

BYLAWS  
OF  
VALLE ESCONDIDO HOMEOWNERS' ASSOCIATION

REVISED JULY 3, 2010

ARTICLE I – MEMBERSHIP

Section 1. Members. The owners of improved real property (lots or lots plus dwelling, or any other improvement) within the Valle Escondido Subdivision, Taos County, New Mexico, as described in Exhibit A of the Weimer/Valle Escondido Corporation Agreement signed on June 30, 1978, are required to be members of Valle Escondido Homeowners' Association. As a condition of membership, the owners of real property are obligated to remit, on a timely basis, joining fees for new construction, annual membership dues, assessments and fees. Furthermore, all members are expected to be familiar with and in compliance with Valle Escondido Homeowners' Association Rules and Regulations for the use of facilities. Other owners of real property who have been granted or may be granted membership by the Board of Directors and/or the Association Membership may also be included. Guidelines for membership of real property owners outside of the above-described area must be approved by a majority of the Association members. Membership of real property owners whose property is located outside the Valle Escondido Subdivision must be approved by the Board of Directors.

Multiple ownership of any real property shall appoint one (1) owner, who will have one (1) vote for that property, and will pay the yearly membership dues and other costs, as determined by the Board and/or the Association Membership. Additional owners of real property with Full Membership will be considered guests and subject to all rules and regulations adopted by the Board of Directors and approved by the Association.

Full voting and equity Membership is reserved for only those real property owners within the above-stated boundaries and/or as otherwise stated in Section 1, paragraph 1, who are current on joining fees, dues, assessments, and other fees. Any additional membership categories must be approved by the Board of Directors and the Association Membership.

Section 2. Voting Rights. Each voting/equity member who has met all of the requirements of Section 1 above and whose payment of all required joining fees, dues, assessments and other fees is current, is entitled to cast one (1) vote at the regular and annual meetings, or any special meeting.

Section 3. Annual Meeting and Election of Directors. The annual meeting of the Members of the Association for the election of Directors and for the transaction of such other business as may properly come before the Members, shall be called by the Board of Directors between July 1<sup>st</sup> and July 10<sup>th</sup> of each year. The annual meeting shall be a general meeting open for the transaction of any business within the powers of the Association, without special notice of such business, except in the case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws. A nominating committee shall be appointed by the President/Chairman of the Board prior to the Memorial Day Weekend Board Meeting. This committee shall make its report with regard to upcoming vacancies on the Board and recommend nominees for such vacancies at the Memorial Day Weekend Board Meeting. Other nominations may be made by any Member prior to or at the Memorial Day Weekend Board Meeting. All nominees for Board vacancies must be qualified Full Members in good standing, who have agreed to serve on the Board if elected, and who will conscientiously try to attend all Board Meetings.

Section 4. Special Meetings. Special meetings of the Members of the Association shall be called at any time by the Secretary, upon the request of the President, upon resolution of the Board of Directors, or upon the request of no less than twenty-five (25%) percent of the Homeowners' Association.

Section 5. Place of Meetings. Meetings shall be held in the Valle Escondido Subdivision, Taos County, New Mexico, at the designated time and place.

Section 6. Notice of Meetings. Notice of every annual meeting and of every special meeting shall be served personally or by mail on each Member of the Association ten (10) days prior to the day of the meeting. All Members shall be notified of any special meeting giving date, time, place, and purpose of the meeting. If mailed, each notice shall be directed to each Member entitled to notice at their address as it appears on the records of the Association. A correct address, to be filed with the Secretary, is the individual responsibility of each Member.

Section 7. Quorum. At all meetings of the membership, those Members present shall constitute a quorum for any action governed by the Bylaws, unless otherwise specified in these Bylaws.

Section 8. Voting. At all meetings of the membership, all matters shall be decided by a majority of the votes of a quorum of the Members, unless otherwise specified in these Bylaws. Election of Directors may be cast in person or by mail ballots.

## ARTICLE II – BOARD OF DIRECTORS

Section 1. Management. The management of the Homeowners' Association shall be the responsibility of the Board of Directors (hereinafter sometimes referred to as the Board). The Directors Shall act as a Board and individual Directors shall have no power, as such. All Directors shall have the same rights and privileges without classification.

Section 2. Annual Meeting. The annual meeting of the Board for the election of officers and for the transaction of other business that shall come before the Board, should be held as soon as feasible following the annual meeting of the membership. Such annual meetings of the Board shall be general meetings open for the transaction of any business within the powers of the Board without special notice of such business, except in the case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws.

Section 3. Special Meetings. Special meetings of the Board shall be called at any time by the President/Chairman of the Board or by no less than fifty (50%) percent of the Directors.

Section 4. Place of Meetings. All special meetings of the Board shall be held at such places, within or outside the State of New Mexico, as shall be specified in the respective notices of such meetings or waivers thereof.

Section 5. Notice of Meetings. Notice of every special meeting of the Board shall be served in person, by phone, or by e-mail or by mail on each Director no less than two (2) days before the meeting. Such notice shall state the purpose or purposes of the meeting and shall state the time and place it is to be held. In the event a Director is unable to attend the meeting, if such Director wishes to express an opinion for or against certain matters to be discussed at the meeting, such opinion shall be transmitted to the Board for consideration at that special meeting. The business of the special meeting of the Board may be conducted at the notice site in person, or by phone, telephone conference call, or e-mail.

Section 6. Quorum. At all meetings of the Board, the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum and, except as otherwise provided by law or these Bylaws, the act of the majority of the Directors present shall be the act of the Board. However, all Members of the Board must be given the opportunity to vote via proxy, mail, or electronic device on issues that affect membership rights and all financial affairs, including, but not limited to: indebtedness, buying or selling of any Valle Escondido real property, and any action that is directly or indirectly related to the fiduciary responsibility of the Board.

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Section 7. Number of Directors. There shall be elected by the Members of the Association a Board of Directors consisting of no less than seven (7) nor more than eleven (11) persons, as determined by the Board, each of whom shall be a Full Member of the Association in good standing. Members in good standing have paid all dues, fees, and assessments and have not infringed upon any of the rules and regulations of the Association. Failure to maintain the status of Member in Good Standing shall automatically cause the removal of a Director from the Board.

Section 8. Election of Directors. All persons elected as Directors shall continue in office for three (3) years, serving from when elected in July until their successor shall have been duly elected and qualified, or until their earlier death, resignation, or removal from office, in accordance with these Bylaws. All vacancies on the Board of Directors, for whatever cause, may be filled by a majority vote of all remaining Directors at any Board meeting. A Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor, and until his/her successor is elected and qualified.

Section 9. Resignation and Removal of Directors. Any Director may resign at any time by submitting a written resignation to the Board. Any Director may be removed at any time, with or without cause, at any membership meeting, by a majority of the votes cast by the Association's Members present at such meeting.

Section 10. Right to Indemnification. Each Director and Officer of the Association shall be indemnified by the Association to the fullest extent authorized by the New Mexico Nonprofit Corporation Act, Section 53-8-26 NMSA 1978, against any claim, expense, liability and loss (including, without limitation, attorneys fees, judgments, fines, taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred by such Director or Officer of any action, suit or proceeding, or any threatened action, suit or proceeding, of any kind whatsoever (hereinafter a 'proceeding') to which such Director or Officer of the Association, or because of any action alleged to have been taken, omitted or neglected by any such person as such Director or Officer. Such indemnification shall extend to a person who has ceased to be an Officer or Director and shall inure to his or her heirs, executors, administrators or personal representatives. The Association shall pay the expenses incurred by a Director or Officer in defending any proceeding in advance of its final disposition upon delivery to the corporation of an agreement by the Director or Officer to repay all amounts so advanced if it is ultimately determined that such Director or Officer is not entitled to be indemnified under this Article or otherwise. In the case of a proceeding initiated by a Director or Officer, the Association shall only indemnify such Director and Officer if such proceeding was authorized by the Board of the Association.

Right of Indemnity to Bring Suit. If a valid claim pursuant to subsection 6.01 of this Article is not paid in full by the Association within ninety (90) days after a written claim has been received by the Association, the claimant may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid the expense of prosecuting such claim.

### ARTICLE III – OFFICERS

Section 1. Number of Officers. The Officers of the Association shall be a President/Chairman of the Board of Directors, one or more Vice Presidents, a Secretary, and a Treasurer. With the exception of the President and the First Vice President, Officers need not be Directors.

Section 2. Election of Officers. The Officers shall be elected annually at each annual meeting of the Board by a plurality of the votes cast and they may succeed themselves in office. Each person elected an officer of the Association shall continue in office until the next annual meeting after his/her election, or until his/her earlier death, resignation, or removal in accordance with these Bylaws. Vacancies of officers caused by death, resignation, removal, or by increase in the number of officers may be filled by a majority vote of the Board at a special meeting called for that purpose or at any regular meeting.

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Section 3. Removal of Officers. Any Officer may be removed at any time, with or without cause, by a majority vote of the whole Board of Directors.

Section 4. President. The President of the Association shall be elected from among the Directors and shall also serve as Chairman of the Board. The President shall be the chief executive officer of the Association and shall have general supervision over the affairs and property of the Association and over its several officers, and shall generally do and perform all acts incident to the office of President and shall have such additional powers and duties as may be assigned to him/her by the Board. When authorized by the Board, the President may sign and execute, in the name of the Association, deeds, mortgages, bonds, contracts, or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Association.

Section 5. Vice Presidents. The Board may elect one or more Vice Presidents and shall determine their compensation, if any. At the request of the President or in his/her absence or disability, the First Vice President shall perform all the duties of the President and when so acting, shall have all the powers and be subject to all the restrictions of the President. When authorized by the Board, any Vice President may sign and execute, in the name of the Association, deeds, mortgages, bonds, contracts, or other instruments authorized by the Board, except in the cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some officer or agent of the Association. The Vice Presidents shall perform such other duties as may be assigned to them by the Board or by the President.

Section 6. Treasurer. The Board shall elect a Treasurer and shall determine his/her compensation, if any. The Treasurer shall act under the supervision of the Board and shall have charge and custody of, and be responsible for, all the funds and assets of the Association. He/she is responsible for the maintenance of accurate and adequate records of the assets, liabilities, and business transactions of the Association. The Treasurer shall deposit, or have deposited, all monies and other valuable effects of the Association. The Treasurer shall deposit all monies and other valuable effects in the name of and to the credit of the Association in such banks, trust companies, or other depositories. The Treasurer shall disburse or supervise the disbursements of the Association based upon proper vouchers for such disbursements. In general, he/she shall perform the duties incident to the office of Treasurer and such other duties as may be assigned by the Board or the President. The Treasurer is responsible for the preparation of all books and documentation necessary for the annual audit to be conducted by the Finance Committee. As required by the Board, the Treasurer shall give a bond for the faithful discharge of his/her duties in such sum and with such surety or sureties, as the Board shall determine. The expense of such bond shall be paid for by the Association.

Section 7. Secretary. The Board shall elect a Secretary and shall determine his/her compensation, if any. The Secretary shall act as secretary/recorder of the Association and shall keep the minutes of all meetings of the Board and of the general membership, maintaining them in one or more books provided for that purpose and, whenever required by the President, the Secretary shall perform like duties for any committee, provided, however, that in the absence of the Secretary, a majority of the membership of the Directors present at any meeting thereof may designate any person to act as Secretary for such meeting. The Secretary shall see that all notices are duly given in accordance with these Bylaws and as required by law. The Secretary shall have charge of the books, records, legal documents, and papers of the Association relating to its organization as an Association duly incorporated under the laws of the State of New Mexico, as a nonprofit corporation, and shall see that all reports, statements, and other documents required by law are properly kept or timely filed, except to the extent that the same are to be kept or filed by the Treasurer. In general, he/she shall perform all of the duties incident to the office of Secretary and such other duties as may be required or assigned to him/her by the Board of Directors or the President of the Association.

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## ARTICLE IV – COMMITTEES

Section 1. Executive Committee. The Executive Committee shall be elected annually at the annual meeting of the Board by a majority of the whole Board. The Executive Committee shall consist of not less than three (3) persons designated by a majority of the whole Board. Any member or members of the Executive Committee may be removed from membership on said Committee at any time, with or without cause, by a vote of the majority of the whole Board at any meeting of the Board. The President of the Association shall be an ex-officio member of the Executive Committee.

The Executive Committee shall, during the intervals between regular meetings of the Board, possess and exercise all of the powers of the Board in the management of the business affairs and the property of the Association, except as otherwise provided by law, by these Bylaws, or by resolution of the Board. These powers specifically exclude amending these Bylaws, the sale or purchase of real property not specifically included in the operating plan/budget, or the change in membership fees, costs or rights. The presence of a majority of the members of the Committee shall be necessary and sufficient to constitute a quorum, and the act of the majority of the members of the Committee present shall be the act of the Committee. A majority of the Committee may be achieved via proxy, phone or other electronic means. The Committee shall keep full and fair records and accounts of its proceedings and transactions. All actions by the Executive Committee shall be reported to the Board of Directors in a sufficient and timely manner as to allow the Board to exercise and maintain its appropriate administrative and fiduciary responsibility. Committee actions shall be subject to revision and/or alteration by the Board, provided that any revision or alteration shall affect no rights of the third person.

Section 2. Standing Committees. The Board may appoint such individuals as they see fit to serve on standing committees. By resolution, the Board may establish such standing committees for which they see a need to serve the best interests of the Association. Unless the Board shall provide otherwise, such committees shall enact rules and regulations required and necessary for its governance. The Board may also disband standing committees as it sees fit. All standing committees shall meet at least once a year and the Board shall require a written report of such meeting(s).

## ARTICLE V – ANNUAL DUES, ASSESSMENTS AND FEES

Section 1. Annual Budget and Assessments and Fees. On or before the 31<sup>st</sup> day of December of each year, the Board shall determine and approve the Annual Budget for the upcoming fiscal year. Thereafter, it shall be the Board's responsibility to determine and establish the amount of annual dues, assessments, guest fees, standby fees, \* and special assessments to be paid by the entire membership of the Homeowners' Association and the entire list of lot owners of record. Annual dues shall not be increased by more than twenty percent (20%) without the approval of the Association's membership. Such dues, assessments, and standby fees shall be billed on or before the 20<sup>th</sup> day of January of each year to all Homeowners and Lot owners by mail, at their last known address on file with the Secretary. The Board of Directors will determine the due date for all dues, assessments and fees. The failure of a Homeowner or lot owner to timely pay such dues, assessments, and fees shall result in the automatic imposition of the following penalties, which can and will be legally enforced under the terms of these Bylaws:

1. Annual dues, fees and/or assessments are legal obligations and it is assumed that Real Property owners and other members (see Article 1, Section 1, Paragraph 1) accept full responsibility for timely payment of same. Real Property owners and other members who do not pay their dues, fees, and/or assessments as directed by the Board of Directors shall be subject to penalty as determined by the Board. Payments must be received by the due date or enclosed with envelopes postmarked on or before the due date.

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2. Real Property owners and other members who are in arrears are not only subject to a financial penalty as mentioned above, but other sanctions including, but not limited to, temporary loss of voting privileges, representation at membership meetings, and other membership privileges such as use of association water supply, golf course, swimming pool, etc.
3. A Real Property owner or other member who remains in arrears for longer than 90 days shall receive official notification from the elected treasurer of Valle Escondido Homeowners' Association. Such notification will be sent to the officially provided address via certified mail with return receipt requested. Failure to make the accounts current within a two-week period from receipt of the notification will result in further more severe actions being taken. In addition to the required late fee being assessed, the party in arrears may be required to remit a water hook-up fee when water has been turned off, the amount of which is established by the Board. In addition, the delinquent account will be referred to the Association's attorney for collection and other legal action, which includes placing a lien on the property in question.

**\*Standby Fees Defined:** Due to the fact that properties at Valle Escondido enjoy increases in value and the costs associated with infrastructure maintenance, there shall be collected each year from the owners of vacant lots a specified sum of money, to be determined by the Board. Weimer properties shall be treated as agreed by the VE Board of Directors.

**Exception.** The Board may authorize postponement of "standby fees" to property owners with a cabin/residence who have purchased adjoining or buffer lots [not to exceed a total of three (3) lots]. Should these "buffer" lots be sold or built upon in any way that alters the single dwelling status, all deferred standby fees, and an amount sufficient to cover all related interest for the same period, shall be charged and collected retroactive to the date fees were deferred. The Board of Directors may also approve additional contiguous lot(s), i. e., real property, as "buffer lots" where it is clear that the owner's intent is to maintain the total as a single resident property. This approval is to be in writing and all provisions acknowledged by the owner and the Board's representative. The agreement to postpone standby fees is not transferable without the written approval of the Board of Directors. Once granted, the agreement cannot be revoked while the current membership, i. e., current Member, is in good standing.

The postponement of "standby fees" directly affects the immediate and long-term fiscal position of the Association; therefore, the Board must give careful consideration to the effects of their actions and provide a full report to the Association Membership at the annual meeting.

Section 2. **Charter Membership.** In recognition of their contributions to the Valle Escondido community, Charter Membership will be granted to Members (as an individual or a married couple with a residence) who have maintained membership in good standing for thirty (30) years. Membership years as a dependent (other than as a spouse) are not counted toward achieving Charter Membership status. Eligible Members as of January 2001 will thereafter pay annual dues not to exceed those charged as of January 1, 2001. Members who qualify for Charter Membership status beginning January 1, 2002 or in subsequent years will thereafter owe annual dues at the rate in effect as of January 1 of the year they qualify for Charter Membership status. Guest Fees will be charged as determined by the Board of Directors or the Homeowner's Association. There will be no other assessments, fees or costs charged to Charter Membership. Once obtained, Charter Membership cannot be revoked unless there is a violation of Valle Escondido rules and regulations, as adopted by the VE full members. As of September 4, 2004, Valle Escondido Homeowners' voted and approved to discontinue the issue of any new Charter Memberships. However, existing Charter Memberships will be honored.

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## ARTICLE VI – RULES AND REGULATIONS

The following Rules and Regulations are not intended to be a substitute for being a good neighbor. Valle Escondido is a community that is committed to sharing the benefits of living in a uniquely beautiful physical setting and to caring for our neighbors, while respecting our individuality and celebrating diversity. The following Rules and Regulations are intended to protect assets and to help manage risks of the Association and the real property owners of the VE community. Membership means acceptance of VE Rules and Regulations and acknowledgment of both the methods for amendment and importance of enforcement. Patience, persistence, civility and a sense of humor will guide our behavior in the acceptance and enforcement of all Rules and Regulations.

**Section 1. Rules and Regulations.** The Board of Directors shall be responsible for the establishment and posting of rules and regulations for Valle Escondido Homeowners' Association members and real property owners. Compliance with these rules and regulations is the responsibility of each member. Enforcement of compliance with all adopted Rules and Regulations is the responsibility of the Board of Directors. The Board will establish the necessary processes for full enforcement and non-compliance can result in sanctions, including fines, suspension and/or loss of membership, and legal remedies as determined appropriate.

## ARTICLE VII – MISCELLANEOUS PROVISIONS

**Section 1. Fiscal Year.** The fiscal year of the Association shall commence on January 1 and end on December 31 of each calendar year.

**Section 2. Execution of Contracts.** The President, or other authorized representative of the Board, may enter into any contract or execute any agreement or other instrument in the name of and on behalf of the Association only if it is within the approved budget/plan of the Association. The execution of any contract or other instrument, written or otherwise, that goes beyond the Association's current fiscal period, or is not specifically included in an approved budget or plan that covers a longer period, may not be authorized or executed by any member of the Board or Association. e. g., an employee agreement for budgeted/planned staffs or services may be approved.

**Section 3. Loans.** No loan shall be contracted on behalf of the Valle Escondido Homeowners' Association unless authorized and approved by the Board of Directors. No loan, contract or obligation may be entered into without the full effect on operating budgets, dues and other costs understood by the Board and explained at the Association's annual meeting.

**Section 4. Commercial Paper.** All checks, drafts, or other orders for the payment of money out of the funds of the Association, and all notes or evidences of indebtedness of the Association, shall be executed on behalf of the Association by such officers, employees, or agents as the Board may, by resolution, from time to time determine, provided, however, that all such documents shall be in accordance with the procedure recommended by the Treasurer and approved by the Board of Directors.

**Section 5. Deposits.** All funds of the Association not otherwise employed shall be deposited to the credit of the Association in such banks, trust companies, or other depositories as the Board may from time to time select, or as may be selected by any officer or employee of the Association to whom such power may be delegated by the Board. For the purpose of such deposit, any officer or any employee to whom such power may be delegated by the Board may endorse, assign, and deliver checks, drafts, and other orders for the payment of money which are payable to the order of the Association.

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Section 6. Land Use. Land and improved property, such as roads, ponds, maintenance areas and the clubhouse area, including golf, owned by Valle Escondido Homeowners' are designated as common (recreational or open space) may not be reclassified or otherwise used without a two thirds (2/3) approval of the Association Membership. This is not meant to preclude the continued development of the Clubhouse, existing maintenance facilities or the VE water system, i.e., wells, tanks and related structures. Only real property clearly designated and previously platted and suitable for development may be sold, traded or otherwise disposed of by the Association. Any unplatted parcels of real property must be maintained by the Association as common, open, or buffer space.

Section 7. Standards for the Improvement and Maintenance of Real Property. The Board of Directors will develop and the Homeowners' Association shall adopt Standards for the development and maintenance of real property within the Valle Escondido Subdivision. These Standards also apply to all others who have chosen and have been granted Membership. The owners of real property must comply with these Standards. The Board of Directors must enforce these standards and annually report status to the Association Membership.

Section 8. Water Rights. Water rights within the Valle Escondido Subdivision, Taos County, New Mexico owned by the Valle Escondido Homeowners' Association are managed by the Board of Directors for the joint benefit of real property owners (voting and equity) who are members of the Valle Escondido Homeowners' Association. The water rights are designated as common to the entire membership and may not be reclassified or otherwise used without a two-thirds (2/3) approval of the Association membership.

Section 9. Rentals. No lot owned by a Member of the Association shall be used for any purpose other than a residential single-family dwelling. No condominiums, townhouses, duplexes, or apartments shall be constructed in Valle Escondido Subdivision. A dwelling shall not be used as a boarding house or divided into apartments or rooms for rental purposes.

This section does not prevent the rental or lease of the whole dwelling by the owner thereof, but any such rental or lease must comply with the rental policy adopted by the Board of Directors. At a minimum, such rental policy must: (i) require a tenant to comply with these Bylaws and all rules, regulations, property restrictions, and policies adopted by the Board of Directors and/or the Members of the Association; and (ii) prohibit rentals or leases with a term of less than 180 days. The Board of Directors is authorized to establish penalties for the violation of this Section and for the violation of the rental policy adopted by the Board. Such penalties shall be described in the rental policy.

#### ARTICLE VIII—AMENDMENT OF BYLAWS

Section 1. Bylaws. These Bylaws may be amended, altered, or repealed by action of a two-thirds (2/3) majority of the membership present at any annual meeting or any special meeting of the membership called for this purpose.

Section 2. Amendment. Any amendment to these Bylaws shall be filed with the State Corporation Commission, Santa Fe, New Mexico as provided by law.

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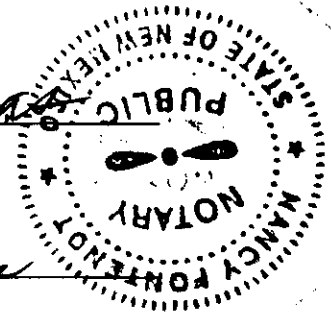


Amendment approved by two-thirds majority vote of the membership of Valle Escondido Homeowners' Association attending the July 3, 2010 Annual Meeting.

IN WITNESS WHEREOF, we, the undersigned officers of the VALLE ESCONDIDO HOMEOWNERS' ASSOCIATION, a New Mexico nonprofit corporation, have hereunto set our hand to this document this 20<sup>th</sup> day of August, 2010.

  
KATHY DELUCAS, PRESIDENT  
BOARD OF DIRECTORS

  
SUSAN FOWLER, SECRETARY  
BOARD OF DIRECTORS



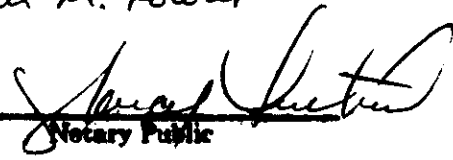
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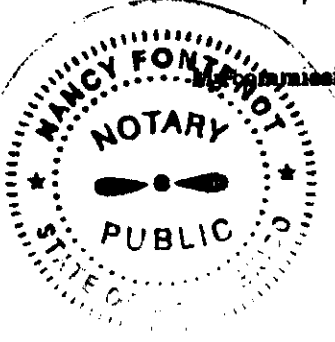
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State of New Mexico

County of Taos

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of August, 2010, by  
Kathy L. Delucas and Susan M. Fowler

My commission expires 4/27/2011   
Notary Public



Valle Escondido Homeowners' Association

RENTAL POLICY

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- A. WHEREFORE, the Board of Directors ("BOD") of the Valle Escondido Homeowners' Association ("VEHA" or the "Association") is charged with many responsibilities, including the care and maintenance of Association property and the preservation of property values within VEHA subdivisions; and
- B. WHEREFORE, knowing the occupants of homes within the VEHA subdivisions will assist the Board in carrying out its duties pursuant to the Bylaws and Rules and Regulations of VEHA; and
- C. WHEREFORE, it is in the best interest of all members of the Association to ensure that members and their tenants are familiar with and are in compliance with all VEHA bylaws, rules, regulations, property restrictions and policies; and
- D. WHEREFORE, it is important for the Association to have adequate information with which to communicate with all people residing in the VEHA subdivisions; and
- E. WHEREFORE, on July 3, 2010, the membership of VEHA adopted a bylaw concerning rentals that requires the BOD to adopt a rental policy (see Article VII, Section 9); and
- F. WHEREFORE, the new bylaw concerning rentals requires the BOD's rental policy to, at a minimum:
  - 1. require a tenant to comply with VEHA bylaws and all rules, regulations; property restrictions and policies adopted by the BOD and/or the Association;
  - 2. prohibit rentals or leases with a term of less than 180 days; and
  - 3. establish penalties for violation of the rental policy.

NOW, THEREFORE, IT IS RESOLVED that the BOD does hereby adopt the following resolution as a policy for the rental/lease of homes within the VEHA subdivisions:

- 1. Rental/Lease Restrictions.
  - a. A VEHA member who is delinquent in the payment of any dues, assessments, charges, fees or other sums due to the Association may not rent or lease his or her property until all delinquent sums have been paid in full.
  - b. All rental/lease agreements must be in writing.
  - c. No rental/lease shall be for a period of less than 180 days.
  - d. No subleases are allowed.
  - e. The VEHA member must provide his or her tenant with a copy of the most current VEHA Bylaws and Rules and Regulations.

- f. Within thirty (30) days after the execution of a rental/lease agreement, the VEHA member must provide a copy of the agreement to the Association, along with the name, home telephone number, work telephone number, mobile telephone number and email address of every tenant signing the rental/lease agreement.
- g. A VEHA member who rents/leases his or her property shall pay a \$100.00 administrative fee to VEHA, which is due within thirty (30) days of the execution of any rental/lease agreement or renewal thereof.

**2. Disclosure of Association Rules to Tenant.**

- a. At or before the time a rental/lease agreement is signed between a VEHA member and a tenants or tenants, the member or the member's agent shall provide copies of the VEHA Bylaws and Rules and Regulations, and any amendments to those documents, to the tenant. Copies of the Bylaws and Rules and Regulations may be obtained by calling the VEHA Secretary.
- b. Within thirty (30) days of the execution of a rental/lease agreement, the VEHA member shall submit to the Association an acknowledgment signed by all tenants indicating that they have received copies of the most recent VEHA Bylaws and Rules and Regulations and agree to be bound by them.

**3. Required Rental/Lease Agreement Provisions.**

All rental/lease agreements must include the following written provision, which is binding on the tenant, his family members and his guests (collectively referred to as "tenant"):

Tenant acknowledges receipt of the most current VEHA Bylaws and Rules and Regulations and understands and acknowledges that he, his family members and his guests are fully subject to these documents and must comply them in all respects.

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**4. Membership Dues/Use of VEHA Amenities.**

- a. A VEHA member who has rented or leased his or her property shall continue to pay his or her annual membership dues in a timely manner. The VEHA member shall not be allowed to use any VEHA amenities (including the golf course, swimming pool and fishing lakes) during the term of the rental/lease agreement except upon an additional payment of an amount equal to one-half of the member's usual annual dues. Tenants and property owners are also required to pay the standard guest fees that apply.
- b. Tenants and their family members and guests shall be entitled to use VEHA amenities subject to compliance with the VEHA Rules and Regulations so long as the VEHA member's dues are current.
- c. The VEHA Secretary shall determine the type and color of identification cards to be issued to tenants, their family members and guests for use of VEHA facilities.

5. **Liability for Damage to VEHA Property.** A VEHA member is liable for, and VEHA will seek reimbursement from a member for, any damage to Association property caused by a member's tenant, the tenant's family member or the tenant's guest. The BOD encourages each VEHA member who rents or leases his or her property to require the tenant to carry liability insurance.
6. **Effective Date of This Policy.**
  - a. All provisions of this policy shall become effective immediately for all rental/lease agreements that VEHA members enter into on or after July 3, 2010, including renewals of any existing rental/lease agreements that become effective on or after this date.
  - b. All existing written or verbal rental/lease agreements shall be subject to all provisions of this policy upon renewal.
7. **Penalty for Noncompliance.** A VEHA member's noncompliance with any provision of this Rental Policy may result in the imposition of sanctions, penalties and restrictions as set forth in Article V, Section 1, Paragraph Nos. 1 and 2 of the VEHA Bylaws.
8. **Amendments.** The BOD may amend this Rental Policy at any time when an amendment is deemed necessary.

Rental Policy adopted this 3<sup>rd</sup> day of July, 2010, by Resolution of the Board of Directors of Valle Escondido Homeowners' Association.

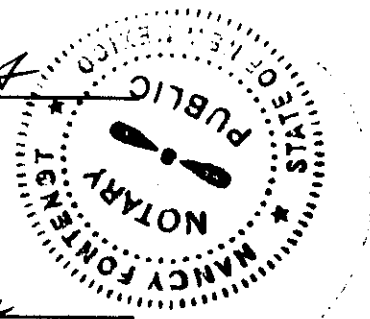
IN WITNESS WHEREOF, we the undersigned officers of the VALLE ESCONDIDO HOMEOWNERS' ASSOCIATION, a New Mexico nonprofit corporation, have hereunto set our hand to this document this 20<sup>th</sup> day of August, 2010.

Kathy DeLucas

KATHY DELUCAS, PRESIDENT  
BOARD OF DIRECTORS

Susan M. Fowler

SUSAN FOWLER, SECRETARY  
BOARD OF DIRECTORS



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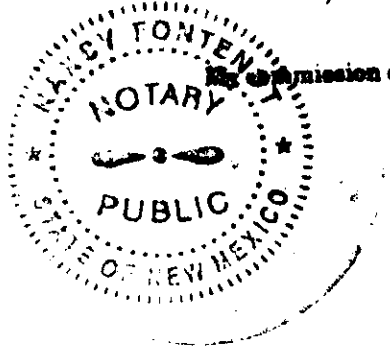
State of New Mexico

County of Taos

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of August, 2009,  
Kathy L. Delueca and Susan M. Fowler

My commission expires 4/22/2011

Janey Fontenay  
Notary Public



STANDARDS FOR THE IMPROVEMENT AND MAINTENANCE OF REAL PROPERTY WITHIN  
VALLE ESCONDIDO SUBDIVISION

July 3, 2010

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1. APPLICABILITY

- A. Every person acquiring legal or equitable title to any improved lot or multiple lots (improved means including a dwelling and other improvements) or any person building a house or cabin on any lot or tract of lots within the Valle Escondido Subdivision is required to become a member of Valle Escondido Homeowners' Association (VEHA). It is the property owner's responsibility to comply with the VEHA Bylaws and the VEHA Rules and Regulations.
- B. A joining fee that is subject to change on approval of the Board of Directors must be remitted upon approval of building plans by the Architectural Review Committee. The joining fee must be paid when the owner picks up the approved plans from the designated Architectural Review Committee member. Plans will not be mailed or otherwise conveyed until the joining fee payment is made in full.
- C. The annual membership dues (commencing January 1<sup>st</sup> each year) and all other fees and assessments are to be paid in full. If any dues or fees are in arrears, construction will be halted until they are current.

2. PROCEDURES FOR BUILDING

- A. All plans, including any separate building or structure incidental to the single family dwelling (e.g. garage, workshop, etc.), must be submitted to the Architectural Review Committee and approved or disapproved by the Committee prior to beginning of construction. Said Architectural Review Committee may be contacted at 28 Lodge Road, Taos, New Mexico 87571.
- B. Such plans submitted to the Architectural Review Committee must have a plot plan showing location of the building on the lot, setback of the front property line, as well as side and rear set backs. The set of plans shall include architectural, mechanical, and electrical details, be approved by the State of New Mexico, have permits issued by Taos County. Building heights will be taken into consideration as to their visual impact on adjoining lots and must be approved by the Architectural Review Committee.
- C. The Architectural Review Committee shall have at least three members who shall unanimously approve all plans submitted to the Committee. When a unanimous decision cannot be reached, the Committee shall bring the plans to the Board of Directors for approval or disapproval.
- D. The Architectural Review Committee must notify the property owner of their action within thirty (30) days. All major changes in the approved plans must be resubmitted for Committee action.
- E. No individual Committee member can speak for or obligate the Committee or VEHA. Property owner approval must be in writing from the Committee or the VEHA Board of Directors.
- F. No VEHA Committee or Board action negates the property owner's responsibility to comply with State and Local law, ordinance or policy.

### 3. LAND USE AND IMPROVEMENTS

- A. There shall be only one cabin or single family residence per lot and that single family residence shall have a minimum of one thousand five hundred (1,500) square feet. Owners of multiple lots, or lots having been recently subdivided, requesting a second residence must submit plans and plot plans to the Architectural Review Committee for approval. This includes remodeling and changes to existing structures. Any use of multiple property through subdivision must comply with all VEHA Rules and Regulations.
- B. No structure is to be built closer than 25 (twenty-five) feet from the front property line, nor closer than 7 (seven) feet from the side and back property line.
- C. No cement block may be used in construction except for the purpose of foundations and fireplaces, and any block construction shall be veneered with wood siding, stone, or stucco. This shall be addressed after review of probable house setting, taking into consideration lot and grading requirements.
- D. All electrical and other wiring shall be underground from the electric meter to the house.
- E. It is the intent of these restrictions to create and preserve a rustic appearance in Valle Escondido Subdivision. All buildings must be constructed of logs, native rock, simulated log siding (no log slabs), stained rough lumber, wood shingles, or wood siding. Earth-tone colors are required and must be approved by the Committee.
- F. The VEHA Architectural Review Committee may approve all other types of manufactured homes, modular homes, and kit homes. The VEHA Architectural Review Committee and the Board of Directors reserve the absolute authority to approve or disapprove all housing and other construction, or modifications of the land or appearance thereof. This is to include, but not limited to, method of manufacture. No housing generally considered as mobile or rollaway will be considered for approval.
- G. No roof shall be covered with a corrugated galvanized material; however, a manufactured colored metal material, consistent with Valle Escondido approved colors, may be used. It is the intent of this restriction to permit propanel type roofing materials meeting these color and low light reflectivity requirements as approved by the Committee.
- H. All chimneys shall be equipped with adequate spark arrestors.
- I. The exterior of a structure must be completed within a period of one year.
- J. During construction, trailer homes or tents shall be permitted for a period of one year. The lot/work site is to be kept safe, sanitary, and tidy. Prior to commencement of construction, there shall be no trailers, tents, or camping.
- K. Outhouses are prohibited on any lot except a toilet intended to be used during the construction of a home. This unit must be EID approved, maintained and its use limited to one year.
- L. No property shall be used for any purpose other than owner-residence property. No condominiums, townhouses, duplexes, or apartments shall be constructed in Valle Escondido Subdivision.



- M. It is recommended that a Legal Survey by a licensed New Mexico surveyor be taken prior to beginning construction. Any and all costs related to the building or improvement of any lot resulting from the lack of a Legal Survey, or for any other cause, are the responsibility of the property owner.

#### 4. GENERAL RESTRICTIONS

- A. No domestic water well or other type well shall be drilled, constructed or utilized within the Subdivision as long as the member of Valle Escondido Homeowner's Association is connected to the Valle Escondido Water Association System. Any well drilled and in operation as of July 1, 1993 or any future well approved by the Board of Directors shall be exempt from this regulation. Any water well drilled must comply with State regulations and not result in a joint or combined system.
- B. Any and all major exterior changes (changes that are clearly not simple renovations or repairs) **MUST BE APPROVED BY** the Architectural Review Committee and are subject to these "Restrictions." Interior changes or modifications that alter the land, building or water use of the property **MUST LIKEWISE BE APPROVED.**
- C. In order to preserve the rustic appearance of Valle Escondido Subdivision, perimeter fencing shall be prohibited. Decorative fencing less than three (3) feet in height and constructed of natural materials is permitted. Limited pet enclosures are permitted that meet the following minimum requirements: maximum height of six (6) feet, maximum area of 600 square feet, wood posts, wire fencing for transparency. No pet enclosures shall be allowed in lot setbacks. The Architectural Review Committee must approve any and all fencing. (9/4/04)
- D. Outdoor lighting shall be controlled so that it is not offensive. Lighting that creates a nuisance to another is prohibited.
- E. No owner of a property or any other person shall be permitted to store wrecked vehicles on a lot or on any street. Heavy equipment and construction-type equipment and other vehicles not customarily associated with single family residence property are not permitted on the property or roads. Motor homes and recreational trailers of any type may only be kept on the property for short periods and may not be occupied; long-term storage is not permitted. Any and all recreational vehicles and equipment must be kept in a safe and tidy fashion.
- F. All property, whether occupied or unoccupied, or any improvements thereon, shall at all times be maintained in such manner as to prevent their becoming unsightly by the accumulation of rubbish or debris thereon. The Valle Escondido Homeowner's Association, after due notification, shall have the right to enter such a lot for purposes of correction. Thirty (30) days after the property owner has been notified in writing shall be considered due notification. Any costs incurred shall be billed to the property owner.
- G. No animals or livestock of any description, except a reasonable number of the usual household pets, shall be kept on any lot. However, the Board of Directors will establish in 2004, and maintain thereafter, a limited program to graze, water, and board livestock on pond-side lots and pond-side common areas. This program is to comply with State requirements for livestock ponds ownership. It will be reviewed annually and reported to the VE Homeowners' Association. The Board of Directors will approve type and numbers of livestock for this program.

5. VARIANCES

- A. The Architectural Review Committee may allow reasonable variances and adjustment of these restrictions in order to overcome practical difficulties and prevent unnecessary hardships; provided it is done with the APPROVAL OF THE BOARD OF DIRECTORS and that it is done in conformity with the intent and purpose set forth in this document.

6. REMEDIES

- A. The Valle Escondido Homeowner's Association may proceed by law to prevent the occurrence, continuation, or violation of any of these restrictions. No delay or failure to enforce these restrictions shall be interpreted as a waiver to these restrictions.
- B. Violation of these restrictions will not be permitted. The Architectural Review Committee will review potential infractions from their observation and those brought by VEHA Members. The Committee will recommend sanctions/actions to the Board of Directors. The property owner must verify approval of any and all variances. If any property owners, after reviewing these restrictions, notice they are in violation of the above, they must submit a request for a variance. The Architectural Review Committee is committed to enforcing these restrictions.

7. AMENDMENTS TO PROPERTY AND BUILDING RESTRICTIONS

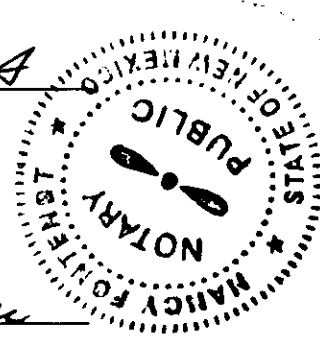
- A. Any additions, revisions or amendments to the Property, Building and Land Use Restrictions must be in accordance with Article VII, Section 7 of the Valle Escondido Bylaws as revised and adopted July 2001.

Modification approved by unanimous vote of the membership of Valle Escondido Homeowners' Association attending the July 3, 2010, annual meeting.

IN WITNESS WHEREOF, we, the undersigned officers of the VALLE ESCONDIDO HOMEOWNERS' ASSOCIATION, a New Mexico nonprofit corporation, have hereunto set our hand to this document this 20th day of August, 2010.

Kathy DeLucas  
KATHY DELUCAS, PRESIDENT  
BOARD OF DIRECTORS

Susan M. Fowler  
SUSAN FOWLER, SECRETARY  
BOARD OF DIRECTORS



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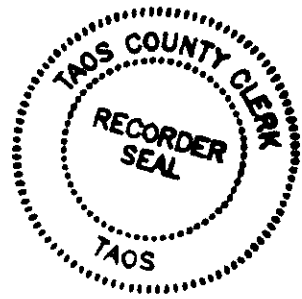
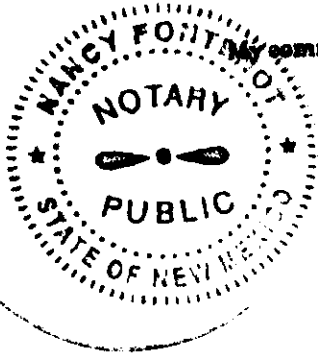
State of New Mexico

County of Taos

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of August, 2010,  
Kathy L. Delucas and Susan M. Fowler

My commission expires 4/22/2011

[Signature]  
Notary Public



BYLAWS  
OF  
VALLE ESCONDIDO HOMEOWNERS' ASSOCIATION

REVISED JULY, 2001

ARTICLE I – MEMBERSHIP

Section 1. Members. The owners of real property within the Valle Escondido Subdivision, Taos County, New Mexico, as described in Exhibit A of the Weimer/Valle Escondido Corporation Agreement signed on June 30, 1978, shall be entitled to membership in the Association upon payment in full of joining fees, annual membership dues, assessments, special assessments, or fees, and in full compliance with all rules and regulations as set by the Board of Directors and /or the Association. Other owners of real property who have been granted or may be granted membership by the Board of Directors and/or the Association Membership may also be included. Guidelines for membership of real property owners outside of the above-described area must be approved by a majority of the Association members.

Multiple ownership of any residential (cabin/residence) real property shall appoint one (1) owner, who will have one (1) vote for that property, and will pay the yearly membership dues and other costs, as determined by the Board and/or the Association Membership. Additional owners of real property with Full Membership will be considered guests and subject to all rules and regulations adopted by the Board of Directors and approved by the Association.

Full (voting/equity) Membership is reserved for only those real property owners within the above-stated boundaries and/or as otherwise stated, who have paid all joining fees, dues, assessments, and other fees as determined by the Board and approved by the Association membership. And, only these Full Memberships will be equity Memberships. The Board of Directors and the Association Membership must approve all other “member” categories.

Section 2. Voting Rights. Each Full Membership that has met all of the requirements of Section 1 above shall be entitled to cast one (1) vote at the annual meeting of the membership, or any special meeting.

Section 3. Annual Meeting and Election of Directors. The annual meeting of the Members of the Association for the election of Directors and for the transaction of such other business as may properly come before the Members, shall be called by the Board of Directors between July 1<sup>st</sup> and July 10<sup>th</sup> of each year. The annual meeting shall be a general meeting open for the transaction of any business within the powers of the Association, without special notice of such business, except in the case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws. A nominating committee shall be appointed by the President/Chairman of the Board prior to the Memorial Day Weekend Board Meeting. This committee shall make its report with regard to upcoming vacancies on the Board and recommend nominees for such vacancies at the Memorial Day Weekend Board Meeting. Other nominations may be made by any Member prior to or at the Memorial Day Weekend Board Meeting. All nominees for Board vacancies must be qualified Full Members in good standing, who have agreed to serve on the Board if elected, and who will conscientiously try to attend all Board Meetings.

Section 4. Special Meetings. Special meetings of the Members of the Association shall be called at any time by the Secretary, upon the request of the President, upon resolution of the Board of Directors, or upon the request of no less than twenty-five (25%) percent of the Homeowners' Association.

Section 5. Place of Meetings. Meetings shall be held in the Valle Escondido Subdivision, Taos County, New Mexico, at the designated time and place.

Section 6. Notice of Meetings. Notice of every annual meeting and of every special meeting shall be served personally or by mail on each Member of the Association ten (10) days prior to the day of the meeting. All Members shall be notified of any special meeting giving date, time, place, and purpose of the meeting. If mailed, each notice shall be directed to each Member entitled to notice at their address as it appears on the records of the Association. A correct address, to be filed with the Secretary, is the individual responsibility of each Member.

Section 7. Quorum. At all meetings of the membership, those Members present shall constitute a quorum for any action governed by the Bylaws, unless otherwise specified in these Bylaws.

Section 8. Voting. At all meetings of the membership, all matters shall be decided by a majority of the votes of a quorum of the Members, unless otherwise specified in these Bylaws. Election of Directors may be cast in person or by mail ballots.

## ARTICLE II – BOARD OF DIRECTORS

Section 1. Management. The management of the Homeowners' Association shall be the responsibility of the Board of Directors (hereinafter sometimes referred to as the Board). The Directors Shall act as a Board and individual Directors shall have no power, as such. All Directors shall have the same rights and privileges without classification.

Section 2. Annual Meeting. The annual meeting of the Board for the election of officers and for the transaction of other business that shall come before the Board, should be held as soon as feasible following the annual meeting of the membership. Such annual meetings of the Board shall be general meetings open for the transaction of any business within the powers of the Board without special notice of such business, except in the case where special notice is required by law, by the Articles of Incorporation, or by these Bylaws.

Section 3. Special Meetings. Special meetings of the Board shall be called at any time by the President/Chairman of the Board or by no less than fifty (50%) percent of the Directors.

Section 4. Place of Meetings. All special meetings of the Board shall be held at such places, within or outside the State of New Mexico, as shall be specified in the respective notices of such meetings or waivers thereof.

Section 5. Notice of Meetings. Notice of every special meeting of the Board shall be served personally, by phone, or by mail on each Director no less than two (2) days before the meeting. Such notice shall state the purpose or purposes of the meeting and shall state the time and place it is to be held. In the event a Director is unable to attend the meeting, if such Director wishes to express an opinion for or against certain matters to be discussed at the meeting, such opinion shall be transmitted to the Board for consideration at that special meeting.

Section 6. Quorum. At all meetings of the Board, the presence of a majority of the Directors shall be necessary and sufficient to constitute a quorum and, except as otherwise provided by law or these Bylaws, the act of the majority of the Directors present shall be the act of the Board. However, all Members of the Board must be given the opportunity to vote via proxy, mail, or electronic device on issues that affect membership rights and all financial affairs, including, but not limited to: indebtedness, buying or selling of any Valle Escondido real property, and any action that is directly or indirectly related to the fiduciary responsibility of the Board.

Section 7. Number of Directors. There shall be elected by the Members of the Association a Board of Directors consisting of no less than seven (7) nor more than eleven (11) persons, as determined by the Board, each of whom shall be a Full Member of the Association in good standing. Members in good

standing have paid all dues, fees, and assessments and have not infringed upon any of the rules and regulations of the Association. Failure to maintain the status of Member in Good Standing shall automatically cause the removal of a Director from the Board.

Section 8. Election of Directors. All persons elected as Directors shall continue in office for three (3) years, serving from when elected in July until their successor shall have been duly elected and qualified, or until their earlier death, resignation, or removal from office, in accordance with these Bylaws. All vacancies on the Board of Directors, for whatever cause, may be filled by a majority vote of all remaining Directors at any Board meeting. A Director thus elected to fill any vacancy shall hold office for the unexpired term of his/her predecessor, and until his/her successor is elected and qualified.

Section 9. Resignation and Removal of Directors. Any Director may resign at any time by submitting a written resignation to the Board. Any Director may be removed at any time, with or without cause, at any membership meeting, by a majority of the votes cast by the Association's Members present at such meeting.

Section 10. Right to Indemnification. Each Director and Officer of the Association shall be indemnified by the Association to the fullest extent authorized by the New Mexico Nonprofit Corporation Act, Section 53-8-26 NMSA 1978, against any claim, expense, liability and loss (including, without limitation, attorneys fees, judgments, fines, taxes or penalties, and amounts paid or to be paid in settlement) reasonably incurred by such Director or Officer of any action, suit or proceeding, or any threatened action, suit or proceeding, of any kind whatsoever (hereinafter a 'proceeding') to which such Director or Officer of the Association, or because of any action alleged to have been taken, omitted or neglected by any such person as such Director or Officer. Such indemnification shall extend to a person who has ceased to be an Officer or Director and shall inure to his or her heirs, executors, administrators or personal representatives. The Association shall pay the expenses incurred by a Director or Officer in defending any proceeding in advance of its final disposition upon delivery to the corporation of an agreement by the Director or Officer to repay all amounts so advanced if it is ultimately determined that such Director or Officer is not entitled to be indemnified under this Article or otherwise. In the case of a proceeding initiated by a Director or Officer, the Association shall only indemnify such Director and Officer if such proceeding was authorized by the Board of the Association.

Right of Indemnity to Bring Suit. If a valid claim pursuant to subsection 6.01 of this Article is not paid in full by the Association within ninety (90) days after a written claim has been received by the Association, the claimant may at any time thereafter bring suit against the Association to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid the expense of prosecuting such claim.

### ARTICLE III – OFFICERS

Section 1. Number of Officers. The Officers of the Association shall be a President/Chairman of the Board of Directors, one or more Vice Presidents, a Secretary, and a Treasurer. With the exception of the President and the First Vice President, Officers need not be Directors.

Section 2. Election of Officers. The Officers shall be elected annually at each annual meeting of the Board by a plurality of the votes cast and they may succeed themselves in office. Each person elected an officer of the Association shall continue in office until the next annual meeting after his/her election, or until his/her earlier death, resignation, or removal in accordance with these Bylaws. Vacancies of officers caused by death, resignation, removal, or by increase in the number of officers may be filled by a majority vote of the Board at a special meeting called for that purpose or at any regular meeting.

Section 3. Removal of Officers. Any Officer may be removed at any time, with or without cause, by a majority vote of the whole Board of Directors.

Section 4. President. The President of the Association shall be elected from among the Directors and shall also serve as Chairman of the Board. The President shall be the chief executive officer of the Association and shall have general supervision over the affairs and property of the Association and over its several officers, and shall generally do and perform all acts incident to the office of President and shall have such additional powers and duties as may be assigned to him/her by the Board. When authorized by the Board, the President may sign and execute, in the name of the Association, deeds, mortgages, bonds, contracts, or other instruments authorized by the Board, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some other officer or agent of the Association.

Section 5. Vice Presidents. The Board may elect one or more Vice Presidents and shall determine their compensation, if any. At the request of the President or in his/her absence or disability, the First Vice President shall perform all the duties of the President and when so acting, shall have all the powers and be subject to all the restrictions of the President. When authorized by the Board, any Vice President may sign and execute, in the name of the Association, deeds, mortgages, bonds, contracts, or other instruments authorized by the Board, except in the cases where the signing and execution thereof shall be expressly delegated by the Board or by these Bylaws to some officer or agent of the Association. The Vice Presidents shall perform such other duties as may be assigned to them by the Board or by the President.

Section 6. Treasurer. The Board shall elect a Treasurer and shall determine his/her compensation, if any. The Treasurer shall act under the supervision of the Board and shall have charge and custody of, and be responsible for, all the funds and assets of the Association. He/she is responsible for the maintenance of accurate and adequate records of the assets, liabilities, and business transactions of the Association. The Treasurer shall deposit, or have deposited, all monies and other valuable effects of the Association. The Treasurer shall deposit all monies and other valuable effects in the name of and to the credit of the Association in such banks, trust companies, or other depositories. The Treasurer shall disburse or supervise the disbursements of the Association based upon proper vouchers for such disbursements. In general, he/she shall perform the duties incident to the office of Treasurer and such other duties as may be assigned by the Board or the President. The Treasurer is responsible for the preparation of all books and documentation necessary for the annual audit to be conducted by the Finance Committee. As required by the Board, the Treasurer shall give a bond for the faithful discharge of his/her duties in such sum and with such surety or sureties, as the Board shall determine. The expense of such bond shall be paid for by the Association.

Section 7. Secretary. The Board shall elect a Secretary and shall determine his/her compensation, if any. The Secretary shall act as secretary/recorder of the Association and shall keep the minutes of all meetings of the Board and of the general membership, maintaining them in one or more books provided for that purpose and, whenever required by the President, the Secretary shall perform like duties for any committee, provided, however, that in the absence of the Secretary, a majority of the membership of the Directors present at any meeting thereof may designate any person to act as Secretary for such meeting. The Secretary shall see that all notices are duly given in accordance with these Bylaws and as required by law. The Secretary shall have charge of the books, records, legal documents, and papers of the Association relating to its organization as an Association duly incorporated under the laws of the State of New Mexico, as a nonprofit corporation, and shall see that all reports, statements, and other documents required by law are properly kept or timely filed, except to the extent that the same are to be kept or filed by the Treasurer. In general, he/she shall perform all of the duties incident to the office of Secretary and such other duties as may be required or assigned to him/her by the Board of Directors or the President of the Association.

#### ARTICLE IV – COMMITTEES

Section 1. Executive Committee. The Executive Committee shall be elected annually at the annual meeting of the Board by a majority of the whole Board. The Executive Committee shall consist of not less than three (3) persons designated by a majority of the whole Board. Any member or members of the Executive Committee may be removed from membership on said Committee at any time, with or without cause, by a vote of the majority of the whole Board at any meeting of the Board. The President of the Association shall be an ex-officio member of the Executive Committee.

The Executive Committee shall, during the intervals between regular meetings of the Board, possess and exercise all of the powers of the Board in the management of the business affairs and the property of the Association, except as otherwise provided by law, by these Bylaws, or by resolution of the Board. These powers specifically exclude amending these Bylaws, the sale or purchase of real property not specifically included in the operating plan/budget, or the change in membership fees, costs or rights. The presence of a majority of the members of the Committee shall be necessary and sufficient to constitute a quorum, and the act of the majority of the members of the Committee present shall be the act of the Committee. A majority of the Committee may be achieved via proxy, phone or other electronic means. The Committee shall keep full and fair records and accounts of its proceedings and transactions. All actions by the Executive Committee shall be reported to the Board of Directors in a sufficient and timely manner as to allow the Board to exercise and maintain its appropriate administrative and fiduciary responsibility. Committee actions shall be subject to revision and/or alteration by the Board, provided that any revision or alteration shall affect no rights of the third person.

Section 2. Standing Committees. The Board may appoint such individuals as they see fit to serve on standing committees. By resolution, the Board may establish such standing committees for which they see a need to serve the best interests of the Association. Unless the Board shall provide otherwise, such committees shall enact rules and regulations required and necessary for its governance. The Board may also disband standing committees as it sees fit. All standing committees shall meet at least once a year and the Board shall require a written report of such meeting(s).

#### ARTICLE V – ASSESSMENTS AND FEES

Section 1. Annual Budget and Assessments and Fees. On or before the 31<sup>st</sup> day of December of each year, the Board shall determine and approve the Annual Budget for the upcoming fiscal year. Thereafter, it shall be the Board's responsibility to determine and establish the amount of annual dues, assessments, guest fees, standby fees, \* and special assessments to be paid by the entire membership of the Homeowners' Association and the entire list of lot owners of record. Annual dues shall not be increased by more than twenty percent (20%) without the approval of the Association's membership. Such dues, assessments, and standby fees shall be billed on or before the 20<sup>th</sup> day of January of each year to all Homeowners and Lot owners by mail, at their last known address on file with the Secretary. The Board of Directors will determine the due date for all dues, assessments and fees. The failure of a Homeowner or lot owner to timely pay such dues, assessments, and fees shall result in the automatic imposition of the following penalties, which can and will be legally enforced under the terms of these Bylaws:

1. Members and other real property owners who do not pay their dues, fees and/or assessments as directed by the Board of Directors shall be subject to penalty, as determined by the Board. Payments must be received by the due date, or enclosed within envelopes postmarked prior to the due date. Payments received after the deadline will be accepted and the Member/real property owner will be advised of any additional fees or penalties.



2. Nonpayment shall result in actions/sanctions, i. e., suspension or loss of water and other services, as prescribed by the Board of Directors.
3. In the event it becomes necessary for the Association to suspend or deny membership privileges and/or other services, the property owner will be notified at the officially provided address via certified mail, return receipt requested. All intended sanctions, i. e., the suspension of services, liens, etc. will be made explicit.

**\*Standby Fees Defined:** Due to the fact that properties at Valle Escondido enjoy increases in value and the costs associated with infrastructure maintenance, there shall be collected each year from the owners of vacant lots a specified sum of money, to be determined by the Board. Weimer properties shall be treated as agreed by the VE Board of Directors.

Exception. The Board may authorize postponement of “standby fees” to property owners with a cabin/residence who have purchased adjoining or buffer lots [not to exceed a total of three (3) lots]. Should these “buffer” lots be sold or built upon in any way that alters the single dwelling status, all deferred standby fees, and an amount sufficient to cover all related interest for the same period, shall be charged and collected retroactive to the date fees were deferred. The Board of Directors may also approve additional contiguous lot(s), i. e., real property, as “buffer lots” where it is clear that the owner’s intent is to maintain the total as a single resident property. This approval is to be in writing and all provisions acknowledged by the owner and the Board’s representative. The agreement to postpone standby fees is not transferable without the written approval of the Board of Directors. Once granted, the agreement cannot be revoked while the current membership, i. e., current Member, is in good standing.

The postponement of “standby fees” directly affects the immediate and long-term fiscal position of the Association; therefore, the Board must give careful consideration to the effects of their actions and provide a full report to the Association Membership at the annual meeting.

Section 2. Charter Membership. In recognition of their contributions to the Valle Escondido community, Charter Membership will be granted to Members (as an individual or a married couple with a residence) who have maintained membership in good standing for thirty (30) years. Membership years as a dependent (other than as a spouse) are not counted toward achieving Charter Membership status. Eligible Members as of January 2001 will thereafter pay annual dues not to exceed those charged as of January 1, 2001. Members who qualify for Charter Membership status beginning January 1, 2002 or in subsequent years will thereafter owe annual dues at the rate in effect as of January 1 of the year they qualify for Charter Membership status. Guest Fees will be charged as determined by the Board of Directors or the Homeowner’s Association. There will be no other assessments, fees or costs charged to Charter Membership. Once obtained, Charter Membership cannot be revoked unless there is a violation of Valle Escondido rules and regulations, as adopted by the VE full members.

## ARTICLE VI – RULES AND REGULATIONS

The following Rules and Regulations are not intended to be a substitute for being a good neighbor. Valle Escondido is a community that is committed to sharing the benefits of living in a uniquely beautiful physical setting and to caring for our neighbors, while respecting our individuality and celebrating diversity. The following Rules and Regulations are intended to protect assets and to help manage risks of the Association and the real property owners of the VE community. Membership means acceptance of VE Rules and Regulations and acknowledgment of both the methods for amendment and importance of enforcement. Patience, persistence, civility and a sense of humor will guide our behavior in the acceptance and enforcement of all Rules and Regulations.

Section 1. Rules and Regulations. The Board of Directors shall be responsible for the establishment and posting of rules and regulations for Valle Escondido Homeowners' Association members and real property owners. Compliance with these rules and regulations is the responsibility of each member. Enforcement of compliance with all adopted Rules and Regulations is the responsibility of the Board of Directors. The Board will establish the necessary processes for full enforcement and non-compliance can result in sanctions, including fines, suspension and/or loss of membership, and legal remedies as determined appropriate.

#### ARTICLE VII – MISCELLANEOUS PROVISIONS

Section 1. Fiscal Year. The fiscal year of the Association shall commence on January 1 and end on December 31 of each calendar year.

Section 2. Execution of Contracts. The President, or other authorized representative of the Board, may enter into any contract or execute any agreement or other instrument in the name of and on behalf of the Association only if it is within the approved budget/plan of the Association. The execution of any contract or other instrument, written or otherwise, that goes beyond the Association's current fiscal period, or is not specifically included in an approved budget or plan that covers a longer period, may not be authorized or executed by any member of the Board or Association. e. g., an employee agreement for budgeted/planned staffs or services may be approved.

Section 3. Loans. No loan shall be contracted on behalf of the Valle Escondido Homeowners' Association unless authorized and approved by the Board of Directors. No loan, contract or obligation may be entered into without the full effect on operating budgets, dues and other costs understood by the Board and explained at the Association's annual meeting.

Section 4. Commercial Paper. All checks, drafts, or other orders for the payment of money out of the funds of the Association, and all notes or evidences of indebtedness of the Association, shall be executed on behalf of the Association by such officers, employees, or agents as the Board may, by resolution, from time to time determine, provided, however, that all such documents shall be in accordance with the procedure recommended by the Treasurer and approved by the Board of Directors.

Section 5. Deposits. All funds of the Association not otherwise employed shall be deposited to the credit of the Association in such banks, trust companies, or other depositories as the Board may from time to time select, or as may be selected by any officer or employee of the Association to whom such power may be delegated by the Board. For the purpose of such deposit, any officer or any employee to whom such power may be delegated by the Board may endorse, assign, and deliver checks, drafts, and other orders for the payment of money which are payable to the order of the Association.

Section 6. Land Use. Valle Escondido Association owned real property (specifically land, but including the Clubhouse area and those related to VE maintenance) designated as common (recreational or open space) may not be reclassified or otherwise used without a two thirds (2/3) approval of the Association Membership. This is not meant to preclude the continued development of the Clubhouse, existing maintenance facilities or the VE water system. i. e., wells, tanks and related structures. Only real property clearly designated and previously platted and suitable for development may be sold, traded or otherwise disposed of by the Association. Any unplatted parcels of real property must be maintained by the Association as common, open, or buffer space.

Section 7. Standards for the Improvement and Maintenance of Real Property. The Board of Directors will develop and the Homeowner's Association shall adopt Standards for the development and maintenance of real property within the Valle Escondido Subdivision. These Standards also apply to all others who have chosen and have been granted Membership. The owners of real property must comply with these Standards. The Board of Directors must enforce these standards and annually report status to the Association Membership.

ARTICLE VIII—AMENDMENT OF BYLAWS

Section 1. Bylaws. These Bylaws may be amended, altered, or repealed by action of a two-thirds (2/3) majority of the membership present at any annual meeting or any special meeting of the membership called for this purpose.

Section 2. Amendment. Any amendment to these Bylaws shall be filed with the State Corporation Commission, Santa Fe, New Mexico as provided by law.

IN WITNESS WHEREOF, we, the undersigned officers of the VALLE ESCONDIDO HOMEOWNERS' ASSOCIATION, a New Mexico nonprofit corporation, have hereunto set our hand to this document this 7<sup>th</sup> day of July, 2001.

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BEN MASON, PRESIDENT  
BOARD OF DIRECTORS

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DAVE MEREDITH, SECRETARY  
BOARD OF DIRECTORS