

**ARTICLES OF INCORPORATION
OF
THE TERRACES HOME OWNERS ASSOCIATION, INC.**

COPY

For the purpose of forming a nonprofit corporation pursuant to the provisions of the Colorado Nonprofit Corporation Act, as may be amended, the undersigned incorporator has signed and acknowledged the following Articles of Incorporation:

ARTICLE I - NAME

The name of this nonprofit corporation shall be: **THE TERRACES HOME OWNERS ASSOCIATION, INC.**, (hereinafter the nonprofit corporation shall be referred to as the "Association" or "Corporation").

ARTICLE II - DURATION

The period of duration of the Association shall be perpetual.

ARTICLE III - PURPOSES

The objectives and purposes for which this Association is formed, are as follows:

1. To promote the health, safety, and welfare of all Members of the Association. To establish, provide and maintain a desirable environment for all Owners and guests and to protect and preserve the property, property values and property rights in the The Terrace at Meadows Run, a Condominium Community, located on Lot 651B, Telluride Mountain Village, San Miguel County, State of Colorado.
2. To enforce any and all covenants, restrictions, agreements, or rules and regulations applicable to The Terraces at Meadows Run in any manner provided by the laws of the State of Colorado, the Declaration, Bylaws, these Articles of Incorporation, and the Rules and Regulations and other governing documents of the Association as from time to time are in force and effect.
3. To provide any service and perform all actions contemplated or permitted by law.

ARTICLE IV - POWERS

In furtherance of its purposes, but not otherwise, the Association shall have the following powers:

1. **ALL COMMON LAW AND STATUTORY POWERS.** All of the powers conferred upon nonprofit corporations by common law and statutes of the State of Colorado, in effect now and from time to time, and those powers inherent to the Colorado Nonprofit Corporation Act, C.R.S. 7-20-101, et seq.

2. **POWERS NEEDED TO EFFECTUATE THE DECLARATION, BYLAWS, THESE ARTICLES OF INCORPORATION, AND THE RULES AND REGULATIONS AND OTHER GOVERNING DOCUMENTS OF THE ASSOCIATIONS AND ANY OTHER STATUTORY REQUIREMENTS.** All of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers of the Association under the above-referenced Declaration, Bylaws, these Articles of Incorporation, and the Rules and Regulations and other governing documents of the Associations and Statutory Requirements, including, without limitation, the following powers:

(a) **ASSESSMENTS.** To levy and collect assessments and special assessments against the Owner(s) of each Unit for the purpose of defraying the costs, expenses and any losses of the Association, or of exercising its powers or of performing its functions; to charge interest on unpaid assessments; and to create, enforce, and foreclose liens given as security for such assessments, charges, fees, fines, penalties, damages and interest.

(b) **OPERATION AND MAINTENANCE.** To manage, control, operate, maintain, repair and improve all road and utility systems serving The Terraces at Meadows Run.

(c) **ADVANCE OWNERS' INTERESTS.** To engage in activities which will actively foster, promote and advance the common interests of The Terraces at Meadows Run.

(d) **BUY,SELL, LEASE, OR ENCUMBER.** To buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate and otherwise deal with and in, real, personal and mixed property of all kinds, and any right or interest therein, for any purpose of this Association.

(e) **BORROW.** To borrow money and secure the repayment of monies borrowed for any purpose of this Association, limited in amount or in other respects as may be provided in the Bylaws of this Association.

(f) **CONTRACT.** To enter into, make, perform or enforce contracts of every kind and description, including, without limitation, contracts for management services, and to do all other acts necessary, appropriate or advisable in carrying out any purpose of this Association with or in association with any person, firm, association, corporation or other entity or agency, public or private.

(g) **BYLAWS.** To adopt, alter, amend or repeal such Bylaws as may be necessary or desirable for the proper management of the affairs of this Association provided, however, that such Bylaws may not be inconsistent with or contrary to any provisions of these Articles of Incorporation.

(h) **RULE MAKING.** To make and enforce rules and regulations applicable to The Terraces at Meadows Run for the accomplishment of any of the purposes or to further any of the powers set forth above, and to amend such rules and regulations.

(i) **POWERS NOT LIMITED OR RESTRICTED.** The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and The powers specified in each of the paragraphs of this Article IV are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Article IV.

3. **LIMITATION ON POWERS.** Without the consent of all the ownership interests in the Association, this Association shall have no power or authority to take any action which would cause it to be classified other than as a nonprofit corporation by either the Internal Revenue Service or the State of Colorado.

4. **PROHIBITION ON DIVIDENDS.** The Association shall not pay any dividends. No distribution of the corporate assets to Members shall be made. Upon dissolution of the Association, the assets shall be distributed as provided in Article XII herein.

ARTICLE V - MEMBERSHIPS

1. **SHARES-ONE CLASS.** This Association shall be a membership corporation without certificates or shares of stock. There shall be one class of membership, and there shall be one membership in the Corporation which shall be attributable to the fee simple title to each Unit.

2. **VOTING.** All Members shall be entitled to vote with one vote per Unit. The voting right of any Members who are in default of any obligations to this Association may be suspended until such default is cured. Cumulative voting is prohibited. The vote for a

given Unit shall be made by one person, who shall represent all individuals or entities holding title to the respective Unit.

3. **MEMBERSHIP APPURTENANT TO UNIT OWNERSHIP.** Each membership shall be appurtenant to the fee simple title of each Unit. The Owner of a Unit shall automatically be the holder of the membership appurtenant to that Unit. Membership in the Association shall not be assigned, encumbered or transferred in any manner except as an appurtenance to transfer of title to the Unit to which the Membership appertains. Membership in the Association is mandatory.

4. **TRANSFER.** A transfer of Membership shall occur automatically upon the transfer of title to a Unit to which the Membership appertains, provided, however, that the Bylaws of the Association may contain reasonable provisions and requirements with respect to recording such transfers on the book and records of the Association.

5. **SUSPENSIONS OF VOTING RIGHTS.** The Association may suspend the voting rights of the Owner of a Unit for failure to comply with rules, regulations or Bylaws of the Association or for failure to comply with any other obligations created pursuant to the governing documents of the Association. The Association may also impose fines, as permitted by law, and take all other actions permitted by law, for failure of a Member to comply with the rules, regulations and bylaws of the Association.

6. **BYLAWS APPLICABLE TO MEMBERS' RIGHTS.** The Bylaws may contain provisions, not inconsistent with the foregoing, setting forth the rights, privileges, duties and responsibilities of the Members.

ARTICLE VI - EXECUTIVE BOARD

The business and affairs of this Association shall be conducted, managed, and controlled by its Executive Board.

1. **NUMBER, TERMS.** The Executive Board shall consist of not less than three members, the specific number to be set forth from time to time in the Bylaws of the Association. In the absence of any provision to the contrary in the Bylaws, the Executive Board shall consist of three members.

2. **ELECTED DIRECTORS.** Members of the Executive Board shall be elected in the manner determined by the Bylaws. The persons comprising the Executive Board shall be natural persons. A person does not have to be an Owner to serve on the Executive Board. The initial Executive Board shall be those individuals specified in these Articles of Incorporation.

3. **VACANCIES.** Directors may be removed and vacancies on the Executive Board shall be filled in the manner provided in the Bylaws. Any vacancies on the Executive Board occurring before the first election of Directors by Members shall be filled by vote of the remaining Directors.

4. **DIRECTOR LIABILITY.** The Corporation hereby elects to enact all of those protections provided by Colorado law which would limit or eliminate the personal liability of Directors to the Association in any and all cases with the exception of those statutory exceptions which do not eliminate or limit a Director's liability, and unless otherwise set forth in the Articles, Bylaws or Declaration.

5. **INITIAL EXECUTIVE BOARD.** The names and addresses of the three natural persons over the age of twenty-one years who shall serve as Directors until their successors shall be elected and qualified, are as follows:

NAME	ADDRESS
Stephen Finger	P. O. Box 3629, Telluride, Colorado 81435
Nicole Finger	P. O. Box 3629, Telluride, Colorado 81435
Jeffrey Lehrer	1000 E. Apache Blvd., Suite 219, Tempe, Arizona 85281

ARTICLE VII - OFFICERS

The Executive Board shall, at each Annual Meeting of the Directors, elect a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers as the Executive Board believes will be in the best interests of the Association, in accordance with the provisions of the Bylaws. The position of Treasurer may be combined with and held by the same person as the position of Secretary. The Officers shall have such duties as may be prescribed in the Bylaws of the Association and shall serve one year terms from the Annual Meeting of Directors at which they are appointed until a successor is named at the following Annual Meeting of Directors, at the pleasure of the Executive Board.

ARTICLE VIII - CONVEYANCES AND ENCUMBRANCES

Association property may be conveyed or encumbered by authority of the Association and its Executive Board. Conveyances or encumbrances shall be by instrument executed by the President or Vice President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer or executed by such other person or persons to whom such authority may be specifically delegated by the Executive Board.

ARTICLE IX - EXECUTION OF INSTRUMENTS

Authority to convey or encumber the property of the Association and to execute any deed, contract or other instrument on behalf of the Association for itself or as attorney-in-fact for one or more of the Members is vested in the president or any vice president. All instruments conveying or encumbering such property shall be executed by the president or vice president or any other officer of the Association.

ARTICLE X - INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the Corporation shall be at 398 West Colorado Avenue, P.O. Box 3727, Telluride, Colorado 81435. The initial registered agent at such office shall be Stephanie L. Fanos.

The undersigned consents to the appointment as the initial registered agent of THE TERRACES HOME OWNERS ASSOCIATION, INC.

Stephanie L. Fanos

ARTICLE XI - INCORPORATOR

The following is the name and address of a natural person over the age of twenty-one years and of full, unimpaired legal capacity who is the incorporator of this Corporation.

NAME	ADDRESS
Stephanie L. Fanos, Esq.	398 West Colorado Avenue P.O. Box 3727 Telluride, CO 81435 (970) 728-6237

ARTICLE XII - DISSOLUTION

The Association may be dissolved only by the affirmative vote of a majority of the Members. Written notice of a proposal to dissolve, setting forth the reasons thereof and the disposition to be made of the assets, as set forth below, shall be mailed to every Member at least 90 days in advance of any action taken. Upon dissolution of the Association, the assets, both real and personal, of the Corporation, shall be dedicated to an appropriate public agency or agencies or utility to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is not accepted, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or

other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of the Association properties shall be effective to divest or diminish any right or title of any Member vested in him or her under the recorded covenants and deeds applicable to The Terrace at Meadows Run unless made in accordance with the provisions of such covenants and deeds.

ARTICLE XII - AMENDMENTS

Amendments to these Articles of Incorporation shall require the assent of at least two-thirds of the Members of the Association, as provided in the Colorado Nonprofit Corporation Act.

Executed this ____ day of _____, 1998.

Incorporator:

Stephanie L. Fanos, Esq.
398 West Colorado Avenue
P. O. Box 3727
Telluride, CO 81435
(970) 728-6237

STATE OF COLORADO)
)ss
COUNTY OF SAN MIGUEL)

Subscribed and sworn to before me this ____ day of _____, 1998 by Stephanie L. Fanos.
My commission expires:

Notary Public

BYLAWS
OF
THE TERRACES HOME OWNERS ASSOCIATION, INC.

COPY

ARTICLE I - OBJECT

1.01 **Association.** The Terraces Home Owners Association, Inc. the ("Association" or "Corporation") is a nonprofit corporation organized under the Colorado Nonprofit Corporation Act, as amended.

1.02 **Purpose.** The purpose for which this Association is formed is to manage The Terraces at Meadows Run, a Condominium Community, as provided by Declaration and to further the interests of the residents, occupants, tenants and guests of The Terraces at Meadows Run and members of the Association.

1.03 **Unit Owners Subject to Bylaws.** All present or future Unit Owners, tenants, or other persons who might, in any manner, have an interest in The Terraces at Meadows Run are subject to the covenants or regulations set forth in and provided for by these Bylaws. The acquisition and ownership of the Units in The Terraces at Meadows Run as defined in the Declaration of Common Interest Community for The Terraces at Meadows Run shall signify that these By-laws are accepted, ratified and will be complied with by the Owners.

ARTICLE II - MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

2.01 **Membership.** Ownership of a Unit in The Terraces at Meadows Run is required for membership in this Association. Any person or entity, upon becoming an owner of such Unit, also becomes a member of the Association, subject to these Bylaws. Such membership terminates without any formal Association action upon such person or entity ceasing to own a Unit, but such termination shall not relieve or release any such former Owner from any liability or obligation to the Association, nor shall it impair any rights or remedies which the Association may have against such former Owner, arising out of or in any way connected with ownership of a Unit and membership in the Association. No certificates of stock shall be issued by the Association, but the Executive Board may, if it so elects, issue membership identification cards to the Owners of each Unit. Such membership card shall be surrendered to the Secretary whenever ownership in the Unit designated thereon shall terminate.

2.02 **Voting.** Members of the Association shall be entitled to vote on all matters. There shall be one vote for each Unit depicted on the Map. If title to any Unit is held by two or more co-owners, one of the co-owners shall be designated by all co-owners of such Unit to exercise the voting rights for such Unit on behalf of all Owners. Cumulative voting shall not be permitted.

2.03 **Quorum.** Except as otherwise provided in these Bylaws, the presence in person or by proxy by the Owners of a majority of the Units shall constitute a quorum and an affirmative

vote of those representing a majority of the Units represented at such a meeting having a quorum in attendance, either in person or by proxy, shall be necessary to transact business and to adopt decisions binding on all Owners.

2.04 **Proxies.** Votes may be cast in person or by proxy. Proxies must be filed with the Secretary at or before the commencement of each meeting. All proxies must be in writing signed by the Owner(s) granting the proxy and may be either general or for a particular meeting. A proxy-holder need not be an Owner.

ARTICLE III - MEETINGS OF MEMBERS

3.01 **Place of Meeting.** Meetings of the Association shall be held at such place within the San Miguel County, Colorado as the Executive Board may from time to time determine.

3.02 **Annual Meetings.** The meetings of the Association shall be held at least once a year. The annual meeting of the Members of the Association shall be held each year on such date as shall be selected by the Executive Board, provided that such meeting shall occur in each year no later than three (3) months after the end of the Association's fiscal year. The first annual meeting shall be called by the initial Executive Board of the Association. At such annual meetings, the Members shall elect Directors to succeed those Directors whose terms are to expire prior to the next succeeding regular annual meeting of the Association and may transact such business of the Association as may properly come before the meeting.

3.03 **Special Meetings.** It shall be the duty of the President to call such special meeting of the Association as may be needed to transact business and/or to adopt decisions binding on all Owners. Such meetings may be called by the President, by resolution of the Executive Board or by petition of the Owners of at least two of the Units in The Terraces at Meadows Run Home Owners Association. The Notice of any such special meeting shall state the time and place of such meeting and the specific purpose thereof. Telephone meetings shall be valid if permitted by law. No business shall be transacted at a special meeting except as may be stated in the notice. Any such meeting shall be held within thirty (30) days after receipt by the President of such resolution or petition.

3.04 **Notice of Meetings.** It shall be the duty of the Secretary to hand deliver or to mail, postage prepaid, by regular United States mail, a notice of each annual or special meeting, stating the purpose thereof (including the general nature of any proposed amendment to the Declaration or the Bylaws, any budget changes, and any proposal to remove an officer or director), as well as the time and place where it is to be held, to each Unit Owner of record. A waiver of notice, signed by all Members of the Association before, at or within a reasonable time after any meeting shall be valid substitute for notice. The certificate of the Secretary that notice was properly given as provided in these Bylaws shall be prima facie evidence thereof. Such Notice of Members' meetings must be given at least ten (10), but not more than twenty (20), days prior to the date of such meeting. Notice shall be deemed delivered when hand delivered, or deposited in the United

States mail addressed to the member at his address as it appears on the records of the Association, with postage thereon prepaid.

3.05 Adjourned Meetings. If any meeting of the Association cannot be convened because a quorum of Units are not in attendance or the business of the meeting cannot be concluded, the Owners who are present, either in person or by proxy, may adjourn the meeting one or more times for periods of no longer than two weeks from time to time, until a quorum is obtained or until a conclusion can be reached.

3.06 Quorum. A quorum is deemed present throughout any meeting of the Association Members if Owners of 50% of the Units are present, in person or by proxy, at the beginning of the meeting.

3.07 Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll call
- (b) Proof of notice of meeting or waiver of notice
- (c) Reading of minutes of the last meeting
- (d) Reports of officers
- (e) Reports of committees
- (f) Election of Directors (annual meetings only)
- (g) Unfinished business
- (h) New business

ARTICLE IV - Executive Board

4.01 Association Responsibilities. The Owners of the Units in The Terraces at Meadows Run constitute the membership of the Association, and have the responsibility of administering The Terraces at Meadows Run through the Association's Executive Board. The Association has the powers as set forth in the Declaration, including, without limitation, to amend the Declaration and to determine the powers and duties of the Executive Board.

4.02 Number and Qualification. The affairs of the Association shall be governed by a Executive Board (The "Board") composed of three natural persons. The number of directors may be increased or decreased by amendment of these Bylaws, provided however, that the number of Directors shall not be reduced to less than three nor increased to more than six. Until the first meeting of the Association, the initial Executive Board shall consist of the three individuals designated in the Articles of Incorporation of the Association, which individuals need not be Unit Owners.

4.03 Powers and Duties. The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration or these Bylaws. The Board shall have, subject

to the limitations contained in the Declaration, The powers and duties necessary for the administration of the affairs of the Association and of The Terraces at Meadows Run.

4.04 Managing Agent. The Executive Board may employ for the Association a Managing Agent (at a compensation established by The Executive Board), to perform such duties and services as it shall authorize. The Executive Board may delegate to such Managing Agent any of the Board's powers and duties but, notwithstanding such delegation, the Board shall not be relieved of its responsibility under the Declaration. Any contract of employment entered into with a Managing Agent must, however, be limited to a term not exceeding three years and must provide that it is cancelable by the Association without cause, upon thirty (30) days written notice, and with cause at any time.

4.05 Election and Term of Office. Except as otherwise provided in the Declaration, members of the Executive Board shall be elected by a majority or (if more than two candidates stand for election) a plurality, as appropriate, of the Owners or representatives of Units voting at the annual meeting of the Association. The term of each Director's service shall extend until the next annual meeting of the Association and so long thereafter as may be necessary for a successor to be duly elected and qualified; or until the Director may resign or is removed in the manner herein provided.

4.06 Vacancies. Vacancies in The Executive Board caused by any reason other than the removal of a Director by a vote of the Association shall be filled by the remaining Directors, even though they may constitute less than a quorum. A Director so selected shall serve until a successor is elected at the next annual meeting of the Association.

4.07 Removal of Directors. At any annual or special meeting of the Association, duly called, any one or more of the Directors may be removed with or without cause by a majority of the Members and a successor may then and there be elected by the Owners of Units to fill the vacancy thus created. Any Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting prior to a vote being taken on the matter.

4.08 Organizational Meeting. The first meeting of a newly elected Executive Board shall be held within thirty (30) days after such election at such place as shall have been fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order to convene such meeting, provided that a majority of the new Board shall be present at such election meeting.

4.09 Regular Meetings. Regular meetings of the Executive Board may be held at such time and at such place in San Miguel County, Colorado as shall be determined, from time to time, by a majority of the Directors. Notice of regular meetings of the Executive Board shall be given by the Secretary to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

4.10 **Special Meetings.** Special meetings of the Executive Board may be called by the President, on his own initiative, on three (3) days notice to each Director, given personally, or by mail, telephone, fax or telegraph, which notice shall set forth the time, place and purpose of the meeting. Special meetings of the Executive Board shall be called by the President or Secretary in like manner and on like notice on receipt of a written request to call such a special meeting from at least two (2) Directors. Such meetings may be held telephonically.

4.11 **Waiver of Notice.** Before or at 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 of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

4.12 **Consent to Corporate Action.** If all the Directors severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Board or the committee, as the case may be. The Secretary shall file these written consents with the minutes of the meetings of the Board.

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

4.14 **Executive Board Quorum.** At all meetings of the Executive Board, a majority (at least 50% of the votes entitled to be cast) of the Directors at the beginning of the meeting shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of The Executive Board. If at any meeting of the Executive Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called, may be transacted without further notice.

4.15 **Compensation; Fidelity Bonds.** The Members of The Executive Board shall serve without salary or compensation. The Executive Board may require that all Officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association. All actions of members of the Board in good faith and using reasonable care shall be without recourse by the Association or any Owner.

ARTICLE V - OFFICERS

5.01 **Designation.** The Officers of the Association shall be a President, a Vice President or Vice Presidents, a Secretary and a Treasurer, all of whom shall be elected by the Executive Board.

5.02 **Election of Officers.** The Officers of the Association shall be elected annually by the Executive Board at The organizational meeting of each new Board and shall hold office at the pleasure of The Board. One person may hold concurrently the office of Vice President and Secretary or Vice President and Treasurer or Secretary and Treasurer, but the President shall serve only in the office of President.

5.03 **Removal of Officers.** Upon an affirmative vote of a majority of the Members of the Executive Board, any Officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Executive Board, or at any special meeting of the Board called for such purpose.

5.04 **President.** The President shall be elected from and by the Executive Board and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association. The President shall have all of the General Powers and duties which are usually vested in the office of the President of a nonprofit corporation, including but not limited to, the power to appoint committees from among the Members from time to time as may be deemed appropriate, and to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meeting. The President shall be the officer responsible for the preparation, execution, certification and recordation of amendments to the Declaration on behalf of the Association.

5.05 **Vice President.** The Vice President shall be a Member and shall have all the powers and authority and shall perform all of the functions and duties of the President, in the absence of the President or in the absence of the President's ability for any reason to exercise such powers and functions or perform such duties.

5.06 **Secretary.** The Secretary shall be a Member and shall keep the minutes of all meetings of the Association; the Secretary shall have charge of such books and papers as the Executive Board may direct; and shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Owners and their last-known addresses as shown on the records of the Association. Such list shall also show opposite each Owner's name the appropriate designation of the Unit owned by such Member. Such list shall be open to inspection by Owners and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

5.07 **Treasurer.** The Treasurer shall have responsibility for Association funds, shall keep The financial records and books of account of the Association and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in the name, and to the credit of the Association in such depositories as may from time to time be designated by the Executive Board.

5.08 **Agreements, Contracts, Checks, etc.** Except as provided in these Bylaws or the Declaration, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any Officer of the Association or by any other person or persons designated by the Board.

ARTICLE VI - INDEMNIFICATION OF DIRECTORS AND OFFICERS

6.01 **Indemnification.** The Association shall indemnify its Directors and Officers, and his or her heirs, executors and administrators against loss, costs and expense, including counsel fees, reasonably incurred in connection with any action, suit or proceeding to which such person may be made a party by reason of being or having been a Director or Officer of the Association, except as to matters to which such person shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such Director or Officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Director or Officer may be entitled. All liability, loss, damage, costs, and expense incurred or suffered by the Association by reason of, or arising out of, or in connection with the foregoing indemnification shall be considered a legitimate association expense.

Nothing contained in this Section shall, however, be deemed to obligate the Association to indemnify any Member who is or has been a Director or Officer of the Association with respect to any duties or obligations assumed or liabilities incurred simply as a Member or Owner of a Unit under or by virtue of the Declaration and not as an Officer or Director.

Anything to the contrary notwithstanding, this provision shall not eliminate or lessen the liability of a director to the Association, or its members, for monetary damages for: Any breach of the director's duty of loyalty to the Association or its members; acts or omissions not in good faith or which include intentional misconduct or a knowing violation of law; acts specified in C.R.S. 7-24-111; or any transaction from which the director derived an improper personal benefit.

ARTICLE VII - AMENDMENTS

7.01 **Bylaws.** These Bylaws may be amended only by affirmative act of the Executive Board of the Association at a meeting duly called for that purpose. Any notice of any meeting for said purpose shall specify the nature and text of any proposed amendment or amendments, provided that these Bylaws shall at all times comply with the Declaration.

7.02 **Declaration.** The Declaration may be amended only as set forth in the Declaration.

ARTICLE VIII - ENFORCEMENT

8.01 **Abatement and Enjoinment of Violations by Unit Owners.** The violation of any of the Rules and Regulations adopted by the Board or the breach of any provision of the Declaration or other documents of the Common Interest Community (collectively, the "Documents") shall give the Board the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in 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 contrary to the intent and meaning of the provisions of the Documents. The 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 breach.

8.02 **Fine for Violation.** By resolution, following notice and hearing, the Board may levy a fine of up to \$500.00 per day for each day that a violation of the Documents or Rules persists after notice and hearing, but this amount shall not exceed that amount necessary to insure compliance with the rule or order of the Board.

ARTICLE IX - WORKING CAPITAL FUND

9.01 **Working Capital.** The Association may require the first Unit Owner of each Unit (other than Declarant) to make a non-refundable Payment to the Association in an amount equal to one-fourth (1/4th) of the annual Common Expense Assessment against that Unit in effect at the closing thereof, which sum shall be held, without interest, by the Association as a "Working Fund." Said Working Fund shall be collected and transferred to the Association at the time of closing of the sale by Declarant of each Unit, as aforesaid, and shall be maintained for the use and benefit of the Association. Such payment shall not relieve a Unit Owner from making regular payments of assessments as the same become due. Upon the transfer of his Unit, a Unit Owner shall be entitled to a credit from his transferee for any unused portion of the aforesaid Working Fund. This account may be updated annually as of December 31st, and notice shall be given to all Unit Owners whose individual account does not equal one fourth (1/4th) of the current annual assessment. Payment of any shortage shall be due with the next regular assessment payment, following written notice.

ARTICLE X - MISCELLANEOUS

10.01 **Proof of Ownership.** Every person or entity becoming an Owner of a Unit shall immediately furnish to the Executive Board a photocopy or a certified copy of the recorded instrument vesting in that person such ownership, which copy (fax permitted) shall remain in the files of the Association. A Member shall neither be deemed in good standing nor shall be entitled to vote at any annual or special meeting of Members unless this requirement is first met.

10.02 **Compliance.** These By-Laws are intended to comply with the requirements of Colorado Law and the Declaration. If the Bylaws are found to be not in compliance, then they shall not terminate, but instead shall be amended to conform to the applicable law.

10.03 **Character of Association.** This Association is organized as a nonprofit corporation. No Member, Director, Officer or other person may receive any property or funds, or shall receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, be distributed to, or inure to the benefit of any of the Executive Board, Officers or Members, except upon a dissolution of the Association, provided however, always: (1) that reasonable compensation may be paid to any Member, Manager, Director or Officer while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, and (2) that any Member, Manager, Director, or Officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

10.04 **Conveyances and Encumbrances.** Corporate property may be purchased, conveyed or encumbered for security of monies borrowed by authority of the Association and/or the Executive Board. Conveyances or encumbrances shall be by instrument executed by the President or Vice President and by the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, or executed by such other person or persons to whom such authority may be specifically delegated by the Board.

10.05 **Inspection of Records.** Any Unit Owner may inspect the records of receipts and expenditures of the Association pursuant to Colorado Statute at convenient, weekday business hours, upon reasonable notice to the Executive Board or Managing Agent, if any. Upon payment of a reasonable fee, not to exceed \$50.00, any Unit Owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner and/or which might comprise a lien against the Owner's Unit. This statement setting forth the amount of unpaid assessments currently levied against a member's Unit shall be furnished at least 14 business days after receipt of the request, and shall be delivered personally, or by certified mail, first class postage prepaid, return receipt requested. Upon issuance of such a certificate by the Association, the Association shall be barred from collecting or attempting to

collect a greater amount than that set out in the certificate for the time period covered by the certificate, from any Unit Owner or new purchaser who may have acted in reliance on such certificate.

10.06 **Incorporation of Declaration.** The Declaration of Common Interest Community for The Terraces at Meadows Run as recorded in the records of the Clerk and Recorder of San Miguel County, Colorado, is by this reference incorporated as if fully set forth herein.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands this ___ day of _____, 1998.

INITIAL EXECUTIVE BOARD

1) Director: _____
Stephen Finger

2) Director: _____
Nicole Finger

3) Director: _____
Jeffrey Lehrer

CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS, that the undersigned does hereby certify that the above and foregoing Bylaws were duly adopted by the Directors of said Association as the Bylaws of said Association on the ____ day of _____, 1998, and that they do now constitute the Bylaws of said Association.

Secretary