020; or

(3) When, in its discretion, the Class B Member so determines.

Notwithstanding the foregoing if the Declarant voluntarily relinquishes its right to appoint and remove Directors of the Association prior to the termination of the Declarant's appointment rights, pursuant to this Section 3, the Declarant reserves the right to approve or disapprove specific actions of the Association as provided below.

D. Nomination and Election Procedures.

(1) Nomination of Directors. Except with respect to Directors selected by the Class B Member, nominations for election to the Board will be made by the Class A Members. If the Class A Members fail to nominate sufficient Directors for the number of positions to be filled as provided in Subsection 3.E. of these Bylaws, the Directors will nominate additional Directors so that there are sufficient Directors for the number of positions to be filled as provided in Subsection 3.E. of these Bylaws. All candidates will have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

(2) Election Procedures. Each Member may cast one vote for each position to be filled from the list of candidates on which such Member is entitled to vote.

There will be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes will be elected. Directors may be elected to serve any number of consecutive terms.

E. Election and Term of Office. Notwithstanding the above or any other provision of these Bylaws:

(1) Five-Member Board. Within one hundred twenty (120) days after the time that Owners, other than Declarant, own ninety-five percent (95%) of the Lots in the Property, or whenever the Declarant earlier determines, the Board will be increased to five Directors. The President will call for an election by which the Class A Members will be entitled to elect two of the five Directors, who will serve as at-large Directors. The remaining three Directors will be appointees of the Declarant. The Directors elected by the Class A Members will not be subject to removal by the Declarant and will be elected for a term of two years.

(2) Within one hundred twenty (120) days after the termination of the Class B Control Period, the Association will hold an election at which the Class A Members will be entitled to elect four of the five Directors. The Directors elected by the Class A Members will serve for a term of two years. The Declarant will continue to have the right to appoint a Director so long as the Declarant owns a Lot in Rancho Valencia. Thereafter, the Declarant's appointee will resign after the remaining Directors have appointed a successor to serve as a Director until the next annual meeting, at which the Class A Members will elect all five (5) Directors.

F. Removal of Directors and Vacancies. Any Director elected by the Members may be removed, with or without cause, by the affirmative vote of Members representing more than sixty-seven percent (67%) of the total Class A votes in the Association. During the Class B Control Period, any Director elected by the Members representing the Class A Members will not be subject to removal by the Class B Member. Any Director whose removal is sought will be given notice prior to any meeting called for that purpose. Upon removal of a Director, a successor will be elected by the Members entitled to elect the Director so removed to fill the vacancy for the remainder of the term of such Director.

(1) Any Director elected by the Members who has three (3) consecutive unexcused absences from Board meetings, or who is more than thirty (30) days delinquent (or is the representative of a Member who is so delinquent) in the payment of any assessment or other charge due the Association, may be removed by a majority of the Directors present at a regular or special meeting at which a quorum is present, and the Board may appoint a successor to fill the vacancy for the remainder of the term.

(2) In the event of the death, disability, or resignation of a Director, the Board may declare a vacancy and appoint a successor to fill the vacancy

until the next annual meeting, at which time the Members entitled to fill such Directorship may elect a successor for the remainder of the term.

(3) The Class B Member will be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability or resignation of a Director appointed by or elected as a representative of the Class B Member.

G. Organizational Meetings. The first meeting of the Board following each annual meeting of the membership will be held within thirty (30) days thereafter at such time and place the Board will fix.

H. Regular Meeting. Regular meetings of the Board may be held at such time and place a majority of the Directors will determine, but at least four (4) such meetings will be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of a regular meeting will be communicated to Directors not less than four (4) days prior to the meeting; provided, however, notice of a meeting need not be given to any Director who has signed a waiver of notice or a written consent to holding of the meeting.

Special Meetings. Special meetings of the Board will be held when called by written notice signed by the President, the vice president of the Association (the "Vice President") or by any two (2) Directors. The notice will specify the time and place of the meeting and the nature of any special business to be considered. The notice will be given to each Director by: (a) personal delivery; (b) first class mail, postage prepaid; (c) telephone communication, either directly to the Director or to a person at the Director's office or home who would reasonably be expected to communicate such notice promptly to the Director; or (d) telegram charges prepaid. All such notices will be given at the Director's telephone number or sent to the Director's address as shown on the records of the Association. Notices sent by first class mail will be deposited into a United States mailbox at least four (4) business days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph will be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

G. Waiver of Notice. The transactions of any meeting of the Board, however called and noticed or wherever held, will be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each of the Directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also will be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

K. Video and Telephonic Participation in Meetings. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone, video conference or similar

communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Subsection 3.K. will constitute presence in person at such meeting.

L. 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, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the Directors present at such meeting may adjourn the meeting to a time not less than five (5) or more than thirty (30) days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business that might have been transacted at the meeting originally called may be transacted without further notice.

M. Compensation. Directors will not receive any compensation from the Association for acting as such unless approved by Members representing a majority of the total Class A votes in the Association at a regular or special meeting of the Association. Any Director may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other Directors. Nothing in these Bylaws will prohibit the Association from compensating a Director, or any entity with which a Director is affiliated, for services or supplies furnished to the Association in a capacity other than as a Director pursuant to a contract or agreement with the Association, provided that such Director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board, excluding the interested Director.

N. Conduct of Meetings. The President will preside over all meetings of the Board, and the Secretary will keep a minute book of Board meetings, recording all Board Resolutions and all transactions and proceedings occurring at such meetings. In the absence of specific rules to the contrary, meetings are to be governed and conducted according to the latest edition of Robert's Rules of Order Revised.

K. Open Meetings. Subject to the provisions of Subsection 3.P. of these Bylaws, all meetings of the board will be open to all Members and, if required by law, all Owners, but attendees other than Directors may not participate in any discussion or deliberation unless permission to speak is given on their behalf by a Director. In such case, the President may limit the time any such individual may speak. Notwithstanding the above, the President may adjourn any meeting of the board and reconvene in executive session, and may exclude persons other than Directors, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, etc.

P. Action Without a Formal Meeting. Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all

of the Directors, and such consent will have the same force and effect as a unanimous vote.

Q. Powers. The Board will have all of the powers necessary for the administration of the Association's affairs and for performing all responsibilities and exercising all rights of the Association as set forth in the Declaration and Association Documents, and as provided by law. The Board may do or cause to be done all acts and things that the Declaration or Association Documents or New Mexico law do not direct be done and exercised exclusively by the Members or the membership generally.

R. Duties. The duties of the Board will include, without limitation:

(1) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common Expenses;

(2) levying and collecting such assessments from the Owners;

(3) providing for the operation, care, upkeep, and maintenance of the Common Areas as defined in the Declaration;

(4) designating, hiring and dismissing the personnel necessary to carry out the rights and responsibilities of the Association and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies and materials to be used by such personnel in the performance of their duties;

(5) depositing all funds received on behalf of the Association in a bank depository that it will approve, and using such funds to operate the Association; provided, any reserve funds may be deposited, in the Directors' best business judgment, in depositories other than banks;

(6) opening of bank accounts on behalf of the Association and designating the signatories required;

(7) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Declaration and these Bylaws;

(8) enforcing by legal means the provisions of the Declaration and bringing any proceedings that may be instituted on behalf of or against the Owners concerning the Association; provided, the Association will not be obligated to take action to enforce any covenant, restriction or rule that the Board in the exercise of its business judgment determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action;

(9) obtaining insurance as may be provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(10) paying the cost of all services rendered to the Association;

(11) keeping books with detailed accounts of the receipts and expenditures of the Association;

(12) making available to any prospective purchaser of a Lot, any Owner, and the holders, insurers, and guarantors of any Mortgage on a Lot, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Subsection 6.D. of these Bylaws;

(13) permitting utility suppliers to use such portions of the Common Area as maybe reasonably necessary to the ongoing development or operation of the Property; and

(14) indemnifying a Director, officer or committee member, or former Director, officer or committee member of the Association to the extent such indemnity is required or permitted by New Mexico law, the Articles of Incorporation or the Declaration;

S. Management. The Board may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board will authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but will not delegate policy making authority or those duties contained in Subsections 3.R.1, 3.R.2, 3.R.6, 3.R.7 and 3.R.8. of these Bylaws. The Declarant or an affiliate of the Declarant may be employed as managing agent or manager. The Board may delegate to one of its members, the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, that might arise between meetings of the Board.

T. Accounts and Report. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

(1) accrual accounting, as defined by generally accepted accounting principles, will be employed;

(2) accounting and controls should conform to generally accepted accounting principles;

(3) cash accounts of the association will not be commingled with any other accounts;

(4) no remuneration will be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts or otherwise (anything of value received will benefit the Association);

(5) any financial or other interest that the managing agent may have in any firm providing goods or services to the Association will be disclosed

promptly to the Board;

(6) commencing at the end of the quarter in which the first assessments are levied financial reports will be prepared for the Association at least quarterly containing:

(a) an income statement reflecting all income and expense activity for the preceding period on an accrual basis;

(b) a statement reflecting all cash receipts and disbursements for the preceding period;

(c) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(d) a balance sheet as of the last day of the preceding period; and

(e) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report and describing the status of any action to collect such assessments that remain delinquent (any assessment or installment thereof will be considered to be delinquent on the 15th day following the due date unless otherwise specified by Board resolution); and

(f) an annual report consisting of at least the following will be made available, upon written request, to each Member within one hundred twenty (120) days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report will be prepared on an audited, reviewed, or compiled basis, as the Board determines, by an independent public accountant.

U. Borrowing. The Association will have the power to borrow money for any legal purpose.

V. Right to Contract. The Association will have the right to contract with any Person for the performance of various duties and functions. This right will include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives and other owners or residents associations.

W. Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board will have the power to impose reasonable monetary fines, which will constitute a lien upon the Lot of the violator, and to suspend an Owner's right to vote for violation of any duty imposed under the Declaration. In addition, the Board may suspend any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than thirty (30) days delinquent in paying any assessment or other charges owed to the Association. In the event that any occupant, tenant, employee, guest or invitee of a Lot violates the Declaration and a fine is imposed, the fine will first be assessed against the occupant; provided, however, if the fine is not paid by the

occupant within the time period set by the Board, the Owner will pay the fine upon notice from the Association. The failure of the Board to enforce any provision of the Declaration, Bylaws or any rule will not be deemed a waiver of the right of the Board to do so thereafter.

(1) Notice. Prior to imposition of any sanction hereunder or under the Declaration, the Board or its delegate will serve the alleged violator with written notice describing (i) the nature of the alleged violation; (ii) the proposed sanction to be imposed; (iii) a period of not less than fifteen (15) days within which the alleged violator may present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Section 5 of these Bylaws; and (iv) a statement that the proposed sanction will be imposed as contained in the notice unless a challenge is begun within fifteen (15) days of the Notice. If a timely challenge is not made, the sanction stated in the notice will be imposed; provided the Board or Covenants Committee may, but will not be obligated to, suspend any proposed sanction if the violation is cured within the fifteen (15) day period. Such suspension will not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(2) Hearing. If a hearing is requested within the allotted fifteen (15) day period, the hearing will be held before the Covenants Committee, or if none has been appointed, then before the Board in executive session. The alleged violator will be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice will be placed in the minutes of the meeting. Such proof will be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, Director, or agent who delivered such notice. The notice requirement will be deemed satisfied if the alleged violator or its representative appears at the meeting. The minutes of the meeting will contain a written statement of the results of the hearing and the sanction, if any, imposed.

(3) Appeal. Following a hearing before the Covenants Committee, the violator will have the right to appeal the decision to the Board. To exercise this right, a written notice of appeal must be received by the Manager, President, or Secretary of the Association within fifteen (15) days after the hearing date.

(4) Additional Enforcement Rights. Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Declaration, these Bylaws, or the rules of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules) by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought will pay all costs, including reasonable attorney's fees actually incurred by the Board or Association. Any entry onto a Lot for purposes of exercising this power of self-help will not be deemed as trespass.

4. Officers.

A. Officers. The officers of the Association will be a President, Vice President, Secretary, and Treasurer. The President and Secretary will be elected from among the members of the Board; other officers may, but need not be members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it will deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

B. Election and Term of Office. The Board will elect the officers of the Association at the first meeting of the Board following each annual meeting of the Members, to serve until their successors are elected.

C. Removal and Vacancies. The Board may remove any officer whenever in its judgment the best interests of the Association will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

D. Powers and Duties. The officers of the Association will each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may specifically be conferred or imposed by the Board. The President will be the chief executive officer of the Association. The Treasurer will have primary responsibility for the preparation of the budget as provided for in the Declaration and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

A. Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation will take effect on the date of the receipt of such notice or at any later time specified in such notice, and unless otherwise specified in such notice, the acceptance of such resignation will not be necessary to make it effective.

F. Agreements, Contracts, Deeds, Lease, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association will be executed by at least two (2) officers or by such other person or persons as may be designated by Board resolution.

G. Compensation. Compensation of officers will be subject to the same limitations as compensation of Directors under Subsection 3.M. of these Bylaws.

5. Committees.

A. General. The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee will operate in accordance with the terms of such resolution.

B. Covenants Committee. In addition to any other committees that the Board may establish pursuant to Subsection 5.A. of these Bylaws, the Board may appoint a Covenants Committee consisting of at least three (3) Members. Acting in accordance with the provisions of the Declaration, these Bylaws, and resolutions the Board may adopt, the Covenants Committee, if established, will be the hearing tribunal of the Association and will conduct all hearings held pursuant to Subsection 3.W. of these Bylaws.

6. Right of Declarant to Disapprove Actions. So long as the Declarant owns a Lot in Rancho Valencia, the Declarant will have the right to disapprove any action, policy, or program of the Association, the Association's officers, the Board, and any committee which, in the judgment of the Declarant, would tend to impair the rights of the Declarant or Builders under the Declaration or these Bylaws, interfere with development, construction, or marketing of any portion of Rancho Valencia, or diminish the level of services being provided by the Association. This right to disapprove is in addition to, and not in lieu of, any right of Declarant to approve or disapprove specific actions of the Association, the officers of the Association, the Board, any sub-association or any committee.

A. The Declarant will be given prior written notice of all meetings and proposed actions to be approved at meetings (or by written consent in lieu of a meeting) of the Association, the Board, or any committee thereof. Such notice will be given by certified mail, return receipt requested, or by personal delivery at the address the Declarant has registered with the Secretary of the Association. The notice will specify the time and place of the meeting and will set forth with reasonable particularity the agenda for such meeting.

B. The Declarant will be given the opportunity at any such meeting to, from the floor, join in or have its representatives or agents join in discussion of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein. The Declarant, its representatives or agents may make its concerns, thoughts, and suggestions known to the Members, the Board and/or the members of the subject committee.

C. No action, policy, or program subject to the right of disapproval set forth herein will become effective or be implemented until and unless the requirements of Subsections 6.A. and 6.B. of these Bylaws have been met and the Declarant has not disapproved the action, policy or program prior to expiration of the time period set forth in Subsection 6.D. of these Bylaws.

C. The Declarant may exercise its right to disapprove at any time within ten (10) days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, or action taken by an officer without a meeting, at any time within ten (10) days following receipt of written notice of the proposed action. This right to disapprove may be used to block proposed actions, but will not extend to the requiring of any action or counteraction on behalf of any committee, the Board, or the Association unless such action or counteraction countermands an action,

policy or program that was not properly noticed and implemented in accordance with these Bylaws. The Declarant will not use its right to disapprove to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

7. Miscellaneous.

A. Fiscal Year. The fiscal year of the Association will be the calendar year unless the Board establishes a different fiscal year by resolution.

A. Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) will govern the conduct of Association proceedings when not in conflict with New Mexico law, the Articles of Incorporation, the Declaration, or these Bylaws.

A. Conflicts. If there are conflicts between the provisions of New Mexico law, the Articles of Incorporation, the Declaration, and these Bylaws, the provisions of New Mexico law, the Declaration, the Articles of Incorporation, and the Bylaws (in that order) will prevail.

A. Books and Records.

(1) Inspection by Members and Mortgagees. The Board will make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Lot: the Declaration, Bylaws, and Articles of Incorporation, including any amendments, the rules of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees. The Board will provide for such inspection to take place at the office of the Association or at such other place as the Board may designate.

(2) Rules for Inspection. The Board will establish rules with respect to:

(a) notice to be given to the custodian of the records;

(b) hours and days of the week when such an inspection may be made; and

(a) payment of the cost of reproducing documents requested.

E. Inspection by Directors. Every Director will have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make a copy of relevant documents at the expense of the Association.

E. Exceptions to Inspection Requirement. Notwithstanding any provision to the contrary, the Board will not be required to make available for inspection any portion of any book or record that relates to any of the following:

- (1) Personnel matters or a person's medical records;
- (2) Communication between an attorney for the Association and the Association
- (3) Pending or contemplated litigation;
- (4) Pending or contemplated matters relating to enforcement of the Declaration; or
- (5) Meeting minutes or other records of a session of a Board or Association meeting that is not required by law or by the Declaration or Association Documents to be open to all Members.

In addition, the Board will not be required to disclose or make available for inspection any financial or other records of the Association if disclosure would violate local, state, or federal law.

E. Notices. Except as otherwise provided in the Declaration or these Bylaws, all notices, demands, bills, statements, or other communications under the Declaration or these Bylaws will be in writing and will be deemed to have been duly given if delivered personally or if sent by United States mail, first class postage prepaid:

(1) if to a Member, at the address the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

(2) if to the Association, the Board, or the managing agent, at the principal office of the Association or the managing agent or at such other address as will be designated by notice in writing to the Members pursuant to this Subsection 7.G.

H. Indemnification. To the fullest extent permitted by New Mexico law, as amended from time to time, the Association will indemnify every officer, Director and committee member against all damages and expenses, including attorney fees, reasonably incurred in connection with any action, suit, or other proceeding brought against them (including any settlement thereof, if approved by the Board) to which he or she may be a party by reason of being or having been an officer, Director or committee member of the Association.

The officers, Directors, and committee members will not be liable for any mistake of judgment, negligent or otherwise, except for if the officers, Directors and committee members will be adjudged to be liable on the basis that he or she breached or failed to perform the duties of his or her office and the breach or failure to perform constitutes willful misconduct or recklessness. The officers and Directors will have no personal liability with respect to any contract or other commitment made or action taken in good

faith on behalf of the Association. The Association will indemnify and forever hold each such officer, Director, and committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification will not be exclusive of any other rights to which any present or former officer or Director may be entitled. The Association will, as a common expense, maintain adequate general liability and Directors and officers liability insurance to fund this obligation.

I. Amendment.

(1) By Class B Member. So long as the Class B membership exists, the Class B Member may unilaterally amend these Bylaws.

(2) By Members Generally. Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing more than fifty percent (50%) of the total Class A votes in the Association, and the consent of the Class B Member, if such exists. Notwithstanding the above, the percentage of votes necessary to amend a specific clause will not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(3) Validity and Effective Date of Amendments. Amendments to these Bylaws will become effective when two authorized officers of the Association have signed the amendment, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six (6) months of its recordation or such amendment will be presumed to have been validly adopted. In no event will a change of conditions or circumstances operate to amend any provisions of these Bylaws. No amendment may remove, revoke, or modify any right or privilege of the Class B Member without the written consent of the Class B Member, or the assignee of such right or Privilege.

The foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted by the consent of the Board of Directors of the Association on
, 2007.

Secretary

RANCHO VALENCIA - 2012 BUDGET

Annual Dues \$ 300
 Based on 81 homes \$ 24,300
 15 Non-Developer Owned Lots at 50% Assessment \$ 2,250
 Total Anticipated 2012 Assessments \$ 26,550

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
INCOME:													
2012 Assessments	\$ 26,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,550
Uncollected Assessment at 8.5%	\$ (2,257)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,257)
Developer contribution	\$ 2,250	\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ 9,000
Total Income	\$ 26,543	\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ 2,250	\$ -	\$ -	\$ 33,293
EXPENSE:													
Administrative													
Insurance	-	-	1,875	-	-	-	-	-	-	-	-	-	1,875
Management	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	1,050	12,600
Legal & Collections	25	25	25	175	75	-	-	-	-	-	-	-	325
Office Supplies	10	10	10	10	10	10	10	10	10	10	10	30	140
Postage	45	45	45	50	50	50	50	65	50	45	45	60	600
Printing/Copies	60	60	60	60	60	60	60	75	60	60	60	100	775
Tax Prep/Annual Report	-	-	185	-	-	-	-	-	-	-	-	-	185
Total Administrative	\$ 1,190	\$ 1,190	\$ 3,250	\$ 1,345	\$ 1,245	\$ 1,170	\$ 1,170	\$ 1,200	\$ 1,170	\$ 1,165	\$ 1,165	\$ 1,240	\$ 16,500
Common Area													
Landscape Contract	830	830	830	830	830	830	830	830	830	830	830	830	9,960
Landscape Extra / Repairs	140	140	140	140	140	140	140	140	140	140	140	140	1,680
Misc. Maintenance	75	75	75	75	75	75	75	75	75	75	75	75	900
Total Common Area	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 1,045	\$ 12,540
Utilities													
Electricity	170	170	170	170	170	170	170	170	170	170	170	170	2,040
Water/Sewer	25	50	50	100	100	150	150	150	75	50	25	25	950
Total Utilities	\$ 195	\$ 220	\$ 220	\$ 270	\$ 270	\$ 320	\$ 320	\$ 320	\$ 245	\$ 220	\$ 195	\$ 195	\$ 2,990
Taxes													
Corporation Commission	-	-	60	-	-	-	-	-	-	-	-	-	60
Total Taxes	\$ -	\$ -	\$ 60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60
Reserves													
Reserve Deposit	300	-	-	300	-	-	300	-	-	300	-	-	1,200
Total Expenses	\$ 2,730	\$ 2,455	\$ 4,575	\$ 2,960	\$ 2,560	\$ 2,535	\$ 2,835	\$ 2,565	\$ 2,460	\$ 2,730	\$ 2,405	\$ 2,480	\$ 33,290
Net Income/(Loss)	\$ 23,813	\$ (2,455)	\$ (4,575)	\$ (710)	\$ (2,560)	\$ (2,535)	\$ (585)	\$ (2,565)	\$ (2,460)	\$ (480)	\$ (2,405)	\$ (2,480)	\$ 3