

BYLAWS
OF
ELKRUN HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

Protective Covenants

1.1 Protective Covenants for Residential Areas: The Protective Covenants for Chalet Additions 12 and 13, Town of Mt. Crested Butte, Colorado are attached as Exhibit "A" to the Certificate of Incorporation of this corporation and shall be deemed incorporated in these Bylaws by reference thereto as if fully set forth herein.

1.2 Adoption of Definitions: All terms defined in the said Covenants and in any declaration supplemental thereto shall have the same defined meaning when used in these Bylaws.

ARTICLE II

Offices

The principal office of this corporation shall be 314 Second Street, Town of Mt. Crested Butte, Colorado 81224. The Board of Directors in its discretion may keep and maintain other offices within or without the State of Colorado wherever the business of the corporation may require.

ARTICLE III

MEMBERSHIPS AND MEETINGS OF MEMBERS

3.1 Kinds of Memberships: Membership in the Association shall be of two kinds, Regular Membership and Associate Membership. The term "Member" as used herein shall mean a Regular Member, and not a Special Member.

(a) Regular Membership. All persons or associations (other than Elk Run Homeowners Association) who own or acquire the title in fee to any of the lands in Elk Run Subdivision (other than lands dedicated as public lands), by whatever means acquired, shall automatically become a regular member of ELK RUN HOMEOWNERS ASSOCIATION.

(b) Associate Membership in Homeowners Association: All persons and/or associations (other than Elk Run Homeowners Association) being the then holder of any Use and Maintenance Agreement now or hereinafter executed and delivered by Mountain Enterprises-80.

3.2 Transfer of Memberships:

(a) Regular Memberships: The owner or owners of the Lot shall be deemed the owner or owners of the Regular Membership appurtenant to that property and title to and ownership of the Regular Membership for that property shall automatically pass upon transfer of fee simple title to that property, but the corporation shall be entitled to treat the person or persons in whose name or names the Membership is recorded in the books and records of the corporation as the Member for all purposes until such time as evidence of a transfer of title, satisfactory to the corporation, has been submitted to the Secretary. A transfer of Membership shall not release the transferor from liability for obligations accrued incident to such Membership prior to such transfer. In the event of dispute as to the ownership of a Membership, title to the parcel of property to which it is appurtenant, as shown in the records of the County Clerk and Recorder of Gunnison County, Colorado, shall be determinative. Each owner or the owners of a Lot shall be at all times entitled to the benefits and subject to the burdens relating to the Regular Membership for such property. Membership in the Association shall be limited to owners of Lots, except as herein specifically provided with respect to the Associate Membership.

(b) Associate Membership: The owner or owners of any real property being the subject of any Use and Maintenance Agreement executed by Mountain Enterprises-80 shall be deemed the owner or owners of the Associate Membership. The transfer of said associate membership shall be governed by the bylaws governing the transfer of Regular Membership set forth above.

3.3 Voting Rights:

(a) Regular Membership: Each Regular Member shall have one vote for each Lot. In the event of multiple ownership, there shall be but one vote per Lot. Said vote shall be cast by the duly authorized agent of said co-owners as evidenced by a limited Power of Attorney for such purpose executed and delivered to the Secretary of the Association. Absent such a Power of Attorney, no vote shall be recognized or allowed in all matters where the vote of the Members is required or permitted by the statutes of the State of Colorado or by the Certificate of Incorporation or these Bylaws. If fee simple title to a lot is held by more than one person or entity, the Regular Membership appurtenant to that property shall be shared by all such persons or entities by the same type of ownership in which fee simple title to that property is held, but any one of such co-owners present or represented by proxy shall be accepted automatically by the corporation as the agent and attorney-in-fact for other co-owners not present or represented by proxy, for the purpose of casting the vote of that Membership.

Voting by proxy shall be permitted. Proxies must be executed in writing by the owner or co-owner or his duly authorized attorney-in-fact and must be filed with the Secretary before the appointed time of each meeting. No proxy shall be valid after eleven months from the date of its execution unless otherwise provided in the proxy.

Cumulative voting shall be permitted in the election of Directors.

(b) Associate Membership: Associate memberships shall be entitled to one vote per membership and said vote shall be governed by the Bylaws governing the voting of Regular Memberships set forth above, provided, however, notwithstanding any provision herein to the contrary, Associate Members shall only be entitled to vote on matters directly effecting those amenities and/or

privileges to which said Associate Member shall be entitled to enjoy. In this regard, it shall be the duty of the Board of Directors of the Association to declare, in good faith, such issues being subject to the vote of any and all Associate Members and further, to furnish notice thereof to such Special Member as notice would otherwise be provided to a regular member pursuant to the terms hereof. Less and except in instances of lack of good faith, the determination of issues being the subject of vote by Associate Members shall be in the sole discretion of said Board, said discretionary determination being conclusive as to all parties.

3.4 Voting by Mail: The Board of Directors may decide that voting shall be by mail with respect to any particular election of Directors or with respect to adoption of any proposed amendment to the Certificate of Incorporation or adoption of a proposed plan of merger, consolidation, or dissolution.

In case of election of Directors by mail, the existing Board of Directors shall advise the Secretary in writing of the names of proposed Directors sufficient to constitute a full Board of Directors and of a date at least 50 days after such advice is given by which all votes are to be received. The Secretary within 5 days after such advice is given shall give written notice of the number of Directors to be elected and of the names of the nominees to all owners or co-owners of each Regular Membership. The notice shall state that any such owner or co-owner may nominate an additional candidate or candidates, not to exceed the number of Directors to be elected, by notice in writing to the Secretary at the specified address of the principal office of the corporation, to be received on or before a specified date 15 days from the date the notice is given by the Secretary. Within five (5) days after such specified date the Secretary shall give written notice to all owners and co-owners of a Regular Membership, stating the number of Directors to be elected, stating the names of all persons nominated by the Board of Directors and by the members on or before said specified date, stating that each owner or co-owner may cast a vote by mail and shall have a right to cumulate his votes by giving one candidate as many votes as the number of Directors multiplied by the number of votes or fractional votes which he has a right to cast shall equal, or by distributing such votes on the same principle among any number of such candidates, and stating the date established by the Board of Directors by which such votes must be received by the Secretary at the address of the principal office of the corporation, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Directors pursuant to such an election by mail by receipt of the number of votes required by these Bylaws and by applicable law shall take office effective on the date specified in the notice for receipt of such votes.

In the case of a vote by mail relating to any proposed amendment to the Certificate of Incorporation or adoption of a proposed plan of merger, consolidation, or dissolution, the Secretary shall give written notice to all owners or co-owners of each Regular Membership which notice shall include a proposed written resolution setting forth a description of the proposed action, and shall state that such persons are entitled to vote by mail for or against such proposal and stating a date not less than twenty (20) days after the date such notice shall have been given on or before which all votes must be received and stating that they must be sent to the specified address of the principal office of the corporation. Votes received after that date shall not be effective. Any such proposal shall be adopted if approved by the affirmative vote of not less than two-thirds of the votes entitled to be cast on such question.

Delivery of a vote in writing to the principal office of the corporation shall be equivalent to receipt of a vote by mail at such address for the purposes of this paragraph.

3.5 Annual Meeting: An annual meeting of the Regular Members for the purpose of voting on such matters as may properly come before the meeting shall be held on the second Wednesday in September each year at a convenient location in Gunnison County, Colorado, to be selected by the Board of Directors. Directors shall be elected at each such annual meeting unless elected by mail as herein provided.

The business to come before the meeting shall include, but not be limited to, the determination of assessments against Regular Members in accordance with the Protective Covenants. Associate Members may attend such meeting and participate therein; provided, however, that said Associate Members shall not be entitled to vote upon any matter coming before said meeting unless previously declared by the Board of Directors to be subject to voting by Associate Members.

3.6 Special Meetings: Special meetings of the Regular Members may be called at any time by the President or by the Board of Directors or by written request of ten percent or more of the votes of the outstanding Regular Memberships and shall be held at a convenient location in Gunnison County, Colorado, to be selected by the persons calling the meeting. Associate Members may attend such meeting and participate therein; provided, however, that said Associate Members shall not be entitled to vote upon any matter coming before said meeting unless previously declared by the Board of Directors to be subject to voting by Associate Members.

3.7 Record Date: The Board of Directors shall have the power to fix in advance a date as a record date for the purpose of determining Memberships entitled to notice of or to vote at any meeting or to make a determination of Members for any purpose. The Memberships existing on any such record date shall be deemed the Regular and Associate Members for such notice, vote, meeting or other purpose and for any supplementary notice or information with respect to the same matter and for any adjournment of the same meeting. A record date shall not be more than fifty (50) days prior to the date on which the particular action requiring determination of Regular and Associate Members is proposed or expected to be taken or to occur. If no record date is established for a meeting, the date on which notice of such meeting is first given to any Regular and Associate Member shall be deemed the record date for the meeting.

3.8 Notices; Waiver: Notices of annual and special meetings of the Members must be given in writing and must state the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called. Such notices shall be delivered not less than thirty (30) nor no more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officers or persons calling the meeting, and shall be given to each owner or co-owner of a Regular and Associate Membership entitled to vote at such meeting.

Notice shall be considered given when written notice is mailed or telegraphed to a Regular or Associate Member addressed to the Member under the name and address for the Member furnished by the Membership to the Association and, in any event, shall be deemed given when the Member actually receives the notice. If a Member fails to furnish a name or address to the Association to which notices may be mailed, the Association shall be entitled to give notice by mail, telegraph or delivery of written notice to the address of such Members' property, addressed "Care of Owner".

With respect to meetings of Regular Members for the purpose of considering assessments, a copy of any budget prepared by the Board of Directors in connection with such assessment shall accompany each notice of the meeting.

Written waiver of notice signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice.

3.9 Quorum; Vote Required; Adjournment: One-half of the votes, represented in person or by proxy, shall constitute a quorum at any meeting of Regular Members. Associate Memberships represented at any meeting whether the same shall or shall not be entitled to vote thereat, shall not be counted in determining the presence or absence of a quorum. If a quorum exists, the action of a majority of the votes present or represented by proxy shall be the act of the Members, except with respect to matters where a greater vote is required by the Covenants or by law. If a quorum does not exist, a majority of the votes present in person or by proxy exclusive of Associate Memberships may adjourn the meeting from time to time without further notice other than announcement at the meeting.

3.10 Record of Votes and Approvals: The Secretary shall keep a record of the names of all persons present at any meeting in person or by proxy, the total number of Regular and Associate Members authorized to vote on any matter coming before the meeting, the number of such Regular and Associate Members represented, in person or by proxy, and the results of any vote at a meeting.

The Secretary shall maintain complete records of the votes of each person voting with respect to any matter covered which may be approved as a result, in whole or in part, of approvals obtained after the meeting pursuant to the Covenants, and shall keep on file available for inspection by other Regular Members all written approvals with respect to such matters obtained subsequent to any meeting.

3.11 Action of Members Without a Meeting: Any action required to be taken, or any action which may 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 owners and co-owners of Memberships (Regular and Associate, if any) entitled to vote with respect to the subject matter thereof.

ARTICLE IV

Board of Directors

4.1 Number: The Board of Directors shall consist of three (3) members. The number of Directors may be increased or decreased by amendment of these Bylaws; provided, however, that the number of Directors shall not be reduced to fewer than three (3), nor increased to more than fifteen (15); and, provided further, that no decrease in the number of Directors by amendment of the Bylaws shall have the effect of shortening the term of any incumbent Director.

4.2 Qualification; Election; Term: Directors need not be members of the corporation and need not be residents of the State of Colorado.

Directors shall be elected annually by the Regular Membership of the corporation, at their annual meeting or by mail as provided herein.

At each election for Directors, with respect to the Directors to be elected by the Regular Members, each owner or co-owner of a Regular Membership entitled to vote shall have the right to cumulate his votes by giving one candidate as many votes as the number of Directors multiplied by the number of votes or

fractional votes which he has a right to cast shall equal, or by distributing such votes on the same principle among any number of such candidates.

Directors shall serve a term of one year and until their successors are duly elected and qualified.

4.3 Removal; Resignation: At any meeting of Regular Members, the notice of which indicates such purpose, Directors may be removed in the manner provided in this paragraph. The entire group of Directors or any lesser number, may be removed with or without cause, by a vote of a majority of the Regular Members then entitled to vote at an election of Directors. If less than all of such group is to be removed, no one of the Directors may be removed if the votes of a sufficient number of Regular Members are cast against his removal, which, if then cumulatively voted at an election of the entire group would be sufficient to elect him.

Any Director may resign with or without cause, by submitting a written notice to the Board stating the effective date of his resignation, and acceptance of the resignation shall not be necessary to make the resignation effective; any such resignation can be effective on acceptance by the Board of Directors if the terms of the resignation so state.

4.4 Vacancies: Any vacancy occurring on the Board of Directors, whether by removal, resignation, death, increase in number of Directors, or otherwise, shall be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board.

Any director selected to fill a vacancy resulting from removal, resignation or death shall hold office for the unexpired term of his predecessor in office. Any Director selected to fill a vacancy caused by increase in number of Directors shall hold office until the next election or designation of Directors.

4.5 Meetings: There shall be a regular annual meeting of the Board immediately following the annual meeting of the Members of the corporation, and the Board may establish regular meetings to be held at such other places, either within or without the State of Colorado, and at such other times as it may determine from time to time. After the establishment of the time and place for such regular meetings, no further notice thereof need be given. Special meetings of the Board may be called by the President, or, upon written request delivered to the Secretary of the corporation, by any two Directors. The place of any special meeting may be any place within or without the State of Colorado which has been designated from time to time by resolution of the Board of Directors or by written consent of all members of the Board of Directors. In the absence of such designation of a place to hold a regular meeting or a special meeting, the meeting shall be held at the principal office of the corporation.

4.6 Notices; Waiver: Three days notice of special meetings shall be given to each Director by the Secretary. Such notice may be given orally, in person or by telephone, or in writing, served on or mailed or telegraphed to each Director. 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 the notice or waiver of such meeting.

Written waiver of notice signed by a Director, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a Director at any meeting shall constitute a waiver of notice of such meeting except when a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.7 Quorum; Vote Required; Adjournment: At any meeting of the Board of Directors, one-half of the number of Directors acting and qualified, but in no event less than two-thirds of the number of Directors fixed by these Bylaws, shall constitute a quorum for the transaction of business. The act of a majority of the Directors present at a meeting at which a quorum is present shall be at the the act of the Board of Directors, except as otherwise specifically required by law, the certificate of incorporation or these Bylaws. If a quorum does not exist, a majority of the Directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting.

4.8 Action of Directors Without a Meeting: Any action required to be taken, or any action which may be taken, at a meeting of the Directors 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.

4.9 Executive Committee of Board of Directors: The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint an Executive Committee of the Board. The number of members of the Executive Committee and the persons who shall be members thereof shall be determined by the Board, but the number of such members shall not be fewer than two (2). Unless limited by resolution of the Board, the Executive Committee shall have and exercise all the authority of the Board of Directors, except that such committee shall not have the authority of the Board of Directors in reference to amending, altering, or repealing the Bylaws; electing, appointing or removing any member of such committee or any Officer or Director of the corporation; amending the certificate of incorporation; restating the certificate of incorporation; adopting a plan of merger or adopting a plan of consolidation with another corporation; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the corporation; authorizing the voluntary dissolution of the corporation or revoking proceedings therefore; adopting a plan for the distribution of assets of the corporation; or amending, altering or repealing any resolution of the Board of Directors which by its terms provided that it shall not be amended, altered or repealed by such committee. All of the provisions of these Bylaws with respect to notice of meetings of Directors, quorum at such meetings, voting at such meetings and waivers of notice of such meetings shall be applicable to the meetings of the Executive Committee.

ARTICLE V

Officers

5.1 General: The officers of the corporation shall consist of a President, one or more Vice Presidents, a Secretary, and a Treasurer, each of whom shall be appointed by the Board of Directors to serve at the pleasure of the Board and for terms not exceeding three years as prescribed by the Board. The Board of Directors may appoint such other officers, agents, factors and employees as it may deem to be in the best interests of the corporation. Officers may be, but need not be, Directors or owners or co-owners of Memberships in the corporation. Any person may hold two or more offices simultaneously, except that the President shall not hold any other office.

5.2 President: The President shall be the principal executive officer of the corporation and, subject to the control of the Board of Directors, shall direct, supervise, coordinate and

have general control over the affairs of the corporation, and shall have the powers generally attributable to the chief executive officer of a corporation. The President shall preside at all meetings of the members of the corporation.

5.3 Vice Presidents: Vice Presidents may act in place of the President in case of his death, absence, inability or failure to act, and shall perform such other duties and have such authority as is from time to time delegated by the Board of Directors or by the President.

5.4 Secretary: The Secretary shall be the custodian of the records and of the seal of the corporation and shall affix the seal to all documents requiring the same; shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law, and that the books, reports, and other documents and records of the corporation are properly kept and filed; shall keep minutes of the proceedings of the members, Board of Directors and Executive Committee; shall keep at the registered office of the corporation a record of the names and addresses of the owners and co-owners entitled to vote; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the Board of Directors or by the President. The Board may appoint one or more Assistant Secretaries who may act in place of the Secretary in case of his death, absence, inability or failure to act.

5.5 Treasurer: The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the corporation, shall deposit all such funds in the name of the corporation in such depositories as shall be designated by the Board of Directors, shall keep correct and complete books and records of account and records of financial transactions and condition of the corporation and shall submit such reports thereof as the Board of Directors may, from time to time, require; and, in general, shall perform all the duties incident to the office of Treasurer, and such other duties as may, from time to time, be assigned to him by the Board of Directors or by the President. The Board may appoint one or more Assistant Treasurers who may act in place of the Treasurer in case of his death, absence, inability or failure to act.

5.6 Removal of Officers: Any officer may be removed by the Board of Directors whenever in their best judgment the best interest of the corporation will be served thereby.

5.7 Compensation: Officers, agent, factors and employees shall receive such compensation for their services as may be authorized or ratified by the Board of Directors. Appointment of an officer, agent, factor or employee shall not of itself create contractual rights to compensation for services performed as such officer, agent, factor or employee.

ARTICLE VI

Contracts, Conveyances, Checks and Miscellaneous

6.1 Contracts: The Board of Directors may authorize any officer or agent of the corporation to enter into any contract or execute and deliver any instrument in the name of the corporation, except as otherwise specifically required by the certificate of incorporation or these Bylaws.

6.2 Conveyances and Encumbrances: Corporate property may be conveyed or encumbered by authority of the Board of Directors or such other person or persons to whom such authority may be delegated by resolution of the Board. Conveyances or

to or inconsistent with any provision of the Covenants, unless such provision has been amended or repealed as provided for in the Covenants, and no amendment to the Certificate of Incorporation or these Bylaws shall be adopted which is inconsistent with or contrary to any amended provision of the Covenants. Notwithstanding the above, no amendment and/or repeal of the Certificate of Incorporation and/or these bylaws may in any fashion change, alter, modify and/or cancel any rights, duties and/or privilege of either regular or associate memberships as set forth.

Approved and adopted this _____ day of _____, 19____,
by the undersigned as the initial Board of Directors of the
Corporation.

James A. Bagley

Larry Parman

Barbara J. Schey

Together being all the Members
of the initial Board of
Directors.

encumbrances shall be by instrument executed by the President or a Vice President and by the Secretary or the Treasurer or an Assistant Secretary or Assistant Treasurer, or executed by such other person or persons to whom such authority may be delegated by the Board.

6.3 Fiscal Year: The fiscal year of the corporation shall be the calendar year.

6.4 Seal: The Board of Directors may adopt a corporate seal of such design as it may deem appropriate.

6.5 Inspection of Corporate Records: The records with respect to the list of Regular Memberships of the corporation, the books of accounts, the minutes of proceedings of Members and Directors and of the Executive Committee and other committees of Directors, and the certificate of incorporation and Bylaws shall be open to inspection upon the written demand of any Regular Member at any reasonable time, and for a purpose reasonably related to his interest as a Regular Member. The Association shall have sole discretion to determine whether inspection is reasonably related to the interest of a Regular Member.

ARTICLE VII

Rights and Obligations of the Corporation and the Members

7.1 Annual Assessments: The Board of Directors shall fix, levy, and collect assessments in the manner and for the purposes specified in the Protective Covenants, attached hereto and made a part hereof as Exhibit "A" and all Regular Members and Associate Members.

7.2 Other Rights and Obligations: The corporation has agreed or will agree with Mountain Enterprises - 80, a joint venture, to perform all obligations and duties and to exercise all rights and powers of the "Association" as set forth in the Covenants. All the relative rights and duties of the corporation and the Members as therein prescribed shall be binding on said parties to the same extent as if set forth in full in these Bylaws. In the case of a conflict or inconsistency between these Bylaws and the Covenants, the Covenants shall control.

ARTICLE VIII

Amendments

8.1 Certificate of Incorporation: Amendments may be made to the Certificate of Incorporation in the manner provided by law by vote of the Regular Membership of the Corporation at any annual meeting or special meeting of the Membership, provided that the notice of such meeting states that such amendments are to be considered. Such amendments may also be made pursuant to resting by mail as herein provided.

8.2 Bylaws: These Bylaws may at any time and from time to time be amended, altered or repealed by the Board of Directors, or by vote of the Membership of the corporation at any annual or special meeting, provided that the notice of such meeting states that such amendment, alteration or repeal is to be considered.

8.3 Limitation on Amendments: No amendment to the Certificate of Incorporation or to these Bylaws shall be contrary