

BY-LAWS  
OF  
WILLITS TOWNHOMES ASSOCIATION

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BY-LAWS  
OF  
WILLITS TOWNHOMES ASSOCIATION

ARTICLE I - OFFICES

The principal office of the corporation shall be located at 400 West Cody Lane, Basalt, Colorado 81621. The corporation may have such other offices either within the State of Colorado as the Executive Board may designate, or as the business of the corporation may require.

ARTICLE II - OBJECT AND DEFINITIONS

Section 1. Purpose. The purpose of this non-profit corporation is govern the common interest community (the "Community"), consisting of the following described real property situate in the County of Eagle and State of Colorado, to-wit:

Parcel 4A \_\_\_\_\_  
Sopris Meadows Planned Unit Development  
according to the Final Plat thereof recorded July 16, 1996, in Book  
699, at Page 897, as Reception No. 595887 of the Eagle County,  
Colorado records.

ALSO DESCRIBED AS:

All of Sopris Meadows Two, Filing No. 1, according to the Final Plat  
thereof recorded April 7, 1997, in Book 723, at Page 122 , as Reception  
No. 619090 of the Eagle County, Colorado records.

(the "Property")

and such additional real property as may hereafter be submitted to the Willits Townhomes Declaration of Covenants, Conditions and Restrictions recorded in the Eagle County records in Book \_\_\_\_\_ at Page \_\_\_\_\_ as Reception No. \_\_\_\_\_ (the "Declaration") and to administer the Declaration.

Section 2. Application. All present and future owners, tenants and persons using land or improvements within the Community, are subject to the provisions set forth in these By-Laws. The mere acquisition or rental of any unit in the Community or the mere act of occupancy of the

same or any portion thereof shall signify that these By-Laws are accepted, ratified and will be complied with.

Section 3. The Act. This nonprofit corporation is further organized in compliance with, and in order to carry out, the purposes and directives of the Colorado Common Interest Ownership Act. To the extent any provision contained in these By-Laws or in the Declaration conflicts with any mandate of the Act, the provisions of the Act shall be deemed to control.

Section 4. Unit, Lot, or Townhome Lot. The term "unit", the term "lot", and the term "townhome lot" are interchangeable. Each term means a physical portion of the Property designated for separate ownership and shall refer to any of the numbered units shown on the Plat or on the Final Plat of any Filing hereafter submitted to this Declaration.

Section 5. Owner. Owner means and refers to any person or entity, including the Declarant, at any time owning a unit.

Section 7. Association. Association means and refers to WILLITS TOWNHOMES ASSOCIATION, a Colorado corporation not for profit.

Section 8. Plat. Plat shall mean the Final Plat of Willits Townhomes, Filing No. 1, recorded in Book \_\_\_\_\_, at Page \_\_\_\_\_, as Reception No. \_\_\_\_\_, of the Eagle County, Colorado records.

Section 9. Mortgage. Mortgage means and refers to any mortgage, deed of trust or other security instrument by which a unit or any part thereof is encumbered.

Section 10. Mortgagee. Mortgagee means and refers to any person or entity named as a mortgagee or beneficiary under any deed of trust or mortgage under which the interest of any owner is encumbered.

Section 11. Common Expenses. Common expenses means and refers to expenditures made or liabilities incurred by or on behalf of the Association, together with any allocations to reserves.

Section 12. Common Elements. Common elements means and includes all parts of the property, grounds, improvements, installations and facilities which are not included within a unit.

Section 13. Limited Common Element. Limited common element means a portion of the common elements allocated by the Declaration for the exclusive use of one (1) or more units, but fewer than all of the units.

Section 14. Amended Annexation Agreement. Amended Annexation Agreement means and refers collectively to the Amended Annexation Agreement recorded in Book 689, at Page 757,

as Reception No. 585757, and to the First Addendum to Amended Annexation Agreement recorded in Book 699, at Page 896, as Reception No. 595886 of the Eagle County, Colorado records.

### ARTICLE III - MEMBERSHIP, VOTING, QUORUM, PROXIES

Section 1. Membership and Voting. Every owner shall be entitled and required to be a member of the Association. An owner shall be entitled to one (1) membership for each unit owned. Each such membership shall be appurtenant to and inseparable from the unit upon which it is based, and shall be transferred automatically by the transfer (in whatsoever form) of that unit. Ownership of a unit shall be the sole qualification for membership. No person or entity other than an owner may be a member of the Association. Each unit shall be entitled to one (1) vote. Owners of more than one (1) unit shall have the right to cast the aggregate number of votes that the units which they own represent. If any unit is owned by multiple parties, all such parties shall be members; provided, however, that the vote to which such unit is entitled shall be exercised as the several owners among themselves shall determine, but in no event shall more than one (1) vote be cast with respect to any one (1) unit.

Section 2. Resolution of Voting Disputes. In the event of any dispute as to the entitlement of any member to vote or as to the results of any vote of members, the Executive Board of the Association shall act as arbitrators and the decision of a disinterested majority of the Board shall, when rendered in writing, be final and binding.

Section 3. Cumulative Voting. Cumulative voting shall not be allowed.

Section 4. Majority Vote. As used in these By-Laws, the term "majority vote" means more than fifty percent (50%) of the total number of votes authorized.

Section 5. Quorum. Except as may be otherwise provided in the Declaration, the Act, or these By-Laws, and except as hereinafter provided with respect to the calling of another meeting, the presence, in person or by proxy of members entitled to cast at least twenty percent (20%) of the votes of all members entitled to vote shall constitute a quorum at any meeting of such members. Members present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of members so as to leave less than a quorum. If the required quorum is not present in person or by proxy at any such meeting of members, another meeting may be called, subject to the notice requirements herein specified, and the presence, in person or by proxy, of members entitled to cast at least ten percent (10%) of the votes of all members, shall, except as may be otherwise provided in the Declaration, the Colorado Common Interest Ownership Act, or these By-Laws, constitute a quorum at such meeting.

Section 6. Adjournment of Members' Meetings. Members present in person or by proxy at any meeting may adjourn the meeting from time to time, whether or not a quorum shall be present in person or by proxy, without notice other than announcement at the meeting, for a total period or periods of not to exceed thirty (30) days after the date set for the original meeting. At any adjourned meeting which is held without notice other than announcement at the meeting, the quorum requirement shall not be reduced or changed, but if the originally required quorum is present in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally called.

Section 7. Vote Required at Members' Meetings. At any meeting, if a quorum is present, a majority of the votes present, in person or by proxy and entitled to be cast on a matter, shall be necessary for the adoption of the matter, unless a greater proportion is required by law, the Declaration, the Articles of Incorporation or these By-Laws.

Section 8. Proxies. A member entitled to vote may vote in person or by proxy executed in writing by the member or his duly authorized attorney-in-fact and filed with the Secretary of the meeting prior to the time the proxy is exercised. Any proxy may be revoked by attendance of the member in person at a meeting or by revocation in writing filed with the Secretary of the meeting prior to the time the proxy is exercised. A proxy shall automatically cease upon the conveyance by a member of the unit and the transfer of the membership on the books of the Association.

Section 9. Required Proxies. If title to a unit is held by more than one (1) person or by a firm, corporation, partnership, association or other legal entity, or any combination thereof, such owners shall execute a proxy appointing and authorizing one (1) person or alternate persons to attend all annual and special meetings of members and thereat to cast whatever vote the owner himself might cast if he were personally present. Such proxy shall be effective and remain in force unless voluntarily revoked, amended, or sooner terminated by operation of law; provided, however, that within thirty (30) days after such revocation, amendment or termination, the owner shall reappoint and authorize one (1) person or alternate persons to attend all annual and special meetings as is provided by this paragraph.

#### ARTICLE IV - MEMBERSHIP MEETINGS

Section 1. Association Responsibilities. The Association shall have the responsibility of administering the project, advancing the purposes and performing the duties of the Association as set forth in the Declaration and the Act.

Section 2. Annual Meetings. Meetings of the Association shall be held at such place as the Executive Board may determine. The annual meeting of the members shall be held at 7 o'clock p.m. on the first Thursday in the month of April in each year for purposes of electing, from among the members, an Executive Board, and to transact such other business of the Association as may properly come before the meeting.



Section 3. Special Meetings. The President shall call a special meeting of the owners when so directed by resolution of the Executive Board or upon presentation to the Secretary of a petition signed by owners representing at least twenty percent (20%) of the voting rights. No business shall be transacted at a special meeting, except as stated in the notice.

Section 4. Notice of Meetings. Written notice stating the place, day and hour of any meeting shall be delivered not less than ten (10) nor 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 of the Association or the officers or persons calling the meeting, to each member entitled to vote at such meeting. The notice of an annual meeting shall identify any matter which it is known may come before the meeting including, but not limited to, the general nature of any proposed amendment to the Declaration or By-Laws, any budget changes, and any proposal to remove an officer or member of the Executive Board. The notice of a special meeting shall state the purpose or purposes for which the meeting is called. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of the Association, with postage thereon prepaid. Waiver of notice, either in person or by proxy, and signed either before, at or after any meeting, shall be a valid substitute for service. The certificate of the President or Secretary that notice was duly given shall be prima facie evidence thereof.

Section 5. Order of Business. The order of business at all meetings of the members shall be as follows:

- (a) Roll call (to determine the votes represented at the meeting);
- (b) Proof of notice of meeting or waiver of service;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers (when applicable);
- (e) Reports of committees (when applicable);
- (f) Election of a Board of Managers (when proper and required under these By-Laws);  
and
- (g) New business.

## ARTICLE V - EXECUTIVE BOARD

Section 1. Number and Qualifications. The affairs of this Association shall be governed by an Executive Board composed of not less than three, nor more than five, persons. The persons named in the Articles of Incorporation shall act in such capacity, and shall manage the affairs of the Association until the first annual meeting and until their successors are elected.

Section 2. Powers and Duties. The Executive Board shall have the powers and duties necessary for the administration of the affairs of the Association and to carry out the obligations of the Association indicated in the Declaration and the Act. The Executive Board (the "Board") shall have the duty to manage the affairs of the Association and have all powers necessary to do

so, including all powers, rights and authority of the Association not reserved to the members, as provided in the Declaration, the Articles of Incorporation, these By-Laws, the Colorado Nonprofit Corporation Act, or the Colorado Common Interest Ownership Act, including without limitation, the following duties and powers:

- (a) To administer and enforce the covenants, conditions, restrictions, obligations and other provisions set forth in the Declaration;
- (b) To establish, promulgate and enforce compliance with such reasonable rules and regulations as may be necessary for the use and occupancy of the Community, with the right to amend the same from time to time;
- (c) To propose budgets for the Community;
- (d) To insure and keep in force such insurance as is determined to be proper or in the interest of its members;
- (e) To fix, determine, levy and collect the assessments for common expenses to be paid by the owners;
- (f) To levy and collect special assessments for common expenses whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating expenses or costs, or because of emergencies;
- (g) To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from an owner, as provided in the Declaration, these By-Laws or the Act;
- (h) To defend the Association from loss or damage by suit or otherwise;
- (i) To borrow funds, but only when so authorized, by majority vote of the members present in person or by proxy at a meeting duly called for such purpose; and to execute all such instruments evidencing such indebtedness as is expressly authorized;
- (j) To enter into contracts within the scope of their duties and powers;
- (k) To maintain the units and common elements as set forth in the Declaration;
- (l) To establish one or more bank accounts for the common treasury and for all separate funds which are required or may be deemed advisable;

- (m) To keep and maintain full and accurate books and records showing all of the receipts, expenses of disbursement and to permit examination thereof at any time by any of the owners and any mortgagee of a unit;
- (n) To prepare and deliver annually to each owner a statement showing, in at least summary form, all receipts, expenses or disbursements since the last such statement;
- (o) To meet at least semi-annually and more often as needed;
- (p) To carry on the administration of this Association and to generally do all things necessary and reasonable in order to effectuate the functions of the Association as addressed in the Declaration or the Act;
- (q) To exercise any other powers conferred by the Declaration;
- (r) To exercise all other powers that may be exercised in this state by legal entities of the same type as the Association; and
- (s) To exercise any other powers necessary and proper for the governance and operation of the Association.

Section 3. Management Agent. The Executive Board may employ for the Association a Management Agent, at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed above. Any management agreement shall be subject to all restrictions set forth in the Declaration or the Act.

Section 4. Election and Term of Office. At each annual meeting, a Board shall be elected for a term of one (1) year, and they shall serve until their successors have been elected and hold their first meeting.

Section 5. Vacancies. Vacancies in the Board, by any reason other than the removal by a vote of the members (owners), shall be filled by vote of the majority of the remaining members of the Board, even though they may constitute less than a quorum; and each person so elected shall be a member of the Board of Managers until a successor is elected at the next annual meeting of the Association.

Section 6. Removal of Members of the Executive Board. At any regular meeting or at any special meeting called for that purpose, any one or more members of the Board may be removed with or without cause, by a majority vote of the total authorized votes of the membership, and a successor then and there may be elected to fill the vacancy thus created. Any member of the Board whose removal has been proposed by the owners, shall be given an opportunity to be heard at the meeting.

Section 7. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the members of the Board, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each member of the Board, personally or by mail, telephone or fax, at least three (3) days prior to the day named for such meeting.

Section 8. Special Meetings. Special meetings of the Board may be called by the President on three (3) days' notice to each member of the Board, given personally, or by mail, telephone or fax, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) members of the Board.

Section 9. Waiver of Notice. Before, at or after any meeting of the Board, any member of the Board may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by the members of the Board at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the members of the Board are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum. At all meetings of the Board, a majority thereof shall constitute a quorum for the transaction of business, and the acts of the majority of the members of the Board present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting, as originally called, may be transacted without further notice.

Section 11. Immunity. To the full extent permitted by the Act, no member of the Board and no officer shall be liable for actions taken or omissions made in the performance of such Board member's duties, except for wanton and willful acts or omissions as provided in the Act.

Section 12. Powers Restricted. The Board may not act on behalf of the Association to amend the Declaration, to terminate the common interest community, or to elect members of the Executive Board or determine the qualifications, powers, duties, or terms of office of Executive Board members, but the Board may fill vacancies in its membership for the unexpired portion of any term.

## ARTICLE VI - OPEN MEETINGS AND EXECUTIVE SESSIONS

Section 1. Open Meetings. All regular and special meetings of the Association's Executive Board, or any committee thereof, shall be open to attendance by all members of the Association or their representatives.

Section 2. Closed Sessions. The members of the Executive Board or any committee thereof may hold an executive or closed door session and may restrict attendance to Executive Board members and such other persons requested by the Executive Board during a regular or specially announced meeting or a part thereof.

Section 3. Topics Limited. Matters for discussion by an executive or closed session are limited to:

- (a) Matters pertaining to employees of the Association or involving the employment, promotion, discipline or dismissal of an officer, agent, or employee of the Association;
- (b) Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
- (c) Investigation proceedings concerning possible or actual criminal misconduct;
- (d) Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure; and
- (e) Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy.

Section 4. Announcement Required. Prior to the time the members of the Executive Board or any committee thereof convene in executive session, the chair of the body shall announce the general matter of discussion as enumerated in Section 4, above.

Section 5. Other Limitations. No rule or regulation shall be adopted during an executive session. A rule or regulation may be validly adopted only during a regular or special meeting or after the body goes back into regular session following an executive session.

Section 6. Minutes. The minutes of all meetings at which an executive session was held shall indicate that an executive session was held, and the general subject matter of the executive session.

## ARTICLE VII - OFFICERS

Section 1. Designation. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be elected by and from the Executive Board.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the initial meeting of each new Board. The officers shall hold office at the pleasure of the Board. One person may hold concurrently any two (2) offices, except that the person holding the office of President shall not concurrently hold the office of Secretary.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Executive Board, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall act as chairman and preside (or appoint another Board member to preside) at all meetings of the Association and the Board. He shall have all of the general powers and duties which are usually vested in the office of President of an Association, including, but not limited to, the power to appoint committees from among the owners as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

Section 5. Vice-President. The Vice-President shall have all the powers and authority and perform all of the functions and duties of the President, in the absence of the President or upon the President's inability, for any reason, to exercise such powers and functions or perform such duties.

Section 6. Secretary. The Secretary shall keep the minutes of meetings of the Executive Board and minutes of the meetings of the Association. He shall have charge of such books and papers as the Board may direct. He shall, in general, perform all the duties incident to the office of the Secretary. The Secretary shall compile and keep current, at the principal office of the Association, a complete list of members and their registered mailing addresses. Such list shall also show, opposite each member's name, the appropriate designation of the unit owned by such member. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.

Section 7. Treasurer. The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board.

## ARTICLE VIII - INDEMNIFICATION OF BOARD MEMBERS AND OFFICERS

The Association shall indemnify every member of the Executive Board or officer, against all loss, costs and expenses, 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 a member of the Board or officer of the Association, except as to matters 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 for those matters determined by the Board not to be the product of gross negligence or willful misconduct on the part of the Board member or officer to be indemnified. The Board member or members to be indemnified shall not take part in the decision to indemnify. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as common expenses. The Association shall maintain insurance for purposes of this paragraph, as more particularly provided below. Nothing contained in this paragraph shall be deemed to obligate the Association to indemnify any member or owner of a unit, who is or has been a Board member or officer of the Association, with respect to any duties or obligations assumed or liabilities incurred by him under and by virtue of the Declaration as an owner of a unit covered thereby.

## ARTICLE IX - BUDGETS

Section 1. Executive Board to Propose Budgets. It shall be the duty of the Executive Board to formulate and propose a budget of expenses, not less than annually.

Section 2. Membership Approval. Within thirty (30) days after adoption of any proposed budget for the common interest community, the Executive Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the unit owners (members) and shall set a date for a meeting of the unit owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing or other delivery of the summary. Unless at that meeting a majority of all unit owners reject the budget, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is rejected, the periodic budget last ratified by the unit owners must be continued until such time as the unit owners ratify a subsequent budget proposed by the Board.

## ARTICLE X - ASSESSMENTS

Section 1. Assessments. The Association shall have the right to levy and make assessments, in accordance with the Declaration, the Act and these By-Laws for the following purposes:

- (a) To promote the recreation, health, safety, and welfare of the owners and the residents of the property;
- (b) To pay that part of the monthly user fees assessed by the Mid Valley Metropolitan District, for the raw water irrigation of the irrigated portions of the rights-of-way for Evans Road, Willow Road, Lake Avenue, for that part of East Valley Road

south of Lewis Lane, and for Linear Park Parcels 8B, 8C, and 8D, allocable to the Property or to any additional real property hereafter annexed to the Community;

- (c) To pay the costs and expenses of maintaining the units and common elements as set forth in the Declaration;
- (d) To pay the premiums for all insurance which the Association is required or permitted to maintain;
- (e) To pay taxes and special assessments levied against any of the property of the Association, whether real or personal;
- (f) To provide lawn, grounds, and landscaping care for the common elements, maintain and operate the raw water irrigation system for the benefit of the common elements, and to otherwise maintain the common elements;
- (g) To provide for the removal of snow from sidewalks, roadways, driveways, and parking lots which form a part of the common elements;
- (h) To pay all charges for lighting, utilities, irrigation water, trash removal and other services attributable to the common elements;
- (i) To pay wages for Association employees, Association management expenses, legal and accounting fees;
- (j) To pay any deficit remaining from any previous assessment period;
- (k) To create a reasonable contingency reserve, surplus and/or sinking fund; and
- (l) To pay any other expenses and liabilities which may be incurred by the Association for the benefit of the owners under or by reason of this Declaration, its Articles of Incorporation or By-Laws or as otherwise permitted by the Act.

Section 2. Payment of Assessment. If an assessment is payable in installments, each installment is a lien from the time it becomes due. The Association shall have the right to accelerate and declare the entire assessment due in the event of a default in any installment.

Section 3. Equality of Assessment. Each unit shall bear an equal proportionate share of any assessment for common expenses.

Section 4. Periodic Assessments. After any assessment has been made by the Association, assessments shall thereafter be made no less frequently than annually, and shall be based on a budget adopted no less frequently than annually.



Section 5. Added Charges. The Association may impose charges for late payment of assessments, recover reasonable attorney's fees and other costs of collection and levy fines for violations of the Declaration, the By-Laws or the Rules and Regulations of the Association. All such charges shall be enforceable as assessments. Any past due common expense assessment or installment shall bear interest at the rate established by the Association, but not exceeding twenty-one percent (21%) per year. Until and unless future action of the Board is taken to adjust such interest rate, the rate of interest charged on any past due assessment or installment shall be eighteen percent (18%) per annum.

Section 6. Collection of Assessments. The Association shall have the right to bring an action at law against the owner personally obligated to pay any delinquent assessment or fines.

Section 7. Assessment Liens. The Association shall also have a statutory lien on any unit for any assessment levied against that unit or fines imposed against the unit owner. The amount of the lien shall include any fees, charges, late charges, attorney's fees, fines and interest. The Declaration constitutes record notice and perfection of the statutory lien. No further recordation of any claim of lien or assessments is required. The statutory lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within six (6) years after the full amount of the assessments become due. The Association's lien for assessments and enforcement rights in respect thereto shall be governed by the applicable provisions of the Act, as now in effect or hereafter amended.

Section 8. Assessment Certificates. Upon request, the Association shall provide any owner, prospective purchaser, mortgagee or prospective mortgagee, of any unit in the Community a certificate in writing signed by an officer of the Association setting forth the amount of any assessments, interest or late charges due in connection with any specified unit. A reasonable charge may be made by the Association for the issuance of such certificates.

Section 9. Notice of Assessment Liens. Upon written request, delivered personally or by certified mail, first-class postage prepaid, return receipt requested, to the Association's registered agent, the Association shall furnish to a unit owner or his designee, or to a holder of security interest, mortgage or deed of trust, or its designees, a written statement setting forth the amount of unpaid assessments currently levied against such owner's unit. This statement shall be furnished within fourteen (14) days after receipt of the request, and is binding on the Association, the Executive Board and every unit owner. If no statement is furnished to the unit owner or holder of the security interest, mortgage or deed of trust, or to his designee, delivered personally or by certified mail, first-class postage prepaid, return receipt requested, to the inquiring party, then the Association shall have no right to assert a lien upon the unit for unpaid assessments which were due as of the date of the request.

## ARTICLE XI - DECLARANT'S RIGHTS TO CONTROL THE ASSOCIATION AND LIMITATIONS

Section 1. This Article Controls. Notwithstanding anything contained in these By-Laws to the contrary, the provisions of this Article shall control all inconsistent and conflicting provisions.

Section 2. Period of Declarant Control. The Executive Board, and all members thereof, shall be appointees and subject to removal, at any time and from time to time by the Declarant, in its sole and absolute discretion, until sixty (60) days after conveyance of seventy-five percent (75%) of the units to owners other than the Declarant; or two (2) years after the last conveyance of a unit by the Declarant in the ordinary course of business, whichever is sooner.

Section 3. Limitation of Appointment Powers. Notwithstanding the provisions of Section 2 above, Declarant's control shall be subject to the following limitations:

- (a) Within sixty (60) days after conveyance of twenty-five percent (25%) of the units to owners other than Declarant; at least one (1) member, and not less than twenty-five percent (25%) of the members of the Board, shall be elected by unit owners other than the Declarant. The Association shall call a special meeting, at which members other than the Declarant shall elect one (1) member of the Board. The board member so elected shall not be subject to removal by the Declarant acting alone, and if such director is removed or resigns, his successor shall be elected by the members other than the Declarant.
- (b) The Executive Board shall be increased to five (5) members in the sole discretion of Declarant, after the time that members other than the Declarant own fifty percent (50%) of the units within the development, or whenever Declarant earlier so determines. Thereafter, but in no event later than sixty (60) days after members other than the Declarant own fifty percent (50%) or more of the units, the Association shall call a special meeting at which time the members other than the Declarant shall elect two (2) members of the Board, which, likewise, shall not be subject to removal or replacement by the Declarant.
- (c) Not later than the termination of the Period of Declarant Control set forth in Section 1 above, the unit owners, including the Declarant (to the extent the Declarant retains ownership of units within the development), shall elect a new Executive Board of at least three (3) members, the majority of whom must be unit owners other than the Declarant, or designated representatives of unit owners other than the Declarant. The Board shall elect officers from among its members and take office upon elections.

Section 4. Voluntary Surrender. The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of the period of Declarant control set forth above. In that event, the Declarant may require, for the duration of the period of Declarant control, specified actions of the Association or Executive Board as described in a recorded instrument, executed by the Declarant, be approved by the Declarant before becoming effective.

Section 5. Association's Records. Within sixty (60) days after termination of Declarant's control and the election of a new Executive Board by the members, the Declarant shall deliver to the Association all records and property of the Association held or controlled by the Declarant as prescribed by the Colorado Common Interest Ownership Act.

## ARTICLE XII - RULES AND REGULATIONS

Section 1. Promulgation of Rules and Regulations. The Association, through its Executive Board, shall have the power and authority to adopt and promulgate such rules and regulations as it may from time to time deem necessary or desirable to regulate the use of the units and activities within the Community, in a manner consistent with the purposes of the Declaration and the terms and conditions of the Final PUD Development Plan for the Community.

Section 2. Members and Occupants to Comply. Each owner and every person occupying or in possession of any unit, improvement or portion thereof, shall comply strictly with the provisions of the Declaration and any Rules and Regulations promulgated by the Association. Each owner shall always endeavor to observe and promote the cooperative purposes for which the Association was established. Each owner shall see that any tenant or other person occupying his unit or any dwelling unit upon his unit, is supplied with a copy of the Rules and Regulations and a copy of the Declaration and require that such tenant comply therewith. Every lease or rental agreement in respect to any unit or dwelling unit within the Community shall require the tenant to comply with the Rules and Regulations of the Association and the Declaration.

## ARTICLE X - INSURANCE

Section 1. Association to Maintain Insurance. Commencing not later than the time of the first conveyance of a unit to a person other than the Declarant, the Association shall maintain, to the extent reasonably available, the kinds and types of insurance specified in this Article.

Section 2. Property Insurance. Property insurance on the common elements and on the townhomes themselves for broad form covered causes of loss. Such coverage shall afford protection against loss or damage by fire and other hazards covered by a standard extended coverage endorsement and such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use, as the buildings on the Property, including, but not limited to vandalism and malicious mischief. The amount of insurance must be not less than the full insurable replacement cost of the insured property, less applicable

deductibles at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property policies; provided that the casualty protection on the buildings and improvements maintained by the Association shall insure the improvement only to the interior bare walls as initially constructed and installed by the Declarant. It shall be the responsibility of each owner to insure the finish of the interior walls and all cabinets, furnishings, fixtures, appliances, personal property, and other contents of his unit. The named insured shall be the Association, individually, and as agent for the owners and their mortgagees, without naming them. Provisions shall be made for the issuance for mortgagee endorsements and memoranda of insurance to the mortgagees of the owners. Such insurance policy shall provide that payments by the insurer for losses shall be made to the Association or to an insurance trustee in the State of Colorado designated by the Association for that purpose. Such insurance policy shall contain "severability of interest" clause or endorsement which shall preclude the insurer from denying the claim of a unit owner because of negligent acts of the Association or other unit owners. The scope of coverage must include all other coverage in the kinds and amounts commonly required by private institutional mortgage investors for projects similar in construction, location, and use.

Section 3. Liability Coverage. Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the common elements as deemed sufficient in the judgment of the Executive Board, but in no event less than \$1,000,000 per occurrence and \$2,000,000 aggregate, insuring the Executive Board, the Association, the management agent, if any, and their respective employees, agents, and all persons acting as agents. The Declarant shall be included as an additional insured in Declarant's capacity as a unit owner and board member. The Town of Basalt shall also be included as an additional insured. The owners (unit owners) shall be included as additional insureds, but only for claims and liabilities arising in connection with the ownership, existence, use or management of the common elements. The insurance shall cover claims of one (1) or more insured parties against other insured parties.

The maintenance of such insurance by the Association and the acceptance of such coverage by the Town of Basalt, does not waive or purport to waive the provisions of the Colorado Governmental Immunity Act as applicable to the Town of Basalt.

Section 4. Non-Availability. If the insurance described in Sections 2 and 3 of this Article is not reasonably available, or if any policy of such insurance is canceled or not renewed, without a replacement policy therefore having been obtained, the Association promptly shall cause notice of that fact to be hand delivered, or sent prepaid, U.S. mail, to all unit owners.

Section 5. Additional Coverage Required. Pursuant to the Act, the Property Insurance acquired pursuant to Section 2 above, and the Commercial General Liability Insurance required pursuant to Section 3 above, must provide that:

- (a) Each owner is an insured person under the policy with respect to liability arising out of such unit owner's interest in the common elements or membership in the Association;
- (b) The insurer waives its rights to subrogation under the policy against any unit owner or member of his household;
- (c) No act or omission by any unit owner, unless acting within the scope of such unit owner's authority on behalf of the Association, will void the policy or be condition to recovery under the policy; and
- (d) If, at the time of a loss under the policy, there is other insurance in the name of a unit owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

Section 6. Adjustment of Property Loss. Any loss covered by the Property Insurance described in Section 2 above, must be adjusted with the Association, but shall be held, administered and applied in the manner provided by the Colorado Common Interest Ownership Act, C.R.S. §38-33.3-313(5)-(9).

Section 7. Association to Adopt Procedures. The Association may adopt and establish written nondiscriminatory policies and procedures relating to the submittal of claims, responsibility for deductibles, and any other matters of claims adjustment. To the extent the Association settles claims for damages to real property, it shall have the authority to assess negligent unit owners causing such loss or benefiting from such repair or restoration, all deductibles paid by the Association. In the event that more than one (1) unit is damaged by a loss, the Association, in its reasonable discretion, may assess each unit owner a pro rata share of any deductible paid by the Association.

Section 8. Owner's Insurance. An insurance policy issued to the Association does not obviate the need for unit owners to obtain insurance for their own benefit.

Section 9. Officers and Directors. The Association shall keep and maintain Officers and Directors errors and omissions and personal liability coverage, with limits not less than \$1,000,000 per occurrence and \$2,000,000 aggregate, to protect the officers and directors from personal liability in relation to or arising out of their duties on behalf of the Association.

Section 10. Fidelity Bonds and Insurance. The Association shall require all Executive Board members, officers, employees and managers of the Association handling or responsible for Association funds, furnish adequate fidelity bonds or insurance to protect against dishonest acts. Fidelity insurance coverage shall not be less than the aggregate amount of two (2) months current assessments for the entire Property, plus reserves as calculated from the current budget of the

Association, or \$50,000, whichever is greater. The Association may carry fidelity insurance at a greater amount.

Section 11. Worker's Compensation and Employer's Liability Insurance. The Association shall obtain worker's compensation and employer's liability insurance and all other similar insurance with respect to its employees in the amounts and forms as may now or hereafter be required by law.

Section 12. Managing Agent Insurance. The manager or managing agent, if any, shall be insured to the same extent as the Association, as herein provided, and as provided in the Act, for the benefit of the Association, and shall maintain and submit evidence of such coverage to the Association.

Section 13. Other Insurance. The Association may also obtain insurance coverage against any such other risks of a similar or dissimilar nature, as deemed appropriate.

Section 14. Insurance Expense. The cost of all insurance which the Association is required or permitted to maintain, shall be assessed to the unit owners as a common expense.

#### ARTICLE XIV - MISCELLANEOUS

Section 1. Amendments. To the extent permitted by the Act, these By-Laws may be amended by the Association members at a duly constituted meeting for such purpose, and no amendment shall take effect unless approved by owners representing a majority of the total votes present or represented by proxy at such meeting, or such greater number as may be required by the Declaration or the Act, in respect to any specific matter. The notice of such meeting shall contain a summary of the proposed changes or a copy of such proposed changes.

Section 2. Proof of Ownership. Any person, on becoming an owner of a unit, shall furnish to the Executive Board a photocopy of the recorded instrument vesting that person with an interest or ownership, which instrument shall remain in the files of the Association. A member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or at a special meeting of members unless this requirement is first met.

Section 3. Registration of Mailing Address. The owners of each unit shall have one registered mailing address to be used by the Association for mailing of monthly statements, notices, demands, and all other communications, and such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity, or any combination thereof, to be used by the Association. Such registered address of a unit owner or owners shall be furnished by owners to the Secretary within five (5) days after transfer of title. Such registration shall be in written form and signed by all of the owners of the unit or by such persons as are authorized by law to represent the interests of the owners thereof.

If no such address is registered or if all of the owners cannot agree, then the address of the unit shall be the registered address until another registered address is furnished as permitted under this Article. Registered addresses may be changed from time to time by similar designation.

Section 4. By-Laws shall Comply with Law. These By-Laws are intended to comply with the requirements of the Colorado Non-Profit Corporation Act, and the Colorado Common Interest Ownership Act. If any of these By-Laws should, at any time, conflict with the provisions of either Act, in any manner not permitted, the provisions of the applicable Act will apply.

Section 5. Non-Profit Purpose. This Association is not organized for profit. No member, member of the Executive Board, or officer of the Association shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or inure to the benefit of any member of the Executive Board; provided, however; (1) reasonable compensation may be paid to any director, officer or member while acting as an agent or employee of the Association, for services rendered in effecting one or more of the purposes of the Association; and (2) any director, officer or member may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association; and (3) any member of the Executive Board may be compensated for attendance at regular or special meetings of the Executive Board.

Section 6. Corporate Seal. The Association hereby adopts as the Corporate Seal of this non-profit corporation, the seal making the imprint shown on the side of this page.

DATED this \_\_\_\_ day of \_\_\_\_\_, A.D. 1997.

THE UNDERSIGNED Secretary of Willits Townhomes Association, a Colorado corporation not for profit, does hereby certify that the above and foregoing By-Laws were duly adopted by the Executive Board as the By-Laws of the corporation on the \_\_\_\_ day of \_\_\_\_\_, A.D. 1997, and that they now do constitute the By-Laws of the corporation.

\_\_\_\_\_  
Secretary