

**BYLAWS**  
**OF**  
**MORNINGSTAR HOMEOWNERS' ASSOCIATION**

**ARTICLE 1**

Name, Principal Office, and Definitions

1.1. Name. The name of the corporation is Morningstar Homeowners' Association (the "Association").

1.2. Principal Office. The principal office of the Association shall be located in the State of New Mexico. The Association may have such other offices, either within or outside the State of New Mexico as the Board of Directors may determine or as the affairs of the Association may require.

1.3. Definitions. The words used in these Bylaws shall be given their normal, commonly understood definitions. Capitalized terms shall have the same meaning as set forth in that Declaration of Morningstar Condominiums recorded in the records of Santa Fe County, New Mexico, as it may be amended (the "Declaration"), unless the context indicates otherwise.

**ARTICLE 2**

Association: Membership, Meetings, Quorum, Voting, Proxies

2.1. Membership. An Owner of a Unit shall automatically become a member of the Association as more fully set forth in the Declaration, the terms of which pertaining to membership are incorporated by this reference. If title to a Unit is held by more than one (1) Person, the membership shall be shared in the same proportion as the title, but there shall be only one (1) membership and one (1) vote per Unit, which vote shall be appurtenant to such Unit and be weighted in accordance with the percentage of undivided interest in the Common Elements attributable to each Unit, as shown on Exhibit "B" to the Declaration. In the event an Owner is a corporation, limited liability company, partnership, trust, or other legal entity not being a natural person or persons, then any natural person designated by the entity shall be eligible to represent such entity or entities in the affairs of the Association. Membership shall be appurtenant to the Unit and shall be transferred automatically by conveyance of that Unit and may be transferred only in connection with the transfer of title.

2.2. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the members as may be designated by the Board either within the Property or as convenient as is possible and practical.

2.3. Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held within twelve (12) months from the date of incorporation of the Association. Subsequent regular meetings shall be held annually on a date and at a time set by the Board.

2.4. Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting if so directed by resolution of the Board or upon a petition signed by members representing at least twenty percent (20%) of the total votes in the Association.

2.5. Notice of Meetings. Written notice stating the place, day, and time of any meeting of the members shall be delivered, either personally or by mail, to each member entitled to vote at such meeting, not less than ten (10) nor more than sixty (60) days before the date of such meeting, by or at the direction of the President or the Secretary or the officers or persons calling the meeting. In the case of a special meeting or when otherwise required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice. If mailed, the notice of a meeting shall be deemed to be delivered when deposited in the United States mail addressed to the member at its address as it appears on the records of the Association, with postage prepaid. The notice of any meeting shall state 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.

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

2.7. Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, members or their proxies holding at least fifty-one percent (51 %) of the votes represented at such meeting may adjourn the meeting to a time not less than five (5) nor more than ten (10) days from the time the original meeting was called. At the reconvened meeting the quorum requirement shall be one-half that required at the last attempt to convene a meeting, and the process may continue until a quorum is achieved. At any meeting where a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment,

notice for reconvening the meeting shall be given to members in the manner prescribed for regular meetings.

2.8. Voting. The voting rights of the members shall be as set forth in the Declaration and in these Bylaws, and such voting rights provisions are specifically incorporated by this reference.

2.9. Proxies. At all meetings of members, each member may vote in person (if a corporation, partnership or trust, through any officer, director, partner or trustee duly authorized to act on behalf of the member) or by proxy, subject to the limitations of applicable law. Each proxy shall be in writing specifying the Unit(s) for which it is given, signed by the member or its duly authorized attorney-in-fact or agent, dated and filed with the Secretary of the Association prior to any meeting for which it is to be effective. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. Every proxy shall be revocable and shall automatically cease upon conveyance of any Unit for which it was given, or upon receipt of notice by the Secretary of the death or judicially declared incompetence of a member who is a natural person, or of written revocation, or 11 months from the date of the proxy, unless a shorter period is specified in the proxy.

2.10. Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence, in person or by proxy, of members representing twenty percent (20%) of the total votes in the Association shall constitute a quorum at all meetings of the Association. The vote of fifty-one percent (51 %) of the members present and eligible to vote shall constitute a decision of the Association.

2.11. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meetings and record in a minute book all resolutions adopted and all other transactions occurring at such meetings.

2.12. Action Without a Meeting. Any action required or permitted by law to be taken at a meeting of the members may be taken without a meeting, without prior notice and without a vote, if written consent specifically authorizing the proposed action is signed by all members entitled to vote thereon. Such consent shall be filed with the minutes of the Association and shall have the same force and effect as a vote of the members at a meeting. Within ten (10) days after receiving authorization for any action by written consent, the Secretary shall give written notice to all members summarizing the material features of the authorized action.

## ARTICLE 3

### Board of Directors: Number, Powers, Meetings

3.1. Governing Body: Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one (1) equal vote. Except with respect to directors appointed by the Declarant pursuant to Section 8.4 of the Declaration, the directors shall be residents or eligible members; provided, however, no Owner and resident representing the same Unit may serve on the Board at the same time. No Owner or resident shall be eligible to serve as a director if any assessment for such Person's Unit is delinquent. A "resident" shall be any natural person eighteen (18) years of age or older whose principal place of residence is a Unit within the Project. In the case of a member which is not a natural person, any officer, director, partner, employee, trust officer, or designated agent of such member shall be eligible to serve as a director unless otherwise specified by written notice to the Association signed by such member; provided, no member may have more than one (1) such representative on the Board at a time, except in the case of directors appointed by the Declarant.

3.2. Number of Directors. The Board shall consist of up to three (3) directors, as provided in Section 3.4 below.

3.3. Nomination and Election of Directors. Except with respect to directors appointed by the Declarant pursuant to Section 8.4 of the Declaration, directors shall be nominated from the floor and may also be nominated by a nominating committee, if such a committee is established by the Board. All candidates shall have a reasonable opportunity to communicate their qualifications to the members and to solicit votes. Each Owner may cast the entire vote assigned to his or her Unit for each position to be filled. There shall be no cumulative voting. That number of candidates equal to the number of positions to be filled receiving the greatest number of votes shall be elected. Directors may be elected to serve any number of consecutive terms.

3.4. Election and Term of Office.

(a) The initial Board shall consist of one (1) to three (3) directors appointed by the Declarant pursuant to Section 8.4 of the Declaration.

(b) Upon termination of the Declarant's right to appoint all directors as provided in the Declaration, the number of directors shall be set at three (3), and the Association shall hold an election at which the members shall be entitled to elect the number of directors set forth in Section 8.4 of the Declaration, each for a term of one (1) year. At such time as the Declarant is no longer entitled to appoint any directors, the Association shall hold an election at which the members shall be entitled to elect all three (3) directors, with the director receiving the largest number of votes

being elected for a term of three (3) years, the director receiving the second largest number of votes being elected for a term of two (2) years, and the remaining director being elected for a one (1) year. In the event of a tie, the members shall assign among those tied the number of years of the initial terms for each such director.

(c) Upon the expiration of the term of office of each initial director elected by the members, a successor shall be elected to serve a term of one (1) year, and all subsequent terms shall be for one (1) year. The directors elected by the members shall hold office until their respective successors have been elected.

### 3.5. Removal of Directors and Vacancies.

(a) Any director elected by the members may be removed, with or without cause, by members holding two-thirds ( $\frac{2}{3}$ ) of the votes entitled to be cast for his or her election. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, a successor shall be elected by the members to fill the vacancy for the remainder of the term of such director.

(b) Any director elected by the members who has three or more consecutive unexcused absences from Board meetings, or who is more than thirty (30) days delinquent (or is the resident of a Unit that is delinquent or is the representative of a member who is delinquent) in the payment of any assessment or other charge due the Association, may be removed by the other two directors present at a regular or special meeting, and the Board may appoint a successor to fill the vacancy until the next annual meeting, at which time the members shall elect a successor.

(c) In the event of the death, disability, or resignation of a director elected by the members, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the members shall elect a successor.

(d) This Section shall not apply to directors appointed by the Declarant. The Declarant shall be entitled to appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by the Declarant.

3.6. Organizational Meetings. The first meeting of the Board following each annual meeting of the membership shall be held within ten (10) days at such time and place as the Board shall fix.

3.7. Regular Meetings. Regular meetings of the Board may be held at such time and place as a majority of the directors shall determine, but at least one such meeting shall be held during each quarter.

3.8. Special Meetings. Special meetings of the Board of Directors shall be held when called by written notice signed by the President or by any two directors.

3.9. Notice. Notice of the time and place of a regular meeting shall be communicated to directors not less than four calendar days prior to the meeting. Notice of the time and place of a special meeting shall be communicated to directors not less than seventy-two (72) hours prior to the meeting. No notice need be given to any director who has signed a waiver of notice or a written consent to holding of the meeting either before or after the meeting. The notice shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. Notices shall be given to each director by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; (iv) telecopier transmission to the director's home or office, with confirmation of receipt by the receiving telecopier; or (v) telegram, charges prepaid. All such notices shall be given at the director's telephone or telecopier number or sent to the director's address as shown on the records of the Association. Notices sent by first class mail shall be deemed communicated when deposited into a United States mailbox. Notices given by personal delivery, telephone, telecopier, or telegraph shall be deemed communicated when delivered, telephoned, telecopied, or given to the telegraph company.

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

3.11. Telephonic Participation in Meetings. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by means of conference telephone or similar communications equipment, by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section shall constitute presence in person at such meeting.

3.12. Quorum of Board of Directors. At all meetings of the Board, 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 Board, unless otherwise specifically provided in these Bylaws or the Declaration. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, those present at such meeting may adjourn the meeting to a time not less than two (2) nor more than ten (10) days from the date of the original meeting. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.13. Compensation. Directors shall not receive any compensation from the Association for acting as such unless approved by members representing at least fifty-one percent (51 %) of the total votes in the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses incurred on behalf of the Association upon approval of the other two directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by the other two members of the Board of Directors, excluding the interested director.

3.14. Conduct of Meetings. The President shall preside over all meetings of the Board, and the Secretary shall keep a minute book of Board meetings recording all Board resolutions and all transactions and proceedings occurring at such meetings.

3.15. Open Meetings. Subject to the provisions of Section 3.16, all meetings of the Board shall be open to all members, but members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any member may speak. Notwithstanding the above, the President may adjourn any meeting of the Board, reconvene in executive session, and exclude members to discuss matters of a sensitive nature.

3.16. Action Without a Formal Meeting. Any action to be taken at a meeting of the directors or any action that may be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors, and such consent shall have the same force and effect as a unanimous vote.

3.17. Powers. The Board of Directors shall have an of the powers and duties necessary for the administration of the Association's affairs and for performing all responsibilities and exercising an rights of the Association as set forth in the Declaration, these Bylaws, the Articles, and as provided by law. The Board may do or cause to be done all acts and things as are not directed by the Declaration, Articles, these Bylaws, or applicable law to be done and exercised exclusively by the membership generally.

3.18. Duties. The duties of the Board shall include, without limitation:

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

(b) levying and collecting assessments fro the Owners, as set forth in the Declaration;

(c) providing for the operation, care, upkeep, and maintenance of those portions of the Common Elements as provided in the Declaration;

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

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

(f) making and amending rules in accordance with the Declaration;

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

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

(i) enforcing by legal means the provisions of the Declaration, these Bylaws, and the rules of the Association and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; provided, the Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board reasonably determines is,



or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action;

(j) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

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

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

(m) making available to any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Declaration, the Articles of Incorporation, the Bylaws, rules and all other books, records, and financial statements of the Association, as provided in Section 6.4;

(n) permitting utility suppliers to use portions of the Common Elements reasonably necessary to the ongoing development or operation of the Project;

(o) indemnifying a director, officer, or committee member, or former director, officer, or committee member of the Association to the extent such indemnity is required or permitted under applicable law, the Articles of Incorporation, or the Declaration; and

(p) representing members at meetings of any master association.

### 3.19. Management.

(a) The Board of Directors may employ for the Association a professional management agent or agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties, but shall not delegate policy-making authority.

(b) The Association shall not be bound, either directly or indirectly, by any management contract executed during the period that the Declarant Control Period unless such contract contains a right of termination exercisable by the Association, with or without cause and without penalty. In addition, any management contract executed by the Association shall contain a termination clause permitting termination, with or without cause and without penalty, upon no more than ninety (90) days written notice.

(c) The Board may delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board.

3.20. Accounts and Reports. The following management standards of performance shall be followed unless the Board by resolution specifically determines otherwise:

(a) accrual basis accounting, as defined by generally accepted accounting principles, shall be employed unless the Board votes to employ cash basis accounting;

(b) accounting and controls shall conform to generally accepted accounting principles;

(c) cash accounts of the Association shall not be commingled with any other accounts;

(d) 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, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) 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 Board;

(f) commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association at least quarterly (such financial statements shall include an income statement reflecting all income and expense activity for the preceding period on an accrual basis and may include such other reports as deemed necessary by the Board); and

(g) an annual financial report shall be made available to all members within one hundred twenty (120) days after the close of the fiscal year and at each Association annual meeting. Such annual report may be prepared on an audited, reviewed or compiled basis, as the Board determines; provided, upon written request of any holder, guarantor, or insurer of any First Mortgage on a Unit, the Association shall provide an audited financial statement.

3.21. Borrowing. The Association shall have the power to borrow money for any legal purpose; provided, however, if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred

within the previous twelve (12) month period, exceeds or would exceed ten percent (10%) of the budgeted gross expenses of the Association for that fiscal year, the Board shall obtain the approval of members representing at least fifty-one percent (51 %) of the total votes allocated to Units prior to borrowing such money.

3.22. Right to Contract. The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other owners or residents associations, within and outside the Project; provided, any common management agreement shall require the consent of a Majority of the total number of directors of the Association.

3.23. Enforcement. In addition to such other rights as are specifically granted under the Declaration, the Board shall have the power to impose reasonable monetary fines, which shall constitute a lien upon the Unit of the violator, and to suspend an Owner's right to vote because of the violation of any duty imposed under the Declaration, these Bylaws, or any Association rules. The failure of the Board to enforce any provision of the Declaration, Bylaws, or any rule shall not be deemed a waiver of the right of to do so thereafter.

(a) Prior to imposition of any sanction hereunder or under the Declaration, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request for a hearing to the Board; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed; provided that the Board may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person. In the event of a continuing violation, each day the violation continues beyond the 10-day period constitutes a separate offense, and fines may be imposed on a per diem basis without further notice to the violator. In the event of a violation which recurs within one year from the date of any notice hereunder, the Board may impose a sanction without notice to the violator.

(b) If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Board in executive session. The alleged violator shall be afforded a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer,

director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative appears at a meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(c) Notwithstanding anything to the contrary in this Article, the Board may elect to enforce any provision of the Declaration, these Bylaws, or the rules of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and the removal of pets that are in violation of pet rules) or by suit at law or in equity to enjoin any violation or to recover monetary damages or both, without the necessity of compliance with the procedure set forth above. Any injunction sought, when issued, shall issue without any necessity of a bond. In any remedial action, to the maximum extent permissible, the Owner or Occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees actually incurred. Any entry onto a Unit for purposes of exercising this power of self-help shall not be deemed a trespass.

#### ARTICLE 4 Officers

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

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

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

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

Secretary shall keep the minutes of all meetings of the Association and Board of Directors and have charge of such books and papers as the Board of Directors may direct.

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

4.6. Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two officers or by such other person or persons as may be designated by Board resolution.

4.7. Amendments to the Declaration. Any officer of the Association may prepare amendments to the Association, for approval by the Board. The President of the Association is authorized to execute, certify and record any such amendments.

4.8. Compensation. Compensation of officers shall be subject to the same limitations as compensation of directors under Section 3.13.

#### ARTICLE 5 Committees

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

#### ARTICLE 6 Miscellaneous

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

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

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

6.4. Books and Records.

(a) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a First Mortgage on a Unit, any member of a Unit, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Declaration, Bylaws, and Articles of Incorporation, any amendments to the foregoing, the rules of the Association, books of account, the minutes of meetings of the members, the Board, and committees, and the Association's corporate books and records. The Board shall provide for such inspection to take place at the office of the Association or at such other place within the Property as the Board shall designate.

(b) Rules for Inspection. The Board shall establish reasonable rules with respect to:

- (1) notice to be given to the custodian of the records;
- (2) hours and days of the week when such an inspection may be made;
- (3) payment of the cost of reproducing copies of documents requested.

and

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

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

(a) if to a member, at the address which the member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Unit of such member; or

(b) if to the Association, the Board of Directors, or the managing agent, at the principal office of the Association or the managing agent, or at such other address as shall be designated by notice in writing to the members pursuant to this Section.

6.6. Amendment.

(a) By Declarant. The Declarant may unilaterally amend these Bylaws at any time and from time-to-time if such amendment is necessary (i) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (ii) to enable any reputable title insurance company to issue title insurance coverage on the Units; (iii) to enable Agencies to make, purchase, insure, or guarantee Mortgage loans on the Units or any of them; or (iv) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

(b) By Members. Except as provided above, these Bylaws may be amended only by the affirmative vote or written consent, or any combination thereof, of members holding at least two-thirds (2/3) of the total votes in the Association and, for so long as the Declarant owns a Unit or has the right to appoint a majority of the directors of the Association, the consent of the Declarant. If a meeting is called for the purpose of considering a proposed amendment hereunder, such meeting shall be called in accordance with these Bylaws. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

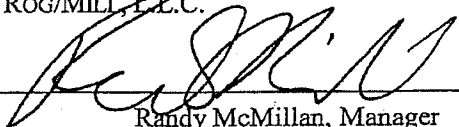
(c) Validity and Effective Date. Any amendment to these Bylaws shall become effective upon approval by the Board in accordance herewith, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these Bylaws.

(d) Effect of Amendment. No amendment may remove, revoke, or modify any right or privilege of the Declarant without the written consent of Declarant for so long as the Declarant owns any portion of the Project. If a member consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such member has the authority to consent and no contrary provision in any Mortgage or contract between the member and a third party will affect the validity of such amendment.

THE CASITAS AT MORNINGSTAR HOMEOWNERS'  
ASSOCIATION

By: ROG/MILL, L.L.C.

By: \_\_\_\_\_

  
Randy McMillan, Manager