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BY-LAWS OF
SONOMA RANCH SOUTH SUBDIVISION
OWNERS ASSOCIATION, INC.

1. NAME OF MASTER ASSOCIATION. The name of this Corporation shall be Sonoma Ranch South Subdivision Owners Association, Inc., and shall be referred to herein as the "Master Association."

2. MASTER ASSOCIATION IS NONPROFIT. The Master Association has been formed pursuant to the New Mexico Non-Profit Corporation Act.

3. SPECIFIC PURPOSE. The specific and primary purposes of this Master Association shall be to repair, maintain and manage the Maintenance Areas within the Sonoma Ranch South master planned community, including all subdivisions within Sonoma Ranch South Subdivision, located in the City of Las Cruces, Doña Ana County, State of New Mexico, to enforce the Declaration of Protective Covenants and the Rules adopted by the Board of Directors, from time-to-time, and to otherwise enhance and promote the use and enjoyment of the Maintenance Areas by the Owners in common.

4. DECLARATION. "Declaration" means all of the Declaration of Protective Covenants filed and to be filed for each subdivision within Sonoma Ranch South Subdivision. The first Declaration filed is that applicable to Cave Creek, Phase I, and is recorded at Book 19, pages 322 - 325, in the County Clerk's office, Doña Ana County, New Mexico.

5. OWNERS' MEETINGS. The Owners shall hold meetings as follows:

a. Lot owners in every subdivision (existing and to be created) within Sonoma Ranch South Subdivision are owners for purposes of these By-Laws.

b. No Owners' meeting shall be held until such time as the members of Sonoma Ranch Subdivision Ltd., Co., the Developer of Sonoma Ranch South Subdivision, state in writing to all lot owners that control shall pass to the lot owners. The first meeting shall be called by the said members and be held at a place in Las Cruces, New Mexico, or in the subdivision, designated by the members.

c. The Annual Owners' Meeting shall be held on the 1st Thursday of November of each year for the purpose of electing Directors and transacting any other business authorized

to be transacted by the Owners. If that day is a legal holiday, the meeting shall be held at the same hour on the next day which is not a legal holiday.

d. Special Owners' Meeting shall be held whenever called by the President or Vice President or a majority of the Board of Directors, and must be called by such officers upon receipt of a written request from one-third of the lot owners.

e. Notice of all Owners' meetings stating the time and place and the object for which the meeting is called shall be given by the President, Vice President or Secretary unless waived in writing. Such notice shall be in writing to each lot owner at his or her address as it appears on the records of the Association and shall be mailed not less than ten nor more than sixty days prior to the date of the meeting. Proof of such mailing shall be the certificate of the person giving the notice. Notice of meeting may be waived before or after meetings.

f. The Owner of each lot shall be entitled to cast one vote. If there are multiple owners of one lot, and they are unable to agree upon the casting of one vote, no vote shall be counted for that lot.

g. A quorum at lot owners' meetings shall consist of persons entitled to cast twenty percent (20%) of the votes. The owner of each lot is entitled to one vote. If any meeting of the Owners cannot be organized because a quorum has not attended, the Owners who are present either in person or by proxy, may adjourn the meeting for at least ten days and adequate notice of the new date shall be given as described in subparagraph (d) of this section 5. At a subsequent re-scheduled meeting, a quorum shall consist of ten percent (10%).

If a lot is owned by one person, his right to vote shall be established by the record title to his lot. If a lot is owned by more than one person, the person entitled to cast the vote for that lot shall be designated by a certificate signed by all of the record owners of that lot and filed with the Secretary of the Board of Directors. If a lot is owned by a partnership or corporation, the person entitled to cast the vote for the lot shall be designated by a certificate of appointment signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the corporation and filed with the Secretary of the Board of Directors. Such certificates shall be valid until revoked, or until superseded by a subsequent certificate, or until a change in the record ownership of the lot concerned. A certificate designating the person entitled to cast the vote of a lot may be revoked by any Owner thereof.

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h. Votes may be cast in person or by proxy. Owners may, by written proxy, authorize others to cast votes on their behalf. A written proxy shall be limited to six months' duration. Proxies should be filed with the Secretary. Owners who have given proxies shall be counted for purposes of a quorum.

i. Until the developer of Sonoma Ranch South Subdivision, hereinafter "the Developer," has completed and sold all of the lots in the subdivisions, or until the Developer elects to terminate its control of the subdivision, whichever shall first occur, there shall be no meeting of the owners of the lots unless a meeting is called by the Developer.

6. DIRECTORS. The affairs of the association shall be managed by a Board of Directors as follows:

a. The Board shall consist of not less than three Directors, the exact number (which shall be an odd number) to be determined by the lot Owners at the time of election of the Directors. The original Board of Directors shall consist of three, as follows: David M. Steinborn, George B. Rawson, and Dale A. Schueller. Directors, other than the original Board of Directors, shall be lot owners. The original Board shall serve at no pay.

b. Election of Directors shall be conducted at the Annual Meeting of the Owners. Nominations for Directors shall be made from the floor. The election shall be by ballot (unless dispensed with by unanimous consent) and by a plurality of the votes cast, each person voting being entitled to cast his/her votes for each of as many nominees as there are vacancies to be filled. There shall be no cumulative voting.

c. Except as to vacancies provided by removal of Directors by Owners, vacancies in the Board of Directors occurring between annual meetings of Owners shall be filled by the remaining Directors.

d. Any Director may be removed by a two-thirds ($\frac{2}{3}$) majority vote of the Owners at a Special Meeting of the Owners called for that purpose. The vacancy in the Board of Directors so created shall be filled by the Owners at the same meeting.

e. Until the Developer has completed and sold all of the lots in the subdivisions, or until the Developer elects to terminate its control of the Owners Association, whichever shall first occur, the original Directors above-named shall serve, and in the event of

vacancies the remaining Directors shall fill the vacancies, and if there are no remaining Directors the vacancies shall be filled by the Developer. Thereafter, each Director shall be elected for a term of three (3) years except that the first Board of Directors elected thereafter shall consist of one-third ($\frac{1}{3}$) of the Directors whose terms expire in one (1) year, one-third ($\frac{1}{3}$) of the Directors whose terms expire in two (2) years, and one-third ($\frac{1}{3}$) of the Directors whose terms expire in three (3) years.

f. Notwithstanding the foregoing, each Director shall serve until his successor is duly elected or appointed and qualified, or until he resigns or is removed in the manner elsewhere herein provided.

7. DIRECTORS' MEETINGS. The Directors shall hold meetings as follows:

a. Regular meetings of the Board of Directors may be held at such times and places as shall be determined, from time-to-time, by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or otherwise at least three (3) days prior to the date named for such meeting.

b. Special Meetings of the Directors may be called by the President and must be called by the Secretary at the written request of any Director. Notice of the meeting shall be given personally or by mail, telephone or otherwise, at least three (3) days prior to the date named for such meeting, and shall state the time, place and purpose of the meeting.

c. Any Director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.

d. A quorum at Directors' meetings shall consist of a majority of the entire Board of Directors. The acts approved by a majority of those present at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except where approval by a greater number of Directors is required by the Declaration or these By-Laws. If at any meeting of the Board of Directors less than a quorum is present, the majority of those present may adjourn from time-to-time until a quorum is present. The joinder of a Director in the action of a meeting by signing and concurring in the Minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

8. POWERS AND DUTIES OF THE BOARD OF DIRECTORS. All of the powers and duties of the Owners existing under the Declaration and these By-Laws shall be exercised exclusively by the Board of Directors, its agents, contractors, or employees, subject only to approval by the Owners when such approval is specifically required.

9. OFFICERS. The executive officers of the lot Owners shall be:

a. The President, who shall be a director; a Vice President, who shall also hold the office of assistant secretary and who shall be a director; a Secretary, who shall be a Director, and a Treasurer, who shall be a Director, all of whom shall be elected annually by the Owners at their annual meeting and who may be removed by vote of a majority of the votes of the Owners at any meeting called for such purpose. The Board of Directors may, from time-to-time, elect other officers to exercise such powers and duties as the Board may find necessary to manage the affairs of the Association. No compensation of officers shall be paid, unless a decision to pay compensation is made by majority vote of the lot Owners.

b. The President shall be the chief executive officer of the lot owners and of the Board of Directors. He/she shall have all of the powers and duties which are usually vested in the office of President, including, but not limited to, the power to appoint committees from among the lot Owners from time-to-time, as he/she may in his/her discretion deem appropriate to assist in the conduct of the affairs of the Association.

c. The Vice President and Assistant Secretary shall, in the absence or disability of the President, notify the owners and perform the duties of the President and, in the absence or disability of the Secretary, exercise and perform the duties of the Secretary. He shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

d. The Secretary shall keep the Minutes of all proceedings of the Directors and of the Owners. He/she shall attend to the giving, mailing and serving of all notices to the Owners and Directors and other notices required by law. He/she shall keep the records of the Owners and the Board of Directors, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary and as may be required by the Directors or the President.

e. The Treasurer shall have custody of all property of the Owners' Association, including funds, securities and evidence of indebtedness. He/she shall keep the books of the

Owners' Association in accordance with good accounting practices and shall perform all other duties incident to the office of Treasurer.

f. Any person may hold more than one office, except that, in all events, the President and Secretary shall be two different individuals.

10. ACCOUNTING. The funds and expenditures of the Association shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be common maintenance expenses:

a. "Current expenses" which shall include all funds and expenditures to be made within the fiscal year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves, to additional improvements or to operations. The balance in this fund at the end of each fiscal year shall be applied to reduce the assessments for current expenses for the succeeding year.

b. "Reserve for deferred maintenance and replacement," which shall include funds for maintenance items which occur less frequently than annually, and funds for repair or replacement required because of damage, depreciation or obsolescence.

c. "Capital Additions and Improvements," which shall include the funds to be used for capital expenditures for additional improvements.

11. EXPENDITURES.

a. BUDGETS. As soon as insurance rates, utility rates and other expenses can be determined for each fiscal year, the Board of Directors shall adopt a budget for that fiscal year which shall include the estimated funds required to defray common expenses and funds for the accounts listed in Paragraph 10 of these By-Laws. Copies of the budget and proposed assessments shall be transmitted to each lot Owner as soon as practicable. If the budget is subsequently amended, a copy of the amended budget shall be furnished to each lot Owner.

b. LIMITS. No expenditure for any capital addition or improvement having a total cost in excess of Two Thousand Dollars (\$2,000.00) shall be made without the prior approval of seventy-five percent (75%) of the lot Owners in attendance at a membership meeting, general or special, where a quorum is present. Said approval may also be given in writing.

c. **NONPROFIT PURPOSE.** No Director, officer, member or employee of the Owners' Association, or any other private individual, shall receive at any time, any of the earnings or funds of the Owners' Association; provided that this shall not prevent the payment to any such person of reasonable compensation for services rendered, and no such person shall be entitled to share in the distribution of any of the Owners' Association assets upon the dissolution of the Owners' Association. At dissolution, excess assessments may be refunded to the lot Owners, and all other assets shall be transferred exclusively to charitable, religious, scientific, or educational institutions which would then qualify under the provisions of Section 501 (c)(3) of the Internal Revenue Code as it now exists, or as amended hereafter.

12. **ASSESSMENTS.** Assessments shall be made as follows:

a. Assessments against each lot Owner for his share of the budget shall be made on or before January 2nd of the year for which the assessment is made. Such assessment shall be due and payable in one increment. The Board of Directors shall have the power to increase or decrease such assessment during the fiscal year for which the assessment is made as expenses may require. If an annual assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last preceding annual assessment. If the annual assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board of Directors. If the budget and assessment is increased during a fiscal year, the amount of the increase shall be paid in full within forty-five (45) days of notification of the amended assessment. Increases in excess of fifteen percent (15%) shall be made only by the Owners, by majority vote at a special meeting called for that purpose.

b. The depository of the Owners shall be such bank or banks as shall be designated from time-to-time by the Directors. Withdrawal of monies from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

c. Fidelity bonds may be required by the Board of Directors for all persons handling or responsible for funds of the lot Owners. The amount of such bonds, if required, shall be determined by the Directors and the premiums on such bonds shall be paid by the Directors and shall be common expenses.

13. **AMENDMENTS.** These By-Laws may be amended in the following manner:

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a. Notice of the subject matter of a proposed amendment shall be included in the notice of any Owners' meeting at which a proposed amendment is to be considered.

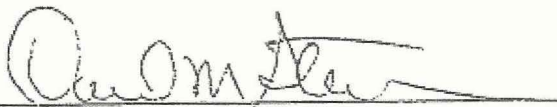
b. A Resolution adopting a proposed amendment may be proposed by either the Board of Directors or by the Owners. Directors and Owners not present in person or by proxy at the meeting considering the amendment may express their approval or lack thereof in writing, either before or after the meeting. All amendments must be approved by a majority of the votes of all the Owners, with the owner of each lot entitled to cast one vote, and the owners of multiple lots entitled to cast the number of notes equal to the number of lots owned..

c. No amendment shall discriminate against any Owner, unless the Owner so affected shall consent thereto in writing. No amendment shall change the share in the common areas and facilities appurtenant to any lot (except as provided in the Declaration in the event of expanding the property by adding additional land), nor increase the Owner's share of the common expenses, nor change the voting rights or members (except as provided in the Declaration in the event of expansion of the property by addition additional real estate) or amend Section 11 (b) hereof, unless the record Owner of lot concerned and all record Owners of liens thereon shall join in the execution of the amendment.

d. A copy of each amendment shall be certified by the President and Secretary as having been duly adopted and shall be effective only when recorded in the office of the County Clerk of Doña Ana County, New Mexico, and no modification of or amendment to these By-Laws shall be valid unless set forth in an amendment to the Declaration and the amendment duly recorded in the office of the County Clerk of Doña Ana County, New Mexico.

The foregoing are adopted as the By-Laws of the lot Owners and the Board of Directors of the Sonoma Ranch South Subdivision Owners' Association, by the undersigned sole Owner of all property within said subdivision and shall be attached to and recorded in the office of the County Clerk of Doña Ana County, New Mexico.

SONOMA RANCH SUBDIVISION LTD., Co.



David M. Steinborn, Member



George B. Rawson, Member

