

BYLAWS OF
MOUNTAIN SPIRITS HOMEOWNERS ASSOCIATION

ARTICLE I

ASSOCIATION OFFICE

The principal office of the Association in the State of New Mexico shall be located in the City of Angel Fire and County of Colfax. The Association may have such other offices, either within or without the State of New Mexico as the business of the Association may require from time to time.

ARTICLE II

SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. The annual meeting of shareholders for the election of directors and the transaction of such other business as may properly come before it shall be held at the registered office of the Association or at such other place within or without the State of New Mexico as shall be set forth in the notice of meeting. The meeting shall be held on the last Saturday in the month of September of each year beginning with the year 1994 at the hour of 9:00 a.m. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day. Failure to hold the annual meeting at the designated time shall not work a forfeiture or dissolution of the Association. If the election of directors is not held on the day designated herein for any annual meeting, or any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as may be convenient.

Section 2. Special Meeting. Special meetings of shareholders, other than those regulations by statute, may be called at any time by the president, the chairman of the board of directors if a chairman is elected, the board of directors, any vice president acting as president pursuant to these bylaws, and the holders of not less than twenty-five (25) percent of all outstanding shares entitled to vote at such special meeting. Special meetings shall be held at the registered office of the Association or at such place within or without the State of New Mexico as shall be set forth in the notice of meeting.

Section 3. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, at the direction of the president, the secretary or the officer or

persons calling the meeting, to each shareholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of the Association, with postage thereon prepaid. Attendance of a shareholder in person or by proxy at a meeting constitutes a waiver of notice of the meeting, except where a shareholder attends a meeting for the express purpose of objecting to the transaction of any business because a meeting is not lawfully called or convened.

A waiver of notice signed by all shareholders entitled to vote at the meeting may designate any time or place, either within or without the State of New Mexico, as the time and place for the holding of such meeting.

Section 4. Meeting of All Shareholders. If all of the shareholders entitled to vote shall meet at a time and place, either within or without the State of New Mexico, and consent to the holding of a meeting, such meeting shall be valid without call or notice, and at such meeting any corporate action may be taken.

Section 5. Quorum of Shareholders. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the shareholders. A quorum, once attained at a meeting, shall be deemed to continue until adjournment notwithstanding the voluntary withdrawal of enough shares to leave less than a quorum. If a quorum is present, the affirmative vote of the majority of shareholders represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders, unless a vote of a greater number is required by law. If, however, such quorum shall not be present or represented at any meeting of the shareholders, shareholders entitled to vote thereat, present in person or represented by proxy shall have the power to adjourn the meeting to a future date at which a quorum shall be present or represented. At such adjourned meeting, any business may be transacted which might have been transacted at the meeting as originally called.

Section 6. Voting of Shares.

A. Each outstanding share, regardless of class, shall be entitled to one (1) vote on each matter submitted to a vote at a meeting of shareholders, except to the extent that the voting rights of the shares of any class or classes are limited or denied by the Articles of Incorporation.

B. Shares standing in the name of another Association, domestic or foreign, may be voted by any officer, agent or proxy as the bylaws of such Association prescribed, or, in the absence of such provision, as the board of directors of such Association may determine.

C. Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of the shares into his name. Shares standing in the name of a trustee, or a custodian for a minor, may be voted by him, either in person or by proxy, but only after a transfer of the shares into his name.

D. Shares standing in the name of a receiver or bankruptcy trustee may be voted by the receiver or bankruptcy trustee, and shares held by or under the control of a receiver or bankruptcy trustee may be voted by him without the transfer thereof into his name if authority so to do is contained in an appropriate order of the Court by which the receiver or bankruptcy trustee was appointed.

E. A shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. No proxy shall be valid after eleven (11) months from the date of execution, unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the shareholder executing it.

F. A shareholder whose shares are pledged may vote the shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee may vote the shares so transferred.

G. Shares standing in the name of a partnership may be voted by any partner, and shares standing in the name of a limited partnership may be voted by any general partner.

H. Shares standing in the name of a person as life tenant may be voted by him, either in person or by proxy.

Section 9. Consents. Any action required to be taken at a meeting of the shareholders may be taken without a meeting, and the vote of shareholders may be dispensed with, if a consent in writing, setting forth the action so taken, shall be signed by all of the shareholders entitled to vote with respect to the corporate action being taken.

ARTICLE III

DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by the board of directors.

Section 2. Number, Tenure and Qualifications. The number of directors of the Association shall be established by resolution of the Board of Directors. The number of directors may be increased

or decreased from time to time by amendment to these bylaws, but no decrease shall have the effect of shortening the term of any incumbent director. The term of office of each director shall be until the next annual meeting of the shareholders, and each director shall hold office for the term for which he is elected and until his successor has been elected and qualified. Directors need not be residents of the State of New Mexico or shareholders of the Association.

Section 3. Duties and Powers. The board of directors shall have control and management of the business and affairs of the Association. The directors shall in all cases act as a board, regularly convene, and, in the transaction of business the act of a majority present at a meeting, except as otherwise provided by law, shall be the act of the board, provided a quorum is present. The directors may adopt such rules and regulations for the conduct of their meetings and the management of the Association as they may deem proper, not inconsistent with law or these bylaws.

Section 4. Regular Meetings. A regular meeting of the board of directors, for the purpose of electing or appointing officers and for the transaction of any other business which may come before the meeting, shall be held without other notice than this bylaw, immediately after, and at the same place, as the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place, either within or without the State of New Mexico, for the holding of additional regular meetings without other notice than such resolution.

Section 5. Special Meetings. Special meetings of the board of directors may be called by or at the request of the president at any time. The president or secretary shall, upon a written request of any two (2) directors, call a special meeting to be held not more than seven (7) days after the receipt of such request. The president may fix any place, either within or without the State of New Mexico as a place for holding any special meeting of the board of directors.

Section 6. Notice. Notice of any special meeting shall be given at least two (2) days previously thereto by written notice delivered personally or mailed to each director at his last known post office address, or sent by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except that where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor

the purpose of, any regular or special meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 7. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business at any regular or special meeting. A quorum, once attained at a meeting, shall be deemed to continue until adjournment notwithstanding a voluntary withdrawal of enough directors to leave less than a quorum. The act of the majority present shall be the act of the board of directors. If less than a majority of the directors are present at any meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 8. Manifestation of Dissent. A director who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Association immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 9. Vacancies. Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

Section 10. Removal of Directors. At a shareholders' meeting called expressly for that purpose, one or more directors, or the entire board of directors, may be removed, with or without cause, by a vote of the holders of a majority of the shares and entitled to vote at an election of directors.

Section 11. Resignation. Any director may resign his office at any time, such resignation to be made in writing and to take effect immediately without acceptance.

Section 12. Committees. The board of directors, by resolution adopted by a majority of the full board of directors, may designate from among its members an executive committee and one (1) or more other committees each of which, to the extent provided in the resolution, shall have and may exercise all the authority of the board of directors, but no such committee shall have the authority of the board of directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, recommending to the shareholders the sale, lease, exchange or other disposition of all or substantially all the property and assets of its business, recommending to the

shareholders a voluntary dissolution of the Association or a revocation thereof, or amending the bylaws of the Association. The designation of any such committee and the delegation thereto of authority shall not operate to relieve the board of directors, or any member thereof, of any responsibility imposed by law.

Section 13. Written Consent. Any action required by the Business Corporation Act to be taken at a meeting of the directors of the Association, or any action which may be taken at a meeting of the directors or of a committee, may be taken at a meeting of the directors or of a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the director,s or all of the members of the committee, as the case may be. The consent shall have the same effect as a unanimous vote.

ARTICLE IV

OFFICERS

Section 1. Officers and Qualifications. The officers of this Association shall consist of a president, one or more vice presidents, (the number thereof to be determined by the board of directors from time to time), the secretary and a treasurer, each of whom shall be elected by the board of directors at the time and in the manner prescribed by these bylaws. Other officers and assistant officers and agents deemed necessary may be elected or appointed by the board of directors or chosen in the manner prescribed by these bylaws. Any two (2) or more offices may be held by the same person, except the offices of president and secretary. All officers and agents of the Association, as between themselves and the Association, shall have the authority and perform the duties in the management of the Association as provided in these bylaws, or as determined by the resolution of the board of directors not inconsistent with these bylaws.

Section 2. Election and Term. All officers of the Association shall be elected for 2-year terms on a biannual staggered basis by the board of directors at its regular meeting held immediately after the annual meeting of shareholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as may be convenient. Each officer shall hold office until his successor has been duly elected and qualified, or until removed as hereinafter provided.

Section 3. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the board of directors for the unexpired portion of the term. Vacancies may be filled or new offices created and filled at any meeting of the board of directors.

Section 4. Removal. Any officer or agent may be removed by the board of directors whenever in its judgment the best interests of the Association will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5. Duties of Officers. The duties and powers of the officers of the Association shall be as follows and they shall hereafter be set by resolution of the board of directors.

President

A. The president shall be the principal executive officer of the Association and shall in general supervise and control all of the business and affairs of the Association.

B. He shall preside at all meetings of the shareholders and shall preside at all meetings of the directors unless a chairman of the board of directors is elected, in which case he shall preside only in the absence of the chairman of the board of directors.

C. He shall present at each annual meeting of the shareholders and directors a report of the condition of the business of the Association.

D. He shall cause to be called regular and special meetings of the shareholders and directors in accordance with the requirements of the statute and these bylaws.

E. He shall appoint, discharge and fix the compensation of all employees and agents of the Association other than the duly elected officers, subject to the approval of the board of directors.

F. He shall sign and execute all contracts in the name of the Association, and all certificates for shares of the Association, all deeds, mortgages, bonds, contracts, notes, drafts, or other orders for the payment of money, or other instruments which the board of directors have authorized to be executed, except in cases where the signing and execution of such items shall be expressly delegated by the board of directors or by these bylaws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed.

G. He shall cause all books, reports, statements, and certificates to be properly kept and filed as required by law.

H. He shall enforce these bylaws and perform all the duties incident to his office and which are required by law, and, generally, perform all duties as may be prescribed by the board of directors from time to time.

Vice President

In the absence of the president or in the event of his inability or refusal to act, the vice president (or if there be more than one vice president, the vice presidents in order of seniority) shall perform the duties of the president, and when so acting, shall have all the powers and be subject to all the responsibilities of the office of president. The vice president shall also perform such other duties and have such other powers as from time to time may be assigned to him by the board of directors or president.

Secretary

A. The secretary shall keep the minutes of the meetings of the board of directors and of the shareholders in the appropriate books.

B. He shall attend to the giving of notice of special meetings of the board of directors and of all the meetings of the shareholders of the Association.

C. He shall be the custodian of the records and seal of the Association and shall affix the seal to the certificates representing shares and other corporate papers when required.

D. He shall keep at the principal office of the Association a book or record containing the names, alphabetically arranged, of all persons who are shareholders of the Association, showing their mailing addresses, the number of shares held by them respectively, and the dates when they respectively became the owners of record thereof. He shall keep such book or record and the minutes of the proceedings of its shareholders open daily during the usual business hours, for inspection, within the limits prescribed by law, by any person duly authorized to inspect such records. At the request of the person entitled to an inspection thereof, he shall prepare and make available a current list of the officers and directors of the Association and their mailing addresses.

E. He shall attest the execution of instruments on behalf of the Association by a proper officer thereof, and he shall affix the corporate seal to such instruments on behalf of the Association.

F. He shall sign all certificates representing shares and affix the corporate seal thereto.

G. He shall attend to all correspondence and present to the board of directors at its meetings all official communications received by him.

H. He shall in general perform all duties incidental to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the board of directors.

Treasurer

A. The treasurer shall have the care and custody of and be responsible for all the funds and securities of the Association, and shall deposit such funds and securities in the name of the Association in such banks, trust companies or other depositaries as shall be designated by the board of directors.

B. Subject to banking resolutions adopted by the board of directors, he shall supervise, make, sign, and endorse in the name of the Association all checks, drafts, notes and other orders for the payment of money, and pay out and dispose of such under the direction of the president or the board of directors.

C. He shall keep at the principal office of the Association accurate books of account of all its business and transactions and shall at all reasonable hours exhibit books and accounts to any director upon application at the office of the Association during business hours.

D. He shall render a report of the condition of the finances of the Association at each regular meeting of the board of directors and at such other times as shall be required of him, and he shall make a full financial report at the annual meeting of the shareholders.

E. He shall further perform all duties, incident to the office of treasurer of the Association.

F. If required by the board of directors, he shall give such bond as it shall determine appropriate for the faithful performance of his duties.

Other Officers

Other officers shall perform such duties and have such powers as may be assigned to them by the board of directors. Assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or the treasurer, respectively, or by the president or the board of directors.

Section 6. Vacancies. All vacancies in any office shall be filled promptly by the board of directors, either at regular meetings or at a meeting specially called for that purpose.

Section 7. Compensation of Officers. The officers shall receive such salary or compensation as may be fixed by the board of

directors. No officers shall be prevented from receiving compensation by reason of the fact that he is also a director of the Association.

The officers shall be entitled to receive reimbursement for expenses incurred by them in attending any meetings duly called by the Association.

ARTICLE V

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The board of directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans greater than \$10,000 shall be contracted on behalf of the Association and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the board of directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other evidence of indebtedness issued in the name of the Association, shall be signed by such officer or officers, agent or agents of the Association and in such manner as shall from time to time be determined by resolution of the board of directors.

Section 4. Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the board of directors may select.

ARTICLE VI

SHARES

Section 1. The shares of the Association shall be represented by ownership of units in Mountain Spirits Condominiums.

Section 2. Transfer of Shares. Transfer of shares will be registered on the books of the Association maintained for that purpose. The person in whose name the shares stand on the books of the Association shall be deemed the owner thereof for all purposes as regards to the Association.

ARTICLE VII

DIVIDENDS

The board of directors at any regular or special meeting may declare dividends payable out of the surplus of the Association, or may declare a moratorium on assessments to Association members subject to the restrictions and limitations imposed by law whenever in the exercise of its discretion it may deem such declaration advisable. Such dividends may be paid in cash, property, or shares of the Association.

ARTICLE VIII

SEAL

The board of directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Association and the words, "Corporate Seal, New Mexico."

The corporate seal may be used on all items executed by the Association, but its presence is not essential to the validity of any written instrument duly signed by authorized corporate officers.

ARTICLE IX

FISCAL YEAR

The Association shall have a fiscal year, which shall be determined by the board of directors during the first twelve months of operation of the Association. Such fiscal year shall end on the last day of any one calendar month, and shall begin the first day of the next succeeding calendar month.

ARTICLE X

INDEMNIFICATION

The Association shall indemnify any director or officer or former director or officer of the Association, or any person who may have served at its request as a director or officer of another Association in which it owns shares of capital stock or of which it is a creditor, against expenses actually and reasonably incurred by him in connection with the defense of any action, suit or proceeding, civil or criminal, in which he is made a party by reason of being or having been such a director or officer, except in relation to matters as to which he shall be adjudged in such

action, suit or proceeding to be liable for negligence or misconduct in the performance of duty to the Association. The foregoing shall not be construed as prohibiting in any way any broader indemnification permitted by the Articles of Incorporation.

ARTICLE XI

WAIVER OF NOTICE

Whenever under the provisions of these bylaws or of any statute any shareholder or director is entitled to notice of any regular or special meeting or of any action to be taken by the Association, such meeting may be held or such action may be taken without the giving of such notice, provided every shareholder or director entitled to such notice in writing waives the requirements of these bylaws in respect thereto.

ARTICLE XII

LEGAL CONTRACT

No individual, Association, association, or governmental agency entering into a contract with the Association under which the Association is to perform professional services shall be given the right to designate, by name or description, the individual who is to perform the services. The fact that a particular licensed shareholder has signed the contract, under which the Association is to provide professional services, as the responsible party, is not a designation of that individual to perform the services provided and required by the contract.

ARTICLE XIII

AMENDMENTS

These bylaws may be altered, amended, repealed or new laws adopted by a two-thirds majority of all Association members at a regular or special meeting of the Association.

ARTICLE XIV

DISSOLUTION

The Association may be dissolved at any time upon a vote of three-fourths of the Association members in favor of same at a regular or special meeting of the Association.

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

I hereby certify that the above and foregoing bylaws of MOUNTAIN SPIRITS HOMEOWNERS ASSOCIATION, a New Mexico Association, consisting of 13 pages, this page included, are the bylaws of this Association, adopted by the members thereof at a meeting of the Association held September 24, 1994.

SUBSCRIBED AND SWORN TO before me this _____ day of
September, 1994.

NOTARY PUBLIC

My Commission Expires:
