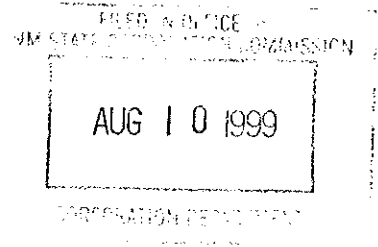


BYLAWS
OF
DIAMOND TAIL HOMEOWNERS' ASSOCIATION



The affairs of the Diamond Tail Homeowners' Association, a New Mexico nonprofit corporation (the "**Association**"), shall be administered and regulated pursuant to the following Bylaws, to-wit:

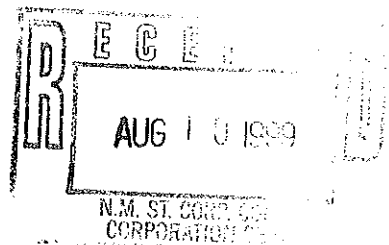
ARTICLE 1 - OBJECT

1.1 Purpose. The purpose for which this nonprofit corporation is formed is to govern the real estate subdivision situated in the County of Sandoval, State of New Mexico, which is known as the Diamond Tail Subdivision (Phase I), sometimes also referred to as Diamond Tail (Phase I), and/or Diamond Tail Estates I ("**Subdivision**"), and which property is protected pursuant to the provisions of the First Amended and Restated Declaration of Restrictive Covenants for Diamond Tail Subdivision (Phase I) (the "**Declaration**"), recorded on August 2, 1999, in Volume 402, Folios 51681-51707, Document No. 19380, of the records of Sandoval County, New Mexico, and referred to in Article 2.3 of the First Amended and Restated Articles of Incorporation of the Association ("**Articles**"), together with such other property as may be annexed to the Subdivision. These Bylaws are subject to the provisions of the Declaration and the Articles and, in the event any Bylaw adopted by the Association is or becomes inconsistent with the Declaration or the Articles, the provisions of the Declaration and the Articles shall control over the Bylaws, and the provisions of the Declaration shall control over the Articles.

1.2 Persons Subject to Bylaws. All Owners of a numbered lot ("**Lot**") in the Subdivision ("**Owners**"), occupants of a Lot, or any other person or entity that uses in any manner any improvements on or within any portion of the Subdivision are subject to these Bylaws. The mere acquisition or rental by any person of any of the Lots of the Subdivision or the mere act of occupancy of any of the Lots will signify that these Bylaws are accepted, ratified and will be complied with by such persons.

ARTICLE 2 - DEFINITIONS

2.1 Reference to Declaration. Except as otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Declaration. Any person who acquires a lot that is part of any property annexed to the Subdivision shall be deemed an Owner and the lot shall be deemed a Lot within the scope of, and subject to and governed by, these Bylaws, as of the time of the acquisition of the lot.



**ARTICLE 3 - MEMBERSHIP, VOTING, MAJORITY
OF OWNERS, QUORUM, PROXIES**

3.1 Membership. Ownership of a Lot in the Subdivision or of a lot in any property that may be annexed to the Subdivision is required in order to qualify for membership in the Association. Every person or entity who is the beneficial owner of a fee simple interest, including the purchaser under a contract of sale, in any Lot shall be a member of the Association; provided that any person or entity holding such interest as security for the payment of a debt or performance of any obligation shall not be a member; provided, further, that any person or entity who acquires such interest at a judicial sale or by conveyance in lieu of foreclosure shall be a member. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Such membership shall terminate without any formal Association action whenever such person ceases to own a Lot, but such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in any way connected with this Association during the period of such ownership and membership in this Association, or impair any rights or remedies which the Board or others may have against such former Owner arising out of or in any way connected with Lot ownership, Association membership, or the Declaration or obligations incident thereto.

3.2 Classes of Membership. The Association shall have two (2) classes of membership, Class I and Class II.

3.3 Voting.

3.3.1 Class I. All Owners shall be Class I members, except the Declarant, subject to subsection 3.3.2, and shall be entitled to one (1) vote for each Lot owned. When more than one person or entity is an Owner of any Lot, all such persons shall be members, but only one (1) vote shall be cast with respect to any Lot.

3.3.2 Class II. The Declarant or its successor(s) or assign(s) for the development of the Subdivision shall be the only Class II member and shall be entitled to two hundred and fifty (250) votes. The Class II membership of Declarant shall cease and be converted to Class I membership upon the earliest of:

- a. the sale by Declarant of two hundred and fifty (250) Lots;

or

- b. a decision in favor of such conversion by Declarant, in its sole discretion.

3.3.3 Right to Vote. Each Owner shall be entitled to vote as provided in this Article on all matters properly submitted for vote to the membership of the Association.

Cumulative voting is prohibited. The right to vote may not be severed from any Lot, and any sale, transfer or conveyance of the beneficial interest of the fee or any Lot to a new Owner shall operate to transfer the appurtenant voting rights without the requirement of any express reference thereto. Voting may be by written proxy, but no Owner may vote by proxy for more than one (1) additional Owner.

3.4 Voting Power of the Association. The "**Voting Power of the Association**" means the total number of votes of all Owners, including Declarant, at the time the pertinent vote is to be taken.

3.5 Quorum. A quorum is necessary to take action or transact any business at any meeting of the Association. The presence in person or by proxy of Owners having at least fifty percent (50%) of the total Voting Power of the Association shall constitute a quorum. At a properly constituted meeting of the Association with a quorum present, the affirmative vote of Owners who hold a majority of the votes present, either in person or by proxy, shall be required to pass any measure, transact any business or adopt any decisions binding on all Owners.

3.6 Proxies. Votes may be cast in person or by proxy. Proxies must be in writing, dated and filed with the Secretary before the appointed time of each meeting, but no Owner may vote for more than one (1) additional Owner. Revocation of any proxy may be made by written notice to the Secretary. A revocation of a proxy shall not affect any vote or act taken or authorized pursuant thereto prior to the receipt of such notice by the Secretary. A proxy shall terminate one year after its date, unless it specifies a shorter term. Conveyance of a Lot or undivided interest therein by an Owner shall be deemed revocation of any proxy executed by such Owner unless the successor in interest to such Owner assumes or takes subject to a mortgage containing an irrevocable proxy.

ARTICLE 4 - ADMINISTRATION

4.1 Association Responsibilities. The Owners shall constitute the Diamond Tail Homeowners' Association, which will have the responsibility of administering the Subdivision through the Board.

4.2 Place of Meeting. Meetings of the members of the Association shall be held at such place as the Board may determine within Sandoval County, New Mexico.

4.3 Annual Meeting. The first annual meeting of the Association shall be held on a date selected by the Board between August 15, 1999 and November 30, 1999. Thereafter the annual meetings of the Association shall be held on a date selected by the Board between November 1 and November 30 of each year. At such meetings a Board shall be elected in accordance with the requirements of paragraph 5.5 of Article V of these Bylaws. The members may also transact such other business of the Association as may properly come before the meeting.

4.4 Special Meeting. The President shall call a special meeting of the members of the Association, as directed by resolution of the Board or upon a petition signed by Owners having at least twenty-five percent (25%) of the Voting Power of the Association, which resolution or petition shall be presented to the President. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice, unless by consent of Owners having at least seventy-five percent (75%) of the Voting Power of the Association, either in person or by proxy. Any such meeting shall be held within thirty (30) days after receipt by the President of such resolution or petition.

4.5 Notice of Meeting. The Secretary shall mail a notice of each annual or special meeting, stating the purpose thereof as well as the date, time and place where it is to be held, to each member of the Association, at least fifteen (15) days and not more than sixty (60) days prior to such meeting or as otherwise provided herein. The mailing of a notice in the manner provided in this paragraph shall be considered notice served. The certificate of the Secretary that notice was properly given as provided in these Bylaws shall be prima facie evidence thereof. Notices of meetings shall state the date, time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any Annual Budget (defined below) changes and any proposal to remove a director.

4.6 Adjourned Meetings. If any meeting of the Association cannot be organized because a quorum is not present, the members who are present, either in person or by proxy, may adjourn the meeting, from time to time, for periods of no longer than a week, until a quorum is obtained or until a conclusion can be reached. At any reconvened meeting, if a quorum is obtained, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

4.7 Rules of Meetings. The Board may prescribe reasonable rules for the conduct of all meetings of the Board and of the members of the Association and in the absence of such rules, Roberts Rules of Order shall govern.

ARTICLE 5 - BOARD OF DIRECTORS

5.1 Number and qualification. The affairs of the Association shall be governed by a Board composed of three (3) persons. The number of directors may be increased by amendment of the Declaration and these Bylaws; provided, however, that the number of directors shall not be reduced to less than three (3). Until the terms of the members of the initial Board expire, the Board shall consist of those individuals named as such in the Articles. Such original directors need not be members of the Association.

5.2 Power and Duties. The Board shall have the powers and duties necessary for the administration of the affairs of the Association. The Board may do all such acts and

things as are not by law or by the Articles or these Bylaws or by the Declaration directed to be exercised and done by the Owners.

5.3 Other Powers and Duties. In addition to the powers and duties permitted by law, the Board shall be empowered, and shall have duties, as follows:

5.3.1 to administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration, the Articles and these Bylaws;

5.3.2 to adopt, establish, make, publish and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of the Subdivision, with the right to amend same from time to time; a copy of such rules and regulations shall be delivered to or mailed to each member promptly upon adoption thereof;

5.3.3 to keep in good order, condition and repair all streets, detention ponds, fire protection resources and facilities, helipads, landscaping, drainage structures, utilities, signage, common lighting, trails and other Structures and facilities located within the Common Easements;

5.3.4 to manage and operate the Shared Well Systems for each of the Water Groups within the Subdivision, including imposition and enforcement of assessments to operate, maintain and replace water facilities.

5.3.5 to contract with a private trash hauler, licensed by the State of New Mexico, to provide periodic solid waste pick up service to all Lots in the Subdivision. No Owner shall contract individually for these services.

5.3.6 to arrange for the inspection of all liquid waste disposal systems on a schedule to be determined by the Association, but at least annually.

5.3.7 to fix, determine, levy and collect, periodically, the assessments to be paid by each of the Owners towards the Common Expenses (defined below) of the Subdivision and to adjust, decrease or increase the amount of the assessments; and to credit any excess of assessments over the expenses and cash reserves to the Owners against the next succeeding assessment period; to levy and collect special assessments whenever in the opinion of the Board it is necessary to do so, in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies, all of which assessments shall be in statement form and shall set forth in detail the various expenses for which the assessments are being made;

5.3.8 to impose penalties and collect delinquent assessments by suit or otherwise, and to seek injunctive relief or damages from an Owner;

5.3.9 to enter into contracts, within the scope of their duties and powers;

5.3.10 to establish a common or separate bank account(s) for the Association funds;

5.3.11 to keep and maintain detailed and accurate books and records showing in chronological order all of the receipts, expenses or disbursements with appropriate specificity and itemization, and to permit examination thereof at any reasonable time by each of the Owners and mortgagees, and upon the request of any Owner(s), at the expense of such Owner(s), to cause a complete audit to be made of the books and accounts by a competent certified public accountant reasonably acceptable to the Board;

5.3.12 to prepare and deliver annually to each Owner a statement showing all receipts, expenses or disbursements since the last statement;

5.3.13 to foreclose a lien against a Lot for default in the payment of assessments or fines or bring suit for same for Association expenses;

5.3.14 to hire, designate and remove the personnel necessary to carry out the duties and responsibilities of the Association;

5.3.15 to provide for reimbursement of expenses, if any, of directors and officers and for reasonable compensation of employees of the Association. This provision shall not preclude the Board from employing a director as an employee of the Association nor preclude the Board from contracting with a director for the management of the Subdivision in accordance with the provisions of Section 5.16 of this Article;

5.3.16 to declare the position of a member of the Board to be vacant in the event such director shall be absent from three (3) consecutive meetings of the Board;

5.3.17 to suspend the voting rights of an Owner for the reasons set forth in the Articles or Subdivision Rules;

5.3.18 to acquire, hold and dispose of Lots and mortgage the same, provided such expenditures and hypothecations are included in the budget adopted by the Association; and

5.3.19 in general, to carry on the administration of this Association and to do all of those things necessary and reasonable and consistent with the Articles, the Declaration and these Bylaws, in order to carry out the governance and operation of the Subdivision.

5.4 **Managing Agent.** The Board may employ for the Association a managing agent, at a compensation established by the Board, to perform such day-to-day

management duties and services as the Board shall delegate and authorize. The term of any contract with a managing agent shall not exceed three (3) years.

5.5 Election and Term of Office. Members of the Board shall be elected by a majority of votes cast at the annual meeting of the Association. At the first annual meeting of the members of the Association, two (2) members of the Board shall be elected to serve two (2)-year terms, and the remaining one (1) member of the Board shall be elected for a one (1)-year term. All subsequent elections for membership to the Board shall be for two (2)-year terms. Except for the initial Directors appointed by Declarant, who may be elected and reelected, directors shall be members of the Association. Until the first annual meeting of the members of the Association, the initial Board shall consist of the three (3) persons whose names and addresses appear below.

Joe B. Matthews
301 Congress Avenue, Suite 1900
Austin, Texas 78701

Skipper C. Good
P.O. Box 130
Placitas, New Mexico 87043-0130

Jack E. Owen, Jr.
301 Congress Avenue, Suite 1900
Austin, Texas 78701

A director shall serve until his or her term expires and a successor is duly elected and qualified, the director resigns or is unable to serve, or the director is removed in the manner hereinafter provided. Any vacancy in the Board occurring before the end of a term shall be filled in the manner provided in Section 5.6 hereof.

5.6 Vacancies. Vacancies in the Board caused by any reason other than the removal of a director by a vote of the members of the Association shall be filled by decision of the remaining directors, even though they may constitute less than a quorum; and each person so elected shall be a director until a successor is elected at the next annual meeting of the members of the Association.

5.7 Removal of Directors. At any regular or special meeting of the members of the Association duly called, any one or more of the directors, excepting any director named in the Articles, may be removed with or without cause by the vote of two-thirds (2/3) of the Voting Power of the Association, and a successor may then and there be elected to fill each vacancy thus created. Any director whose removal has been proposed by the Owners shall be given the opportunity to be heard at the meeting.

5.8 Organizational Meeting. The first meeting of a newly elected Board shall be held within thirty (30) days of the election at such place as shall be fixed by the directors at the meeting at which such directors were elected.

5.9 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least one such meeting shall be held each year. Notice of regular meetings of the Board shall be given to each director, personally or by mail, or by telephone at least fourteen (14) days prior to the day named for such meetings. There shall be a regular meeting of the Board immediately following the annual meeting of members of the Association held pursuant to paragraph 4.3 hereof, and notice of such annual meeting to members of the Association in accordance with paragraph 4.5 hereof shall be deemed notice to each director of such regular meeting.

5.10 Special Meetings. Special meetings of the Board may be called by the President on seven (7) days' notice to each director, given personally, or by mail, or telephone, which notice shall state the date, time, place (as herein provided) and purpose of the meeting. Special meetings of the Board 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. Notwithstanding the foregoing, regular or special meetings of the Board may be held by telephone conference.

5.11 Waiver of Notice. Before or at any meeting of the Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the date, time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

5.12 Board Quorum. At all meetings of the Board, the presence of a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time for periods of no longer than one week until a quorum is obtained or until a conclusion can be reached. At any reconvened meeting, if a quorum is obtained, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.13 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the Board.

5.14 Compensation. The members of the Board shall serve without salary or compensation, but may be reimbursed for reasonable out-of-pocket expenses authorized by the Board.

5.15 Fidelity Bonds. The Board may require that all officers and employees of the Association handling or responsible for Association funds, furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

5.16 Common or Interested Directors. Each member of the Board shall exercise his powers and duties in good faith and with a view to the interests of the Association. 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 have a pecuniary or other interest, is either void or voidable because any such director is present at the meeting of the Board 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 exist:

5.16.1 The fact of the common directorate or interest is disclosed or known to the Board or a majority of the members thereof and noted in the minutes, and the Board authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

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

5.16.3 The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed. Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board which authorizes, approves or ratifies any contract or transaction.

ARTICLE 6 - OFFICERS

6.1 Designation. The officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board.

6.2 Election of Officers. The officers of the Association shall be elected annually, by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. Vacancies in the offices of the Association shall be filled by the Board. One person may hold two (2) or more offices; however, no person may simultaneously hold the position of President and Secretary. All officers, except the initial officers, who may be elected and reelected, must be members of the Association or

officers or directors of corporate owners, partners in any partnership or trustees of any trust owning a Lot, or other persons similarly situated.

6.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for that purpose.

6.4 President. The President shall be elected from among the Board and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board. The President shall have all of the general powers and duties which are usually vested in the office of president of a non-profit corporation, including, but not limited, to the power to appoint committees from among the members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the members of the Association at any regular or special meetings; and the power to direct the other officers of the Association in the performance of their duties.

6.5 Vice President. The Vice President shall have all the powers and authority, and perform all the functions and duties, of the President, in the absence of the President, or due to the President's inability for any reason to exercise such powers and functions or perform such duties.

6.6 Secretary. The Secretary shall keep all the minutes of the meetings of the Board and minutes of all meetings of the Association. The Secretary shall have charge of such books and papers as the Board may direct; and shall, in general, perform all the duties incident to the office of Secretary. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of members and their last-known addresses as shown on the records of the Association.

Such list shall also show opposite each member's name the number or other appropriate designation of the Lots owned by such member. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

6.7 Treasurer. The Treasurer shall have the responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in the name, and to the credit, of the Association, in such depositories as may from time to time be designated by the Board, and shall pay all charges and obligations of the Association before the same shall become due.

6.8 Managing Agent. Subject to the Board's approval, the officers may delegate day-to-day management duties to a managing agent.

Article 7 - Assessments

7.1 Mutual Covenants to Pay Assessments. Declarant, as owner of the Subdivision, covenants, and each Owner, by acceptance of a deed to a Lot or contract of sale therefor covenants and agrees with each other Owner and with the Association, to pay all assessments levied by the Board, as required in these Bylaws, whether or not such covenant is contained in such deed or contract or other conveyance.

7.2 Creation of Common Fund. The Board shall establish a "Common Fund" to enable the Association and the Board to exercise the powers and perform the rights, obligations and duties stated herein. Such fund shall be funded by assessments as hereinafter provided, to be paid by all Owners, including Declarant; provided however, until the Association makes an assessment for the Common Expenses, Declarant shall pay all Common Expenses. Such fund shall be administered on a fiscal year basis. The first assessment shall be determined by the Board in accordance with these Bylaws and shall be prorated over the Association's fiscal year commencing with the date set by the Board for the first assessment.

7.3 Annual Budget. At least ninety (90) days prior to the end of each fiscal year, the Board shall prepare and adopt a proposed estimate of the total amount it deems necessary for the Association's next fiscal year (the "Annual Budget") to pay the Common Expenses to be incurred, have solid waste hauled from the Subdivision, inspect liquid waste systems, and to inspect, maintain and repair the streets, detention ponds, fire protection resources and facilities, helipads, landscaping, utilities, common lighting,, trails, drainage structures, signage, and other Structures and facilities located within the Common Easements, expenses of management; premiums for insurance in the amounts and types required hereunder; legal and accounting fees; management fees; expenses and liabilities incurred by the managing agent or Board under or by reason of these Bylaws; monies for any deficit remaining from a previous period; the creation of a reasonable contingency, capital improvements or other reserve or surplus fund; as well as other costs and expenses relating to the Association's affairs and duties (collectively, the "Common Expenses"). Within fifteen (15) days after adoption of the Annual Budget, the Board shall mail each Owner an itemized copy thereof, together with notification of the date, time and place of the Association's annual meeting at which the Owners will consider ratification of the Annual Budget. The annual meeting of the Association shall be set within the period set forth in these Bylaws and shall be at least fifteen (15) but not more than sixty (60) days after mailing of the Annual Budget to the Owners described hereinabove. The Annual Budget shall be deemed ratified unless Owners having seventy-five percent (75%) of the Voting Power of the Association reject or modify the Annual Budget at the annual meeting. After approval of the Annual Budget, but not later than thirty (30) days prior to the first day of the fiscal year, the Board shall mail each Owner notice of said Owner's assessment for the upcoming fiscal year and the due date for the payment thereof (which due date is the first day of the fiscal year).

7.4 Assessments. Effective the first day of each fiscal year after the first assessment made by the Association, the Board shall determine the cost of an "Assessment Unit". The Declarant shall be allocated a total number of Assessment Units equal to one-third (1/3) of the Lots owned by the Declarant. Other Owners exclusive of the Declarant shall be allocated one (1) Assessment Unit per Lot. The sum of the Assessment Units shall be divided into the total Annual Budget; the result of this calculation equals the "Assessment Unit Cost". Each Owner, including the Declarant, shall pay the Assessment Unit Cost for each Assessment Unit allocated to that Owner. The Assessment Unit(s) owned by each Owner and Declarant shall be due and owing in a yearly installment on the first day of each fiscal year, continuing until a new assessment is made by the Board. All assessments shall be paid within thirty (30) days of the due date, or interest of eighteen percent (18%) per annum shall be added to the amount due. The managing agent or Board shall prepare and deliver or mail to each Owner an itemized yearly statement showing the estimated or actual expenses from which the assessments are made, and any variances from the itemized Annual Budget ratified by the Owners.

Contributions for yearly assessments shall be prorated if the ownership of a Lot commences on a day other than the first day of the fiscal year. Any unpaid assessments by a prior Owner shall attach to the Lot and shall be assessed to any new Owner who acquires said Lot. The omission or failure of the managing agent or the Board to fix the assessment for any year shall not be deemed a waiver, modification or a release of the Owners from their obligations to pay the assessment for the year.

If the amount of the Annual Budget proves inadequate for any reason including, without limitation, non-payment of any Owner's assessment, the Board may at any time levy a further assessment by increasing the Annual Budget and each Owner, including the Declarant, shall be assessed a cost, per Assessment Unit allocated to that Owner, equal to the sum of the Assessment Units divided into the total increase in the budget; provided, however, extraordinary expenses omitted from the Annual Budget, which may become due during the fiscal year, shall first be paid from the contingency, capital improvements, and other reserve and surplus funds; and provided further, if inadequate funds exist during a fiscal year, the Association may borrow funds from Declarant or otherwise, but Declarant shall not be obligated to loan any funds to the Association. The Board shall give written notice of any such increase, and the reasons therefor, to each Owner, and shall state the date and terms of payment of such increase.

All such assessments collected shall be paid and expended for the purposes authorized herein, and (except for such special assessments as may be levied against less than all the Owners and such adjustments as may be required to reflect delinquent or unpaid assessments) shall be deemed to be held for the benefit, use and account of all Owners.

Notwithstanding any other provisions herein, including without limitation in the first and third paragraphs of this Paragraph 7.4, Declarant may, at its sole option, for

such period of time as Declarant in its sole discretion may determine, accept an allocation of Assessment Units that is greater than one-third (1/3) of the Lots owned by the Declarant.

7.5 Special Expenses. In the event any of the Association facilities, including, without limitation, the fire station and any fire protection equipment, the helipad, water tanks, any of the Common Easements or signage are damaged through the intentional or negligent act or omission of any Owner or his agents, employees, or invitees, the expense incurred by the Association for the repair of such damage shall be deemed a "**Special Expense**" to be assessed only to the Owner whose act or omission resulted in the aforementioned damage, and shall be paid by the Owner, together with his next assessment due the Association, or at the option of the Board, assessed to the Owner as a Special Expense due upon receipt.

7.6 Annual Accounting. Together with the notice of the annual meeting of members, the Board shall furnish to all Owners, for the current fiscal year, an itemized accounting of all the Common Expenses actually incurred, paid or accrued to date, together with a statement of the total assessments collected, showing the net operating loss or gain, current to date. Within sixty (60) days after the end of each fiscal year, the Board shall furnish to all Owners, for the preceding fiscal year, an itemized accounting of all the Common Expenses actually incurred, paid or accrued, together with a statement of the total assessments collected, showing the net operating loss or gain. Any such gain in excess of the amount required for incurred or accrued expenses and replacement and contingency reserves, shall be accounted for in the subsequent year's Annual Budget and allocated according to each Owner's Assessment Unit and deducted from the next yearly assessment.

7.7 Books of Account. The Board shall maintain current, detailed books of account in accordance with generally accepted accounting principles and procedures, which reflect all receipts, disbursements, assets and liabilities of the Association. Such books, records, purchase orders and payment vouchers shall be available for inspection by any Owner, or duly authorized representative of any Owner, at reasonable times during normal weekday business hours. Any Owner's mortgagee(s) shall be deemed an authorized representative of Owner.

7.8 Lien for Non-payment of Assessments and Fines. All sums assessed and fines imposed by the Association pursuant to the Declaration, these Bylaws, the Subdivision Rules, the Shared Well Agreements and/or any other authority, chargeable to any Lot or its Owner, but unpaid as of the date payment is due, shall constitute a continuing lien on such Lot, from the date payment is due but not made. The Association is authorized to execute, acknowledge and record in the real property records of Sandoval County an instrument evidencing and perfecting such lien, which may be foreclosed. The Association shall give, to the Owner and to those mortgagee(s) of a Lot actually known to the Association, notice of any unpaid assessments remaining unpaid for longer than thirty

(30) days after the same are due. If any assessment shall remain unpaid for thirty (30) days after the due date thereof, the Board or managing agent shall assess interest thereon at a rate equal to eighteen percent (18%) per annum, commencing on the date such assessment was due, together with reasonable costs and any attorney's fees incurred in connection with the collection thereof. If the assessments or fines, together with all costs of collection, including, without limitation, attorneys' fees, plus interest accrued on the foregoing, are not paid within thirty (30) days after notice is delivered, the Association may take all action necessary or advisable for collection and/or to enforce its lien on any Lot, including, without limitation, suit for collection, and/or foreclosure. The lien provided for in the Declaration and herein shall secure payment of all assessments and fines, as well as all reasonably related expenses, including, without limitation, all attorneys' fees and costs expended in perfecting the lien and attempting collection of assessments or fines, plus interest on the foregoing at the rate of eighteen percent (18%) per annum. The lien may be enforced and foreclosed in an action brought in a court of competent jurisdiction in a like manner as the foreclosure of a mortgage on real property under the laws of the State of New Mexico. In any such foreclosure, the Owner of the Lot(s) being foreclosed shall be required to pay the costs, expenses and attorneys' fees incurred in connection with such foreclosure, as well as all other reasonable costs of collection and all related attorneys' fees. The managing agent or Board on behalf of the Association shall have the power to bid on the Lot at foreclosure sale, and to acquire, hold, lease, mortgage and convey the same. The period of redemption following any judicial sale shall be one (1) month in lieu of the nine (9) months provided by law.

The Owner shall be required to pay to the Association any assessment due for the Lot during the period of foreclosure.

7.9 Personal Debt of Owner. The amount of the assessments or fines chargeable against any Lot or its Owner shall be the personal and individual debt of the Owner thereof at the time the assessment is made. Suit to recover a money judgment for such assessments or fines shall be maintainable without foreclosing or waiving the lien securing same.

7.10 Disclosure of Unpaid Assessments. Upon payment of a reasonable fee established by the Board, and upon the Board's receipt of a written request from any Owner or any mortgagee or prospective mortgagee of a Lot, the Association, by its managing agent or Board, shall issue a written statement setting forth the amount of the unpaid Common and/or Special Expenses, if any, with respect to the subject Lot, the amount of the current yearly assessment, and date that such assessment becomes due, and the amount of credits for advanced payments or for prepaid items, including but not limited to insurance premiums, which statement shall be conclusive upon the Association in favor of all persons who rely thereon in good faith. An Owner, by acceptance of a deed to a Lot, waives any objection to the disclosure of the aforementioned information by the Association and releases the Association, the Board, and its agents from any liability therefor.

7.11 Joint Liability for Assessments or Fines. The grantee of a Lot shall be jointly and severally liable with the prior Owner for all unpaid assessments against the latter, without prejudice to the grantee's right to recover from the prior Owner or grantor therefor.

7.12 No Waiver of Assessments. No Owner may waive or otherwise escape liability for assessments by non-use of the Common Easements or his Lot, by abandonment of his Lot or by any other means whatsoever.

Article 8 - Insurance and Casualty Losses

8.1 Association Insurance. The Association, acting through its Board or its duly authorized agent, shall obtain blanket "all-risk" property insurance, if reasonably available, for all insurable improvements, owned, operated and maintained by the Association (the "Insured Property"). If blanket "all-risk" coverage is not generally available at a reasonable cost, then the Association shall obtain fire and extended coverage, including coverage for vandalism and malicious mischief. The face amount of the policy shall be sufficient to cover the full replacement cost of the Insured Property. The cost of such insurance shall be a Common Expense.

The Association also shall obtain a public liability policy on the Common Easements and the Insured Property, insuring the Association and its members for damage or injury caused by the negligence of the Association, and any of its members, employees, agents or contractors while acting on its behalf. If generally available at a reasonable cost, the public liability policy shall have at least a \$1,000,000.00 combined single limit as respect to bodily injury and property damage and at least a \$1,000,000.00 limit per occurrence and in the aggregate.

Premiums for all insurance on the Common Easements and Insured Property shall be Common Expenses.

The policies may contain a reasonable deductible which shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the required coverage. In the event of an insured loss, the deductible shall be treated as a Common Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners or occupants, then the Board may specifically assess the full amount of such deductible against the Lot of such Owner or occupant.

All insurance coverage obtained by the Association shall:

8.1.1 Be written with a company authorized to do business in New Mexico which holds a Best's rating of A or better and is assigned a financial size category of IX or larger as established by A.M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating which is available.

8.1.2 Be written in the name of the Association as trustee for the benefited parties. Policies on the Common Easements and Insured Property shall be for the benefit of the Association and its members.

8.1.3 Vest in the Board exclusive authority to adjust losses; provided, however, no mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

The Board shall use reasonable efforts to secure insurance policies containing endorsements that:

8.1.4 Waive subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests.

8.1.5 Include an inflation guard provision.

8.1.6 Waive the insurer's rights to repair and reconstruct instead of paying cash.

8.1.7 Preclude cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure.

8.1.8 Exclude individual Owner's policies from consideration under any "other insurance" clause.

8.1.9 Require at least thirty (30) days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal.

The Association also may obtain, as a Common Expense, a fidelity bond or bonds, if generally available at a reasonable cost, covering all persons responsible for handling Association funds. The Board shall determine the amount of fidelity coverage in its best business judgment. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and shall require at least thirty (30)

days' prior written notice to the Association of any cancellation, substantial modification or non-renewal.

8.2 Damage and Destruction.

8.2.1 Immediately after damage or destruction to all or any part of the Subdivision covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair and reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

8.2.2 Any damage to or destruction of the Common Easements or Insured Property shall be repaired or reconstructed unless the Declarant decides within sixty (60) days after the loss not to repair or reconstruct.

If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such sixty (60) day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed sixty (60) additional days. No mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Easements or Insured Property shall be repaired or reconstructed.

8.2.3 If determined in the manner described above that the damage or destruction to the Common Easements or Insured Property shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and maintained by the Association in a neat and attractive, landscaped condition.

8.3 Disbursements of Proceeds.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary or appropriate, shall be retained by and for the benefit of the Association and placed in a capital improvements fund.

ARTICLE 9 - INDEMNIFICATION AND LIABILITY

9.1 Indemnification. The Association shall indemnify every director and officer of the Association, every committee member, and their heirs, executors, administrators, successors and assigns against all costs and expenses, including attorneys' fees, actually and necessarily incurred in connection with any action, suit or proceeding to which such person may be made a party by reason of being or having been a director or officer or

committee member of the Association, except as to matters as to which such person shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or intentional misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or intentional misconduct in the performance of his duty as such director or officer or committee member in relation to the matter involved.

The foregoing rights shall not be exclusive of other rights to which such director or officer or committee member may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason of arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses. Nothing contained in this section shall, however, be deemed to obligate the Association to indemnify any Owner who is or has been a director or officer or committee member of the Association with respect to any duties or obligations assumed or liabilities incurred as an Owner (as distinguished from his conduct and activities as an officer or director or committee member of the Association). To the extent, if at all, that NMSA 1978, § 56-7-1 (1971) is applicable to any agreement to indemnify in these Bylaws, or in any related documents, any such agreement to indemnify any indemnitee, regardless of whether such agreement to indemnify makes reference to this or any other limitation provision, will not extend to liability, claims, damages, losses or expenses, including attorneys' fees arising out of (i) the preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs or specifications by the indemnitee or the agents or employees of the indemnitee or (ii) the giving of or the failure to give directions or instructions by the indemnitee, or the agents or employees of the indemnitee, where such giving or failure to give directions or instructions is the primary cause of bodily injury to persons or damage to property.

9.2 Non-Liability of the Directors and Officers. No director or officer or committee member of the Association shall be personally liable to the members of the Association for any mistake of judgment or for any acts or omissions of any nature whatsoever as such director or officer or committee member, except for any acts or omissions found by a court to constitute gross negligence or intentional misconduct. No director or officer or committee member shall be personally liable with respect to any contract made by him on behalf of the Association.

9.3 Liability of Agents. Every agreement made by the officers, the Board or managing agent or committee members on behalf of the Association shall, if obtainable, provide that the officers, the members of the Board or the managing agent or committee members, as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder.

9.4 Non-Liability of Association. 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 Lots. No diminution or abatement of any assessments shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Easements or Insured Property 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 government authority.

ARTICLE 10 - MORTGAGEES

10.1 Notice to Association. An Owner who mortgages his Lot shall notify the Association through the managing agent, if any, or the Secretary of the Association, giving the name and address of his mortgagee.

ARTICLE 11 - EVIDENCE OF OWNERSHIP AND REGISTRATION OF MAILING ADDRESS

11.1 Proof of Ownership. Except for those Owners who initially purchase a Lot from Declarant, any person on becoming an Owner shall furnish to the managing agent, Board or Secretary a photocopy or a certified copy of the recorded instrument vesting that person with an interest or ownership. Such person shall neither be deemed to be a member of the Association in good standing nor shall he be entitled to vote at any annual or special meeting of members of the Association unless this requirement is first met.

11.2 Registration by Owner of Mailing Address. Each Owner shall register his mailing address with the Association. All notices or demands intended to be served upon an Owner shall be sent postage prepaid, addressed in the name of the Owner at such registered mailing address. If an Owner fails to register his address with the Association in accordance herewith, the Association shall send all notices, statements, demands, etc., to such Owner at the address of his Lot. Notice shall be deemed to have been delivered or given upon hand delivery or three days after deposit in the United States mails.

All demands, or other notices intended to be served upon the Board or the Association shall be sent certified mail, postage prepaid, to the Diamond Tail Homeowners' Association, Attn: Skipper C. Good, P.O. Box 130, Placitas, New Mexico 87043-0130, until such address is changed by a notice of address change duly recorded in the office of the County Clerk of Sandoval County, New Mexico. All notices, demands, statements or other information directed to the Association shall be deemed effective upon the date of actual receipt.

ARTICLE 12 - CONTRACTS AND BANK ACCOUNTS

12.1 Contracts. The Board may authorize any officer or officers, agent or agents of the Association, in addition to the officer so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of this Association. Such authority shall be confined to specific instances.

12.2 Checks and Drafts, etc. All checks, drafts, other orders for the payment of money, notes 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 from time to time shall be determined by written resolution of the Board.

12.3 Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, financial institutions or other depositories as the Board may select.

ARTICLE 13 - FISCAL YEAR

13.1 Fiscal Year. The fiscal year of the Association begins on the 1st day of January and ends on the 31st day of December of each year, unless another fiscal year shall be adopted by resolution of the Board.

ARTICLE 14 - WAIVER OF NOTICE

14.1 Waiver of Notice. Whenever any notice is required to be given under the provisions of the laws of the State of New Mexico or under the provisions of the Declaration, Articles or by these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 15 - CORPORATE SEAL

15.1 No Corporate Seal. The Association shall have no corporate seal. The absence of a seal from any documents to be executed in behalf of said Association shall not affect the validity of such documents.

ARTICLE 16 - CHARACTER OF ASSOCIATION

16.1 Non-Profit Association. This Association is not organized for profit. No member of the Association, member of the Board, or officer of the Association may receive pecuniary gain from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as a regular salary or compensation to, or distributed to, or inure to the benefit of, any member of the Association, or member of the Board or officer, merely for being a member of the Association or a member of the Board, provided, however, (1) reasonable compensation may be paid to any member, manager, director, or officer while acting as an agent or employee of the Association for specific services rendered in effecting one or more of the purposes of the Association, and (2) any member, manager, director or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

ARTICLE 17 - AMENDMENTS TO BYLAWS

17.1 Bylaws. These Bylaws may be amended by the members of the Association at a duly constituted meeting for such purpose, but no amendment shall take effect unless approved by the members of the Association having at least eighty-six percent (86%) of the Voting Power of the Association.

IN WITNESS WHEREOF, the undersigned officers of the Association have hereunto set their hands and seal this 9th day of August, 1999.

Joe B. Matthews
Joe B. Matthews, President, Diamond Tail
Homeowners' Association, a New Mexico
nonprofit corporation

Skipper C. Good
Skipper C. Good, Secretary, Diamond Tail
Homeowners' Association, a New Mexico
nonprofit corporation

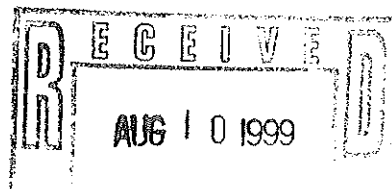
State of Texas)
County of Taylor) ss.

This instrument was acknowledged before me on August 4, 1999,
by Joe B. Matthews, President of Diamond Tail Homeowners' Association, a New Mexico
nonprofit corporation.

Carla Sullivan
Notary Public

My Commission Expires:

02-28-00



State of New Mexico)
County of Bernalillo) ss.

This instrument was acknowledged before me on August 9, 1999, by
Skipper C. Good, Secretary of Diamond Tail Homeowners' Association, a New Mexico
nonprofit corporation.

Monica A. Minic
Notary Public

My Commission Expires:

5-2-03

