

BYLAWS

OF

SUNNYSIDE RANCH AT TELLURIDE WEST HOMEOWNERS ASSOCIATION, INC.

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BYLAWS
OF
SUNNYSIDE RANCH AT TELLURIDE WEST HOMEOWNERS ASSOCIATION, INC.

Article I
Name, Principal Office, and Definitions

1.1 Name. The name of the Association shall be Sunnyside Ranch at Telluride West Homeowners Association, Inc. (the "Association").

1.2 Principal Office. The principal office of the Association in the State of Colorado shall be located in San Miguel County. The Association may have such other offices, either within or outside the State, as the Board of Directors may determine or as the affairs of the Association may require.

1.3 Definitions. The words used in these Bylaws shall be given their normal, commonly understood definitions. Capitalized terms used but not defined herein shall have the same meaning as set forth in the Declaration of Protective Covenants, Conditions, and Restrictions for Sunnyside Ranch at Telluride West Homeowners Association, Inc. dated as of November 5, 1999 (the "Declaration"), as it may be amended from time to time, unless the context shall otherwise require.

Article II
Association: Membership, Meetings, Quorum, Voting, Proxies, Obligations

2.1 Membership. The Association shall have two classes of membership, Class "A" and Class "B," as more fully set forth in the Articles of Incorporation of Sunnyside Ranch at Telluride West Homeowners Association, Inc. (the "Articles"), the terms of which pertaining to membership are specifically incorporated herein by reference.

2.2 Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Members as may be designated by the Board either within the Project or as convenient thereto as possible and practical.

2.3 Annual Meetings. The first meeting of the Association, whether a regular or special meeting, shall be held prior to December 31, 2000. Subsequent regular annual meetings shall be set by the Board so as to occur not more than one hundred twenty (120) days before the close of the Association's fiscal year on a date and at a time set by the Board.

2.4 Special Meetings. The President may call special meetings. In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of the Board or upon a petition signed by at least fifteen percent (15%) of the total votes of the Class "A" Members of the Association.

2.5 Notice of Meetings. Written notice stating the place, day, and hour of any meeting of the Members shall be delivered, in accordance with Section 7.5 below, to each Member entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the date of such meeting, by or at the direction of the President, the Secretary or the officers or persons calling the meeting. In the case of a special meeting or when required by statute or these Bylaws, the purpose or purposes for which the meeting is called shall be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

2.6 Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at any meeting by a Member shall be deemed waiver by such Member of notice of the time, date, and place thereof, unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7 Adjournment of Meetings. If any meeting of the Association cannot be held because a quorum is not present, a majority of the Members who are present at such meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted. If a time and place for reconvening the meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for reconvening the meeting after adjournment, notice of the time and place for reconvening the meeting shall be given to Members in the manner prescribed for regular meetings. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided that Members representing at least twenty-five percent (25%) of the total votes of Members of the Association remain in attendance, and provided further that any action taken is approved by at least a majority of the votes required to constitute a quorum.

2.8 Voting. The voting rights of the Members shall be as set forth in the Articles, and such voting rights provisions are specifically incorporated herein.

2.9 Proxies. Members may vote in person or by proxy. Each proxy shall be in writing, dated, signed and filed with the Secretary prior to the meeting for which it is to be effective. Proxies may be delivered to the Secretary by personal delivery, U.S. mail or facsimile

to any Board member or to the managing agent, if any, employed by the Board pursuant to Section 3.3.2 below. Except as otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the Member giving such proxy is entitled to cast, and in the event of any conflict between two (2) or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. No proxy shall be valid more than eleven (11) months after its execution unless otherwise provided in the proxy. Every proxy shall be revocable and shall automatically cease upon conveyance of the Member's Lot.

2.10 Majority. As used in these Bylaws, the term "majority" shall mean those votes, Owners, Members, or other group as the context may indicate totaling more than fifty percent (50%) of the total number.

2.11 Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of a majority of the total vote of the Association shall constitute a quorum at all meetings of the Association. Any provision in the Declaration concerning quorums is specifically incorporated herein.

2.12 Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at the meeting.

2.13 Action Without A Meeting. Any action required by law to be taken at a meeting of the Members, or any action which may be taken at a meeting of the Members, may be taken without a meeting if written consent setting forth the action so taken is signed by all of the Members entitled to vote with respect to the subject matter thereof, and any such consent shall have the same force and effect as a unanimous vote of the Members.

2.14 Membership Obligations. Each Member shall be obligated to pay all assessments levied against such Member or the Lot owned by such Member pursuant to Article IX of the Declaration, and to comply with the terms and conditions set forth in the Association Documents and all rules and regulations promulgated thereunder by the Board or the Association.

2.15 Evidence of Membership and Registration of Mailing Address. Any party becoming a Member shall furnish to the Association a certified written report (the "Report"), on a form established by the Board of Directors, together with required backup information, including, without limitation, a statement of the consideration paid by such Member in connection with the acquisition of such Member's Lot, for the purpose of calculating the Real Estate Transfer Assessment payable pursuant to Section 9.9 of the Declaration. Each such Member shall at the same time give a single name and address to which notices to such Member may be sent. In the event of any change in the facts reported in the original written Report, including any change of ownership, the Member shall give a new written Report to the

Association containing all the information required to be covered by the original Report. As against any Member, the Association may, but shall not be obligated to, rely, for any and all purposes, on the information reflected in the most recent written Report furnished with respect to such Member.

Article III
Board of Directors: Number, Powers, Meetings

3.1 Composition and Selection.

3.1.1 Governing Body; Composition. The affairs of the Association shall be governed by a Board of Directors, each of whom shall have one vote. Directors appointed by the Class "B" Member may be any natural persons. At least a majority of the directors elected by the Members shall be Members of the Association or spouses of such Members; provided, however, that no person and his or her spouse may serve on the Board at the same time. In the case of a Member which is not a natural person, the person designated in writing to the Secretary of the Association as the representative of such Member shall be eligible to serve as a director.

3.1.2 Number of Directors. The Board of Directors of the Association shall consist of three (3) members, as identified in the Articles.

3.1.3 Directors During Class "B" Control Period. As more particularly provided in Section 7.3 of the Articles, the Class "B" Member has appointed three (3) directors to serve as the initial Board of Directors to serve until the Association's first annual meeting. From the date of such meeting throughout the remainder of the Class "B" Control Period (as defined in Section 7.3.1 of the Articles), the Class "B" Member shall have the right to appoint, remove and/or replace two (2) members of the Board of Directors. The remaining member of the Board of Directors shall be elected by the Class "A" Members at the Association's first (and each subsequent) annual meeting, in the same manner as provided in this Section 3.1 with respect to the election of directors after the expiration of the Class "B" Control Period. Each director so elected by the Class "A" Members shall serve for a term of one year, or until the Association's first annual meeting following the expiration of the Class "B" Control Period, whichever comes first.

3.1.4 Declarant's Right To Disapprove Actions. In the event that Declarant shall have voluntarily surrendered its right to appoint directors prior to the expiration of the Class "B" Control Period pursuant to the provisions of Section 7.3.3 of the Articles, then throughout the remainder of the Class "B" Control Period, the Class "B" Member shall have the right to disapprove any actions of the Board or any committee thereof as provided below in this Section. This right shall be exercisable only by the Class "B" Member, its successors, and assigns who specifically take this power in a recorded instrument. Upon any such surrender by the Class "B" member of its right to appoint directors, no action, policy or program authorized by the Board or

any committee shall become effective prior to the expiration of the Class "B" Control Period, nor shall any action, policy, or program be implemented prior to the expiration of the Class "B" Control Period, until and unless:

(a) The Class "B" Member shall have been given at least ten (10) business days' advance written notice of any applicable meeting of the Association, the Board or any committee thereof, which notice complies with Section 7.5 below and, except in the case of the regular meetings held pursuant to the Bylaws, which notice sets forth in reasonable particularity the agenda to be followed (including all proposed actions expected to be approved) at such meeting; and

(b) The Class "B" Member shall be given the opportunity at any such meeting to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program to be implemented by the Board, any committee thereof, or the Association. The Class "B" Member, its representatives or agents shall make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Class "B" Member shall have and is hereby granted a right to disapprove any such action, policy, or program authorized by the Association, the Board or any committee thereof if approval by the Board, any committee, or the Association is necessary for such action. This right may be exercised by the Class "B" Member, its representatives, or agents at any time within ten (10) business days following the meeting held pursuant to the terms and provisions hereof. The Class "B" Member may use this right to disapprove or block any proposed action, but not to require the Association, the Board or any committee to take any affirmative action. The Class "B" Member shall not use its disapproval right to reduce the level of services which the Association is obligated to provide or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations or the Community-Wide Standard..

3.1.5 Nomination of Directors. Except with respect to directors selected by the Class "B" Member, candidates for election to the Board of Directors shall be nominated by one or more motions made and seconded by the Members at the applicable Association meeting. The Members shall nominate as many candidates for election to the Board as may volunteer (and obtain a second), but in no event less than the number of positions to be filled. All candidates shall have a reasonable opportunity to communicate their qualifications to the Members and to solicit votes.

3.1.6 Election and Term of Office. Notwithstanding any other provision contained herein:

(a) Within thirty (30) days after termination of the Class "B" Control Period, the Association shall call a special meeting at which the Class "A" Members shall elect two (2) of the Association's three (3) directors, who shall serve as at-large directors.

The remaining one (1) director shall be an appointee of the Class "B" Member. The directors so elected or appointed pursuant to this Section 3.1.6(a) shall serve until the first Association annual meeting following the termination of the Class "B" Control Period. If such Association annual meeting is scheduled to occur within thirty (30) days after the termination of the Class "B" Control Period, this provision shall not apply and directors shall be elected in accordance with Section 3.1.6(b) below.

(b) At the Association's first annual meeting after the termination of the Class "B" Control Period, all three (3) members of the Board of Directors shall be elected by the Class "A" Members. Two of such directors shall be elected for a term of two years and the remaining director shall be elected for a term of one year. At the expiration of the initial term of office of each member of the Board of Directors, a successor shall be elected to serve for a term of two years. The candidate(s) receiving the most Class "A" Member votes, at a meeting at which a quorum is present, shall be elected. Directors may be elected to serve any number of consecutive terms.

3.1.7 Removal of Directors and Vacancies. Any elected director may be removed, with or without cause, by the vote of the Members entitled to elect the director. Any elected director whose removal is sought shall be given notice prior to any meeting called for that purpose. A director appointed by the Declarant may be removed only by the Declarant. Upon removal of a director, a successor shall then and there be elected or appointed by the Members entitled to elect or appoint the director so removed, to fill the vacancy for the remainder of the term of such director. Any elected director who has three consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment or other charge due the Association for more than thirty (30) days may be removed by a majority of the directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board to fill the vacancy for the remainder of the term. In the event of the death, disability, or resignation of a director, a vacancy may be declared by the Board, and it may appoint a successor.

3.2. Meetings.

3.2.1 Organizational Meetings. The first meeting of the Board of Directors following each annual meeting of the membership shall be held within ten (10) days thereafter at such time and place as shall be fixed by the Board.

3.2.2 Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least one such meeting shall be held during each fiscal year. Notice of the time and place of the meeting shall be communicated to directors not less than ten (10) business days prior to the meeting; provided, however, notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding of the meeting, and provided further, however, that notice of a meeting need not be given to any director if the Board

establishes by resolution a schedule for regular Board meetings.

3.2.3 Special Meetings. Special meetings of the Board shall be held when called by written notice signed by the President of the Association or by any two directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered, and shall be delivered at least ten (10) business days prior to the meeting. The notice shall be given to each director by one of the following methods: (a) personal delivery; (b) written notice by overnight courier, delivery charges prepaid; (c) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (d) confirmed facsimile transmission. All such notices shall be given at the director's telephone number, facsimile number or sent to the director's address as shown on the records of the Association.

3.2.4 Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.2.5 Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the decision of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting. If any meeting of the Board cannot be held because a quorum is not present, a majority of the directors who are present at such meeting may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the date the original meeting was called. At the reconvened meeting, if a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

3.2.6 Compensation. The Board of Directors is hereby authorized to make provision for reasonable compensation or reimbursement to its members for their authorized and approved services and/or expenses. The Board shall fix the basis and conditions upon which such compensation or reimbursement shall be paid. By resolution of the Board, the directors may be paid any one or more of the following: each director's reasonable expenses incurred, if any, in furtherance of the business or affairs of the Association; or a fixed sum for attendance at meetings.

3.2.7 Conduct of Meetings. The President shall preside over all meetings of the

Board, and the Secretary shall keep a minute book of meetings of the Board, recording therein all resolutions adopted by the Board and all transactions and proceedings occurring at such meetings.

3.2.8 Open Meetings. Subject to the provisions of Section 3.2.9, all meetings of the Board shall be open to all Members, but Members other than directors may not participate in any discussion or deliberation unless permission to speak is requested on his or her behalf by a director. In such case, the President may limit the time any Member may speak. Notwithstanding the foregoing, the President may adjourn any meeting of the Board and reconvene in executive session, excluding Members, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, and delinquent assessments.

3.2.9 Action Without a Formal Meeting. Any action that 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, and such consent shall have the same force and effect as a unanimous vote.

3.2.10 Telephonic Participation. One (1) or more directors may participate in and vote during any regular or special meeting of the Board by telephone conference call or similar communication equipment by means of which all Persons participating in the meeting can hear each other at the same time, and those directors so participating shall be deemed present at such meeting. Any such meeting at which a quorum participates shall constitute a meeting of the Board.

3.3 Powers and Duties.

3.3.1 Powers. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do or cause to be done all acts and things on behalf of the Association as are not by the Declaration, the Articles, or these Bylaws directed to be done and exercised exclusively by the membership in general. The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board on all matters relating to the duties of the managing agent or manager, if any, which might arise between meetings of the Board. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall have the power to establish policies relating to, and shall be responsible for performing or causing to be performed, the following, by way of explanation, but not limitation:

- (a) Preparing and adopting annual budgets in accordance with Article IX of the Declaration, which shall establish the Base Assessment to be levied upon each Owner for the Common Expenses;
- (b) Levying assessments to defray the Common Expenses, establishing

collection methods for such assessments, and establishing the installment due dates for assessment payments;

(c) Providing for the operation, maintenance, care and upkeep of the entire Area of Common Responsibility;

(d) Designating, hiring, and dismissing the personnel necessary for the operation of the Association and the maintenance, operation, repair, and replacement of its property and the Area of Common Responsibility and, where appropriate, providing for the compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) Collecting the assessments, depositing the funds in a bank depository which it shall approve, and using the proceeds to operate the Association; provided, any reserve fund may be deposited, in the directors' best business judgment, in depositories other than banks;

(f) Making and amending rules and regulations;

(g) Opening bank accounts on behalf of the Association and designating the signatories required;

(h) Making or contracting for the making of repairs, additions, alterations, and improvements to, or the replacement of, any components of the Common Area or other portions of the Area of Common Responsibility, in accordance with the other provisions of the Declaration and these Bylaws, after damage or destruction by fire or other casualty;

(i) Enforcing by legal means the provisions of the Declaration, these Bylaws, the Design Guidelines, and the rules and regulations adopted by the Board, and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association;

(j) Obtaining and carrying insurance against casualties and liabilities, as provided in the Declaration, and paying the premiums therefor;

(k) Paying the cost of all services rendered to the Association or its Members and not chargeable directly to specific Owners;

(l) Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying all maintenance and repair expenses and any other expenses incurred;

(m) Providing to any prospective purchaser of a Lot, any Owner of a Lot, any first Mortgagee, and the holders, insurers, and guarantors of a first Mortgage on any Lot, current copies of the Association Documents, any rules governing the Lot and all other books, records, and financial statements of the Association, including a certificate that may be relied upon by such purchaser, Owner or Mortgagee as to whether there are any outstanding assessments payable to the Association by the Owner of the applicable Lot;

(n) Permitting utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development or operation of the Property; and

(o) Supervising the construction, on behalf of the Association, of the Initial Association Improvements.

3.3.2 Management. The Board of Directors may employ for the Association a professional management agent or agents at a compensation established by the Board to perform such duties and services as the Board shall authorize. The Board may contract with the managing agent or manager, subject to the Board's supervision, to perform certain functions and exercise certain powers granted to the Board by these Bylaws, other than the powers set forth in subparagraphs (a), (b), (f), (g), (i) and (o) of Section 3.3.1. The Declarant, or an affiliate of the Declarant, may be employed as managing agent or manager.

3.3.3 Accounts and Reports. The Association will conform to the following management standards of performance unless the Board by resolution specifically determines otherwise:

(a) Accrual accounting, as defined by generally accepted accounting principles, shall be employed;

(b) Accounting and controls should conform to generally accepted accounting principles;

(c) Cash accounts of the Association shall not be commingled with any other accounts;

(d) No remuneration shall be accepted by the managing agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

(e) Any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board;

(f) Commencing at the end of the month in which the first Lot is sold and closed, financial reports shall be prepared for the Association at least quarterly containing:

(i) An income and expense statement reflecting all income and expense activity for the preceding period on an accrual basis;

(ii) A statement reflecting all cash receipts and disbursements for the preceding period;

(iii) A variance report reflecting the status of all accounts in an "actual" versus "budget" format;

(iv) A balance sheet as of the last day of the preceding period; and

(v) A delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report, and describing the status of any action to collect such assessments which remain delinquent (any assessment or installment thereof shall be considered to be delinquent on the fifteenth (15th) day following the due date unless otherwise specified by resolution of the Board); and

(g) An annual report consisting of at least the following shall be distributed to all Members within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet; (2) an operating (income) statement, showing actual income and expense and budget variance; and (3) a statement of changes in financial position for the fiscal year.

3.3.4 Borrowing. The Association, acting through the Board of Directors, shall have the power to borrow money for the purpose of maintenance, repair or restoration of the Area of Common Responsibility, or for other appropriate purposes, including, without limitation, financing, refinancing or repaying expenses of the Association for the purpose of modifying, improving, or adding amenities. Notwithstanding anything to the contrary contained in the Declaration, these Bylaws, or the Articles, during the Class "B" Control Period, no Mortgage lien shall be placed on any portion of the Common Area without the affirmative vote or written consent, or any combination thereof, of Members representing at least fifty-one percent (51%) of the Members other than the Declarant, except for Declarant's pre-existing mortgage, or any refinancing thereof, the lien of which may encumber any Common Area contained on one or more Lots owned by Declarant.

3.3.5 Rights of the Association. With respect to the Area of Common Responsibility, and in accordance with the Articles and the Declaration, the Association shall have the right to contract with any person for the performance of various duties and functions.

Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with other owners or residents associations outside the Property. Such agreements shall require the consent of a majority of the total number of directors of the Association.

3.3.6 Enforcement. The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the property of the violating Owner, and to suspend an Owner's right to vote or any person's right to use the Common Area, for violation of any covenant, duty or obligation imposed under the Declaration, these Bylaws, the Design Guidelines or any rules and regulations duly adopted hereunder; provided, however, nothing herein shall authorize the Association or the Board to limit ingress and egress to or from a Lot, or such Lot's water supply if served by a community water system (beyond any restrictions imposed upon all Lots pursuant to the Declaration). In the event that any occupant, guest or invitee of a Lot violates the Declaration, Bylaws, Design Guidelines or a rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association. The failure of the Board to enforce any provisions of the Declaration, Bylaws, Design Guidelines or any rule or regulation shall not be deemed a waiver of the right of the Board to do so thereafter.

(a) Notice. Prior to imposition of any sanction, the Board or its delegate shall serve the alleged violator with written notice describing (i) the nature of the alleged violation, (ii) the proposed sanction to be imposed, (iii) a period of not less than ten (10) days within which the alleged violator may present a written request to the Board of Directors for a hearing; and (iv) a statement that the proposed sanction shall be imposed as contained in the notice unless a challenge is begun within ten (10) days of the notice. If a timely challenge is not made, the sanction stated in the notice shall be imposed.

(b) Hearing. If a hearing is requested within the allotted ten (10) day period, the hearing shall be held in executive session affording the alleged violator a reasonable opportunity to be heard. Prior to the effectiveness of any sanction, proof of proper notice shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The Board of Directors may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions and rules by any Person.

(c) Additional Enforcement Rights. Notwithstanding anything to the contrary, the Association, acting through the Board, may elect to enforce any provision of the Declaration, these Bylaws, or the rules and regulations of the Association by self-help (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations), suit at law or in equity to enjoin any violation or to recover monetary damages, or pursuit of any other remedy, or any combination of remedies without the necessity of compliance with the procedure set forth above. In any such action, to the maximum extent permissible, the Owner or occupant responsible for the violation of which abatement is sought shall pay all costs, including reasonable attorney's fees and court costs actually incurred.

Article IV **Officers**

4.1 Officers. The officers of the Association shall be a President, Vice President, Secretary, and Treasurer, to be elected from among the members of the Board. The Board may appoint such other officers, including one or more Assistant Secretaries and one or more Assistant Treasurers, as it shall deem desirable, such officers to have the authority and perform the duties prescribed from time to time by the Board. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2 Election, Term of Office, and Vacancies. The officers of the Association shall be elected annually by the Board at the first meeting of the Board following each annual meeting of the Members, as set forth in Article III. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board for the unexpired portion of the term.

4.3 Removal. Any officer maybe removed by the Board whenever in its judgment the best interests of the Association will be served thereby.

4.4 Powers and Duties. The officers of the Association shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as may from time to time specifically be conferred or imposed by the Board. The President shall be the chief executive officer of the Association. The Vice President shall assist the President and, in the absence of the President, shall have the powers and perform the duties of the President. The Treasurer shall have primary responsibility for the care and custody of all Association funds, and for the preparation of the budget as provided for in the Declaration. The Treasurer may delegate all or part of the custody, preparation and notification duties to a finance committee, management agent, or both. The Secretary shall keep the minutes of the proceedings undertaken at meetings of the Members and the Board, and keep a record containing the names and registered addresses of all Members, the designation of the property owned or leased by each Member, and, if such property is mortgaged and the Mortgagee has given the Association notice thereof, the name and address of the Mortgagee.

4.5 Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

4.6 Agreements, Contracts, Deeds, Leases, Checks, Etc. All agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by the President or the Treasurer or by such other person or persons as may be designated by resolution of the Board. The Board shall have the authority, by duly adopted resolution, to delegate check signing authority to certain Association officers or to the Association's management agent (if any); provided, however, that the Board shall set a reasonable limit, not to exceed \$5,000, on the amount of any check that may be signed by the management agent.

Article V **Committees**

Committees are hereby authorized to perform such tasks and to serve for such periods as may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Each committee shall operate in accordance with the terms of the resolution of the Board designating the committee or with rules the Board adopts.

Article VI **Indemnification of Officers and Directors**

The Association shall indemnify every director and officer and their respective heirs, executors and administrators against all loss, cost, liability, damage and expense, including reasonable attorneys' fees, incurred in connection with any claim, action, suit, or proceeding to which they may be made a party by reason of being or having been a director or officer of the Association, except for matters as to which they 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 persons to be indemnified have not been guilty of gross negligence or willful misconduct in the performance of their duties 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, cost and expense incurred or suffered by the Association by reason of or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as Common Expenses; provided, however that nothing in this Article shall be deemed to obligate the Association to indemnify any person who is or has been an officer or director of the Association with respect to any duties or obligations assumed or liabilities incurred by them by

virtue of the Declaration as an individual Owner of a Lot and not as an officer or director of the Association.

Article VII **Miscellaneous**

7.1 Fiscal Year. The fiscal year of the Association shall be set by resolution of the Board. In the absence of a resolution, the fiscal year shall be the calendar year.

7.2 Parliamentary Rules. Except as may be modified by Board resolution, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Colorado law, the Articles, the Declaration, or these Bylaws.

7.3 Conflicts. If there are conflicts between the provisions of Colorado law, the Articles of Incorporation, the Declaration, these Bylaws, and the Design Guidelines, the provisions of Colorado law, the Declaration, the Articles, the Bylaws and the Design Guidelines (in that order) shall prevail.

7.4 Books and Records.

7.4.1 Inspection by Members and Mortgagees. The Declaration, Bylaws, and Articles, any amendments to the foregoing, the rules and regulations of the Association, the membership register, books of account, and the minutes of meetings of the Members, the Board, and committees shall be made available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Lot, Member of the Association, or by the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in the Lot at the office of the Association or at such other place within the Property as the Board shall prescribe.

7.4.2 Rules for Inspection. The Board shall establish reasonable rules with respect to: (a) notice to be given to the custodian of the records; (b) hours and days of the week when such an inspection may be made; and (c) payment of the cost of reproducing copies of documents requested.

7.4.3 Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical property owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and a copy of relevant documents at the expense of the Association.

7.5 Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing, addressed to the parties as provided below, and must be: (i) delivered by hand, in which case such notice shall be

conclusively deemed delivered upon receipt or refusal of delivery; (ii) mailed, postage prepaid, in which case such notice shall be conclusively deemed delivered two (2) business days after the date of mailing; or (iii) sent by nationally recognized overnight courier, in which case such notice shall be conclusively deemed delivered one (1) business day after the date of delivery to such overnight courier. The address to which any notice or demand may be given or sent to any party may be changed by giving notice as provided herein. The parties' notice addresses are as follows:

7.5.1 If to a Member, at the address which the Member has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Lot of such Member; or

7.5.2 If to the Association, the Board of Directors, or the managing agent (if any), at the principal office of the Association or the managing agent, or at such other address as shall be designated by written notice to the Members pursuant to this Section; or

7.5.3 If to the Declarant, then to Sunnyside Development Company L.C., c/o Cirque Property L.C., 136 East South Temple, Suite 1500, Salt Lake City, Utah 84111, or at such other address as shall be designated by written notice to the Members pursuant to this Section.

7.6 Amendment.

7.6.1 By Declarant. Prior to the conveyance of the first Lot by Declarant, the Declarant may unilaterally amend these Bylaws. After such conveyance, the Declarant may unilaterally amend these Bylaws at any time and from time to time if such amendment is (i) necessary to bring any provision hereof into compliance with any applicable governmental statutes, rule or regulation, or judicial determination, including the adjudication of an augmentation plan for the Property in Water Court; (ii) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (iii) required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on the Lots; or (iv) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure mortgage loans on the Lots; provided, however, any such amendment shall not materially and adversely affect any Owner or such Owner's Lot unless such Owner shall consent thereto in writing. So long as it still owns one or more Lots, the Declarant may unilaterally amend these Bylaws for any other purpose, provided such amendment has no material adverse effect upon any rights of any Owner.

7.6.2 By Owners. Except as otherwise specifically provided herein, these Bylaws may be amended only upon a duly adopted resolution of the Board, approved by the affirmative vote or written consent, or any combination thereof, of sixty-seven percent (67%) of the total votes of the Members in the Association, including sixty-seven percent (67%) of the

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votes held by Members other than the Declarant, and the consent of the Class "B" Member, so long as such Class "B" membership exists. Notwithstanding the foregoing, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. If an Owner consents to any amendment to the Declaration or these Bylaws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment. No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

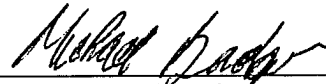
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Sunnyside Ranch at Telluride West Homeowners Association, Inc., a Colorado nonprofit corporation;

That the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof held on the 5th day of November, 1999.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 9 day of November, 1999.



Michael Badger,
Secretary