

**BYLAWS
OF
TELLURIDE SPRING CREEK
HOMEOWNERS ASSOCIATION, INC.**

BYLAW I - OBJECT

1.01 Association. Telluride Spring Creek Homeowners Association, Inc., the ("Association") 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 govern the property situated in the County of San Miguel, State of Colorado, known as Telluride Spring Creek, hereinafter referred to as the "Project", and which property is subject to the provisions of the Colorado Common Interest Ownership Act, Section 38-33.3-101 et seq., C.R.S., of the State of Colorado as amended, and to a recorded Declaration, hereinafter referred to as the "Declaration".

1.03 Owners and Users Subject to Bylaws. All present or future owners, tenants, licensees, lessees, guests, invitees or other persons who might in any manner use the facilities of the Project are subject to the regulations set forth in and provided by these Bylaws. The mere acquisition or rental of any of the Lots (as defined in the Declaration) signify that these Bylaws are accepted, ratified and will be complied with by those acquiring, owning, renting or using the Project, or any part thereof.

1.04 Project. Telluride Spring Creek consists of the Project, and all appurtenances thereto including, without limitation, cross easements and reciprocal easements. The Project as defined also in the Declaration for Telluride Spring Creek consists of the real property set forth in said Declaration, improvements thereon, and easements thereto.

**BYLAW II - MEMBERSHIP, VOTING, MAJORITY OF
OWNERS, QUORUM, PROXIES**

2.01 Membership. Ownership of a Lot is required for membership in this Association. Any person, on becoming an Owner of a Lot, becomes automatically thereby a Member of this Association, subject to these Bylaws. Such membership terminates without any formal Association action upon such person ceasing to own a Lot, 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 Lot and membership in the Association. No certificates of stock shall be issued by the Association, but the Board of Directors may, if it so elects, issue membership cards to the Owners. Such membership card shall be surrendered to the Secretary whenever ownership of the Lot designated thereon shall terminate, or membership privileges shall cease, as set forth in the Declaration.

2.02 Voting. All Members shall be entitled to vote on all matters, with one vote per Lot. If title to any Lot shall be held by two or more co-owners, one of the co-owners shall be designated by all co-owners of such Lot to exercise the voting rights for such Lot on behalf of all Owners of the Lot. Cumulative voting in the election of Directors 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 at least twenty percent (20%) of the persons entitled to cast votes for election of the Board of Directors shall constitute a quorum and an affirmative vote of those representing a majority of the Lots 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 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.

BYLAW 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 region as the Board of Directors may from time to time determine. Telephonic meetings shall be permitted.

3.02 Annual Meetings. The annual meetings of the Association shall be held at least once each year on such date as shall be selected by the Board of Directors. At each annual meeting the Owners shall elect Directors to succeed those Directors whose terms are to expire 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, or the Board of Directors, as set forth below, 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 majority of the Board of Directors or by petition of the Ownership of at least thirty percent (30%) of the Lots in the Project. 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. Any such meeting shall be held within fourteen (14) 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 at least five (5) day's notice but not more than 50 days, of each annual or special meeting, stating the purpose thereof, the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes and any proposal to remove an officer or member of the Board, as well as the time and place where the meeting is to be held, to each Owner of record. A waiver of notice, signed by all Members of the Association before, at or 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. If mailed, such notice shall be deemed delivered when deposited in the United States mail addressed to the member at his or her address as it appears on the records of the Association, postage prepaid.

3.05 Adjourned Meetings. If any meeting of the Association cannot be convened because a quorum is 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 Order of Business. The order of business at all meetings of the Association shall be as follows:

- (a) Roll call and Determination of Quorum
- (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 (at each annual meeting)
- (g) Unfinished business
- (h) New business

BYLAW IV - BOARD OF DIRECTORS

4.01 Association Responsibilities. The Owners of The constitute the membership of the Association, and have the responsibility of administering the Project through the Association's Board of Directors.

4.02 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors (the "Board") initially composed of three persons who are Owners of Lots in the Project. Any Owner that is not a natural person may be represented on the Board of Directors of the Association by an individual specified by the Owner in writing and duly elected by the members of the Association. The number of directors may be increased 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 seven. The Board of Directors shall have terms of three years none of which shall expire in the same year.

4.03 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a peaceful and dignified Project. The Board of Directors may do all such acts and things as are not by law, the Articles of Incorporation of the Association, these Bylaws, or the Declaration, either prohibited or directed to be exercised and done by the Owners.

4.04 Other Powers and Duties. The Board of Directors shall be empowered and shall have powers and duties as follows:

(a) Enforce Declaration Provisions. To administer, implement and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration.

(b) Rules and Regulations. To establish, make and enforce compliance with such reasonable house rules as may be necessary for the operation, use and occupancy of the Project, including the parking areas, Lots, and its Common Elements, with the right to amend such rules and regulations from time to time. A copy of such rules and regulations shall be delivered to or mailed to each Member promptly upon the adoption thereof.

(c) Maintain Common Elements. To keep in good order, condition and repair all of the Project's General Common Elements, including walkways, drives and lighting, and all items of personal property, if any, owned by the Association or in common by the Owners, and used in the enjoyment of the entire Project or.

(d) Insurance. To obtain and maintain, to the extent obtainable, all policies of insurance required by the Declaration.

(e) Assessments. To periodically, and in no event less frequently than annually, fix, determine, levy and collect the prorated, annual assessments to be paid by each of the Owners toward the gross expenses of the Association, to establish a reasonable reserve for more-or-less major common expenditures such as roadway maintenance easement maintenance, giving consideration for cross easements and reciprocal easements, and for seasonal expenditures such as snow removal, lawn and planting maintenance, etc., all as provided in the Declaration. There shall be no capital additions, alterations or improvements, of or to the General or Limited Common Elements of the Association requiring an expenditure in excess of Twenty Thousand Dollars in any one calendar year without prior approval by a majority of Owners in the Association, except in the event of emergency. Expenditures in excess of Twenty Thousand Dollars in any one calendar year shall be by approval of a majority of the Owners.

The Board of Directors may also adjust, decrease or increase the amount of such assessments, and to credit any excess of assessments over expenses and cash reserves to the Owners against the next succeeding assessment period. The Board may also levy and collect special assessments not in excess of four times the set, regular annual assessments whenever in the opinion of the Board it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital assessments, which shall be in statement form and shall set forth in reasonable detail the various expenses, for which assessments are being made.

In setting the amount of the annual assessment (to be collected in annual or not more than quarterly installments), the Board shall use its best judgment in estimating the following items of income and expense over the period for which the budget is being prepared, as applicable:

- (1) income from Owners
- (2) income from other sources
- (3) cost of snow removal
- (4) foreseeable repairs to Common Elements
- (5) reserves for unforeseeable repairs to Common Elements
- (6) insurance premiums
- (7) taxes, if any
- (8) reserves for driveway, fixtures, painting and lighting
- (9) landscape and planting maintenance
- (10) accounting and legal fees
- (11) office expenses
- (12) fidelity bond and director's liability insurance
- (13) common utility and/or telephone expense
- (14) other foreseeable items
- (15) cost and fees of Managing Agent
- (16) General Common Element maintenance and repair.

(f) Penalize Delinquencies. The Board may impose penalties and collect delinquent assessments, by lien enforcement, by suit or otherwise, and enjoin or seek damages from an Owner as provided in the Declaration and in these Bylaws as such may be from time to time amended or supplemented.

(g) Defend. To protect and defend Telluride Spring Creek from loss and damage by suit

or otherwise.

(h) Borrow. To borrow funds and to give security therefor in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration or these Bylaws, and to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary or desirable.

(i) Contract. To enter into contracts within the scope of their duties and powers.

(j) Bank Accounts. To establish a bank account or bank accounts which are interest bearing or non-interest bearing, checking, savings or C.D., or otherwise, as may be deemed advisable by the Board of Directors.

(k) Maintain Records. To keep and maintain detailed, full and accurate books and records showing in chronological order all of the receipts, expenses or disbursements with appropriate specificity and itemization and to permit inspection of such books and records during convenient weekday business hours by any of the Owners and/or their mortgagees, and, upon affirmative vote of at least a majority of the Owners.

(l) Annual Statements. To prepare and deliver to each Owner annually or if the Board shall so decide, more frequently, a statement showing all receipts, expenses or disbursements since the last such statement.

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

(n) Suspend Voting Rights. To suspend the voting rights of an Owner for failure to comply with these Bylaws, the rules and regulations of the Association or with other obligations, of the Owners, financial or otherwise, imposed by the Declaration.

(o) Govern, Administer Project. In general, to supervise and oversee the Association's officers, to carry on the administration of the Association and to do all of those things necessary and/or desirable to govern and operate the Project.

(p) Sanctions. In the event that the Board of Directors itself, or through delegation of its powers to an Officer or Managing Agent, shall decide to invoke a sanction, penalty, fine or suspension of voting rights or other rights against an Owner, a written notice of such sanction shall promptly be delivered or mailed to the Owner in question notifying such party that the sanction will be stayed for a period of ten days during which time period the party in question may request a meeting with the Board of Directors to present his facts and/or opinions with respect to the matter. The Board shall, upon request for such a meeting, endeavor to hold such within the ten-day period during which the sanction is stayed. The Board may take whatever action, pursuant to the Declaration or these Bylaws, which it deems appropriate as a result of the meeting with the Owner or Tenant.

4.05 Managing Agent. The Board of Directors may employ for the Association a Managing Agent (at a compensation established by the Board of Directors), to perform such duties and services as it shall authorize. The Board of Directors 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 3 years and must provide that

it is cancelable by the Association without cause, upon 30 days written notice, and with cause at any time.

4.06 Election and Term of Office. Members of the Board of Directors shall be elected from among the Owners by a majority or (if more than two candidates stand for election) a plurality, as appropriate, of the Members voting at the annual meeting of the Association. Cumulative voting is not permitted. The term of each Director's service shall extend until the following third annual meeting of the Association following his election, or 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. The Board of Directors shall have terms of three years none of which shall expire in the same year.

4.07 Vacancies. Vacancies in the Board of Directors 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 that particular Director's term is terminated.

4.08 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 the affirmative vote of 67% of the Owners, and a successor may then and there be elected by the Owners 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.

4.09 Organizational Meeting. The first meeting of a newly elected Board of Directors shall be held within thirty 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.

4.10 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and at such place in the San Miguel County, Colorado area as shall be determined, from time to time, by a majority of the Directors; at least one such meetings shall be held each year. Notice of regular meetings of the Board of Directors shall be given by the Secretary to each Director, personally or by mail, telephone or fax or express service (e.g.: UPS, Federal Express, Airborne, etc.), at least three days prior to the day named for such meeting. Telephonic meetings shall be permitted.

4.11 Special Meetings. Special meetings of the Board of Directors may be called by the President, on his own initiative, on twenty-four (24) hours notice to each Director, given personally, or by mail, telephone or telegraph, which notice shall set forth the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President in like manner and on like notice on receipt of a written request to call such a special meeting from at least a majority of Directors. Telephonic meetings shall be permitted.

4.12 Waiver of Notice. Before or at any meeting of the Board of Directors, 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.

4.13 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors 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 Board of Directors. If at any meeting of the Board of Directors, 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.

4.14 Compensation; Fidelity Bonds. The Members of the Board of Directors shall serve without salary or compensation. The Board of Directors 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.

BYLAW V - OFFICERS

5.01 Designation. The Officers of the Telluride Spring Creek Homeowners Association, Inc. shall be a President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. There may also be appointed one or more Vice Presidents, Assistant Secretaries and Assistant Treasurers.

5.02 Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the annual meeting of the Board and shall hold office at the pleasure of the Board. All Officers, except the initial Officers, must be Members of the Association and the President must be elected from among the Board of Directors. 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. The Board of Directors shall encourage rotation of the Owners through service on the Board of Directors and service in the various offices of the Association. If a Lot is owned by a legal entity authorized to do business in the State of Colorado then an officer or partner of the entity may be appointed as an officer.

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

5.04 President. The President shall be elected from and by the Board of Directors and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board of Directors. 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.

5.05 Vice President. The Vice President 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 keep the minutes of all meetings of the Association; the Secretary shall have charge of such books and papers as the Board of Directors 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 Members and their last-known addresses as shown on the records of the Association. Such list shall also show opposite each Member's name the letter or other appropriate designation of the Lot owned by such Member and a description of the Limited Common Elements, if any, assigned for exclusive use in connection with such Lot. Such list shall be open to inspection by Members 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 Board of Directors.

BYLAW VI - INDEMNIFICATION OF DIRECTORS AND OFFICERS

6.01 Indemnification. Pursuant to Colorado law, Telluride Spring Creek Homeowners Association, Inc. shall indemnify its Directors and Officers, and his or her heirs, executors and administrators against loss, costs and expense, including attorney's 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 as Common Expenses. Nothing contained in this Section 6.01 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 Lot under or by virtue of the Declaration and not as an Officer or Director.

BYLAW VII - AMENDMENTS

7.01 Bylaws. These Bylaws may be amended by the Board of Directors. Any notice of any meeting therefor shall specify the nature and text of any proposed amendment or amendments, provided that these Bylaws shall at all times comply with the provisions of the Colorado Common Interest Ownership Act, as may be amended from time to time.

BYLAW VIII - MORTGAGES

8.01 Notice of Default. The Association may report to any First Mortgagee any assessment which remains unpaid for over thirty days, or any other default of any Owner which remains uncured for over thirty days.

BYLAW IX - MISCELLANEOUS

9.01 Proof of Ownership. Every person becoming an Owner of a Lot shall immediately furnish to the Board of Directors a photocopy or a certified copy of the recorded instrument vesting in that person such ownership, which copy 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.

9.02 Compliance. These Bylaws are intended to comply with the requirements of the Colorado Condominium Ownership Act, as amended. If there is any conflict in these Bylaws with the Colorado Statute, these Bylaws shall be amended by the Board of Directors so as to comply with such statutes.

9.03 Character of Association. This Association is organized not for profit. 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 Board of Directors, 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.

9.04 Conveyances and Encumbrances. Corporate property may be purchased, conveyed or encumbered for security of monies borrowed by authority of the Board of Directors. 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.

9.05 Inspection of Records. Any Owner or First Mortgagee of a Lot 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 Board of Directors or Managing Agent, if any. Upon payment of a reasonable fee, not to exceed \$25.00, any 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 Lot. 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 Owner, First Mortgagee or new purchaser who may have acted in reliance on such certificate.

9.06 Incorporation of Declaration. The Declaration for Telluride Spring Creek, a Project in San Miguel County, Colorado as recorded in the records of the Clerk and Recorder of San Miguel County, Colorado in Book _____ at Pages _____ are by this reference incorporated as if fully set forth herein. In the event of a conflict between the terms of the Declaration and these Bylaws, the terms of the Declaration shall control.

✓ AT RECEPTION NO. 319898,

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 at a meeting of the Directors on the ____ of _____, 199__, and that they do now constitute the Bylaws of said Association.

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

BOARD OF DIRECTORS
