

BYLAWS
OF
KENDALL MOUNTAIN
CONDOMINIUM ASSOCIATION, INC.

ARTICLE I

Offices

The principal office of the corporation (the "Association") shall be 124 East 9th Street, Durango, Colorado 81302. The Association also may have offices and may carry on its purposes at such other places within and outside the State of Colorado as the board of directors (the "Board") may from time to time determine.

ARTICLE II

Membership, Voting, Quorum and Proxies

1. Membership. The members of the Association shall be as set forth in the articles of incorporation from time to time.

2. Voting Rights. The voting rights of the members shall be as set forth in the articles of incorporation and these bylaws from time to time.

3. Quorum. Except as otherwise provided in these bylaws, the presence in person or by proxy of members entitled to vote more than 200 of the total votes of the members shall constitute a quorum.

4. Proxies. Votes may be cast in person or by proxy. Every proxy must be executed in writing by the member or his duly authorized attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy.

5. Majority Vote. At any meeting of members where a vote is required, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the members of such class unless the vote of a greater number is required by law, the articles of incorporation, the condominium declaration (the "Declaration") establishing the condominium project (the "Project"), or these bylaws as from time to time in force and effect. At any meeting of the combined members of all classes where a vote by class is not required, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the combined class members, unless the vote of a greater number is required by law, the articles of incorporation, the Declaration or these bylaws, as from time to time in force and effect.

ARTICLE III

Administration

1. Annual Meetings. The annual meeting of the members for the purpose of electing directors and for the

transaction of such other business as may come before the meeting shall be held at a time designated by the Board the second week in the month of October in each year, or on such other date designated by the Board. If the day fixed for the annual meeting shall be a legal holiday in Colorado, such meeting shall be held on the next succeeding business day.

2. Special Meetings. Special meetings of the members for any purpose, unless otherwise prescribed by statute, may be called by the president or by the Board, and shall be called by the president at the request of members entitled to vote 30% or more of the total votes of the members.

3. Place of Meetings. The Board may designate any place, either within or outside Colorado, as the place for any annual meeting or for any special meeting called by the Board. 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 is made, or if a special meeting shall be called otherwise than by the board, the place of meeting shall be the principal office of the corporation in Colorado.

4. Notice of Meetings. Written or printed notice of any meeting of the members, stating the place, day and hour of the meeting, and the purpose or purposes for which

the meeting is called, shall be delivered personally or by mail to each member entitled to vote at such meeting not less than ten nor more than 50 days before the date of the meeting. 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 in the office of the Association, with postage thereon prepaid. For the purpose of determining members entitled to notice of or to vote at any meeting of members, the Board may set a record date for such determination of members in accordance with the laws of Colorado. If requested by the person or persons lawfully calling such meeting, the secretary shall give notice thereof at corporate expense.

5. Informal Action by Members. Any action required or permitted to be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members 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 members, and may be stated as such in any articles or document filed with the Secretary of State of Colorado.

6. Voting. In the election of directors each member shall have the right to vote in the manner set forth in the articles of incorporation as from time to time in force and effect. Cumulative voting shall not be allowed.

ARTICLE IV

Board of Directors

1. Number, Tenure and Qualifications. The business and affairs of the Association shall be managed by a Board consisting of three directors, each of whom shall be an individual member, or a partner, trustee, officer, director or 25% shareholder of an institutional member, or one of the initial directors named in the articles of incorporation. A person other than an initial director shall automatically cease to be a director at such time as he ceases to be an individual member or a partner, trustee, officer, director or 25% shareholder of an institutional member. Each initial director shall serve until the first annual meeting; thereafter directors shall serve for one-year terms and shall be elected annually by the members at the annual meeting. Each director shall hold office until the election and qualification of his successor or until his earlier death, resignation or removal. Directors shall be removable in the manner provided by the articles of incorporation and the laws of the State of Colorado.

2. 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 occurring in the Board (by reason of resignation, death, or an increase in the number of directors but not by reason of removal) may be filled by the affirmative vote of a majority of the directors then in office though less than a quorum. A director elected to fill a vacancy shall be elected to serve until the next annual meeting of the members.

3. General Powers. The Board shall have and may exercise all the powers of the Association except such as are expressly conferred upon the members, either in their capacity as members of the Association or as owners ("Owners") of condominium units (the "Units") by law, or by the articles of incorporation, the Declaration or these bylaws.

4. Additional Powers and Responsibilities. In addition to authority and the responsibility, acting through ciation's officers:

(a) To administer and enforce the convents, conditions, restrictions, easements, uses, limitations, and all other provisions set forth in the Declaration submitting the property to the provisions of the Condominium Ownership Act of the State of Colorado, Section 38-33-101 et seq., Colorado Revised Statutes 1973, as amended (the "Act").

(b) To adopt and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of the Project, including but not limited to the common elements included within the Project. Such rules and regulations may provide for charges for the use of the common elements and may allow common elements to be used by non-members when, in the discretion of the Association's officers, such use is reasonable and appropriate. Such rules and regulations may be amended by a majority vote of the Board.

(c) To maintain in good order, condition and repair all of the general and limited common elements and all items of personal property used in the enjoyment of the Project.

(d) To obtain and maintain insurance in connection with the Project, the Owners, the Association and holders of liens on Units in the manner and the amounts provided in the Declaration.

(e) To fix, determine, levy and collect monthly any special assessments to be paid by each of the Owners to meet the common expenses as defined in the Declaration, and to create a contingency reserve therefor based upon a good faith estimate of the costs of maintenance and repair of the limited and common elements, the cost of utilities and other services to be provided by the Association, the cost of insurance required by the Declaration and

proposed capital expenditures. At the first meeting of the Board after the beginning of the Association's fiscal year, the Board shall adopt an estimated budget for that year. The estimated budget shall include, but shall not be limited to, an estimate of the costs of maintenance and repair of the general and limited common elements, the cost of utilities and other services to be provided by the Association, the cost of insurance required by the Declaration and proposed capital expenditures. For the Association's first fiscal year, estimates of the costs for repair and maintenance of the common elements shall be based on a good faith estimate of those costs and may be based on the costs incurred by similar associations in the general locale of the Project. Thereafter, the costs of the maintenance and repair shall be estimated on the basis of the previous year's costs with such adjustments as the Board considers appropriate. The budget also shall include an estimate, based on such previous year's estimates, of the annual assessment for each Unit. The Board may adjust the monthly assessment from time to time as may in the discretion of the Board be necessary or advisable. Special assessments may be levied whenever in the opinion of the Board it is necessary or advisable to do so (i) to meet increased operating or maintenance expenses or costs, and (ii) to provide for emergencies; however, the right to levy special assessments

for capital expenses arising from damage or destruction of the Project is restricted by the provisions of the Declaration concerning damage or destruction. 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 promptly all delinquent assessments by suit or otherwise and to enjoin or seek damages from an owner as provided in the Declaration and in these bylaws.

(g) To protect and defend the Project from loss and damage by suit or otherwise.

(h) To borrow funds in order to pay for any expenditure or outlay authorized by these bylaws and the Declaration and to execute all such instruments evidencing such indebtedness as the Board may deem necessary or advisable.

(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.

(k) To maintain full and accurate books and records showing all of the receipts, expenses or disbursements of the Association. Any member or a mortgagee or

beneficiary of a deed of trust covering a Unit may inspect such records at convenient weekday business hours. Upon ten days' notice to the manager or managing agent or Board and payment of a reasonable fee, any member shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such member.

(1) To prepare and deliver annually to each member a statement showing all receipts, expenses or disbursements since the last such statement.

(m) To designate and remove personnel necessary for the operation, maintenance, repair and replacement of the Project.

5. Managing Agents. The Board may employ one or more managers or managing agents or both for the Association at a compensation established by the Board to perform such duties and services as the Board shall authorize including but not limited to the duties listed in Paragraph 4 of this Article IV. Any such delegation shall not, however, relieve the Board of its responsibility under the Declaration.

6. Regular Meetings. Regular meetings of the Board may be held without call or formal notice at such places within the State of Colorado, and at such times as the Board may from time to time by vote determine. Any

business may be transacted at a regular meeting. The regular meeting of the Board for the election of officers and for such other business as may come before the meeting may be held without call or formal notice immediately after, and at the same place as, the annual meeting of members, or at any special meeting of members at which a Board of directors is elected.

7. Special Meetings. Special meetings of the Board may be held at any place within Colorado at any time when called by the president, or by two or more directors, at least three days' prior notice of the time and place thereof being 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 him at his post office address as it appears on the books of the Association, or by telephone. Notices need not state the purposes of the meeting. No notice of any adjourned meeting of the directors shall be required.

8. Quorum. A majority of the number of directors fixed by these bylaws shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting from time to time. when a quorum is present at any meeting, a majority of the directors in attendance shall, except where a larger number is required by law, by the articles of incorporation or by these bylaws, decide any question brought before such meeting.

9. Waiver of Notice. Before, at or after any meeting of the Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him 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.

10. Informal Action by Board. Any action required or permitted to be taken at a meeting of the Board 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 Board.

11. Compensation of Board. The Board is authorized to make provision for reasonable compensation to its members.

ARTICLE V

Officers and Agents

1. General. The officers of the Association shall be a president (who shall be chosen from the members of the Board), one or more vice presidents, a secretary and

a treasurer. The Board may appoint such other officers, assistant-officers, committees and agents, including assistant secretaries and assistant treasurers, as it may consider necessary or advisable, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the Board. One person may hold any two offices, except that no person may simultaneously hold the offices of president and secretary. In all cases where the duties of any officer, agent or employee are not prescribed by these bylaws or by the Board, such officer, agent or employee shall follow the orders and instructions of the president.

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

3. Vacancies. A vacancy in any office, however occurring, may be filled by the Board for the unexpired portion of the term.

4. President. The president shall be a member of the Board and shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the 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.

5. Vice Presidents. The vice presidents shall assist the president and shall perform such duties as may be assigned to them by the president or by the Board. In the absence of the president, the vice president designated by the 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 be made, all vice presidents may exercise such powers and perform such duties.

6. Secretary. The secretary shall:

(a) Keep the minutes of the proceedings of the members, any executive committee and the Board;

(b) See that all notices are duly given in accordance with the provisions of these bylaws, the Declaration and as required by law;

(c) Be custodian of the corporate records and of the seal of the Association and affix the seal to all documents when authorized by the Board;

(d) Keep at the Association's registered office or principal place of business within or outside Colorado a record containing the names and registered addresses of all members, the designation of the Unit owned by each member, and, if such Unit is mortgaged, the name and address of the mortgagee; and

(e) 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 by the president or by the Board. Assistant secretaries, if any, shall have the same duties and powers, subject to supervision by the secretary.

7. 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 Board. He shall keep the financial records and books of account of the Association. He shall receive and give receipts and acquittances for moneys paid in 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. He 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. He shall, if required by the Board, give the Association a bond in such sums and with sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his duties and for the restoration to the Association of all books, papers, vouchers money and other property of whatever kind in his possession or under his control belonging to the Association. He

shall have such other powers and perform such other duties as may from time to time be prescribed by the Board or the president. The assistant treasurers, if any, shall have the same powers and duties, subject to the supervision of the treasurer.

ARTICLE VI

Obligations of the Members

1. Assessments. Each Owner shall pay his share of all assessments imposed by the Association to meet the common expenses (as defined in the Declaration). Each assessment shall be allocated among the Owners as set forth in the Declaration. If a Unit is owned by two or more owners, each of such co-Owners shall be jointly and severally liable for the portion of the assessment attributable to such Unit. Assessments shall be made monthly and shall be due and payable on the date specified in the assessment notice. At the time of the closing of title for the purchase of a Unit, the purchasing Owner shall pay to the Association the next three months' assessments attributable to such Unit. All unpaid assessments may bear interest (at a rate determined from time to time by the Board) and shall be secured by a lien on the Unit owned by the defaulting Owner, in accordance with the provisions of the Declaration.

2. 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 and all other accessories, equipment and fixtures belonging to a Unit shall be at the Owner's expense.

(c) Each Owner shall reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any general or limited common element damaged by the negligence or intentional acts of such Owner or his tenants or guests.

3. Compliance With Declaration, Articles, Bylaws and Rules. Each member shall comply with all of the provisions of the Declaration, the articles of incorporation and bylaws of the Association and any rules and regulations issued by the Board. If a member fails to comply, the Association shall have the power, during the period of such delinquency, (a) to revoke a delinquent member's right to use general or limited common elements designed for recreational purposes, (b) to cause utility service to a delinquent member's Unit to be suspended, and (c) to suspend a member's voting privileges.

4. Emergencies. If any Owner reasonably believes that a condition exists which presents a clear and present risk of injury to any user of the Project, such Owner may take reasonable steps to remedy such condition and any reasonable expenses incurred by such Owner in so doing shall be reimbursed by the Association.

ARTICLE VII

Evidence of Ownership, Registration of Mailing Address and Lien Holders

1. Proof of Ownership. Except for those owners who are the first purchasers of a Unit after the Declaration is filed, any person upon becoming an Owner shall furnish to the Association a photocopy or a certified copy of the recorded instrument vesting that person with an interest or ownership. Such copy shall remain in the files of the Association. 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 this requirement is first satisfied. The Association may issue membership certificates to its members. Such certificates shall not be deemed to be shares of stock in the Association.

2. Registration of Mailing Address. If a Unit is owned by two or more Owners, such co-Owners shall designate

one address as the registered address required by the Declaration.- An Owner or Owners shall notify the secretary of his or their registered address within five days after any transfer of title or change of address. Such notice shall be written and signed by all of the owners to which it relates or by such persons authorized to sign on behalf of such Owners.

3. Liens. Any Owner who mortgages or grants a deed of trust covering his Unit shall notify the Board of the name and address of the mortgagee or beneficiary of the deed of trust and shall file conformed copies of the note and security instrument with the Board. The Board shall maintain such information in a book entitled "Liens on Units". The Board, when giving notice to an owner of default in paying an assessment or other default, shall send a copy of such notice to each mortgagee or beneficiary of a deed of trust covering such Owner's Unit whose name and address has theretofore been furnished to the Board.

4. Address of the Association. The address of the Association shall be 124 East 9th Street, Durango, Colorado 81302. Such address may be changed from time to time upon written notice to all members and all mortgagees or beneficiaries of deeds of trust listed in Liens on Units.

ARTICLE VIII

Liens

1. Liens on Units and Obligations Assumed. Each owner may place a lien on his Unit, including the general and limited common elements appurtenant to his Unit, to secure payment of indebtedness or for other purposes. A Unit, including the general and limited common elements appurtenant to that Unit, may be subject to only the following additional liens: liens for taxes and special assessments as provided by law, liens for common expense assessments as provided in the Declaration and mechanic's liens as provided by law. It is not anticipated that a purchaser of a Unit will assume any obligations on his Unit except for property taxes levied on his Unit for the year in which the purchase occurs. However, the Declaration does provide that a purchaser of a Unit will be jointly and severally liable with his seller for any unpaid assessments when the Unit is purchased. Purchasers are advised to request a statement of assessments due as provided in these bylaws and the Declaration when the Unit is purchased.

2. Appointment of Lien Holder as Attorney-in-Fact. Owners shall have the right irrevocably to constitute and appoint the mortgagee or the beneficiary of a deed of trust as their true and lawful attorney-in-fact to vote their Unit membership in the Association at any and all

meetings of the Association and to vest in the mortgagee or the beneficiary any and all rights, privileges and powers that they have as owners under the articles of incorporation and these bylaws or by the virtue of the Declaration. Such proxy shall become effective upon the filing of notice by the mortgagee or the beneficiary with the secretary of the Association at such time or times as the mortgagee or the beneficiary shall deem its security in jeopardy by reason the failure, neglect or refusal of the Association, the Board or the Owners to carry out their duties as set forth in the Declaration. A release of the mortgage or the beneficiary's deed of trust shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve owners, as mortgagors, of their duties and obligations as owners or to impose upon the mortgagee or the beneficiary the deed of trust the duties and obligations of an Owner.

ARTICLE IX

Amendments

1. Directors. Except as by law, the articles of incorporation, the Declaration or these bylaws limited or committed to action by the members, the Board shall have power to make, amend and repeal the bylaws of the Association at any regular meeting of the Board or at any special meeting called for that purpose at which a quorum is present or represented. However, if the members shall make, amend

and repeal any bylaw, the directors shall not thereafter amend the same in such manner as to defeat or impair the objective of the members in taking such action.

2. Members. The members may, by the affirmative vote of the holders of at least 51% of the votes of the classes of members unless expressly made subject to a higher voting requirement by law, the articles of incorporation, the Declaration of these bylaws, make, alter, amend and repeal the bylaws of the Association at any annual meeting or at any special meeting called for that purpose at which a quorum shall be represented.

3. Limitation on Amendments. Notwithstanding the foregoing, amendment of these bylaws are subject to the requirements of Section 38-33-106 of the Act.

ARTICLE X

Miscellaneous

1. Seal. The corporate seal of the Association shall be circular in form and shall contain the name of the Association, the year of its organization and the words "Seal, Colorado".

2. Right of Entry. The manager or managers and any person authorized by the Board shall have the right to enter each Unit in case of any emergency originating in or threatening such Unit whether or not the Owner or occupant is present at the time.

3. Fiscal Year. The fiscal year of the Association shall commence on May 1, and end on April 30 of each year unless another fiscal year is established from time to time by the Hoard.

4. Services. Attached hereto as Schedule A is a list of services provided by the Association, paid for out of the regular assessment.

5. Recreational Facilities. Recreational facilities at the Project include a sauna, steamroom, whirlpool tub and sundeck (the "Recreational Facilities") which are Limited Common Elements (as defined in the Declaration) available only to Class A members of the Association. No additional fees or charges will be made in connection with the use of such Recreational Facilities by Class A members other than that portion of a Class A member's regular assessment attributable to the costs of maintaining the Recreational Facilities.

6. New Additions of General and Limited Common Elements. There are no proposed additions of general and limited common elements to the Project.

SCHEDULE A

Services Paid for out of the regular assessment

1. Water and sewer service to the extent not individually metered to Owners.
2. Trash removal.
3. Snow removal from walkways and steps within the Project.
4. Insurance, more fully described in the Declaration.
5. Repair and maintenance of the general common elements.
6. Heating and utility service for the general common elements.

BYLAWS
OF
KENDALL CONDOMINIUMS

ARTICLE I

Offices

The principal office of the corporation (the "Association") shall be 124 East 9th Street, Durango, Colorado 80231. The Association also may have offices and may carry on its purposes at such other places within and outside the State of Colorado as the board of directors (the "Board") may from time to time determine.

ARTICLE II

Membership, Voting, Quorum and Proxies

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2. Voting Rights. The voting rights of the members shall be as set forth in the articles of incorporation and these bylaws from time to time.

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4. Proxies. Votes may be cast in person or by proxy. Every proxy must be executed in writing by the

member or his duly authorized attorney-in-fact. No proxy shall be valid after the expiration of 11 months from the date of its execution unless otherwise provided in the proxy.

5. Majority Vote. At any meeting of members where a vote is required, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the members of such class unless the vote of a greater number is required by law, the articles of incorporation, the condominium declaration (the "Declaration") establishing the condominium project (the "Project"), or these bylaws as from time to time in force and effect. At any meeting of the combined members of all classes where a vote by class is not required, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the combined class members, unless the vote of a greater number is required by law, the articles of incorporation, the Declaration or these bylaws, as from time to time in force and effect.

ARTICLE III

Administration

1. Annual Meetings. The annual meeting of the members for the purpose of electing directors and for the transaction of such other business as may come before the

meeting shall be held at a time designated by the Board the second week in the month of October in each year, or on such other date designated by the Board. If the day fixed for the annual meeting shall be a legal holiday in Colorado, such meeting shall be held on the next succeeding business day.

2. Special Meetings. Special meetings of the members for any purpose, unless otherwise prescribed by statute, may be called by the president or by the Board, and shall be called by the president at the request of members entitled to vote 30% or more of the total votes of the members.

3. Place of Meetings. The Board may designate any place, either within or outside Colorado, as the place for any annual meeting or for any special meeting called by the Board. 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 is made, or if a special meeting shall be called otherwise than by the Board, the place of meeting shall be the principal office of the corporation in Colorado.

4. Notice of Meetings. Written or printed notice of any meeting of the members, stating the place, day and hour of the meeting, and the purpose or purposes for which the meeting is called, shall be delivered personally or by

mail to each member entitled to vote at such meeting not less than ten nor more than 50 days before the date of the meeting. 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 in the office of the Association, with postage thereon prepaid. For the purpose of determining members entitled to notice of or to vote at any meeting of members, the Board may set a record date for such determination of members in accordance with the laws of Colorado. If requested by the person or persons lawfully calling such meeting, the secretary shall give notice thereof at corporate expense.

5. Informal Action by Members. Any action required or permitted to be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members 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 members, and may be stated as such in any articles or document filed with the Secretary of State of Colorado.

6. Voting. In the election of directors each member shall have the right to vote in the manner set forth in the articles of incorporation as from time to time in force and effect. Cumulative voting shall not be allowed.

ARTICLE IV

Board of Directors

1. Number, Tenure and Qualifications. The business and affairs of the Association shall be managed by a Board consisting of three directors, each of whom shall be an individual member, or a partner, trustee, officer, director or 25% shareholder of an institutional member, or one of the initial directors named in the articles of incorporation. A person other than an initial director shall automatically cease to be a director at such time as he ceases to be an individual member or a partner, trustee, officer, director or 25% shareholder of an institutional member. Each initial director shall serve until the first annual meeting: thereafter directors shall serve for one-year terms and shall be elected annually by the members at the annual meeting. Each director shall hold office until the election and qualification of his successor or until his earlier death, resignation or removal. Directors shall be removable in the manner provided by the articles of incorporation and the laws of the State of Colorado.

2. 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 occurring in the Board (by reason of resignation, death, or an increase in the number of directors but not by reason of removal) may be filled by the affirmative vote of a majority of the directors then in office though less than a quorum. A director elected to fill a vacancy shall be elected to serve until the next annual meeting of the members.

3. General Powers. The Board shall have and may exercise all the powers of the Association except such as are expressly conferred upon the members. either in their capacity as members of the Association or as owners ("Owners") of condominium units (the "Units") by law, or by the articles of incorporation, the Declaration or these bylaws.

4. Additional Powers and Responsibilities. In addition to its general powers, the Board shall have the authority and the responsibility, acting through the Association's officers:

(a) To administer and enforce the covenants, conditions, restrictions. easements, uses, limitations, obligations and all other provisions set forth in the Declaration submitting the property to the provisions of the Condominium Ownership Act of the State of Colorado, Section 38-33-101 et seq., Colorado Revised Statutes 1973, as amended (the "Act").

(b) To adopt and enforce compliance with such reasonable rules and regulations as may be necessary for the

operation. use and occupancy of the Project, including but not limited to the common elements included within the Project. Such rules and regulations may provide for charges for the use of the common elements and may allow common elements to be used by non-members when, in the discretion of the Association's officers, such use is reasonable and appropriate. Such rules and regulations may be amended by a majority vote of the Board.

(c) To maintain in good order. condition and repair all of the general and limited common elements and all items of personal property used in the enjoyment of the Project.

(d) To obtain and maintain insurance in connection with the Project, the Owners, the Association and holders of liens on Units in the manner and the amounts provided in the Declaration.

(e) To fix. determine, levy and collect monthly any special assessments to be paid by each of the Owners to meet the common expenses as defined in the Declaration. and to create a contingency reserve therefor based upon a good faith estimate of the costs of maintenance and repair of the limited and common elements, the cost of utilities and other services to be provided by the Association. the cost of insurance required by the Declaration and proposed capital expenditures. At the first meeting of the

Board after the beginning of the Association's fiscal year, the Board shall adopt an estimated budget for that year. The estimated budget shall include, but shall not be limited to, an estimate of the costs of maintenance and repair of the general and limited common elements, the cost of utilities and other services to be provided by the Association, the cost of insurance required by the Declaration and proposed capital expenditures. For the Association's first fiscal year, estimates of the costs for repair and maintenance of the common elements shall be based on a good faith estimate of those costs and may be based on the costs incurred by similar associations in the general locale of the Project. Thereafter, the costs of the maintenance and repair shall be estimated on the basis of the previous year's costs with such adjustments as the Board considers appropriate. The budget also shall include an estimate, based on such previous year's estimates, of the annual assessment for each Unit. The Board may adjust the monthly assessment from time to time as may in the discretion of the Board be necessary or advisable. Special assessments may be levied whenever in the opinion of the Board it is necessary or advisable to do so (i) to meet increased operating or maintenance expenses or costs, and (ii) to provide for emergencies: however, the right to levy special assessments for capital expenses arising from damage or destruction of

the Project is restricted by the provisions of the Declaration concerning damage or destruction. 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 promptly all delinquent assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and in these bylaws.

(g) To protect and defend the Project from loss and damage by suit or otherwise.

(h) To borrow funds in order to pay for any expenditure or outlay authorized by these bylaws and the Declaration and to execute all such instruments evidencing such indebtedness as the Board may deem necessary or advisable.

(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.

(k) To maintain full and accurate books and records showing all of the receipts, expenses or disbursements of the Association. Any member or a mortgagee or beneficiary of a deed of trust covering a Unit may inspect

such records at convenient weekday business hours. Upon ten days' notice to the manager or managing agent or Board and payment of a reasonable fee. any member shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such member.

(1) To prepare and deliver annually to each member a statement showing all receipts. expenses or disbursements since the last such statement.

(m) To designate and remove personnel necessary for the operation. maintenance. repair and replacement of the Project.

5. Managing Agents. The Board may employ one or more managers or managing agents or both for the Association at a compensation established by the Board to perform such duties and services as the Board shall authorize including but not limited to the duties listed in paragraph 4 of this Article IV. Any such delegation shall not. however. relieve the Board of its responsibility under the Declaration.

6. Regular Meetings. Regular meetings of the Board may be held without call or formal notice at such places within the State of Colorado. and at such times as the Board may from time to time by vote determine. Any business may be transacted at a regular meeting. The regular meeting of the Board for the election of officers and for

such other business as may come before the meeting may be held without call or formal notice immediately after, and at the same place as, the annual meeting of members, or at any special meeting of members at which a Board of directors is elected.

7. Special Meetings. Special meetings of the Board may be held at any place within Colorado at any time when called by the president, or by two or more directors, at least three days' prior notice of the time and place thereof being 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 him at his post office address as it appears on the books of the Association, or by telephone. Notices need not state the purposes of the meeting. No notice of any adjourned meeting of the directors shall be required.

8. Quorum. A majority of the number of directors fixed by these bylaws shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting from time to time. When a quorum is present at any meeting, a majority of the directors in attendance shall, except where a larger number is required by law, by the articles of incorporation or by these bylaws, decide any question brought before such meeting.

9. Waiver of Notice. Before, at or after any meeting of the Board, any director may, in writing, waive

notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him 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.

10. Informal Action by Board. Any action required or permitted to be taken at a meeting of the Board 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 Board.

11. Compensation of Board. The Board is authorized to make provision for reasonable compensation to its members.

ARTICLE V

Officers and Agents

1. General. The officers of the Association be a president (who shall be chosen from the members a secretary and shall of the Board), one or more vice presidents, a treasurer. The Board may appoint such other officers. assistant officers, committees and agents, including assistant secretaries and assistant treasurers, as it may consider

necessary or advisable, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the Board. One person may hold any two offices. except that no person may simultaneously hold the offices of president and secretary. In all cases where the duties of any officer, agent or employee are not prescribed by these bylaws or by the Board, such officer, agent or employee shall follow the orders and instructions of the president.

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

3. Vacancies. A vacancy in any office, however occurring, may be filled by the Board for the unexpired portion of the term.

4. President. The president shall be a member of the Board and shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the 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.

5. Vice Presidents. The vice presidents shall assist the president and shall perform such duties as may be

assigned to them by the president or by the Board. In the absence of the president, the vice president designated by the 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 be made, all vice presidents may exercise such powers and perform such duties.

6. Secretary. The secretary shall:

(a) Keep the minutes of the proceedings of the members, any executive committee and the Board;

(b) See that all notices are duly given in accordance with the provisions of these bylaws. the Declaration and as required by law;

(c) Be custodian of the corporate records and of the seal of the Association and affix the seal to all documents when authorized by the Board;

(d) Keep at the Association's registered office or principal place of business within or outside Colorado a record containing the names and registered addresses of all members, the designation of the Unit owned by each member, and, if such Unit is mortgaged, the name and address of the mortgagee; and

(e) 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 by the president or by

the Board. Assistant secretaries, if any. shall have the same duties and powers, subject to supervision by the secretary.

7. 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 Board. He shall keep the financial records and books of account of the Association. He shall receive and give receipts and acquittances for moneys paid in 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. He 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. He shall. if required by the Board. give the Association a bond in such sums and with sureties as shall be satisfactory to the Board. conditioned upon the faithful performance of his duties and for the restoration to the Association of all books. papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association. He shall have such other powers and perform such other duties as may be from time to time be prescribed by

the Board or the president. The assistant treasurers, if any, shall have the same powers and duties. subject to the supervision of the treasurer.

ARTICLE VI

Obligations of the Members

1. Assessments. Each Owner shall pay his share of all assessments imposed by the Association to meet the common expenses (as defined in the Declaration). Each assessment shall be allocated among the Owners as set forth in the Declaration. If a Unit is owned by two or more owners. each of such co-Owners shall be jointly and severally liable for the portion of the assessment attributable to such Unit. Assessments shall be made monthly and shall be due and payable on the date specified in the assessment notice. At the time of the closing of title for the purchase of a Unit, the purchasing Owner shall pay to the Association the next three months' assessments attributable to such Unit. All unpaid assessments may bear interest (at a rate determined from time to time by the Board) and shall be secured by a lien on the Unit owned by the defaulting owner. in accordance with the provisions of the Declaration.

2. 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 and all other accessories, equipment and fixtures belonging to a Unit shall be at the Owner's expense.

(c) Each Owner shall reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any general or limited common element damaged by the negligence or intentional acts of such Owner or his tenants or guests.

3. Compliance With Declaration, Articles, Bylaws and Rules. Each member shall comply with all of the provisions of the Declaration, the articles of incorporation and bylaws of the Association and any rules and regulations issued by the Board. If a member fails to comply, the Association shall have the power, during the period of such delinquency, (a) to revoke a delinquent member's right to use general or limited common elements designed for recreational purposes, (b) to cause utility service to a delinquent member's Unit to be suspended, and (c) to suspend a member's voting privileges.

4. Emergencies. If any Owner reasonably believes that a condition exists which presents a clear and present

risk of injury to any user of the Project, such owner may take reasonable steps to remedy such condition and any reasonable expenses incurred by such owner in so doing shall be reimbursed by the Association.

ARTICLE VII

Evidence of Ownership, Registration of Mailing Address and Lien Holders

1. Proof of Ownership. Except for those Owners who are the first purchasers of a Unit after the Declaration is filed, any person upon becoming an Owner shall furnish to the Association a photocopy or a certified copy of the recorded instrument vesting that person with an interest or ownership. Such copy shall remain in the files of the Association. 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 this requirement is first satisfied. The Association may issue membership certificates to its members. Such certificates shall not be deemed to be shares of stock in the Association.

2. Registration of Mailing Address. If a Unit is owned by two or more Owners, such co-Owners shall designate one address as the registered address required by the Declaration. An Owner or owners shall notify the secretary of his or their registered address within five days after

any transfer of title or change of address. Such notice shall be written and signed by all of the Owners to which it relates or by such persons authorized to sign on behalf of such Owners.

3. Liens. Any Owner who mortgages or grants a deed of trust covering his Unit shall notify the Board of the name and address of the mortgagee or beneficiary of the deed of trust and shall file conformed copies of the note and security instrument with the Board. The Board shall maintain such information in a book entitled "Liens on Units". The Board, when giving notice to an Owner of default in paying an assessment or other default, shall send a copy of such notice to each mortgagee or beneficiary of a deed of trust covering such Owner's Unit whose name and address has theretofore been furnished to the Board.

4. Address of the Association. The address of the Association shall be 124 East 9th Street, Durango, Colorado 80231. Such address may be changed from time to time upon written notice to all members and all mortgagees or beneficiaries of deeds of trust listed in Liens on Units.

ARTICLE VIII

Liens

1. Liens on Units and Obligations Assumed. Each owner may place a lien on his Unit, including the general

and limited common elements appurtenant to his Unit, to secure payment of indebtedness or for other purposes. A Unit, including the general and limited common elements appurtenant to that Unit, may be subject to only the following additional liens: liens for taxes and special assessments as provided by law, liens for common expense assessments as provided in the Declaration and mechanic's liens as provided by law. It is not anticipated that a purchaser of a Unit will assume any obligations on his Unit except for property taxes levied on his Unit for the year in which the purchase occurs. However, the Declaration does provide that a purchaser of a Unit will be jointly and severally liable with his seller for any unpaid assessments when the Unit is purchased. Purchasers are advised to request a statement of assessments due as provided in these bylaws and the Declaration When the Unit is purchased.

2. Appointment of Lien Holder as Attorney-in-Fact. Owners shall have the right irrevocably to constitute and appoint the mortgagee or the beneficiary of a deed of trust as their true and lawful attorney-in-fact to vote their Unit membership in the Association at any and all meetings of the Association and to vest in the mortgagee or the beneficiary any and all rights, privileges and powers that they have as Owners under the articles of incorporation and these bylaws or by the virtue of the Declaration. Such

proxy shall become effective upon the filing of notice by the mortgagee or the beneficiary with the secretary of the Association at such time or times as the mortgagee or the beneficiary shall deem its security in jeopardy by reason of the failure, neglect or refusal of the Board or the Owners to carry out their in the Declaration. A release of the ficiary's deed of trust shall operate To revoke such proxy. Nothing herein contained shall be construed to relieve Owners, as mortgagors. of their duties and obligations as Owners or to impose upon the mortgagee or the beneficiary of the deed of trust the duties and obligations of an Owner.

ARTICLE IX

Amendments

1. Directors. Except as by law, the articles of the Declaration or these bylaws limited or committed to action by the members, the Board shall have power to make, amend and repeal the bylaws or the Association any regular meeting of the Board or at any special meeting called for that purpose at which a quarum is present or represented. However, if the members shall make, amend and repeal any bylaw, the directors shall not thereafter amend the same in such manner as to defeat or impair the objective of the members in taking such action.

2. Members. The members may, by the affirmative vote of the holders of at least 51% of the votes of the

classes of members unless expressly made subject to a higher voting requirement by law. the articles of incorporation, the Declaration or these bylaws, make, alter, amend and repeal the bylaws of the Association at any annual meeting or at any special meeting called for that purpose at which a quorum shall be represented.

3. Limitation on Amendments. Notwithstanding the foregoing, amendment of these bylaws is subject to the requirements of Section 38-33-106 of the Act.

ARTICLE X

Miscellaneous

1. Seal. The corporate seal of the Association shall be circular in form and shall contain the name of the Association, the year of its organization and the words "Seal, Colorado".

2. Right of Entry. The manager or managers and any person authorized by the Board shall have the right to enter each Unit in case of any emergency originating in or threatening such Unit whether or not the Owner or occupant is present at the time.

3. Fiscal Year. The fiscal year of the Association shall be the calendar year unless another fiscal year is established from time to time by the Board.

4. Services. Attached hereto as Schedule A is a list of services provided by the Association, paid for out

of the regular assessment.

5. Recreational Facilities. Recreational facilities at the Project include _____

(the "Recreational Facilities") which are Limited Common Elements (as defined in the Declaration) available only to Class A members of the Association. No additional fees or charges will be made in connection with the use of such Recreational Facilities by Class A members other than that portion of a Class A member's regular assessment attributable to the costs of maintaining the Recreational Facilities.

6. New Additions of General and Limited Common Elements. There are no proposed additions of general and limited common elements to the Project.

SCHEDULE A

Services Paid for out of the regular assessment

1. Water and sewer service to the extent not individually metered to Owners.
2. Trash removal.
3. Snow removal from walkways and steps within the Project.
4. Insurance. more fully described in the Declaration.
5. Repair and maintenance of the general common elements.
6. Heating and utility service for the general common elements.