

**BYLAWS
OF
RED CANYON TOWNHOMES OWNERS ASSOCIATION**

The Executive Board of Red Canyon Townhomes Owners Association, a Colorado non-profit corporation, hereby adopts the following Bylaws:

**ARTICLE I
NAME AND LOCATION**

The name of the corporation is Red Canyon Townhomes Owners Association, hereinafter referred to as the "Association." The principal offices of the Association shall be located at 90 Madison Street, Suite 103, Denver, Colorado, 80206, but meetings of the directors may be held at such places within the State of Colorado as may be designated by the Executive Board.

**ARTICLE II
DEFINITIONS**

As used in these Bylaws, the terms "Additional Property," "Allocated Interest," "Association," "Association Control Period," "Building," "Common Elements," "Common Expenses," "Project," "Declarant," "Declarant Control Period," "Declaration," "Expansion Property," "First Lienor," "Limited Common Elements," "Mortgagee," "Owner," "Plat," "Real Estate," and "Unit" shall have the same meanings as defined in the Declaration of Conditions, Covenants, Restrictions and Easements for Red Canyon Townhomes, a Colorado Common Interest Community, recorded or to be recorded in the real property records of Eagle County, Colorado, as the same may be amended from time to time (herein called the "Declaration"). The terms defined in C.R.S. §38-33.3-103 shall have the same meanings when used in these Bylaws. The term "Act" shall mean the Colorado Common Interest Ownership Act, C.R.S. §38-33.3-101 et seq., as may be amended from time to time.

**ARTICLE III
MEMBERSHIP AND VOTING**

Section 1. Membership and voting. Membership and voting shall be as provided for in the Articles of Incorporation and in the Declaration. Every Owner of an undivided fee simple interest in a Unit in the Project shall automatically be and become a Member upon acceptance of the deed of transfer to such interest. Membership shall be appurtenant to and may not be separated from Ownership of an interest in a Unit.

Section 2. Suspension of Voting Rights. The rights of membership are subject to the payment of general and special Common Expense assessments levied by the Association. The obligation to pay such assessments is imposed against each Owner and becomes a lien upon the Unit against which such assessments are made, and the furniture, furnishings, appliances, equipment, and fixtures therein, as provided by Section 9.10 of the Declaration. During any

period in which a Member shall be in default in the payment of any general or special Common Expense assessment levied by the Association, the voting rights in the Association allotted to the Unit of such Member may be suspended by the Executive Board until such delinquent assessment has been paid. Such voting rights for such Unit may also be suspended for violation of any rules and regulations, provisions, resolution or decision established by the Executive Board governing the use and occupancy of the Units or the Common Elements or property owned by the Association. No suspension of voting rights shall be exercised except after not less than three (3) days' advance written notice given to the delinquent Member and to the First Lienor of the affected Unit. Further, no suspension of voting rights shall affect the rights of any First Lienor to vote pursuant to a proxy granted in connection with a first Security Interest on the affected Unit.

Section 3. Membership Not Transferable. The Association shall issue no stock and there shall be no stock interest in this nonprofit corporation. No certificates of membership shall be issued. It shall be the duty of each Member, upon automatically becoming a Member under the provisions hereof, to notify the secretary of the Association or its managing agent in writing of the fact of membership and to furnish the name and address under which the membership shall be carried and recognized by the Association and the name and address of all Mortgagees of the Member's interest in the Unit. No membership may be sold, transferred or assigned, whether voluntarily or by operation of law, except in connection with the sale and transfer of an interest in a Unit to which such membership attaches.

ARTICLE IV
PROPERTY RIGHTS AND RIGHTS OF USE OF THE
COMMON ELEMENTS AND ASSOCIATION
PROPERTY

Section 1. Use and Enjoyment. Such Member shall be entitled to the use and enjoyment of the Common Elements and property of the Association held for common use in accordance with and subject to the terms and conditions set forth in the Declaration and subject to rules, regulations, provisions, resolutions and decisions of the Executive Board. Use and enjoyment of Limited Common Elements shall be restricted to the Owners of Units to which such Limited Common Elements have been assigned.

Section 2. Delegate Right of Use. Any Member may delegate his rights of use and enjoyment of the Common Elements and property of the Association to the members of his family who reside in such Member's Unit and to any tenants and their families who reside in the Member's Unit. Such Member should notify the secretary of the Association or its managing agent in writing of the name of any such person and of the relationship of the Member to such person, or of any such tenant and the Members of such tenant's family and their relationship to the tenant; however, unless notified in writing to the contrary, the Association and its managing agent may presume that parties or tenants in possession of such Member's Unit have been duly and properly authorized to use and enjoy Common Elements and Association property. Any Member may also delegate the aforementioned rights of enjoyment to his guests and invitees subject to the foregoing limitations.

ARTICLE V
MEETINGS OF MEMBERS

Section 1. Annual Meetings. The annual meeting of Members shall be held in each year, commencing in 1997, on such date and at such time and at such place as shall be fixed by the Executive Board and specified in the notice of the meeting. The annual meeting of Members shall be held on a business day or Saturday. Failure to hold an annual meeting shall not work a forfeiture or dissolution of the Association, nor remove any officer or director from office.

Section 2. Budget Meeting. A meeting of the Owners to consider ratification of each proposed Association budget shall be called and set by the Executive Board for a date sixty (60) days after mailing of the summary in accordance with the Act. Ratification of not less than fourteen (14) days nor more than of such proposed budget to all of the Owners, such budget may be considered at the annual meeting or at a special meeting called for other purposes as well, provided that such meeting is held within the time period required by the preceding sentence.

Section 3. Special Meetings. Special meetings of the Members shall be called by a majority of the directors or by the president or upon the written request of Owners having at least 20% of the total votes of the Members. Business transacted at any special meeting shall be confined to the purposes stated in the notice thereof.

Section 4. Notice of Meeting. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary, by mailing a copy of such notice, postage prepaid, at least ten (10) days and not more than fifty (50) days before such meeting to each Member entitled to vote thereat, addressed to the Member's most-current address as determined pursuant to Section 13.05 of the Declaration or to any other mailing address designated in writing by the Unit Owner to the Association. Such notice shall specify the place, day and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Executive Board. The secretary or managing agent of the Association shall give notice of a regular or special meeting of the Members at the Association's expense. Any Owner may, at any time, waive notice of any meeting of the Unit Owners in writing, and the waiver shall thereby be deemed the equivalent to the receipt of notice.

Section 5. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Members able to vote who are entitled to vote forty percent (40%) of the total votes allotted to all Units shall constitute a quorum for the transaction of business. All questions shall be decided by a vote of the majority of the votes represented at the meeting, except as otherwise provided by law, by the Articles of Incorporation, by the Declaration, or by these Bylaws. No cumulative voting shall be allowed on any question or in the election of directors.

Section 6. Adjournment of Meeting. At any meeting of Unit Owners, Owners holding a majority of the votes of Members present at such meeting, either in person or by proxy, may adjourn the meeting to another time and place, within Eagle County, Colorado.

Section 7. Fixing Record Date. The Executive Board may fix any date not more than forty-five (45) days prior to any meeting date as the record date for the determination of Members entitled to notice of, and to vote at, a regular or special meeting of Members, and all persons who are individual Owners or are designees of organizational or multiple Owners at the close of business on that date (but only such persons) will be entitled to vote at such meeting and any adjournment thereof.

Section 8. Place of Meeting. The Executive Board may designate any place, within Eagle County, Colorado as the place for any annual meeting or for any special meeting of Members. A waiver of notice signed by all Members entitled to vote at a meeting may designate any place, either within or outside Colorado, as the place for such meeting. If no designation of place is made, or if a special meeting shall be called otherwise then by the president or Executive Board, the place of meeting shall be the principal offices of the Association in Colorado.

Section 9. Proxies. Any individual Member, and any individual designated by an organizational Member as the individual entitled to cast the votes of such organizational Member, in the manner described in the Articles of Incorporation, who are entitled to vote at a meeting of Members, may be represented by a proxy given to some individual other than such Member. If a Unit is owned by more than one person, each owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. All proxies shall be in writing, shall specify the Unit to be represented by the proxy holder, shall refer only to a particular meeting, shall be dated no earlier than three months before the meeting, shall be delivered to the secretary of the Association or its managing agent prior to such meeting at which such proxy is voted, and shall be available for inspection at the meeting where exercised. A Unit Owner may not revoke a proxy except by actual notice of revocation to the person presiding over a meeting of the Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Unit or interest in his Unit. A proxy terminates automatically eleven (11) months after its date, unless it specifies a shorter term. A proxy is void if it is not dated or purports to be revocable without notice.

Section 10. Units Owned by Association. Votes allocated to a Unit owned by the Association shall not be cast.

Section 11. Order of Business. The order of business at all meetings shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Establishment of quorum.
- (d) Reading of minutes of preceding meeting.
- (e) Report of officers.
- (f) Reports of committees
- (g) Appointment of inspectors of Election of Directors (in the event there is an election).
- (h) Election of Directors (in the event there is an election).
- (i) Unfinished business.

- (j) New business.
- (k) Adjournment.

In the case of a special meeting, items (a) through (e) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of the special meeting.

Section 12. Majority Vote. The vote of Owners present in person or by proxy at a meeting at which a quorum shall be present, holding a majority of the votes of Owners present at such meeting, shall be binding upon all Unit Owners and shall constitute the decision of the Members for all purposes, except where a higher percentage vote of the Owners is required by the Declaration, the Articles of Incorporation, these Bylaws, or by law.

Section 13. Decisions Without a Meeting. A vote of Members may be obtained by mail, if the Executive Board so resolves, and if the ballot to all Members is mailed by the secretary or the managing agent of the Association and contains the exact question or questions submitted for vote and ballot by mail and a brief explanation of same and the position of the Executive Board with respect thereto, and if reasonable time is allowed for return of ballots before the vote is counted. A decision on a question submitted to mail vote shall not be considered passed, approved and effective unless at least seventy-five percent (75%) of the votes of the entire Association shall be represented by returns received from Members and unless at least Fifty-one percent (51%) of the votes received are cast in the affirmative on such submitted question. Such mail vote shall not be permitted as respects any matter which by law, by the Declaration, by the Articles of Incorporation or by these Bylaws, requires approval by more than a majority of Members. The annual meeting of Members shall not be handled by mail.

ARTICLE VI

EXECUTIVE BOARD; SELECTION; TERM OF SERVICE

Section 1. Number. The affairs of this Association shall be managed by Executive Board comprised of three (3) to seven (7) directors, each of whom shall own an undivided fee simple interest in a Unit or shall be an individual designated to the secretary of the Association as entitled to vote on behalf of an organizational Member. At the end of the Developer Control Period, or after Declarant has surrendered the right to appoint and remove the members of the Executive Board, the number of directors shall be three (3) to seven (7). The property manager contracting with the Association, or and officer or director of the property management firm contracting with the Association, may be a director of the Association if such manager or firm is a Owner.

Section 2. Selection or Election; Term of Office. Subject to C.R.S. §38-33.3-303(6), Declarant has reserved the right in the Declaration for Declarant, or any Person designated by Declaration in a writing delivered to the Executive Board, to appoint and remove the members of the Executive Board and the officers of the Association at any time and from time to time, in the sole discretion of the Declarant or the designee of Declarant, with or without cause, but on only during the Association Control Period described in the Declaration. The Declarant may voluntarily surrender the right to appoint and remove the members of the Executive Board and the officers of the Association before termination of the Association Control Period, but in that

event the Declarant may require, for the duration of the Association Control Period, that specific actions of the Association or the Executive Board, as described in a recorded instrument executed by the Declarant, shall be approved by the Declarant before such actions become effective. Directors shall be elected by the Members, except for directors appointed by Declarant pursuant to the Declarant's reserved right to do so. Each Director shall be selected or elected for a term of two (2) years. The terms of office of the directors shall, however, be staggered: At the first annual meeting, one (1) director shall be selected for a term of one year, one (1) director shall be selected for a term of two years, and if there are more than three directors, one (1) director shall also be selected for a term of two years. Each director shall thereafter be selected or elected for a term of two years. Each director shall hold office until the selection and qualification of his successor.

Section 3. Removal of Directors. During the Association Control Period, Declarant may remove any director whom the Declarant had the right to appoint, by notice in writing given to such director and the Executive Board, with or without cause. At any regular or special meeting of the Members duly called for such purpose, one or more of the directors who were elected by Unit Owners (rather than appointed by Declarant) may be removed with or without cause by the affirmative vote of at least sixty percent (60%) of all the votes allotted to the Members, and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 4. Resignations; Vacancies. Any director may resign at any time by giving written notice to the president or to the secretary of the Association. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy of a director whom the Declarant has the right to appoint, whether occurring by reason of resignation, death, by disqualification of a director, or by an increase in the number of directors, may be filled by Declarant until the end of the Association Control Period. Any vacancy of a director occurring after the end of the Association Control Period, or occurring to a director whom Unit Owners other than the Declarant elected or may elect, may be filled by the affirmative vote of a majority of the remaining directors who have been elected by Unit Owners then in office through less than a quorum. A director elected to fill a vacancy, whether by Declarant or by the Members or by the remaining directors, shall serve through the unexpired term of the vacant directorship.

Section 5. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed, at the discretion of the Board, for his actual expenses incurred in the performance of his duties and for his actual travel expenses to attend meetings of the Board.

Section 6. Directors Elected by Members Other than Declarant. Pursuant to the Act, not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units that may be created in the Project under the Declaration to Unit Owners other than a Declarant, at least one Member, and not less than twenty-five percent (25%) of the Members of the Executive Board, shall be elected by Unit Owners other than a Declarant. Not later than sixty (60) days

after conveyance of fifty percent (50%) of the Units that may be created in the Project under the Declaration to Unit Owners other than a Declarant, not less than one-third of the Members of the Executive Board must be elected by Unit Owners other than a Declarant. When by this Section 6 the Owners other than a Declarant are entitled to elect one or more directors, then the Executive Board shall promptly call a special meeting of the Association for such purposes.

ARTICLE VII **MEETINGS OF DIRECTORS**

Section 1. Regular Meetings. At least one regular meeting of the Executive Board shall be held annually after, but not later than one week after, the annual meeting of the membership of the Association. The directors may hold such other regular or special meetings as they may determine.

Section 2. Special Meetings. Special meetings of the Executive Board shall be held when called by the president of the Association and shall also be called by the secretary of the Association upon the written request of any two directors, after not less than three (3) days' prior notice of the time and place thereof has been given to each director by leaving such notice with him or at his residence or usual place of business, or by mailing or telegraphing it prepaid and addressed to a director at his post office address as it appears on the books of the Association, or by telephone call personally to such director, or by facsimile transmission to the FAX telephone number of such director. Notices need not state the purpose of the meeting. No notice of any adjourned meeting of the directors shall be required.

Section 3. Quorum. A majority of the number of directors fixed by Bylaws shall constitute a quorum for the transaction of business. In the event a quorum of directors is not present, a lesser number may adjourn the meeting to some future time. Every act or decision done or made by a majority of the directors present at a meeting duly called and convened, at which a quorum is present, shall be regarded as the act of the Board, except where a larger vote is required by law, by the Declaration, by the Articles of Incorporation or by these Bylaws.

Section 4. Waiver of Notice. Before, at or after any meeting of the Executive 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 except when a director attends the meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

Section 5. Informal Action by Directors. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the directors.

Section 6. Telephone Communication in Lieu of Attendance. A director may attend a meeting of the Executive Board by using an electronic or telephonic communication method whereby the director may be heard by the other members of the Board and may hear the deliberations of the other Board members on any matter properly brought before the Executive Board. The director's vote shall be counted and the presence noted as if that director were present in person on that particular matter.

ARTICLE VIII POWERS AND DUTIES

Section 1. Powers. The business and affairs of the Association shall be managed by its Executive Board which may exercise all powers of the Association and do all lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws or by the Declaration directed or required to be exercised and done by the Members. The power and authority of the Executive Board shall include, but shall not be limited to, the power and authority, acting directly or through the Association's officers or through the Association's manager or managing agent:

- (a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration.
- (b) To establish, make and amend rules, regulations, provisions and resolutions as may be necessary, convenient or proper for the management, operation, use or occupancy of the Project, the Units, the Common Elements and all real and personal property owned or leased by the Association for common use, and to enforce compliance therewith pursuant to the Declaration, including (without limitation) the right, power and authority to establish penalties for the infraction thereof and to assess fines in favor of the Association for specific violations of any regulation, provision, rule or resolution, each such fine to be a special assessment against the Unit of the Owner who or whose guests, invitees, agents or tenants violated such rule, regulation, provision or resolution.
- (c) To create any reserve required by the Declaration or deemed appropriate by the Executive Board, including (without limitation) a Capital Reserve Fund for repairs, maintenance, replacement and acquisition of Association property and Common Elements and an Operating Reserve to meet unanticipated common expenses and to permit payment of common expenses in advance of receipt of assessments.
- (d) To hire and discharge contractors, agents and employees, and to designate and remove personnel necessary for the operation, maintenance, repair, restoration and replacement of the Common Elements, and to set and determine the conditions and duties of, and wages, benefits and payments to, any such contractor, agent, employee or personnel.

- (e) To declare the office of a director on the Executive Board to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Executive Board.
- (f) To enter into, make, amend and terminate contracts or agreements pertaining to its authority and responsibilities, and to incur liabilities.
- (g) To institute, defend, or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Declaration, Bylaws or rules and regulations, in the Association's name, on behalf of the Association or two or more Unit Owners, on matters affecting the Project.
- (h) To adopt and amend Bylaws.
- (i) To adopt and amend budgets for revenues, expenditures and reserves.
- (j) To impose and receive a payment, fee or charge for services provided to Owners of Units and for the use, rental or operation of the Common Elements, other than the Limited Common Elements described in C.R.S. §38-33.3-202(b) and (d).
- (k) To impose a reasonable charge for late payment of Common Expense assessments and, after notice and hearing, to levy a reasonable fine for a violation of the Declaration, Bylaws or rules and regulations of the Association.
- (l) To grant easements for any period of time, including permanent easements, and to grant leases, licenses and concessions for no more than one year, through or over the Common Elements.
- (m) To provide for the indemnification of the Association's officers and the Executive Board and to maintain directors' and officers' liability insurance.
- (n) To adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibilities for deductibles, and any other matter of insurance claims adjustment.
- (o) To exercise, for the Association, all powers, duties and authority vested in it or delegated to the Association and not reserved to the membership or the Declarant by any other provisions of these Bylaws, the Articles of Incorporation, the Declaration, and to exercise any other power conferred by the Act or necessary and proper for the governance and operation of the Association or the Project.

Section 2. Duties. It shall be the duty of the Executive Board acting directly or through the Association's officers or through the Association's manager or managing agent:

- (a) To cause to be kept a complete record of all its acts and corporate affairs and to present the annual report of affairs required by Section 4 of this Article to the Members at or before the annual meeting of the Members, and to supply an interim summary report of financial affairs of the Association at any special meeting when such report is requested in writing at least twenty (20) days in advance of such meeting by Members (other than Declarant) having 30% or more of votes allotted to Members.
- (b) To supervise all officers, agents, contractors and employees of the Association, and to see that their duties are properly performed.
- (c) To prepare annually a budget for the collection of general Common Expense assessments and the payment of the Common Expenses of the Association (including reserves) for the ensuing fiscal year, pursuant to Article XII herein.
- (d) To fix, determine, levy and collect general Common Expense assessments to be paid by the Owners to meet the Common Expenses and to fund any reserve required by the Declaration or deemed appropriate by the Executive Board, including (without limitation) a Capital Reserve Fund for repairs, maintenance, replacement and acquisition of Association property and Common Elements and an Operating Reserve to meet unanticipated Common Expenses and to permit payment of common expense in advance of receipt of assessments, and to fix, determine, levy and collect special assessments.
- (e) To maintain in clean and good order, attractive and sanitary condition, and in good repair, all of the Common Elements and all property of the Association.
- (f) To obtain and maintain insurance in connection with the Project, for the benefit of the Owners and the Association, in the manner and in at least the amounts set forth in the Declaration.
- (g) To set and determine user fees and charges, if any, for use of any recreational facilities in the Common Elements or on Association property, which fees and charges shall be in addition to general and special Common Expense assessments. The major recreational facilities constructed, located or installed in the Project as of the initial adoption of these Bylaws are described as follows: none.
- (h) To collect promptly all delinquent assessments by suit, by foreclosure of lien, by exercise of any power or remedies granted or provided in the Declaration or the Act, or otherwise, as may be available at law or in equity, and to enjoin or from an Owner as is provided in the Declaration, the Act or these Bylaw.
- (i) To protect and defend the Project from loss or damage by suit or otherwise.

- (j) To borrow funds in order to pay for any expenditure or outlay authorized by these Bylaws and in the Declaration, and to execute all such instruments evidencing such indebtedness as the Executive Board may deem necessary or advisable, subject to the limitations of the Declaration and Articles of Incorporation.
- (k) To enter into, amend and terminate contracts and agreements within the scope of its duties and powers.
- (l) To establish bank accounts for the common treasury and for all separate funds and reserves which are required or may be deemed advisable by the Executive Board.
- (m) To maintain full and accurate books and financial records showing all of the receipts, expenses and disbursements of the Association. The Association shall keep and maintain all records and documents required by the Act to be kept and maintained by the Association.
- (n) To cause to be made from time to time during the Association Control Period an audit of the financial statements of the Association by an independent certified public accountant pursuant to C.R.S. §38-33.3-303(9)(b). The cost of such audits during the Association Control Period shall be paid for by Declarant, and the cost of any audits after the Association Control Period shall be a Common Expense unless otherwise provided in the Declaration.
- (o) To maintain a complete and accurate list and record of all Owners and all First Lienors, and the last known address of each, entitled "Owners and Mortgagees of Units."
- (p) To issue, or cause the secretary or the Association's managing agent to issue, within 14 days after receipt of written request of any Owner, holder of a security interest, prospective holder of a security interest, purchaser or other prospective transferee of a Unit, or title insurer, the written statement certifying the matters required by Section 9.15 of the Declaration. The Association may charge the requesting party with a \$25.00 fee for such statement.
- (q) To make available to any Member and any First Lienor, or the duly authorized agents or attorneys of any Member or First Lienor, or the insurer or guarantor of any first lien Security Interest on a Unit, for inspection purposes, the books, minutes, accounts, financial statements, contracts and records of receipts and expenditures of the Association and the Executive Board, together with current copies of the Declaration and the Articles of Incorporation, Bylaws, rules and regulations of the Association; provided, however, that the Board may restrict examination to normal business hours during weekdays and at the principal offices of the Association.
- (r) To notify in writing the First Lienor of a Unit, and the insurer or guarantor of a first lien Security Interest who has sent a prior written request to the Association, of (i)

any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing the first lien Security Interest, (ii) any 60-day delinquency in the payment of assessments or charges owed by the Owner of the Unit encumbered by the first lien Security Interest, (iii) a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association, and (iv) any proposed action that requires the consent of a specified percentage of First Lienors.

- (s) To collect diligently all general and special Common Expense assessments and fines and to enforce strictly and impartially all limitations, conditions, covenants and provisions in the Act, the Declaration, the Articles of Incorporation, these Bylaws and the rules and regulations, provisions, resolutions and decisions adopted by the Executive Board.
- (t) To cause all officers and employees and managing agents having responsibility over and access to the funds and treasury of the Association to be bonded if required by the Declaration.
- (u) To issue, or cause the Secretary or the Association's managing agent to issue, within fourteen (14) days after receipt of proof of ownership as provided in the Declaration and these Bylaws, to each Owner of a Unit within the Project, a current copy of the "Rules and Regulations of Red Canyon Townhomes" then applicable to such Unit.
- (v) In the event the number of Units in the Project shall equal or exceed twenty (20) Units, and the Association shall delegate the powers of the Executive Board or officers relating to collection, deposit, transfer or disbursement of Association funds to other persons or to a managing agent, the Association shall require the following:
 - (i) That the other persons or managing agent maintain fidelity insurance coverage or a bond in an amount not less than \$50,000.00 or such higher amount as the Executive Board may require;
 - (ii) That the other persons or managing agent maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the other persons or managing agent and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and
 - (iii) That an annual accounting for Association funds and a financial statement be prepared and presented to the Association by the managing agent, a public accountant or a certified public accountant.
- (w) To remove snow and any other obstacles on a frequent and regular basis from all parking areas, sidewalks of Units and Common Elements within the Project.

- (x) To do and perform all things required by the Declaration, the Articles of Incorporation and these Bylaws to be performed by the Association and not specifically and exclusively vested in the Members.
- (y) To do any and all things necessary or proper to accomplish the purposes of the Association.

Section 3. Managing Agent. The Executive Board may employ a property manager or management firm as managing agent for the Association at a compensation rate established by the Board, to have such powers and to perform such duties and services as the Board may authorize, including, but not limited to, the delegation of the responsibilities, duties and powers of the secretary and treasurer of the Association and the powers and duties listed in Sections 1 and 2 of this Article, and in Article VIII of the Articles of Incorporation, and in the Declaration, and in C.R.S. §38-33.3-302; provided, however, that the Board when so delegating shall not be relieved of its responsibilities under the Declaration, the Articles of Incorporation or at law.

Section 4. Annual Report. After the close of the fiscal year, the Executive Board shall submit to the Members of the Association a report as to the condition of the Association and its property and the affairs of the Association for the preceding year, and shall also submit a summary account of the financial transactions of the past year. Such report shall also include an unaudited balance sheet and income statement for the preceding year; provided, however, that if at any time there are forty (40) or more Units in the Project and the Association has not delegated the powers of the Executive Board or officers relating to collection, deposit, transfer or disbursement of Association funds to other persons or to a managing agent as provided herein, the Executive Board shall cause an audited financial statement to be prepared annually for each prior fiscal year, which shall be made available upon written request of any Owner or any holder, insurer or guarantor of a first lien Security Interest on a Unit. In any event, any holder, insurer or guarantor of a first lien Security Interest shall be allowed to have an audited financial statement of the affairs of the Association prepared at the sole expense of such holder, insurer or guarantor. If the Board shall determine, interim reports may be provided to the Members one or more times during each year.

ARTICLE IX **INDEMNIFICATION**

The Association shall indemnify any director or officer or former director or officer of the Association for expenses and costs (including attorneys' fees) actually and necessarily incurred by him in connection with any claim asserted against him, by action in court or otherwise, by reason of his being or having been such director or officer, except in relation to matters as to which he shall have been guilty of gross negligence or misconduct in respect of the matter in which indemnity is sought.

ARTICLE X
OFFICERS AND THEIR DUTIES

Section 1. Identification of Officers. The officers of the Association shall be a president, vice president, secretary, treasurer and such other officers as the Board shall from time to time by resolution create. The president shall at all times be a director of the Association. The other officers need not be directors. All officers shall be elected by the Executive Board and shall serve at the pleasure of the Board; provided, however, that Declarant has reserved the right for Declarant, or any Person designated by Declarant in a writing delivered to the Executive Board, to appoint and remove the officers of the Association at any time and from time to time, in the sole discretion of the Declarant or the designee of Declarant, with or without cause, but only during the Association Control Period described in the Declaration. The Declarant may voluntarily surrender the right to appoint and remove the officers of the Association before termination of the Association Control Period, but in that event the Declarant may require, for the duration of the Association Control Period, that specified actions of the Association or the Executive Board, as described in a recorded instrument executed by the Declarant, shall be approved by the Declarant before such actions become effective. The office of vice president may be vacant.

Section 2. Election of Officers. The election of officers shall take place at the first annual meeting of the Executive Board which is held after each annual meeting of the Members, subject to Section 1 above.

Section 3. Term. The officers of this Association shall be elected annually by the Board, subject to Section 1 above, and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed by the directors or Declarant, or be otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine, subject to Section 1 above.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the affirmative vote of a majority of the directors then in office, or by the Declarant prior to the end of the Association Control Period. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice, or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment of the Board, subject to Section 1 above. The officer appointed to such vacancy shall serve for the remainder of the term of the office he or she replaces or at the pleasure of the Board.

Section 7. Compensation. No officer shall receive compensation for any service he or she may render to the Association. However, any officer may be reimbursed, at the discretion of the Board, for his or her actual expenses (including travel expenses) incurred in the performance of his or her duties and in attending meetings of the Board or of the members.

Section 8. Multiple Offices. The offices of secretary and treasurer may be held by the same person. Otherwise, no person shall simultaneously hold more than one of the offices, except in the case of special offices created pursuant to Section 4 of this Article.

Section 9. Duties. The duties of the officers are as follows:

- (a) **President.** The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Executive Board. He shall have the general and active control of the affairs and business of the Association and general supervision of its officers, agents and employees, and shall see that the orders, decisions, and resolutions of the Board are carried out. The president or any vice president shall sign all notes, security instruments, leases, agreements and other written instruments of the Association. The president may prepare or cause to be prepared and may execute, certify and record amendments to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.
- (b) **Vice Presidents.** Each vice president shall assist the president and shall perform such duties as may be assigned to him by the president or by the Executive Board. In the absence of the president, the vice president designated by the Executive Board or (if there be no such designation) designated in writing by the president shall have the powers and perform the duties of the president. If no such designation shall have been made, any vice president may exercise such powers and perform such duties.
- (c) The secretary shall:
 - (i) Keep the minutes of the meetings of the Members and of the Executive Board;
 - (ii) See that all notices are duly given in accordance with the provisions of these Bylaws, the Declaration and as required by law;
 - (iii) Be custodian of the corporate records and of the seal of the Association and affix the seal to all instruments and documents when authorized by the Executive Board;
 - (iv) Unless delegated to a manager or managing agent as described in Section 5 of Article XIV herein, the secretary shall keep at the registered office or principal place of business of the Association within Colorado a book (which may be a separate section of the minute book of the Association) containing the names and registered addresses of all Members, the designation of the Unit owned by

each Member, and, if such Unit is subject to a first lien Security Interest, the name and address of the First Lienor;

- (v) In general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the Executive Board. Assistant secretaries, if any, shall have the same duties and powers, subject to supervision by the secretary. The duties of the secretary may be delegated to the managing agent or the representative of the managing agent of the Association.

- (d) **Treasurer.** The treasurer shall be the principal financial officer of the Association and shall have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Association and shall deposit the same in accordance with the instructions of the Executive Board. The treasurer shall sign all checks and drafts of the Association, shall receive and give receipts and acquittances for moneys paid on account of the Association, and shall pay out of the funds on hand all bills, payrolls, and other just debts of the Association of whatever nature upon maturity. The treasurer shall keep and maintain the Association's financial records and books of account, shall cause to be prepared the annual financial reports to the Members required by Section 4 of Article VIII of these Bylaws, and the annual budget of the Association, shall levy, assess and collect all general and special assessments and shall take such actions to accomplish collection of delinquent accounts as are authorized by the Executive Board and permitted by the Declaration, the Articles of Incorporation or these Bylaws. The treasurer shall perform all other duties incident to the office of the treasurer and, upon request of the Board, shall make such reports to it as may be required at any time. The treasurer shall, as required by the Declaration but as a Common Expense, give the Association a bond in such sums and with such sureties as is required by the Declaration, conditioned upon the faithful performance of his or her duties and for the restoration to the Association of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his control belonging to the Association. The treasurer shall have such other powers and perform such other duties as may be from time to time prescribed by the Executive Board or the president. The assistant treasurers, if any, shall have the same powers and duties, subject to the supervision of the treasurer. The duties of the treasurer may be delegated to the managing agent or representative of the managing agent of the Association, if so provided in the contract between the Association and such managing agent.

ARTICLE XI COMMITTEES

The Executive Board may appoint such committees among the membership as it shall deem necessary, to perform such responsibilities as are delegated thereto by the resolution of the Board. All committees must maintain and publish notice of their actions to Unit Owners and the Executive Board. However, actions taken by a committee may be appealed to the Executive Board by any Unit Owner within forty-five (45) days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

ARTICLE XII BUDGET AND ASSESSMENTS

Section 1. Budget. The treasurer, or the managing agent of the Association if so empowered, shall prepare annually and submit to the Executive Board a proposed budget for the Association for the ensuing fiscal year. Such budget should be so prepared and submitted to the Board prior to the end of each fiscal year. Each budget should, to the extent feasible, be determined by reference to the current fiscal year's actual income and expenses, together with reasonable estimates of other expenses or modifications of income and expense expected to occur in the ensuing year, adjusted further to reflect inflation. Subject to the limitations of Sections 3 and 4 below, each such budget shall include sums to be deposited to each reserve fund maintained by the Association. The Executive Board shall make reasonable efforts to adopt the budget for the Association for the ensuing year not later than thirty (30) days after the commencement of such fiscal year, and shall in any event so adopt such budget prior to the annual meeting of Members. The Board shall also determine the periodic intervals of the general Common Expense assessments (and special assessments, if applicable) to be levied to collect the income required by the budget, but not less frequently than quarter-annually.

Section 2. Ratification of Budget by Members. Within thirty (30) days after adoption by the Executive Board of any proposed budget for the Project, the Executive Board shall mail, by ordinary first-class mail, a copy of the budget, as adopted, or a summary thereof, to all Members and shall set a date for a meeting, which may be the annual meeting of Members, to consider ratification of the budget, such meeting to be not less than fourteen (14) nor more than sixty (60) days after mailing of the copy or summary of the budget. Unless at that meeting Owners having a majority of the votes of all Members reject the budget, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is rejected by the affirmative vote of Owners having a majority of the votes of all members, the periodic budget last ratified by the Members shall be continued until such time as the Members ratify a subsequent budget proposed by the Executive Board.

Section 3. Capital Reserve Fund. The Association shall establish and maintain a Capital Reserve Fund for repairs, maintenance, replacement and acquisition of Association Property and Common Elements and shall allocate and set the periodic payment to such Reserve

Fund in amounts to be designated from time to time by the Executive Board and included as a general Common Expense assessment to the Owners and a part of the annual budget. However, no assessments shall be made by the Association for the Capital Reserve Fund or the Operating Reserve described in Section 4 below for a period of two (2) years after the initial recording of this Declaration in the Eagle County property records, and from the second anniversary of such initial recording until the fifth anniversary of such initial recording, the annual amounts assessed by the Association for additions or replacements to the Capital Reserve Fund and such Operating Reserve shall not collectively exceed fifteen percent (15%) of the approved budget of the Association. Assessments for and additions to such Capital Reserve Fund permitted hereby shall conclusively be deemed to be a Common Expense of the Owners, the assessment for which shall be a general Common Expense assessment. Such Capital Reserve Fund shall be deposited in a segregated account or savings certificate with an institutional banking institution, the accounts of which are insured by an agency of the United States or may, in the discretion of the Executive Board, be invested in obligations of, or fully guaranteed as to principal by, any state or the United States. Funds in the Capital Reserve Fund for replacements may be expended only for the purpose of effecting the repair, maintenance or replacement of the Common Elements and personal and real property owned by the Association, and for the acquisition, installation and construction of new or additional improvements on or in the Common Elements or Association real property or new or additional personal property to be owned by the Association. Each expenditure of funds in such Capital Reserve Fund shall be approved in advance by the Executive Board. The interest of any Owner in the Capital Reserve Fund shall be considered an appurtenance to such Owner's Unit or interest therein and shall not be separately withdrawn, assigned or transferred or otherwise transferred and assigned with any conveyance of a Unit or interest therein.

Section 4. Operating Reserve. The Association shall establish and maintain an Operating Reserve to meet unanticipated common and other expenses and to permit payment of Common Expenses in advance of receipt of assessments, and shall allocate and set the periodic payment to such Operating Reserve in amounts to be designated from time to time by the Executive Board and assessed as a general or special Common Expense assessment, as appropriate, to the Owners. Upon the initial sale and conveyance of each Unit by Declarant, the transferee of such Unit shall pay to the Association for deposit in the Operating Reserve an amount equal to three (3) months' general Common Expense assessments of the Association to such Unit. Except as provided in the preceding sentence, however, no assessments shall be made by the Association for the Operating Reserve for a period of two (2) years after the initial recording of the Declaration in the Eagle County property records, and from the second anniversary of such initial recording until the fifth anniversary of such initial recording, the annual amounts assessed by the Association for additions to the Capital Reserve Fund described in Section 3 above and such Operating Reserve shall not collectively exceed fifteen percent (15%) of the approved budget of the Association. Such Operating Reserve shall be deposited in a segregated account or savings certificate with an institutional banking institution, the accounts of which are insured by an agency of the United States or may, in the discretion of the Executive Board, be invested in obligations of, or fully guaranteed as to principal by, any state or in the United States. The Operating Reserve may be expended only for the purpose of payment of unanticipated Common Expenses under-funded or not included in the current year's budget and

for payment of Common Expenses when the cash flow and operating accounts of the Association are insufficient due to lack of receipts for assessments. Each expenditure of funds from the Operating Reserve shall be approved in advance by the Executive Board. The interest of any Owner in the Operating Reserve, and in any other reserves established by the Executive Board, shall be considered an appurtenance to such Owner's Unit or interest therein and shall not be separately withdrawn, assigned or transferred or otherwise separated from the Unit or interest therein to which it appertains and shall be deemed to be transferred and assigned with any conveyance of a Unit or interest therein.

Section 5. Payment of Assessments. Each Owner shall promptly pay such Owner's share of all General Common Expense assessments imposed by the Association to meet the Common Expenses, all assessments for any reserve created by the Executive Board (including the Capital Reserve Fund and the Operating Reserve described in subsections 3 and 4 above), all Common Expenses specially allocated or apportioned to one or more but fewer than all Units as permitted under Sections 9.03 and 9.05 of the Declaration, and all special assessments duly made and levied, including all special assessments constituting fines for violation of any rule, regulation, provision or resolution of the Association. Common Expense assessments (including permitted assessments to fund reserves) shall be made as a periodic (not less often than quarter-annual) advance billing of the annual Association budget, in which event the proportionate General Common Expenses shall be deemed to have been severally incurred as of each respective date of each installment billing, except that Common Expense assessments allocated and apportioned to fewer than all of the Units under Sections 9.03 and 9.05 of the Declaration may be made periodically on the basis of actual apportionment.

Section 6. Executive Board Determination. The Executive Board shall determine the amount of the general Common Expense assessments annually in connection with adoption of each budget, but may set or adjust assessments at more frequent intervals should circumstances so require, all in accordance with the Declaration and these Bylaws.

Section 7. Fixing of Assessments. The Executive Board shall make reasonable efforts to fix the amount of the general Common Expense assessments against each Owner for the ensuing fiscal year not later than thirty (30) days after the commencement of such fiscal year. Assessments apportioned under Sections 9.03 or 9.05 of the Declaration on the basis of actual usage shall be subject to periodic variance based upon such actual usage and billings from suppliers. Written notice of the Common Expense assessments shall be sent to all Owners. The omission of the Executive Board, before the commencement of any annual assessment period, to fix general Common Expense assessments for the next fiscal year shall not be deemed a waiver or modification in any respect of the provisions of this Article or the power to assess pursuant to the Declaration or a release of any Owner from the obligation to pay general Common Expense assessments, or any installment thereof, for that or any subsequent assessment period, but the general Common Expense assessments fixed for the preceding period shall continue until a new assessment is fixed. No Owner may exempt himself from liability for general and special Common Expense assessments, or interest, fees or charges thereon, by a waiver of the use or enjoyment of any of the Common Elements or the property of the Association.

Section 8. Billings. Each billing by the Association to an Owner, whether an advance billing of a general Common Expense assessment or a billing of apportioned Common Expenses under Sections 9.03 or 9.05 of the Declaration, or a special Common Expense assessment, or otherwise, shall be due and payable by the last day of the month in which the billing is made; provided that the initial assessments for funding the Operating Reserve may be made with respect to each Unit when such Unit is initially conveyed by the Declarant to the first purchaser thereof. Once a Unit is initially sold, or otherwise alienated, the Declarant shall be liable to pay Common Expenses and general or special Common Expense assessments by virtue of Units owned from time to time by the Declarant; notwithstanding any other provision of these bylaws, Declarant shall not be responsible for paying any assessment or billing for any unsold unit. If a Unit is owned in undivided interest by two or more Owners, each of such co-Owners shall be jointly and severally liable for each general and special Common Expense assessment, except for any fine against and attributable to such Unit by reason of the conduct or omission of only one co-Owner, and except as otherwise provided in the Declaration. An assessment shall be deemed billed when in writing, placed in an envelope addressed to the Owner at his or her last address as shown on the books of the Association, postage prepaid, and deposited in the U.S. Mails. Payment of assessments and fines shall be made by cash or check. All assessments and fines not paid when due shall bear interest from and after the same are due at the rate of one and one-half percent (1.5 %) per month. Further, any Common Expense assessment or fine not paid within ninety (90) days after the same is billed shall incur a late payment charge of \$50.00 in addition to interest. The Executive Board, the treasurer, or the property manager or managing agent contracted by the Association, is empowered to take any and all action and remedies for collection of Common Expense assessments, fines, fees, interest and charges as are provided for in the Declaration, the Articles of Incorporation or these Bylaws, or as are permitted at law or in equity.

Section 9. Special Assessments for Violations. A special assessment may be levied and collected against an Owner of a Unit as a fine for violation of any rule, regulation, provision or resolution with respect to management, operation, use and occupancy by such Owner or his guests, invitees, agents or tenants. Pursuant to the Declaration, a special assessment may also be levied and collected from an Owner of a Unit for utilities service charges, for repair, maintenance, and replacement of certain Limited Common Elements, for any Common Expense incurred as a result of the misconduct of a Unit Owner, and for attorneys' fees and costs incurred by the Association in collecting assessments from such Owner.

Section 10. Special Assessments: Limitations on Imposition. Special assessments may also be levied against and shall be paid by each of the Owners (i) to meet increased operating or maintenance expenses or costs which cannot or should not be paid from the Operating Reserve, (ii) to meet increased repair expenses or to provide for additional capital expenses or for replacement or improvement of Common Elements or Association property or for installation or construction of additional improvements on Common Elements, the cost of which cannot or should not be paid from the Capital Reserve Fund, (iii) because of emergencies, of (iv) for any purpose allowed by the Declaration. All such special assessments up to \$10,000.00 per year (such \$10,000.00 maximum to be adjusted upward annually with changes in the cost of living index, Denver Metropolitan Area, "all items," for urban wage earners) must be

approved in advance by the affirmative vote of at least sixty percent (60%) of all of the votes allotted to the Members, excluding Declarant, and presented at a regular or special meeting called to consider such special assessment.

Section 11. Detail of Billing for Special Assessments. All special assessments (other than for violating any rule, regulation, provision or resolution) shall be in itemized statement form and shall set forth the detail of the various expenses for which the special assessment is being made.

Section 12. Determining Proportionate Share of Assessments. Each general Common Expense assessment (including each assessment for a reserve) and each special Common Expense assessment (other than as a fine or violation of a rule, regulation, provision or resolution of the Association) shall be allocated among the Owners in proportion to each Owner's Allocated Interest as listed on Exhibit "C" to the Declaration or as reallocated by any proper amendment to the Declaration, except for Common Expenses apportioned to one or more but less than all of the Units pursuant to Sections 9.03 and 9.05 of the Declaration.

Section 13. Management Fee. The management fee payable by the Association to its managing agent pursuant to Section 7.04 of the Declaration shall be \$25.00 per Unit per month or as otherwise determined by the Board.

ARTICLE XIII OBLIGATIONS OF MEMBERS

Section 1. Maintenance and Repair.

- (a) Every Owner shall perform or cause to be performed at his own expense all maintenance and repair work within his own Unit necessary to maintain the Unit in a good and habitable state of repair.
- (b) All repairs of internal installations in a Unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, electrical fixtures, fireplaces, and all other accessories, equipment and fixtures belonging to a Unit and not constituting a Limited Common Element to such Unit under C.R.S. §38-33.3-202(b) and (d), shall be at the sole expense of the Owner of such Unit. Repairs of all Limited Common Elements appurtenant to a Unit, including Limited Common Elements allocated under C.R.S. §38-33.3-202(b) and (d), including porches, balconies, decks and patios, shall be made by and at the cost of the Association, as general Common Expenses unless the Board shall have cause to determine otherwise.
- (c) Each Owner shall reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing and replacing any Common Element

damaged by the negligence or intentional acts of such Owner or his tenants, invitees, agents or guests.

Section 2. Compliance with Declaration, Articles, Bylaws and Rules. Each Member, and each guest, invitee and tenant of each Member, shall comply with all of the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Association, and all rules, regulations, provisions, resolutions and decisions issued by the Executive Board. If a Member or guest, invitee or tenant of a Member fails to so comply, the Association shall have all powers and remedies provided for in the Declaration, including (without limitation) the power, during the period of any failure of compliance, (a) to suspend the right of such delinquent Member or his guests and invitees and tenants to use Common Elements and Association property held for common use (provided that access to such Member's Unit shall never be denied), and/or (b) to suspend the voting rights allotted to the Member's Unit; provided, however, that none of the powers in this Section 2 may be exercised except after not less than three (3) days' advance written notice given to the delinquent Member and to the First Lienor of the affected Unit, and provided further that no suspension of voting rights shall affect the rights of any First Lienor to vote pursuant to a proxy granted in connection with a first-lien Security Interest on the affected Unit. Any remedy or power of the Association above described in this Section 2 may be exercised by the manager or managing agent for the Association.

ARTICLE XIV

EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND MORTGAGEES

Section 1. Proof of Ownership. Except for those Owners who initially contract to purchase a Unit from the Declarant, any person on becoming an Owner shall furnish to the secretary a photocopy of the recorded instrument vesting that person with an interest or Ownership, together with such Owner's current mailing address and the name and address of all Mortgagees of such Unit. The secretary shall maintain such information in a book (which may be a separate section of the minute book of the Association) entitled "Owners and Mortgagees of Units." A Member shall not be deemed to be in good standing and shall not be entitled to vote at any annual or special meeting of Members unless he shall have provided the secretary in writing with such Member's current mailing address. The last mailing address provided to the Association and shown in its records shall be deemed to be the current mailing address. The duties of the secretary herein may be delegated to the managing agent of the Association.

Section 2. Registration of Mailing Address. If a Unit is owned entirely by one individual Member or one organizational Member, the current mailing address of such individual or of the designated representative of the organizational Member shall be deemed the registered address by the Declaration. If a Unit is owned by more than one entity or individual, then the current mailing address of the designated representative of all such Owners, or if no such designation has been made to the Association, then the current mailing address of any one of such co-Owners as selected by the Association in its sole discretion, shall be deemed the registered address required by the Declaration.

Section 3. Liens. Any Owner who grants a Security Interest covering the Unit or the Ownership interest in such Unit of such Owner shall notify the secretary of the name and address of the Mortgagee and shall file a photocopy of the recorded security instrument with the secretary. The secretary shall maintain such information in a book (which may be a separate section of the minute book of the Association) entitled "Owners and Mortgagees of Units." The Executive Board or secretary or managing agent, not later than sixty (60) days after the delinquency of an Owner or co-Owner in paying any assessment, shall send a notice of such default to the First Lienor of such Owner's Unit and to the guarantor or insurer of such first-lien Security Interest, if such guarantor or insurer has given a written request for same to the Association.

Section 4. Address of the Association. The address of the Association shall be as provided in Article I of these Bylaws. Such address may be changed from time to time upon written notice to all Members and all First Lienors listed in the book (or, in the separate section of the minute book of the Association) entitled "Owners and Mortgagees of Units."

Section 5. Delegation to Managing Agent. If the Association shall contract with a manager or managing agent and shall record a certificate of identity of such manager or managing agent in the real property records of Eagle County, and if such contract expressly so provides, then such manager or managing agent shall have full power and authority to do and perform all functions and duties of the secretary and of the treasurer of the Association under these Bylaws and shall, as agent of the Board, exercise any remedies vested in the Association by the Declaration, the Articles of Incorporation, and these Bylaws for the collection of assessments and fines or enforcement of the Declaration, and any notice given by any Owner or Mortgagee pursuant to this Article XIV shall be directed to such manager or managing agent.

ARTICLE XV **SECURITY INTEREST IN MEMBERSHIP**

Any Owner shall have the right irrevocably to constitute and appoint the First Lienor as the true and lawful attorney-in-fact for such Owner to vote for such Owner at any and all meetings of the Association and to vest in the First Lienor of such Owner's Unit any and all rights, privileges and powers that such Owner has under the Articles of Incorporation and these Bylaws or by virtue of the Declaration, subject to the Act. No such proxy or power of attorney shall be effective until the same is executed and subscribed and sworn to by the Owner and is filed with the secretary of the Association, and further, such proxy or power of attorney shall be effective only on written notice by the First Lienor to the Association that such First Lienor deems its security in jeopardy. A release of the first-lien Security Interest on the Unit shall operate automatically to revoke such proxy or power-of-attorney. Nothing herein contained shall be construed to relieve any Owner, as mortgagor, of the duties and obligations as an Owner or to impose upon the First Lienor the duties and obligations of an Owner.

ARTICLE XVI
ENFORCEMENT

Section 1. Abatement and Enjoinment of Violations by Owners. The violation of any of the Rules and Regulations adopted by the Executive Board or the breach of any provision of the Declaration shall give the Executive Board the right, after notice and a hearing, except in case of an emergency, in addition to any other rights set forth in the Act, the Declaration, or these Bylaws:

- (a) to enter the Unit or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Elements or any other Unit or Owners, contrary to the intent and meaning of the provisions of the Declaration, the Articles of Incorporation, the Bylaws, or the Rules and Regulations. The Executive Board shall not be deemed liable for any manner of trespass by this action; or
- (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

Section 2. Fines for Violations. By resolution, following notice and hearing, the Executive Board may levy a fine of up to \$25.00 per day for each day that a violation of the Declaration, the Articles of Incorporation, these Bylaws, or the Rules and Regulations persists after notice and hearing. All such fines shall constitute special assessments against the Unit of the Owner who, or whose guest, tenant, or invitee, committed the breach, and shall constitute a lien on such Unit and be collectible as with any other assessment, as provided in the Declaration.

ARTICLE XVII
NOTICES

Section 1. Notices. Notices to Directors and Members shall be in writing and delivered personally or mailed to the Directors or Members at their addresses appearing on the books of the Association, except as otherwise specifically permitted in these Bylaws. Notice by mail shall be deemed to be given at the time when deposited in the United States mail addressed to the Member or Director at his address as it appears on the books of the Association, with postage thereon prepaid. Notice to Directors may also be given by telegram and shall be deemed to have been presented when given to the telegraph company, and may also be given by telephone personally connected to such Director and by facsimile transmission to the FAX number of such Director.

Section 2. Waiver. Whenever any notice is required to be given to any Member or Director under the provisions of any statute or of the Articles of Incorporation or of 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 the equivalent to the giving of such notice.

Section 3. Attendance is Waiver. Attendance of any Member or Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director or Member attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XVIII MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 2. Principal Office Change of Same. The principal offices of the Association shall be as s Members; provided, however, that the Association shall advise all Members of such change of principal offices at or prior to the next annual meeting of the Members.

Section 3. Seal. The seal of the Association shall bear the name of the Association and the words "Colorado - Seal." The seal shall be in the custody of the secretary or the managing agent. If so directed by the Executive Board, a duplicate seal may be kept and used by the treasurer or any assistant secretary or assistant treasurer or the managing agent.

Section 4. Right of Entry. The president, the manager or managing agent and any other person authorized by the Executive Board shall have the right to enter each Unit to inspect for any necessary maintenance or repair to Common Elements, to perform maintenance and repair to Common Elements, or to resolve any emergency originating in or threatening such Unit whether or not the Owner or occupant is present at the time.

Section 5. Compliance. These Bylaws are set forth in compliance with the requirements of the Act and the laws of the State of Colorado.

Section 6. Conflict. These Bylaws are subordinate and subject to all provisions of the Act, the Articles of Incorporation and the Declaration. All of the terms hereof, except where clearly repugnant to the context, shall have the same meaning as in the Act and the Declaration. In the event of any conflict between these Bylaws and the Act, the provisions of the Act shall control. In the event of any conflict between these Bylaws and the Declaration, the provisions of the Declaration shall control. In the event of any conflict between the aforesaid Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the event of any conflict between the aforesaid Articles of Incorporation and the Bylaws and the Act or other statutes of the State of Colorado, the provisions of the Act or statutes of the State of Colorado shall control.

Section 7. Severability. In the event any provision or provisions of these Bylaws shall be determined to be invalid, void or unenforceable, such determination shall not render invalid, void or unenforceable any other provisions hereof which can be given effect.

Section 8. Waiver. No restriction, condition, obligation or provision of these Bylaws shall be deemed to have been abrogated or waived by reason of any failure or failures to enforce the same.

Section 9. Captions. The captions contained in these Bylaws are for convenience only and are not a part of these Bylaws and are not intended in any way to limit or enlarge the terms and provisions of these Bylaws.

Section 10. Gender, Etc. Whenever in these Bylaws the context so requires, reference to the singular shall be deemed to include the plural and the converse, and reference to any gender shall be deemed to include all genders.

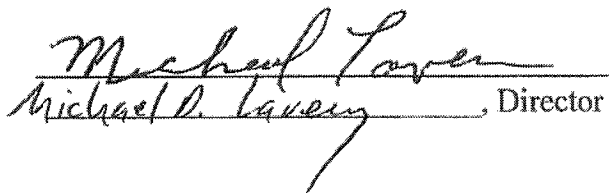
ARTICLE XIX AMENDMENTS

Section 1. By Directors. The Executive Board may alter or amend these Bylaws at any meeting of the Board by majority vote of the Directors. However, any alteration or amendment in the Bylaws made by vote of the membership as permitted under Section 2 below shall not be further altered or amended by the Executive Board.

Section 2. By Members. The Members, by the vote of at least fifty-one percent (51%) of the votes allotted to the Members, unless expressly made subject to a higher voting requirement by law, the Articles of Incorporation, the Declaration, or these Bylaws, may alter, amend or repeal the Bylaws at any annual meeting or at any special meeting called for that purpose at which a quorum is present.

Section 3. Limitation. No amendment to these Bylaws may be made by either the Directors or the Members, the effect of which would be to contradict any requirement or prohibition of the Act, and any such attempted amendment shall be void.

THE FOREGOING BYLAWS have been unanimously adopted by the Directors of the Association as of the 10th day of October, 1997.



Michael D. Lavery, Director