

Exhibit B to Disclosure Statement

**BYLAWS OF
THE POWDERHORN ASSOCIATION**

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Article 1

1.1 Applicability. These Bylaws provide for governance of the Association pursuant to the requirements of §47-7C-6 of the Condominium Act. The Property, located in Taos Ski Valley, New Mexico, and more particularly described in the Declaration, has been submitted to the provisions of the Condominium Act by recordation of the Declaration among the land records of Taos County in Book _____ at _____ pages, on the ____ day of _____, 2005.

1.2 Definitions. Capitalized terms used herein without definition shall have the meanings specified for such terms in the Declaration creating this Condominium or, if not defined therein, the meanings specified for such terms in §47-7A-3 of the New Mexico Condominium Act. References to "Condominium Act" or "the Act" mean the New Mexico Condominium Act, Laws 1982, Chapter 27, being §§47-7A-1 *et seq.*, N.M.S.A., 1978 Comp.

1.3 Compliance. Pursuant to the provisions of §47-7C-2 of the Condominium Act, every Owner and all those entitled to occupy a Unit shall comply with these Bylaws.

1.4 Office. The office of the Condominium, the Association, and the Directors shall be located at the Property or at such other place as may be designated from time to time by the Directors.

Article 2 Owners' Association

2.1 Composition. The Association shall consist of a New Mexico non-profit corporation. The Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Association by the Condominium Act and the Declaration. Except as to those matters which the Condominium Act specifically requires to be performed by the vote of the Association, the foregoing responsibilities shall be performed by the Directors or Managing Agent as more particularly set forth in Article 3 of these Bylaws.

2.2 Membership. Ownership of a Unit is required in order to qualify for membership in the Association. Any person on becoming an owner of a Unit shall automatically become a member of the Association and be subject to these Bylaws.

2.3 Annual Meetings. The annual meetings of the Association shall be held no later than thirty-five (35) days before the beginning of the fiscal year. At such annual meetings the Directors shall be elected by ballot of the

Owners in accordance with the requirements of §3.4 of these Bylaws.

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

2.5 Special Meetings. The President shall call a special meeting of the Association if so directed by resolution of the Directors or upon a petition signed and presented to the Secretary by Owners of not less than twenty percent (20%) of the Owners. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

2.6 Notice of Meetings. The Secretary shall mail to each Owner a notice of each meeting of the Association at least ten (10) but not more than sixty (60) days prior to such meeting, stating the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes and any proposal to remove a Director or officer. The mailing of a notice of meeting in the manner provided in this Section and §11.1 of these Bylaws shall be considered service of notice.

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

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

- (a) Roll call and determination of quorum;
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Report of Directors;
- (f) Reports of committees;
- (g) Election or appointment of inspectors of election (when so required);
- (h) Election of Directors (when so required);
- (i) Unfinished business;
- (j) New Business.

2.9 Title to Units. Title to a Unit may be taken in the name of one or more persons, in any manner permitted by law. The Association may acquire, hold and transfer full legal title to one or more Units in the Condominium in its own name.

2.10 Voting.

2.10.1 The vote to which each Owner is entitled shall be the voting interest assigned to his Unit in the Declaration. Where the ownership of a Unit is in more than one person, the person who shall be entitled to cast the vote of such Unit shall be the person named in a certificate executed by all of the Owners of such Unit and filed with the Secretary or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Unit shall be the person owning such Unit who is present. If more than one person owning such Unit is present, then such vote shall be cast only in accordance with the agreement of a majority of them pursuant to §47-7C-10 of the Condominium Act. Such certificate shall be valid until revoked by a subsequent certificate similarly executed.

2.10.2 Subject to the requirements of §47-7C-10 of the Condominium Act, wherever the approval or disapproval of an Owner is required by the Condominium Act, the Declaration or these Bylaws, such approval or disapproval shall be made only by the person who would be entitled to cast the vote of such Unit at any meeting of the Association. Except where a greater number is required by the Condominium Act, the Declaration or these Bylaws, a majority of the Owners entitled to cast fifty-one percent (51%) or more of the votes in the Association, present, in person or by proxy, at one time at a duly convened meeting at which a quorum is present, is required to adopt decisions at any meeting of the Association.

2.10.3 If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Association to cast the votes to which such Unit or Units are entitled.

2.10.4 No Owner may vote at any meeting of the Association or be elected to or serve as a Director if the Association holds a lien against his Unit and the amount necessary to release such lien has not been paid at the time of such meeting or election.

2.10.5 No vote allocated to a Unit owned by the Association may be cast.

2.10.6 If the Directors should adopt a resolution so providing, the election of Directors may be conducted, in whole or in part, by mail.

2.11 Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Owner in favor of only another Owner, an Eligible Mortgagee or the Declarant.

Proxies shall be duly executed in writing, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. No proxy shall in any event be valid for a period in excess of ninety (90) days after the execution thereof.

2.12 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners entitled to cast fifty percent (50%) or more of the votes in the Association shall constitute a quorum at all meetings of the Association.

2.13 Conduct of Meetings. The President shall preside over all meetings of the Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting as well as a record of all transactions occurring thereat. The President may appoint a person to serve as parliamentarian at any meeting of the Association. The then-current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration, these Bylaws or the Condominium Act. All votes shall be tallied by tellers appointed by the President.

Article 3 Directors

3.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. The Board shall be composed of three persons, all of whom shall be Owners or spouses of Owners, Eligible Mortgagees (or designees of Eligible Mortgagees) or designees of the Declarant.

3.2 Powers and Duties. The Directors shall have all of the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by the Condominium Act, the Declaration or by these Bylaws required to be exercised and done by the Owners. The Directors shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit and enjoyment of the Condominium; *provided, however,* that such Rules and Regulations shall not be in conflict with the Condominium Act, the Declaration or these Bylaws. The Directors shall delegate to one of them, or to a person employed for such purpose, the authority to act on behalf of the Directors on such matters relating to the duties of the Managing Agent (as defined in §3.3 of these Bylaws), if any, which may arise between meetings of the Directors as the Directors deem appropriate. In addition to the duties imposed by these Bylaws or by any resolution of the

Association that may hereafter be adopted, the Directors shall on behalf of the Association:

3.2.1 Prepare an annual budget, in which there shall be established the assessments of each Owner for Common Expenses pursuant to Article 5, herein.

3.2.2 Provide for the operation, care, upkeep and maintenance of all of the Property and services of the Condominium.

3.2.3 Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and provide services for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment and supplies to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.

3.2.4 Collect the assessments against the Owners, deposit the proceeds thereof in bank depositories designated by the Directors and use the proceeds to carry out the administration of the Property.

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

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

3.2.7 Obtain and carry insurance against casualties and liabilities, as provided in Article 6 of these Bylaws, pay the premiums therefor and adjust and settle any claims thereunder.

3.2.8 Pay the cost of all authorized services rendered to the Association and not billed to Owners of individual Units or otherwise provided for in Sections 5.1 and 5.2 of these Bylaws.

3.2.9 Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the Common Elements and any other expenses incurred. Such books and

vouchers accrediting the entries thereupon shall be available for examination by the Owners, their duly authorized agents or attorneys, during general business hours on working days at the time and in the manner set and announced by the Directors for the general knowledge of the Owners. All books and records shall be kept in accordance with accepted accounting practices.

3.2.10 Notify an Eligible Mortgagee of any default hereunder by the Owner of the Unit subject to such Mortgage, in the event such default continues for a period exceeding thirty (30) days.

3.2.11 Do such other things and acts not inconsistent with the Condominium Act, the Declaration or these Bylaws which the Directors may be authorized to do by a resolution of the Association.

3.2.12 Borrow money on behalf of the Condominium when required relating to the operation, care, upkeep and maintenance of the Common Elements, *provided, however*, that the consent of at least two-thirds ($\frac{2}{3}$) in number and in Percentage Interest of all Owners, obtained at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of Five Thousand Dollars (\$5,000). If any sum borrowed by the Directors on behalf of the Condominium pursuant to the authority contained in this paragraph 3.2.12 is not repaid by the Association, an Owner who pays to the creditor such proportion thereof as his Percentage Interest bears to the total Percentage Interests in the Condominium shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Owner's Unit.

3.2.13 Acquire, hold and dispose of Units and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the Association.

3.2.14 In its sole discretion, designate from time to time certain Common Elements as "Reserved Common Elements" and impose such restrictions and conditions on the use thereof as the Directors deem appropriate.

3.2.15 File all required governmental reports.

3.2.16 Make assessments against Owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the Owners and establish the period of the

installment payment of the annual assessment for Common Expenses. Unless otherwise determined by the Directors, the annual assessment against each Owner for his proportionate share of the Common Expenses shall be payable in equal monthly installments, each such installment to be due and payable in advance on the first day of each month for such month.

3.2.17 Make and amend the Rules and Regulations.

3.2.18 Furnish the statement required by §47-7D-9 of the Act, within ten (10) working days after receipt of a written request therefor for any Owner, substantially in the form set forth on Exhibit A to these Bylaws and designated "Resale Certificate".

3.2.19 Open bank accounts on behalf of the Association and designate the signatories thereon.

3.3 Managing Agent. The Directors may employ for the Condominium a "Managing Agent" at a compensation established by the Directors.

3.3.1 Requirements. The Managing Agent shall be a bona fide business enterprise, which manages common interest communities. Such firm shall employ persons possessing a high level of competence in the technical skills necessary to proper management of the Condominium. The Managing Agent must be able to advise the Directors regarding the administrative operation of the Condominium and shall employ personnel expert in the areas of condominium insurance, accounting, labor relations and condominium regulation.

3.3.2 Duties. The Managing Agent shall perform such duties and services as the Directors shall authorize, including, but not limited to, the duties listed in paragraphs 3.2.1 through 3.2.11 of these Bylaws. The Directors may delegate to the Managing Agent all of the powers granted to the Directors by these Bylaws other than the powers set forth in paragraphs 3.2.12 through 3.2.19 of these Bylaws. The Managing Agent shall perform the obligations, duties and services relating to management of the property, the rights of Mortgagees and the maintenance of reserve funds in compliance with the provisions of these Bylaws.

3.3.3 Standards. The Directors shall impose appropriate standards of performance upon the Managing Agent. Unless the Managing Agent is instructed otherwise by the Directors:

- the cash method of accounting shall be employed;
- two (2) or more persons shall be responsible for handling cash to maintain adequate financial control procedures;
- cash accounts of the Association shall not be commingled with any other accounts;
- no remuneration shall 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 or otherwise; any discounts received shall benefit the Association;
- any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Directors; and
- an annual financial report shall be prepared for the Association disclosing:
 - all income and disbursement activity for the preceding period;
 - the status of all accounts in an "actual" versus "projected" (budget) format; and
 - any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or fifteen percent (15%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts).

3.4 Election and Term of Office.

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

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

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

3.4.2.2 Nominations may be submitted from the floor at the meeting at which the election is held for each vacancy on the Board for which no more than one person has been nominated by petition.

3.5 Vacancies. Vacancies in the Directors caused by any reason other than the removal of a Director by a vote of the Association shall be filled by a vote of a majority of the remaining Directors at a special meeting of the Directors held for such purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum. Each person so elected shall be a Director for the remainder of the term of the Director being replaced and until a successor shall be elected at the next annual meeting of the Association.

3.6 Organizational Meeting. The first meeting of the Directors following the annual meeting of the Association shall be held within three (3) days thereafter at such time and place as shall be fixed by the Association at the meeting at which such Directors shall have been elected. No notice shall be necessary to the Directors who individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Directors.

3.7 Regular Meetings. Regular meetings of the Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but such meetings shall be held at least once every six (6) months during each fiscal year. Notice of regular meetings of the Directors shall be given to each Director, by mail or telegraph, at least three (3) days prior to the day named for such meeting.

3.8 Special Meetings. Special meetings of the Directors may be called by the President on two (2) business days' notice to each Director, given by mail or telegraph, which notice shall state the time, place and purpose of the meetings. Special meetings of the Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

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

3.10 Telephone Communication in Lieu of Attendance. A Director may attend a meeting of the Directors by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Directors. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

3.11 Quorum of Directors. At all meetings of the Directors a majority of the directors shall 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 shall constitute the decision of the Directors. If at any meeting of the Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.12 Compensation. No Director shall receive any compensation from the Association for acting as a Director, but may be reimbursed for expenses incurred on behalf of the Association.

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

3.14 Action Without Meeting. To the extent allowed by the Condominium Act, any action by the Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the Directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Directors.

3.15 Liability of Directors, Officers, Owners and Association.

3.15.1 To the extent allowed by law, the officers and Directors shall not be liable to the Association for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. To the extent allowed by the New Mexico Non-Profit Corporation Act and the Condominium Act, the Association hereby indemnifies and holds harmless and agrees to defend each of the officers and Directors from and against all contractual liability to others arising out of contracts made by the officers or the Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Act, the Declaration or these Bylaws. Officers and Directors shall have no personal liability with respect to any contract made by them on behalf of the Association. The liability of any Owner arising out of any contract made by the officers or Directors, or out of the aforesaid indemnity in favor of the Directors or officers, or for damages as a result of injuries arising in connection with the Common Elements solely by virtue of his ownership of a Percentage Interest therein or for liabilities incurred by the Association, shall be limited to the total liability multiplied by his Percentage Interest. Every agreement made by the officers, the Directors or the Managing Agent on behalf of the Association shall, if obtainable, provide that the officers, the Directors or the Managing Agent, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as Owners), and that each Owner's liability thereunder shall be limited to the total liability thereunder multiplied by his Common Expense Liability.

3.15.2 The Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a Common Expense, or, except to the extent of insurance, for injury or damage to Person or property caused by the elements or by the Owner of any Unit, or by any other person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the Common Elements or from any pipe, drain, conduit, appliance or equipment. The Association shall not be liable to any Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Elements. No diminution or abatement of any assessment, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Elements or from any action taken by the Association to comply with any law, ordinance or

with the order or directive of any municipal or other governmental authority.

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

3.16.1 The fact of the common directorate or interest is disclosed or known to the Directors or a majority thereof or noted in the minutes, and the Directors authorize, approve or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

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

3.16.3 The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

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

**Article 4
Officers**

4.1 Designation. The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Directors. The Directors may appoint an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. The President and Vice President shall be Directors. Any other officers may, but need not, be Owners or Directors.

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

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

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

4.5 Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Directors shall appoint some other Director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Directors or by the President.

4.6 Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Directors; have charge of such books and papers as the Directors may direct; maintain a register setting forth the place to which all notices to Owners and Eligible Mortgagees hereunder shall be delivered; and, in general, perform all the duties incident to the office of secretary of the corporation.

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

4.8 Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of One Thousand Dollars (\$1,000.00) shall be executed by any two persons designated by the Directors. All such

instruments for expenditures or obligations of One Thousand Dollars (\$1,000.00) or less may be executed by any one person designated by the Directors.

4.9 Compensation of Officers. No officer who is also a Director shall receive any compensation from the Association for acting as such officer; *provided, however*, that officers may be reimbursed for expenses incurred on behalf of the Association upon approval by the Directors. All amendments to the Declaration required to be executed by the Association shall be executed by the President and the Secretary.

Article 5 Operation of the Property

5.1 Determination of Common Expenses and Assessments Against Owners.

5.1.1 Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Directors.

5.1.2 Preparation and Approval of Budget.

5.1.2.1 At least eighty (80) days before the beginning of the fiscal year, the Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Condominium Act, the Declaration, these Bylaws or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Owners of all related services.

5.1.2.2 Such budget shall also include such reasonable amounts as the Directors consider necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. No later than sixty-five (65) days before the beginning of the fiscal year, the Directors shall send to each Owner a copy of the budget in a reasonably itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Owner. Such budget shall constitute the basis for determining each Owner's assessment for the

Common Expenses of the Association, if ratified pursuant to §47-7C-3 of the Act.

5.1.2.3 The Directors shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after mailing of the copy of the budget. Unless a majority of the Owners reject the budget, the budget shall be deemed ratified, whether or not a quorum is present. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall continue until such time as the Owners ratify a subsequent budget proposed by the Directors.

5.1.3 Assessment and Payment of Common Expenses. Subject to the provisions of §9.1.1 of these Bylaws, the total amount of the estimated funds required for the operation of the Property set forth in the budget adopted by the Directors and ratified by the Owners shall be assessed against each Owner in proportion to his respective Common Expense Liability and shall be a lien against each Owner's Unit as provided in §9.2 of these Bylaws. On or before the first day of each fiscal year, and the first day of each succeeding month in such fiscal year, each Owner shall be obligated to pay to the Directors or the Managing Agent (as determined by the Directors), one-twelfth (1/12) of such assessment. Within ninety (90) days after the end of each fiscal year, the Directors shall supply to all Owners and, upon written request, to each Eligible Mortgagee an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, if the Directors deem advisable, be credited according to each Owner's Common Expense Liability to the next monthly installments due from Owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Owners after preparation of a revised budget ratified as provided in subparagraph 5.1.2.3. The shortage shall be assessed in accordance with their Common Expense Liability and shall be payable either: (1) in full with payment of the next periodic assessment due; or (2) in not more than six (6) equal monthly installments, as the Directors may determine.

5.1.4 Reserves. The Directors shall establish and maintain reasonable reserves for working capital, operations, contingencies and replacements.

Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including non-payment of any Owner's assessment, upon ratification by the Owners of an adjusted budget, the Directors may at any time levy a further assessment, which shall be assessed against the Owners according to their respective Common Expense Liabilities, and which may be payable in a lump sum or in installments as the Directors may determine. The Directors shall serve notice of any such further assessment on all Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next periodic payment which is due more than ten (10) days after the delivery of such notice of further assessment. All Owners shall be obligated to pay the adjusted amount or, if such further assessment is not payable in installments, such assessment shall be a lien as of the effective date as set forth in the preceding paragraph 5.1.3.

5.1.5 Initial Budget and Capital Payment.

5.1.5.1 Upon taking office, the first Directors elected or designated pursuant to these Bylaws shall determine the budget, as defined in this Section, for the period commencing sixty (60) days after such election and ending on the last day of the fiscal year in which such election or designation occurs. The budget shall be approved by the Owners as provided under subsection 5.1.2.3 above. Assessments shall be levied and become a lien against the Owners during such period as provided in §5.1.3.

5.1.5.2 The Declarant, as the agent of the Association, will collect from each initial purchaser at the time of settlement an "initial capital payment" equivalent to twice: (i) the estimated monthly assessment for Common Expenses for such purchaser's Unit, and (ii) his Limited Common Element charges, if applicable. The Declarant will deliver the funds so collected to the Directors to provide the necessary working capital for the Association.

5.1.6 Effect of Failure to Prepare or Adopt Budget.

The failure or delay of the Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of an Owner's obligation to pay his allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual

budget or adjusted budget, each Owner shall continue to pay each periodic installment at the rate established for the previous fiscal year until notice of the monthly payment which is due more than fifteen (15) days after such new annual or adjusted budget shall have been delivered to, and ratified by, the Owners.

5.1.7 Accounts. All sums collected by the Directors with respect to assessments against the Owners or from any other source may be commingled into a single fund, but shall be held for each Owner in accordance with his Common Expense Liability.

5.2 Payment of Common Expenses. Each Owner shall pay the Common Expenses assessed by the Directors pursuant to the provisions of §5.1 of these Bylaws. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his Unit after the date of recordation of a conveyance by him in fee of such Unit, provided notice is given to the Association prior to conveyance. Before or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Unit shall be jointly and severally liable with the selling Owner for all unpaid assessments against the latter for his proportionate share of the Common Expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Owner amounts paid by the purchaser therefor; *provided, however*, any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Owner as set forth in §47-7D-9 of the Act within ten (10) working days following a written request therefor to the Directors or Managing Agent and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and *provided, further*, that each Mortgagee who comes into possession of a Unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Unit free of any claims for unpaid assessments or charges against such Unit which accrue before the time such Mortgagee comes into possession thereof, except for claims for a *pro rata* share of such assessments or charges resulting from a *pro rata reallocation* of such assessments or charges to all Units including the mortgaged Unit.

5.3 Collection of Assessments. The Directors or the Managing Agent, at the request of the Directors, shall take prompt action to collect any assessments for Common Expenses due from any Owner which remain unpaid for more than ten (10) days from the due date for payment thereof. Any assessment, or installment thereof, not paid within ten (10) days after due shall accrue a late charge in the amount of ten percent (10%) of the overdue

assessment or installment for each month the assessment or installment is unpaid.

5.4 Statement of Common Expenses. The Directors shall promptly provide any Owner, contract purchaser or Eligible Mortgagee so requesting the same in writing with a written statement of all unpaid assessments for Common Expenses due from such Owner as provided in §47-7C-16 of the Act. Such statement shall be furnished within ten (10) business days after receipt of the request and is binding on the Directors and every Owner. The Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation to the extent permitted by the Condominium Act.

5.5 Additions, Alterations or Improvements by Directors. Whenever in the judgment of the Directors improvements costing in excess of Five Thousand Dollars (\$5,000.00) during any period of twelve (12) consecutive months, the making of such additions, alterations or improvements shall be approved by a majority of the Owners, and the Directors shall proceed with such additions, alterations or improvements and shall assess all Owners for the cost thereof as a Common Expense. Any additions, alterations or improvements costing Five Thousand Dollars (\$5,000.00) or less during any period of twelve (12) consecutive months may be made by the Directors without approval of the Owners and the cost thereof shall constitute a Common Expense. Notwithstanding the foregoing, if, in the opinion of not less than two-thirds ($\frac{2}{3}$) of the Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Owner or Owners requesting the same, such requesting Owners shall be assessed therefor in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportions as may be determined by the Directors.

5.6 Utility Charges. The cost of utilities serving the Condominium exclusive of the Units shall be a Common Expense.

5.7 Use of Common Elements. No Owner shall place or cause or permit to be placed on or in the Common Elements (other than in the areas designated as storage areas) any furniture, packages or objects of any kind.

5.8 Disclaimer of Bailee Liability. The Directors, the Association, any Owner and the Declarant shall not be considered a bailee of any personal property stored on the Common Elements (including property located in garages and vehicles parked on the Condominium), whether or not exclusive possession of the particular area is given to an Owner for storage purposes, and shall not be responsible for the security of such personal property or

for any loss or damage thereto, whether or not due to negligence.

Article 6 Insurance

6.1 Authority to Purchase.

6.1.1 Except as otherwise provided in §6.6 of this Article 6, all insurance policies relating to the Property shall be purchased by the Directors. Neither the Directors nor the Managing Agent nor Declarant shall be liable for failure to obtain any coverages required by this Article 6 or for any loss or damage resulting from such failure if such failure is due to the unavailability of such coverages from reputable insurance companies, or if such coverages are so available only at a demonstrably unreasonable cost.

6.1.2 Each such policy shall provide that:

6.1.2.1 the insurer waives any right to claim by way of subrogation against the Association, the Directors, the Managing Agent or the Owners, and their respective agents, employees, guests and, in the case of the Owners, the members of their households;

6.1.2.2 no act or omission by any Owner, unless acting within the scope of the Owner's authority on behalf of the Association, shall void the policy or be a condition to recovery under the policy; and

6.1.2.3 If, at the time of a loss under the policy, there is other insurance in the name of the Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

6.1.3 Such policy shall not be substantially modified or suspended due to the act or omission of any Owner (including Owner's invitees, agents and employees) or of any member (unless acting outside the scope of the Owner's authority for the Association), Officer or employee of the Association or the Managing Agent without a prior demand in writing that the Directors or the Managing Agent cure the defect and neither shall have so cured such defect within sixty (60) days after such demand.

6.1.4 Such policy may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days prior written notice to the Directors and the Managing Agent and, in the case of physical damage insurance, to all Eligible Mortgagees registered with the Association.

6.1.5 Each Owner is an insured person under the policy with respect to liability arising out of each Owner's

interest in the Common Elements or membership in the Association.

6.1.6 The Declarant, so long as Declarant shall own any Unit, shall be protected by all such policies as an Owner.

6.1.7 All policies of insurance shall be written by reputable companies licensed to do business in the State of New Mexico. Physical damage policies shall be in form and substance acceptable to the Eligible Mortgagees.

6.2 Physical Damage Insurance.

6.2.1 The Directors shall obtain and maintain property insurance on the Common Elements insuring against "special causes of loss" or the then equivalent. The total amount of insurance after application of any deductibles shall be not less than to one hundred percent (100%) of the then current replacement cost of the Property (exclusive of the land, excavations and other items normally excluded from such coverage), without deduction for depreciation (such amount to be redetermined annually by the Directors with the assistance of the insurance company affording such coverage).

6.2.2 The insurance maintained under this §6.2, shall include the Units, and to the extent reasonably available, may include improvements and betterments installed by Owners.

6.2.3 Such policy shall also provide that the physical damage policy purchased by the Directors shall be deemed primary coverage and any individual Owners' policies shall be deemed excess coverage, and in no event shall the insurance coverage obtained and maintained by the Directors hereunder provide for or be brought into contribution with insurance purchased by individual Owners or their Eligible Mortgagees unless otherwise required by law.

6.2.4 A duplicate original of the policy of physical damage insurance, all renewals thereof, and any subpolicies or certificates and endorsements issued thereunder together with proof of payment of premiums shall be delivered by the insurer to any Eligible Mortgagee so requesting at least thirty (30) days prior to expiration of the then current policy.

6.2.5 Prior to obtaining any policy of physical damage insurance or any renewal thereof, the Directors shall obtain a recommendation from its insurance agent, or such other sources as the Directors may determine, an estimate of the then current replacement value of the Property as provided in §6.2.1 for the purpose of determining the amount of physical damage insurance to

be secured pursuant to this §6.2. All Eligible Mortgagees shall be notified promptly of any event giving rise to a claim under such policy.

6.3 Liability Insurance.

6.3.1 The Directors shall obtain and maintain comprehensive general liability insurance in such limits as the Directors may from time to time determine, insuring the Association, each Director, the Managing Agent and each Owner against any liability to the public or to the Owners (and their invitees, agents and employees) arising out of, or incident to the ownership and/or use of the Common Elements.

6.3.2 The Directors shall review such limits once each year, but in no event shall such insurance be less than Two Million Dollars (\$2,000,000) per occurrence of loss and Four Million Dollars (\$4,000,000) aggregate covering all claims for bodily injury or property damage liability. Reasonable amounts of "umbrella" liability insurance in excess of the primary limits shall also be obtained.

6.3.3 The Directors shall obtain and maintain directors and officers liability insurance with limits of not less than Two Million Dollars (\$2,000,000) per claim and Four Million Dollars (\$4,000,000) aggregate. Coverages should be provided on an "entity" basis covering the Association, members of the Directors, volunteers and employees action on behalf of the Association.

6.4 Other Insurance. The Directors shall obtain and maintain:

6.4.1 adequate fidelity coverage to protect against dishonest acts on the part of Officers, Directors, trustees and employees of the Association and all others who handle, or are responsible for handling, funds of the Association, including the Managing Agent;

6.4.2 such other insurance as the Directors may determine or as may be requested from time to time by Consent of a Majority of Owners; and

6.4.3 statutory workers compensation insurance covering direct employees of the Association, as may be required by law.

6.5 Unavailability of Insurance. In the event that the insurance described in this Article 6 is not reasonably available or available at reasonable cost, the Directors shall provide such insurance as it deems appropriate and in compliance with the Condominium Act.

6.6 Separate Insurance. Each Owner shall have the right, at the Owner's own expense, to obtain insurance for the

Owner's personal property and for the Owner's personal liability as well as upon any improvements made by the Owner to the Owner's Unit normally called "improvements and betterments coverage", provided, however, that no Owner shall be entitled to exercise the Owner's right to acquire or maintain such insurance coverage so as to decrease the amount which the Directors, on behalf of all Owners, may realize under any insurance policy maintained by the Directors or to cause any insurance coverage maintained by the Directors to be brought into contribution with insurance coverage obtained by an Owner.

6.7 Insurance Trustee. All physical damage insurance policies purchased by the Directors shall be for the benefit of the Association, the Owners and their Mortgagees, as their interests may appear. All such proceeds shall be paid to the Directors as Trustee for the Owners and their Mortgagees to be applied pursuant to the terms of Article 7 of these Bylaws.

6.8 Board as Agents. The Directors are hereby irrevocably appointed the agent for each Owner, each Mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Property to adjust and settle all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims.

Article 7 Repair After Fire or Other Casualty

7.1 When Repair and Reconstruction are Required. Except as otherwise provided in §7.4 of these Bylaws, in the event of damage to or destruction of all or any portion of the buildings as a result of fire or other casualty, the Directors shall arrange for and supervise the prompt repair and restoration of the Buildings (including any damaged Units, and the floor coverings, kitchen or bathroom fixtures and appliances initially installed therein by the Declarant, and replacement thereof installed by the Declarant, but not including any furniture, furnishings, fixtures, equipment or other personal property supplied or installed by the Owners in the Units). Notwithstanding the foregoing, each Owner shall have the right to supervise the redecorating of his own Unit.

7.2 Procedure for Reconstruction and Repair.

7.2.1 Cost Estimates. Immediately after a fire or other casualty causing damage to any building, the Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring such building (including any damaged Units and any floor coverings and kitchen and bathroom fixtures and appliances

initially installed by Declarant, and the replacements thereof, but not including any other furniture, furnishings, fixtures or equipment installed by the Owner in the Unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the Directors determine to be necessary.

7.2.2 Assessments. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair and funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds and/or shall be deemed a Common Expense and a special assessment therefor shall be levied.

7.2.3 Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the Property.

7.3 Disbursements of Construction Funds.

7.3.1 Construction Funds and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the Directors from collections of assessments against Owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair upon order of the Directors.

7.3.2 Surplus. It shall be presumed that the first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all Owners in proportion to their Percentage Interests and shall be distributed in accordance with the priority of interests in each Unit.

7.3.3 Common Elements. When the damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing those portions of the Common Elements which enclose and service the Units, then to the cost of repairing the other Common Elements and thereafter to the cost of repairing the Units.

7.4 When Reconstruction is Not Required. In the event of substantial damage to the Common Elements and if the Owners shall elect not to repair the same, then in such

event any insurance proceeds received on account of such damage shall be distributed among all Owners and their respective Mortgagees in proportion to their respective Percentage Interest. If the Condominium is terminated pursuant to §47-7B-18 of the Condominium Act, the net assets of the Condominium together with the net proceeds of insurance policies, if any, shall be divided by the Directors or the Insurance Trustee, as the case may be, among all Owners and their respective Mortgagees in proportion to their respective interests, after first paying out of the share of each Owner, to the extent sufficient therefor, the amount of any unpaid liens on his Unit in the order of priority of such liens.

Article 8 Mortgages

8.1 Notice to Directors. An Owner who mortgages his Unit shall notify the Directors of the name and address of his Mortgagee and shall file a conformed copy of the Note and Mortgage with the Directors.

8.2 Notice of Default, Casualty or Condemnation. The Directors when giving notice to any Owner of a default in paying an assessment for Common Expenses or any other default, shall simultaneously send a copy of such notice to the Eligible Mortgagee of such Unit. Each Eligible Mortgagee shall also be promptly notified of any casualty giving rise to a possible claim under any insurance purchased under Article 6, of all actions taken under Article 7 and of any taking in condemnation or by eminent domain and actions of the Association with respect thereto. For purposes of this Section only, when notice is to be given to an Eligible Mortgagee, the Directors shall also give such notice to any other public or private secondary mortgage market entity participating in purchasing or guaranteeing mortgages of Units in the Condominium if the Directors have notice of such participation.

8.3 Notice and Approval of Amendment of Declaration and Bylaws. The Directors shall give notice to all Eligible Mortgagees thirty (30) days before the date on which the Owners, in accordance with the provisions of these Bylaws, materially amend the Documents with regard to:

- Voting rights;
- Assessments, assessment liens or subordination of such liens;
- Reserves for maintenance, repair and replacement of the common areas;
- Insurance or Fidelity Bonds;
- Rights to use of the common areas;
- Responsibility for maintenance and repairs;
- Boundaries of any Unit;
- The interests in the common elements;

- Convertibility of Units into Common Elements or of Common Elements into Units;
- Leasing of Units;
- Imposition of any right of first refusal or similar restriction on the right of a unit estate owner to sell, transfer, or otherwise convey his or her unit estate;
- Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgages on unit estates;
- By act or omission withdraw the submission of the Property to the Condominium Act, except as provided by the Condominium Instruments or the Condominium Act; and

In addition to the Owners' consent, the approval of the holders of mortgages on Units which have at least fifty-one percent (51%) of the votes of Units subject to mortgages is required to add or amend any material provisions of the Condominium Instruments of the project which establish, govern or regulate the matters set forth in this §8.3.

An addition or amendment to such documents shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. The constituent documents may provide that an eligible mortgage holder who receives a written request to approve additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

8.4 Other Rights of Eligible Mortgagees. All Eligible Mortgagees or their representatives shall be entitled to attend meetings of the Association and shall have the right to speak thereat. All such Eligible Mortgagees shall have the right to examine the books and records of the Condominium, and to require the submission of annual financial reports and other budgetary information.

Article 9 Compliance and Default

9.1 Relief. Each Owner shall be governed by, and shall comply with, all of the terms of the Condominium Instruments and the Condominium Act as any of the same may be amended from time to time. In addition to the remedies provided in §47-7C-16 of the Condominium Act, a default by an Owner shall entitle the Association, acting through its Directors or through the Managing Agent, to the following relief:

9.1.1 Additional Liability. Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any

member of his family or his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Directors. Such liability shall include his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Directors. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances.

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

9.1.3 No Waiver of Rights. The failure of the Association, the Directors or of an Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments or the Condominium Act shall not constitute a waiver of the right of the Association, the Directors or the Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Directors or any Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments or the Condominium Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Condominium Instruments or the Condominium Act or at law or in equity.

9.1.4 Interest. In the event of a default by any Owner in paying any sum assessed against his Unit other than for Common Expenses which continues for a period in excess of thirty (30) days, the principal amount unpaid shall bear interest at the rate of eighteen percent (18%) per annum from the due date until paid.

9.1.5 Abating and Enjoining Violations by Owners. The violation of any of the Regulations adopted by the Directors, the breach of any Bylaw contained herein or the breach of any provision of the Declaration or the Condominium Act shall give the Directors the right, in addition to any other rights set forth in these Bylaws:

9.1.5.1 to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Owner, any structure, thing or

condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Directors shall not thereby be deemed guilty in any manner of trespass; or

9.1.5.2 to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity the continuance of any such breach.

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

9.2 Lien for Assessments.

9.2.1 The total annual assessment of each Owner for Common Expenses or any special assessment made pursuant to these Bylaws is hereby declared to be a lien levied against the Unit of such Owner as provided in §47-7C-16 of the Condominium Act, which lien shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Condominium and, as to special assessments, on the first day of the next month which begins more than fifteen (15) days after delivery to the Owner of notice of such special assessment. The Directors or the Managing Agent may file or record such other or further notice of any such lien, or such other or further document, to confirm the establishment and priority of such lien.

9.2.2 Where an assessment against an Owner is payable in installments, upon a default by such Owner in the timely payment of any two (2) consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Owner and his Eligible Mortgagee by the Directors or the Managing Agent.

9.2.3 The lien for assessment may be enforced and foreclosed in the manner provided by the laws of the State of New Mexico by action in the name of the

Association. During the pendency of such suit the Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver, if available under the laws of the State of New Mexico.

9.2.4 A suit to recover a money judgment for unpaid contributions may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

9.3 Supplemental Enforcement of the Lien. In addition to the proceedings at law or in equity for the enforcement of the lien established by the Declaration, these Bylaws or the Condominium Act, all of the Owners may be required by the Declarant or the Directors to execute bonds conditioned upon the faithful performance and payment of the installments of the lien established thereby.

9.4 Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these Bylaws upon any Unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a mortgage made in good faith for value received; *provided, however,* that such Mortgage secures a loan made by an institutional lender; and *provided, further,* that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure, or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser of the Unit at such sale from liability for any assessment thereafter becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

Article 10 Amendments to Bylaws

10.1 Amendments. These Bylaws may not be modified or amended except by a vote of fifty-one percent (51%) of the votes in the Condominium, pursuant to the Act, the Declaration and these Bylaws.

10.2 Approval of Eligible Mortgagees. These Bylaws contain provisions concerning various rights, priorities, remedies and interests of Mortgagees. Such provisions in these Bylaws are to be construed as covenants for the protection of such Eligible Mortgagees on which they may rely in making loans secured by a Mortgage. Accordingly, no amendment or modification of these Bylaws impairing

or affecting such rights, priorities, remedies or interests of Eligible Mortgagees shall be adopted without the prior written consent of such Eligible Mortgagees.

**Article 11
Miscellaneous**

11.1 Notices. All notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, postage prepaid (or otherwise as the Condominium Act may permit) if:

11.1.1 to an Owner, at the address which the Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Owner, or

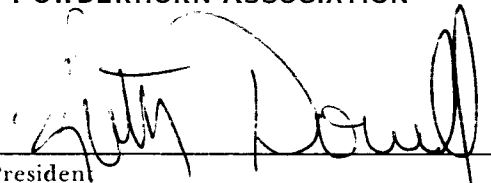
11.1.2 to the Association, the Directors or to the Managing Agent or at such other address as shall be designated by notice in writing to the Owners pursuant to this Section. If a Unit is owned by more than one person, each such person who so designated an address in writing to the Secretary shall be entitled to receive all notices hereunder.

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

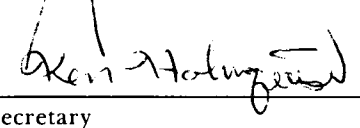
11.3 Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and *vice versa*, whenever the context so requires.

In witness whereof, these Bylaws have been executed and attested by the President and the Secretary on behalf of the Association, this ___ day of October, 2005.

THE POWDERHORN ASSOCIATION

By: 

President

By: 

Secretary