

BYLAWS
OF
OUT RUN CONDOMINIUMS HOMEOWNERS ASSOCIATION

ARTICLE I
PURPOSES AND OBJECTS

Section 1. Purposes and Objects. The purpose for which this non-profit corporation is formed is to govern Out Run Condominiums, a condominium situate in the County of Gunnison, Colorado, in accordance with the terms and conditions of the Condominium Declaration for Out Run Condominiums, the Articles of Incorporation and the Bylaws of this corporation.

Section 2. Compliance. All present or future owners, tenants, future tenants or any other person that might use the facilities of the project in any manner are subject to the regulations set forth in these Bylaws. The mere acquisition or rental of any of the condominium units of that project or the mere act of occupancy of said units will signify that these Bylaws are accepted, ratified and will be complied with.

ARTICLE II
MEMBERSHIP

Section 1. Automatic Membership. The owner of a condominium unit, upon becoming such owner, shall be entitled and required to be a member of the Association and shall remain a member for the period of his ownership.

Section 2. One Membership. There shall be one membership in the Association for each condominium unit. That membership shall be appurtenant to the condominium unit and shall be transferred automatically by a conveyance of that condominium unit to the new owner.

Section 3. Transfer. No person other than an owner may be a member of the Association and a membership may not be transferred except in connection with the conveyance or transfer of the condominium unit; provided, however, that such membership may be assigned to the holder of a mortgage as further security for the loan secured by the lien of the mortgage holder upon the condominium unit.

Section 4. Person. The term "person" for the purpose of membership shall include a corporation, partnership, trust, joint venture, or other legal entity which has valid title to any condominium unit. Any officer, director or partner of such entity may exercise the membership rights of the entity and shall further be entitled to serve on the board of directors and as an officer of the corporation.

Section 5. Termination. Such membership shall terminate without any formal corporation action whenever such person ceases to own a condominium unit, but such termination shall not relieve or release any such former unit owner from any liability or obligation incurred under or in any way connected with Out Run Condominiums Homeowners

Association during the period of such ownership and membership in this corporation, or impair any rights or remedies which the board of directors of the corporation or others may have against such former owner and member arising out of or in any connected with such ownership and membership and the covenants and obligations incident thereto.

ARTICLE III MEETINGS

Section 1. Annual Meeting. The annual meeting of the corporation shall be held on the first Monday of March of each year at 7:30 p.m., unless otherwise fixed in the notice of such meeting. At the annual meeting the membership shall elect the board of directors and transact such other business as may properly come before it.

Section 2. Special Meetings. Special meetings may be called at any time by the board of directors or upon a petition signed by a majority of the members. No business shall be transacted at a special meeting except as stated in the notice unless by consent of three-fourths of the owners present, either in person or by proxy.

Section 3. Notice of Meetings. Notice of the date, place and time of the annual meeting shall be given to each member of the corporation at least ten days prior thereto, either by delivering such notice to the member personally, or by mailing the same to him by United States mail. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears on the membership register of the corporation, with postage prepaid thereon.

Section 4. Quorum. Thirty-three percent of the members of the corporation in good standing and in actual attendance in person or by proxy at any annual or special meeting of the corporation shall constitute a quorum at such meeting for the purpose of transacting business. If a quorum be present, the affirmative vote of the majority of the members present at such meeting in person or by proxy and entitled to vote on the subject matter shall be the act of the membership, unless the vote of a greater number is required by the Articles of Incorporation, the laws of the State of Colorado or the Condominium Declaration for Out Run Condominiums.

Section 5. Voting of Proxies. At all meetings of the members, a member may vote by proxy executed in writing by the member or his duly authorized attorney-in-fact. Such proxy shall be filed with the secretary-treasurer of the corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy.

Section 6. Voting of Membership. If only one of multiple owners of a unit is present at a membership meeting, he is entitled to cast the membership vote allocated to that unit. If more than one of the multiple owners is present, the vote allocated to their unit may be cast only with the unanimous consent of the multiple owners. There is unanimous consent if any one of the multiple owners present casts the vote allocated to the unit without protest being promptly presented to the person presiding over the meeting.

Section 7. Cumulative Voting. Cumulative voting for directors shall not be allowed.

Section 8. Order of Business. The order of business at the annual meeting, and as applicable at any special meeting, shall be as follows:

1. Roll call
2. Proof of notice of meeting
3. Reading and approval of any unapproved minutes
4. Reports of officers and committees
5. Election of directors
6. Unfinished business
7. New business
8. Adjournment

Section 9. Majority of Members. The term "majority of members" shall mean the owners of more than fifty percent of the condominium units.

ARTICLE IV BOARD OF DIRECTORS

Section 1. Number of Directors. The number of the board of directors shall initially be three. At such time as the number of units in the project reaches thirty five, from that time forward the number of directors shall be six.

Section 2. Powers and Duties. The board of directors shall have the powers and duties necessary for the administration of the affairs of the corporation and for the operation and maintenance of a condominium project. Such powers and duties shall include, but not be limited to, the following:

- (a) To administer and enforce the covenants, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Condominium Declaration submitting the property to the provisions of the Condominium Ownership Act of the State of Colorado.
- (b) To establish, make and enforce compliance with such reasonable house rules as may be necessary for the operation, use and occupancy of this condominium project with the right to amend the same from time to time. Such regulation shall be adopted or amended only after notice is delivered to all of the members, setting forth the time and place of the meeting at which the rule or regulation will be considered by the board of directors, said notice shall also include the nature of the rule or regulation to be considered. At such meeting, the board of directors shall hear all reasonable comments from any member concerning the proposed rule or regulation. A copy of such rule or regulation shall be mailed or delivered to each member upon the adoption thereof.
- (c) To keep in good order and repair the general common elements, and all real and personal property acquired by the Association, if any, used in the enjoyment of the entire premises.

- (d) To insure and keep insured all of the insurable common elements in the manner provided for as follows:
 - (i) Insurance on the project in such amounts as shall provide for an amount not less than eighty percent (80%) of the full replacement value thereof in the event of damage or destruction from the casualty against which such insurance is obtained, all in the manner in which an owner of a similar building in the vicinity of the project would, in the exercise of prudent judgment, obtain such insurance.
 - (ii) Broad form comprehensive liability coverage in such amounts and in such forms as it deems advisable to provide adequate protection. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the project.
 - (iii) Insurance against such other risks of a similar or dissimilar nature as the Association shall deem appropriate with respect to the project, including any real or personal property of the Association located thereon or acquired by the Association.

The insurance shall be written by insurance companies duly authorized and licensed to do business in the State of Colorado. Such companies shall have a current rating of Best's A+ or better for management and a Best's AAAAA financial rating, or an equivalent rating. The insurance shall be issued and carried in a policy naming the Association as the named insured as attorney-in-fact for the owners of the condominium units. All insurance policies shall identify the interest of each owner of a condominium unit and shall provide a standard non-contributory mortgagee clause in favor of each first mortgage holder. All policies of insurance shall provide that the same cannot be cancelled by either the insured or the insurance company until after ten days prior written notice is first given to each owner and each first mortgage holder. The Association shall furnish to each owner a true copy of such policies, together with a certificate identifying the interest of the owner and the first mortgage holder, if any. All policies of insurance shall provide that the insurance thereunder shall be invalidated or suspended only in respect to the interest of any particular owner guilty of a breach of warranty, act, omission, negligence or non-compliance of any provision of such policy, including payment of the insurance premium applicable to that owner's interest, or who permits or fails to prevent the happening of any event, whether occurring before or after a loss, which under the provisions of such policy would otherwise invalidate or suspend the entire policy, but the insurance under such policy as to the interest of all other insured owners not guilty of such act or omission shall be in full force and effect. Insurance coverage on the furnishings or other items of personal property belonging to the owner and casualty and public liability insurance within each individual unit shall be the responsibility of the owner thereof.

The Association may purchase policies of insurance which provide for continual updating and increase in coverage so as to keep pace with inflation or other factors for the protection of the owners. In addition, the Association may make a determination of the maximum replacement value for all condominium units for insurance purposes as often as may be deemed necessary.

- (e) To fix, determine, levy and collect the monthly prorated assessments to be paid by each of the owners towards the gross expenses of the entire premises and by majority vote of the board of directors to adjust, decrease or increase the amount of the monthly assessments over expenses and cash reserved to the owners at the end of each operating year. To levy and collect special assessments whenever in the opinion of the board of directors it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies. All monthly or other assessments shall be in itemized statement form and shall set forth the detail of the various expenses for which the assessments are being made.
- (f) To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from an owner as is provided in the Declaration and these Bylaws.
- (g) To protect and defend the entire premises from loss and damage by suit or otherwise.
- (h) To borrow funds in order to pay for an expenditure or outlay required to execute all such instruments evidencing such indebtedness as the board of directors may deem necessary and such indebtedness shall be the several obligation of all of the owners in the same proportion as their interest in the general common elements.
- (i) To enter into contracts within the scope of their duties and powers.
- (j) To establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the board of directors.
- (k) To keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the owners or their mortgagees, and to cause a complete audit of the books and accounts by a competent certified public accountant once a year.
- (l) To prepare and deliver annually to each owner a statement showing all receipts, expenses or disbursements since the last such statement.
- (m) To meet at least once each quarter.
- (n) To designate, appoint and remove the personnel necessary for the maintenance and operation of the general and limited common elements.
- (o) To acquire and hold real and personal property in the Association's name.
- (p) To retain the services of a managing agent for the Association and to delegate to such agent the duties and responsibilities set forth in paragraphs c, k, l and n of this Article IV, Section 2, together with any administrative requirements made necessary by any other power or duty of the board. Provided, however,

that the board of directors shall be responsible for the performance of the managing agent.

- (q) In general, to carry on the administration of this corporation and to do all of those things necessary and reasonable in order to carry out the communal aspect of condominium ownership.

Section 3. Tenure. Each director shall hold office for a term of three years from the date of his election and until his successor shall have been elected and qualified to office, subject only to the provisions of Article IV, Section 5.

Section 4. Qualification. The directors shall be members of the corporation.

Section 5. Term of Office. Directors shall be elected at each annual meeting and shall serve for a term of three years, as above provided. Provided, however, that at the organization meeting and at the first annual meeting after the project reaches thirty-five units, one director shall be elected for a term of three years, one director shall be elected for a term of two years, and one director shall be elected for a term of one year.

Section 6. Removal from Office. A member of the board of directors shall cease to serve in such capacity at such time as he fails to qualify for such office. A member of the board of directors may be removed from office by vote of two-thirds of the members present at a special meeting called for that purpose pursuant to Article III, Section 2 hereof.

Section 7. Elections. Elections for the board of directors shall be by ballot, either oral or written, with the person receiving the highest number of ballots cast for such director vacancy being declared elected.

Section 8. Vacancies. The board of directors is empowered to fill any vacancy that may occur in its own body, or among the officers of the corporation, and the person so appointed to such office shall hold that office until the expiration of the term of the person he succeeds.

Section 9. Compensation. No director shall be entitled to receive any compensation as a director of the corporation; provided, however, that he may be reimbursed for any actual expenses incurred in the performance of his duties as such director.

Section 10. Chairman and Secretary-Treasurer. The president of the corporation shall be the chairman of the board of directors and the secretary-treasurer of the corporation shall be the secretary-treasurer of the board of directors.

Section 11. Regular Meetings. The regular annual meeting of the board of directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the members of the corporation. Additional regular meetings shall be held quarterly at a time and place to be designated in the notice of said meeting.

Section 12. Special Meetings. Special meetings of the board of directors may be called by the president or any two directors. Such special meeting shall be held at a time and place designated in the notice of such meeting.

Section 13. Quorum. A majority of the board of directors, as provided in Section 1 of this Article, shall constitute a quorum for the transaction of business at any meeting of the board of directors. The act of the majority of the directors present at a meeting which a quorum is present shall be the act of the board of directors, unless the act of a greater number of directors is required by the Articles of Incorporation, the statutes of the State of Colorado or the Condominium Declaration of Out Run Condominiums.

Section 14. Notice. Notice of any regular quarterly meeting or any special meeting of the board of directors shall be given at least three days previous thereto by written notice delivered personally to a director or mailed to each director by United States mail at his address as shown on the membership roll of the corporation. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the expressed purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board of directors need be specified in a waiver of notice of such meeting.

ARTICLE V OFFICERS

Section 1. Number. The officers of the corporation shall be a president, a vice president and a secretary-treasurer. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the board of directors. Any two or more offices may be held by the same person, except the offices of president and secretary-treasurer.

Section 2. Tenure. The officers set forth in Section 1 of this Article shall be elected at the annual meeting of the board of directors of the corporation and shall hold office until the next annual meeting of the board of directors and until their successors have been elected and qualified.

Section 3. Qualifications. The president of the corporation shall be a member of the board of directors. Any other officers, either elected or appointed by the board of directors, shall be members of the Association.

Section 4. Election. The officers of the corporation shall be elected by the board of directors by ballot, oral or written, with the person receiving the majority of the ballots cast for such office being declared elected.

Section 5. Vacancy. A vacancy in any office because of the death, resignation, removal, disqualification or inability to act shall be filled by the board of directors for the unexpired portion of the term of that office.

Section 6. President. The president shall be the principal executive officer of the corporation, and subject to the control of the board of directors, shall in general supervise and control all of the business and affairs of the corporation. He shall, when present, preside at all meetings of the members and of the board of directors. He may sign, with the secretary or any other proper officer of the corporation thereunto authorized by the board of directors, deeds, mortgages, contracts or other instruments, and in general shall perform all duties incident to the office of the president and such other duties as may be prescribed by the board of directors from time to time.

Section 7. Vice President. In the absence of the president, or in the event of his death or inability or refusal to act, the vice president shall perform the duties of the president, and when so acting, shall have all of the powers of and be subject to all the restrictions upon the president and shall perform such other duties as from time to time may be assigned to him by the president or by the board of directors.

Section 8. Secretary. The secretary shall: (a) keep the minutes of the members' meetings and of the board of directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws; (c) be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents, the execution of which on behalf of the corporation under its seal is duly authorized; and (d) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the president or by the board of directors.

Section 9. Treasurer. The treasurer shall: (a) if required by the board of directors, the treasurer shall give a bond for faithful discharge of his duties in such sum and with such surety or sureties as the board of directors shall determine; (b) he shall be responsible for all funds of the corporation; receive and give receipts for monies due and payable to the corporation from any source whatsoever; deposit all such monies in the name of the corporation in such banks as shall be selected in accordance with the provisions of Article VI of the Bylaws; sign checks and drafts for the payment of corporate funds; and (c) in general perform all of the duties as from time to time may be assigned to him by the president or by the board of directors.

ARTICLE VI CONTRACTS, LOANS, CHECKS AND DEPOSITS

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

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

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by either the president or treasurer.

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

ARTICLE VII FISCAL YEAR

The fiscal year of the corporation shall begin on the 1st day of January and terminate on the 31st day of December of each year.

ARTICLE VIII SEAL

The board of directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation, the state of incorporation and the word "SEAL."

ARTICLE IX WAIVER OF NOTICE

Whenever any notice is required to be given to any member or director of the corporation under the provisions of these Bylaws or under the provisions of the laws of the State of Colorado or the Condominium Declaration for Out Run Condominiums, a waiver thereof in writing signed by the person or persons entitled to such, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE X INDEMNIFICATION OF OFFICERS AND DIRECTORS

The corporation shall indemnify every officer or director, his heirs, executors and administrators against all loss, costs and expenses, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been an officer or director of the corporation, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct, but any indemnification shall be only to the extent of coverage afforded by an officer's and director's errors and omissions liability insurance policy. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the corporation 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 duties as such officer or director in relation to the matter involved. The foregoing right shall not be exclusive of other right to which such officer or director may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the corporation by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by

the corporation as common expenses; provided, however, that nothing in this Article shall be deemed to obligate the corporation to indemnify any member or owner of a condominium unit who is or has been an officer or director of the corporation with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Condominium Declaration for Out Run Condominiums as a member or owner of a condominium unit covered thereby.

ARTICLE XI OBLIGATION OF THE OWNERS

Section 1. Assessments. Except as is otherwise provided in the Condominium Declaration for Out Run Condominiums all owners shall be obligated to pay the monthly assessments imposed by the corporation to meet the common expenses. The assessments shall be made prorate according to percentage interest in and to the general common elements and shall be due monthly in advance. A member shall be deemed to be in good standing and entitled to vote at any annual meeting or at a special meeting of members, within the meaning of these Bylaws, if and only if he shall have fully paid all assessments made or levied against him and the condominium unit owned by him.

Section 2. Rules and Regulations. The board of directors shall have the power to establish, make and enforce compliance with such rules and regulations as may be necessary for the operation, use and occupancy of the condominium project with the right to amend the same from time to time.

ARTICLE XII AMENDMENTS

These Bylaws may be altered, amended or repealed and new bylaws adopted by the board of directors at any regular meeting upon an affirmative vote of not less than two-thirds of the entire membership of the Association. Provided, however, that these Bylaws shall not be amended so as to delete any of the requirements of CRS, 1973, 38-33-106.

ARTICLE XIII BUDGET

At the regular quarterly meeting of the board of directors next preceding the start of each fiscal year, the board shall estimate the total expenses necessary to carry out the duties of the Association in the next fiscal year, including the prorate share of recreational facility expenses and the maintenance of a capital reserve account, and any deficiencies from previous years or surplus. The board shall adopt a budget for the Association designed to meet the expenses outlined above.

ARTICLE XIV RECREATIONAL FACILITIES

The Association is hereby empowered to acquire a swimming pool and accessory facilities, either singly or in common ownership with any other person. The use of any such

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facility shall be available for use by any owner, his guests and tenants, subject to such rules and regulations governing such use as may be adopted by the Association. The cost of acquiring and maintaining said facilities shall be apportioned to the unit owners in the same manner as common expenses are assessed.

ARTICLE XV ANNEXATION

At such time as additional units are added to the project as provided for in the Declaration of Out Run Condominiums, the number of memberships in the Association shall be increased by one membership for each unit added.