

PLAN OF DISSOLUTION AND DISTRIBUTION OF ASSETS

OF

VALLEY IMPROVEMENT ASSOCIATION, INC.

The following Plan of Dissolution and Distribution of Assets (the “Plan”) is in accordance with Sections 53-8-47 through 52 of the New Mexico Nonprofit Corporation Act (“Act”). The actions described in this Plan are intended to effect the dissolution and complete liquidation of Valley Improvement Association (the “Company”), a New Mexico nonprofit corporation, tax exempt as a social welfare organization under Section 501(c)(4) of the Internal Revenue Code of 1986, whose purpose is to promote and develop the common good and social welfare of the residents of the Communities of Rio Del Oro, Canyon Del Rio, Enchanted Mesa and Playa Verde, Las Maravillas Unit I, PDC Unit 1-3, Pasitos 5.

The Plan is based on the following principles:

- a. Memorializing the legacy of the Company and the positive impact that the Company has had on the communities;
 - b. Strategically, methodically and legally preserve the intent behind the establishment of Rio Del Oro, Canyon Del Rio, Enchanted Mesa, Playa Verde, Las Maravillas Unit I, PDC Unit 1-3, Pasitos 5, as described in the original Indentures, through the transfer of properties, responsibilities and future uses of properties to qualified entities for the benefit of the communities (“Qualified Entities), as supported and guided by the Internal Revenue Code (“IRC”) Sections 501(c)(3) and 501(c)(4), Section 53-8-48 NMSA 1978; and Article Nine of the Restated Articles of Incorporation (“Articles”); and
 - c. Responsibly carrying out the Plan with the assistance of community leaders, professionals and others in order to obtain the most beneficial outcome from the Plan.
1. *Adoption of Plan.* The Board of Directors of the Company (the “Board of Directors”) has adopted resolutions (1) deeming it advisable and in the best interest of the Company to dissolve and liquidate the Company, (2) recommending to the Members of the Company that they approve the dissolution and liquidation of the Company and adopt the Plan of Dissolution, and (3) calling for a special meeting (the “**Meeting**”) of the Members of the Company, as defined in the New Mexico Homeowners’ Association Act Section 47-16-17 NMSA 1978 (“HOA”), Article Five of the Articles and Article II of the Bylaws, to

take action on the dissolution and liquidation of the Company and adoption of the Plan of Dissolution per Section 53-8-49 NMSA 1978.

2. *Determination of Voting Members.* Pursuant to the HOA and the Article V of the Articles, Members are persons who own lots and are obligated to pay assessments under an Indenture or Covenant. Membership rights may be suspended if such member has failed to pay when due any assessment, or if any member has violated any rule or regulation of VIA regarding the use of any property or conduct with respect thereto. **Exhibit A** provides a list of Members whose membership rights have been suspended.
3. *Cessation of Business Activities.* Except as otherwise provided in this Section 2, the Members' approval of the Board's recommendation to dissolve and liquidate the company and adoption of the Plan ("Effective Date") in accordance with Section 53-8-47(B) of the Act, the Company will cease to conduct its affairs other than for the purpose of preserving the value of its assets, winding up and liquidating its business and affairs, including, but not limited to, causing notice of its proposed dissolution to be mailed to every known creditor of the Company, prosecuting and defending suits, whether civil or administrative, by or against the Company, collecting its assets, converting its assets into cash or cash equivalents, discharging or making provision for discharging its liabilities, withdrawing from all jurisdictions in which it is qualified to do business, distributing its remaining property to Qualified Entities, and doing every other act necessary to wind up and liquidate its business and affairs, but not for the purpose of continuing the activities for which the Company was organized. Notwithstanding the previous sentence, the Company may continue to collect assessments from Members and pay expenses until it has completed winding up.
4. *Financial Transparency.* The Company's financial and accounting documents are included with this Plan.
5. *Liquidation Process.* From and after the Effective Date, the Company shall complete the following:
 - a. *Sale of All or Substantially All of the Non-Cash Assets.* Except for properties that it will transfer to Qualified Entities as provided in this Section 3, the Company will determine whether and when to collect, sell, exchange or otherwise transfer all or substantially all of its non-cash property and assets, including, but not limited to, all tangible assets, intellectual property and other intangible assets, in one or more transactions upon such terms and conditions as the Board of Directors, in its absolute discretion, deems expedient and in the best interests of the Company

and its Members, without any further vote or action by the Company's Members. To the extent that the Company has already commenced the sale, exchange, or transfer of its assets, such sales and dispositions are hereby ratified and approved. The Company's non-cash assets and properties may be sold, exchanged or transferred in one transaction or in several transactions to one or more buyers or transferees. The Company will not be required to obtain appraisals, fairness opinions, or other third-party opinions as to the value of its properties and assets in connection with the liquidation. The Company shall collect or make provision for the collection of all accounts receivable, debts and claims owing to the Company.

- b. *Payment Obligations.* The Company shall, as determined by the Board of Directors, (i) pay or make reasonable provision to pay all claims and obligations, including all contingent, conditional or unmatured contractual claims known to the Company. The Company shall pay, or make provision for payment of, such claims in full if there are sufficient assets. If there are insufficient assets, the Company shall pay claims and obligations, or make provision for payment, in accordance with their priority and, among claims of equal priority, and proportional, to the extent the Company has sufficient assets available for payment of said claims. If, and to the extent, deemed necessary, appropriate or desirable by the Board of Directors, in its absolute discretion, the Company may establish and set aside a reasonable amount of cash and/or property (the "**Contingency Reserve**") to satisfy such claims and obligations against the Company, including, without limitation, tax obligations, and all expenses related to the sale of the Company's property and assets, all expenses related to the collection and defense of the Company's property and assets, and the liquidation and dissolution provided for in this Plan.
- c. *Transfer to Like Organizations.* The Board of Directors shall have the authority to determine whether and when to transfer the Company's property and assets to Qualified Entities and shall have the authority to determine which Qualified Entity to transfer said property assets.
- d. *Distributions of Property, Home Owner Association Responsibility, HOA unpaid assessments, and other assets.* Any assets of the Company remaining after the payment of claims or the provision for payment of claims and obligations of the Company as provided in subsection (b) above, and transfer to Qualified Entities as provided in subsection (c) above shall be distributed in in one or more distributions the following manner:
 - i. The Company shall transfer school sites within Rio Del Oro and Canyon Del Rio to the respective school districts as determined by the Valencia County taxing authority property that is within the particular school districts. Each deed will include applicable and relevant deed restriction as determined by the Board.

- ii. The Company shall transfer all Park Sites/Community Center Sites within the Los Lunas School District to the Village of Los Lunas. Each deed will include applicable and relevant deed restriction as determined by the Board.
- iii. The Company shall transfer all Park Sites/Community Center Sites within the Belen School District to the City of Rio Communities. Each deed will include applicable and relevant deed restriction as determined by the Board.
- iv. The Company shall transfer all Drainage ways, Walkways, Drainage Easements, to Valencia County. Each deed will include applicable and relevant deed restriction as determined by the Board
- v. The Company shall transfer all individual lots owned by the Company east of Military Highway within Rio Del Oro to the County of Valencia. Each deed will include applicable and relevant deed restriction as determined by the Board.
- vi. The Company shall transfer all property known as Comanche Springs within Unit 22 to the Valencia County Soil Water Conservation for the purpose of preservation of this culturally sensitive area. Each deed will include applicable and relevant deed restriction as determined by the Board.
- vii. The Company shall sell all remaining property in Unit 64 the proceeds of the sale to be used for the costs associated with the operations of the Company to carry out and complete its final dissolution and the dissolution of its subsidiary operations. Any remaining property shall be transferred to the City of Rio Communities.
- viii. The Company shall transfer the park and ponds in Las Maravillas to Unit 1 of Las Maravillas or any Homeowners Association established by Las Maravillas. Each deed will include applicable and relevant deed restriction as determined by the Board.
- ix. The Company shall transfer remaining assets, such as equipment, plant and fixtures, to the City of Rio Communities or other Qualified Entities as selected by the Board.

6. *Property Not Transferred.* The Company shall transfer any properties not otherwise transferred as provided in Section 3(d) to Valencia County or any additional Qualified Entity as selected by the Board. Each deed will include applicable and relevant deed restriction as determined by the Board.

7. *Final Liquidating Distribution.* Prior to the fourth anniversary of the Effective Date, the Company shall transfer any remaining assets and properties (including, without limitation, any uncollected claims,

contingent assets and the Contingency Reserve but excluding amounts set aside for unknown claims) to any additional Qualified Entity as selected by the Board.

8. *Expenses of Dissolution.* In connection with and for the purposes of implementing and assuring completion of the Plan, the Company may, in the absolute discretion of the Board of Directors, pay any brokerage, agency, professional, legal and other fees and expenses of persons rendering services to the Company in connection with the collection, sale, exchange or other disposition of the Company's property and assets and the implementation of the Plan.
9. *Employees and Independent Contractors.* In connection with effecting its dissolution and liquidation, for the purpose of implementing and assuring completion of the Plan, the Company may, in the absolute discretion of the Board of Directors, hire or retain such employees, consultants, independent contractors, agents and advisors as the Board of Directors deems necessary or desirable to supervise or facilitate the dissolution and liquidation. The Company may, in the absolute discretion of the Board of Directors, but subject to applicable legal and regulatory requirements, pay the Company's officers, directors, employees, consultants, independent contractors, agents, advisors and representatives, or any of them, compensation or additional compensation above their regular compensation, in money or other property, as severance, bonus, or in any other form, in recognition of the extraordinary efforts they, or any of them, will be required to undertake, or actually undertake, in connection with the implementation of the Plan.
10. *Indemnification.* The Company shall continue to indemnify its officers, directors, employees, and agents pursuant to this Plan in accordance with its Articles, Bylaws, law and contractual arrangements, and such indemnification will apply to acts or omissions of such persons in connection with the implementation of this Plan and the winding up of the affairs of the Company. The Board of Directors is authorized to obtain and maintain insurance as may be necessary to cover the Company's indemnification obligations.
11. *Records.* The Company shall make arrangements, authorizing one or more representatives or agents, to maintain such Company records as may be necessary or appropriate for purposes of any tax audit of the Company occurring during the process of dissolution or after liquidation or any other legal purpose.

12. *Power of Board of Directors and Officers.* The Board of Directors is hereby authorized, without further action by the Company's Members, to do and perform, or cause the officers of the Company, to do and perform, any and all acts, and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates and other documents of every kind that are deemed necessary, appropriate or desirable, in the absolute discretion of the Board of Directors, to implement the Plan and the transactions contemplated by the Plan, including, without limitation, all filings or acts required by any state or federal law or regulation.

13. *Finalize Dissolution Process.*

- a. If voluntary dissolution proceedings have not been revoked by the Board of Directors, then when all debts, liabilities and obligations of the Company are paid and discharged, or adequate provision has been made therefor, and all of the remaining property and assets of the Company are transferred, conveyed or distributed in accordance with the provisions of the Act, then (1) Articles of Dissolution shall be drafted and executed by two authorized officers of the company, pursuant to 53-8-51 NMSA 1978, (2) a tax clearance shall be obtained from New Mexico Taxation and Revenue Department and any other necessary agencies, and (3) the entirety of the dissolution documents shall be submitted to the New Mexico Secretary of State.
- b. Upon the issuance of a Certificate of Dissolution by the New Mexico Secretary of State, pursuant to Section 53-8-52 NMSA 1978, and following the submission of the Articles of Dissolution, the existence of the company will cease, except for the purpose of suits, other proceedings and appropriate action by members, directors and officers as provided in the Act. A business update registration form shall be filed with the New Mexico Taxation and Revenue Department, and final tax returns should be submitted, including the last Form 990 with the IRS.