

BYLAWS
OF
CRESTED BUTTE HIGHLANDS PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I

Purposes and Objects

Section 1. Purposes and Objects. The purpose for which this Association is formed is to govern Crested Butte Highlands, a subdivision situate in Gunnison County, Colorado, in accordance with the Declaration of Covenants, Conditions and Restrictions for Crested Butte Highlands, and the Articles of Incorporation of this corporation.

Section 2. Compliance. All present or future owners of a lot, tract or parcel of land within Crested Butte Highlands (hereafter "lot") are subject to the regulations set forth in these Bylaws.

ARTICLE II

Membership

Section 1. Membership. The owner of a lot, upon becoming such owner, shall be entitled and required to be a Member of this corporation, and shall remain a Member for the period of his ownership. Such membership shall be appurtenant to the property and shall be transferred automatically by a conveyance of that property to any new owner. Each membership shall be entitled to one (1) vote. In the event that the membership is held by more than one owner, the vote may be cast only as a single unit, and split or divided votes of membership shall not be allowed.

Section 2. Transfer. No person other than an owner may be a member of this corporation and a membership may not be transferred except in connection with the conveyance or transfer of the property; 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 property.

Section 3. 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 property. Any officer, manager or partner of such entity may exercise the membership rights of the entity and shall further be entitled to serve on the Board of Managers and as an officer of the corporation.

Section 4. Termination. Such membership shall terminate without any formal corporate action whenever such person ceases to own the subject property, but such termination shall not relieve or release any such property from any liability or obligation incurred under or in any way connected with this corporation 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 way 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 second Thursday of June of each year at 12:00 noon, beginning with the year 1988, 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 members 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, 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 such member at his address as it appears on the membership register of the corporation, with postage prepaid thereon.

The officer having charge of the membership books of the corporation shall make, at least ten (10) days before each meeting of the members, a complete list of the members entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and the voting interest held by each, which list, for a period of ten days prior to such meeting, shall be kept on file at the principal office of the corporation, whether within or without the State of

Colorado, and shall be subject to the inspection of any member during the whole time of the meeting. The original membership books shall be prima facie evidence as to who are the members entitled to examine such list or transfer book or to vote at any meeting of the members.

Section 4. Quorum. A majority 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 or the laws of the State of Colorado. Provided, however, that special assessments for capital construction shall be made only with the assent of two-thirds of the members voting in person or by proxy at a meeting called for such purpose.

→ 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 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. Cumulative Voting. Cumulative voting for managers shall not be allowed.

Section 7. Voting. Each member shall be entitled to cast one vote upon each matter submitted to a vote at a meeting of members. Fractional voting shall not be allowed. Voting rights shall extend only to those members who have paid all past corporation assessments.

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 managers;
6. Unfinished business;
7. New business; and
8. Adjournment.

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

Section 10. Members of Record. For the purpose of determining members entitled to notice of or to vote at any meeting of the members, or any adjournment thereof, or in order to make a determination of members for any other proper purpose, the Board of Directors may provide that the membership book shall be closed for a stated period, but not to exceed in any case thirty (30) days. If the membership book shall be closed for the purpose of determining members, such book shall be closed for at least ten (10) days immediately proceeding such meeting. In lieu of closing the membership book, the Board of Directors may fix in advance a date as the record date for any such determination of members, such date in any case to be not more than thirty (30) days and, in case of a meeting of members, not less than ten (10) days prior to the date on which the particular action requiring such determination of members is to be taken. If the Board of Directors does not order the membership book closed, or fix in advance a record date, as above provided, then the record for the determination of members entitled to notice of, or to vote at any meeting of members, or any adjournment thereof, or for the determination of members for any proper purpose shall be thirty (30) days prior to the date on which the particular action requiring such determination of members is to be taken. The name and address of the property owner of each lot, of record with the Gunnison County, Colorado, Treasurer, shall be prima facie evidence of the owner of such property and of the member of this corporation. Joint, multiple, corporate, partnership or other such owners shall designate to the corporation, in writing, the person from such entity who is entitled to vote such membership.

ARTICLE IV

Board of Directors

Section 1. Number of Directors, Tenure and Qualifications. The number of directors shall be three, which number shall include a President, a Vice-President and a Secretary-Treasurer. One director shall be elected for a three-year term, one director shall be elected for a two-year term, and one director shall be elected for a one-year term. Once staggered terms are accomplished, replacement directors shall be elected for three year terms. Directors need not be residents of the State of Colorado, but must be a voting member of this corporation.

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 the Crested Butte Highlands Subdivision. Such powers and duties shall include, but not be limited to, the following:

A. To administer and enforce the Declaration of Covenants, Conditions and Restrictions for Crested Butte Highlands.

B. To establish, make and enforce compliance with such reasonable rules as may be necessary for the operation, use and occupancy of Crested Butte Highlands with the right to amend the same from time to time. A copy of such rules and regulations shall be delivered or mailed to each member promptly upon the adoption thereof.

C. To keep in good order, condition, and repair all of the general common elements and all items of personal property, if any, used in the enjoyment of the entire Crested Butte Highlands Subdivision.

D. To fix, determine, levy and collect the annual prorated assessments to be paid by each of the members towards the gross expenses of the corporation and by majority vote of the Board of Directors to adjust, decrease or increase the amount of the annual assessments over expenses and cash reserves due the members 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, subject to the requirement that special assessments for capital construction shall require prior approval of two-thirds of the members. All assessments shall be in itemized statement form and shall set forth the detail of the various expenses for which the assessments are being made, including a list for all services provided by the corporation paid for out of the regular assessment.

E. To prepare an annual budget for the corporation. The Board of Directors shall, in preparing such budget, estimate the expenses of the corporation for the next fiscal year and any income to be earned by the corporation during such fiscal year.

F. To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from a member as is provided in these bylaws.

G. To borrow funds in order to pay for any expenditure or outlay required and to execute all such

instruments evidencing such indebtedness as the Board of Directors may deem necessary, which indebtedness shall be the several obligation of all the members.

H. To enter into contracts within the scope of their duties and powers.

I. 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.

J. 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 members and to cause a complete audit of the books and accounts by a competent certified public accountant once a year.

K. To prepare and deliver annually to each member a statement showing all rights, expenses or disbursements since the last such statement.

L. To meet at least once each year.

M. 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 the Crested Butte Highlands Subdivision.

Section 3. 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 4. Vacancies. The Board of Directors is empowered 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 5. 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 6. Chairman and Secretary. The President of the corporation shall be the Chairman of the Board of Directors, and the Secretary of the corporation shall be the Secretary of the Board of Directors.

Section 7. 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 may be held quarterly at a time and place to be designated in the notice of said meeting.

Section 8. 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 9. Quorum. A majority of the Board of Directors 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 at 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 or the statutes of the State of Colorado.

Section 10. Notice. Notice of any regular annual 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 each 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.

Section 11. Removal. Directors may only be removed at a meeting of the membership called in accordance with the requirements of Article III, hereof. The entire Board of Directors or any lesser number may be removed, with or without cause, by a vote of a majority of the members present at such meeting in person or by proxy and in good standing.

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.

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, Vice-President, and Secretary-Treasurer shall be members of the corporation and shall be directors on the Board of Directors.

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, give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine; (b) 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 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.

Section 10. Salaries. Officers of the corporation may receive salary or compensation for their services in such office, if, in the discretion of the Board of Directors, it is deemed necessary and reasonable.

Section 11. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby. Such removal can be accomplished at any regular or special meeting of the Board of Directors called in accordance with the requirements of Article IV. Such removal shall be without prejudice to the contract rights, if any, of the officer so removed.

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 evidence 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 the Vice-President, and by the Secretary-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 first day of January and terminate on the thirty-first 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

Indemnification of Officers and Directors

The corporation shall indemnify every officer or director, his heirs, executors and administrators, against all loss, costs and expense, 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. 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 rights shall not be exclusive of other rights to which such officer or director may be entitled. All liability, loss, damage, costs and expenses 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.

ARTICLE X

Action by Consent

Section 1. Action without a meeting. Any action required or which may be taken at a meeting of the directors, members or members of a committee 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, members or members of a committee, as the case may be, entitled to vote with respect to the subject matter thereof.

Section 2. Meetings by Telephone. Members of the Board of Directors or any committee designated thereby may hold or participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment provided that all such persons so participating in such meeting can hear each other at the same time.

ARTICLE XI

Obligation of the Members

Section 1. Assessments. All members shall be obligated to pay the annual assessments imposed by the corporation to meet the common expenses. The assessments shall be prorated according to the acreage contained in each lot, and shall be due on or before the first day of June of each calendar year. 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 property owned by him.

Section 2. Lien for Assessments. Until paid, all assessments shall constitute a first and perpetual lien on and against the subject property, which lien may be foreclosed in the manner provided for in Colorado for foreclosure of mechanic's liens.

Section 3. Costs of Collection. In the event that it is necessary for the Board of Directors to commence collection proceedings by foreclosure of any lien, or other appropriate method, the Member or property owner affected shall be required to reimburse the Corporation for all costs and fees incurred in the collection of the account, including court costs, recording fees and reasonable attorney's fees, all of which amounts shall be included within the Corporation's lien.

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 Board of Directors.

ARTICLE XIII

Statement of Account

Upon payment of a reasonable fee, and upon the written request of any Member, prospective Member, or holder of a mortgage of a lot or parcel of land with Crested Butte Highlands, the Corporation shall issue a written statement setting forth the amount of the unpaid common expenses, if any, with respect to the subject parcel, the amount of the current monthly assessment and the date that such assessments become due, which statement shall be conclusive upon the Corporation in favor of all persons who rely thereon in good faith. Unless such request for a statement shall be complied with within ten days of such request, then such requesting party shall not be liable for, nor shall the parcel, if conveyed, be subject to, any lien for any unpaid assessments against the subject property.

ARTICLE XIV

Assumed Obligations

Upon conveyance of a parcel of property to any new owner, the same shall be subject to all unpaid assessments of the Corporation thereon except as provided in Article XIII hereof, and the same are so deemed by the new owner upon conveyance thereof to him, together with any and all other liens and encumbrances placed thereon in accordance with applicable law.

Secretary