

BYLAWS OF THE BASBERG TOWNHOUSE ASSOCIATION

ARTICLE I NAME AND LOCATION

The name of the corporation is BASBERG TOWNHOUSE ASSOCIATION hereinafter referred to as the "Association". The principal office of the corporation shall be located at 805 Pinion Dr., Unit No. 5, (P.O. Box 1128), Basalt, CO 81621, but meetings of members and directors may be held at such places within the State of Colorado as may be designated by the Board of Directors.

ARTICLE II DEFINITIONS

Section 1. "Association" shall mean and refer to The Basberg Townhouse Association, a Colorado nonprofit corporation, its successors and assigns.

Section 2. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 3. "Properties" shall mean and refer to that certain real Property described above and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 4. "Common Area" shall mean all property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot of the Properties is described as common access and open space on the plat of The Basberg Townhouses, as recorded in the records of the clerk and Recorder of Eagle County, Colorado, and is subject to easements and rights of way as depicted thereon.

Section 5. "Lot" shall mean and refer to any plot of land or Unit shown upon any recorded subdivision map of the Properties, with the exception of the common area, but together with all appurtenances and improvements now or hereafter located on such Lot.

Section 6. "Declarant" shall mean and refer to German Dittmar, his successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7. "Member" shall mean and refer to every person or entity who holds membership in the Association.

Section 8. "Architectural Control Committee" shall mean the committee appointed by Declarant or by the Board of Directors of The Basberg Townhouse Association.

Section 9. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust or other security instrument recorded in the records of the office of the Clerk and Recorder of the County of Eagle, Colorado, having priority of record all other recorded liens except those governmental liens made superior by statute (such as general ad valorem tax liens and special assessments). "First Mortgage" shall also mean and refer to any executory land sales contract wherein the Administrator of Veterans Affairs, an Officer of the United States of America, is the original seller, whether such contract is recorded or not, and whether such contract is owned by the said Administrator or has been assigned by the said Administrator and is owned by the Administrator's assignee, or a remote assignee, and the land records in the office of the Clerk and Recorder of the County of Eagle, Colorado, show the said Administrator as having the record title to the Lot.

Section 10. "First Mortgagee" shall mean and refer to any person named as a mortgagee or beneficiary under any First Mortgage (including the Administrator of Veterans Affairs, an Officer of the United States of America, and his assigns under any executory land sales contract wherein the said Administrator is identified as the seller, whether such contract is recorded or not and the land records in the Office of the Clerk and Recorder of the County of Eagle, Colorado, show the said Administrator as having the record title to the Lot), or any successor to the interest of any such person under such First Mortgage.

Section 11. "Unit" shall be deemed to mean a Lot as hereinabove defined and such terms shall be used interchangeably herein and on the final plat and other documents related to the Basberg Townhouses.

ARTICLE III MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held on or before the fourth week of January at 7:00 P.M., and each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter, at the hour of 7:00 P.M. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) days before such meeting to each member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purposes of notice. Such notice shall specify the place, day and hour of the meeting, and in case of a special meeting, the purpose of the meeting. Written notice shall be given in accordance with the Declaration of any meeting at which an increase in the maximum annual assessment above the increase permitted by Section 4(a) of Article IV of the Declaration or at which meeting any special assessment is proposed to be made.

Section 4. Quorum. The presence at the meeting of the Members entitled to cast, or of proxies entitled to cast one-fourth (1/4) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

Section 5. Proxies. At all meetings of Members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

Section 6. Mortgages. All First Mortgagees of Lots shall have the right to designate a representative to attend all meetings of the Members of the Association.

ARTICLE IV
BOARD OF DIRECTORS - SELECTION - TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a board of a minimum of one (1) director, but not more than three (3) directors, who shall be Members of the Association.

Section 2. Term of Office. At the first annual meeting, the Members shall elect three directors as follows: one director for a term of one year, one director for a term of two years, and one director for a term of three years, and at each annual meeting thereafter the Members shall elect the same number of directors whose terms are expiring at the time of the election, for terms of three years.

Section 3. Change in Number of Directors. The Members shall be empowered to increase the number of directors to a maximum of three (3) and to decrease the number of directors to a minimum of one (1) in accordance with Article XIII of these Bylaws. No decrease shall have the effect of shortening the term of any incumbent director. In the event of increase, the directors shall have the right to establish annual terms of office shorter than three (3) years for such new directors so as to maintain, as nearly as possible, the election of one-third (1/3) of the total number of directors in any given year.

Section 4. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of the death, resignation or removal of a director, his successors shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 5. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 6. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V
NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made from among members at the annual meeting of members.

Section 2. Election. Election to the Board of Directors shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI
MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held quarterly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days' notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the board.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of directors shall have power to:

- (a) adopt and publish rules and regulations governing the use of the Common Area and facilities thereon and the conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting rights and the right to use recreational facilities, if any, of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days, for infraction of published rules and regulations;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Article of Incorporation or the Declaration;
- (d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (e) employ a manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties.

In addition to any requirements set forth in the Declaration and notwithstanding anything to the contrary set forth herein, the Board of Directors shall not, (a) unless it has obtained the prior written consent of at least two-thirds (2/3) of all classes of Members or First Mortgagees of Lots (based upon one vote for each First Mortgage owned), (1) by act or omission, change, waive, or abandon any scheme or architectural control, or enforcement thereof, as set forth in the Declaration, regarding the design or maintenance of the Lots, improvements thereon or the Common Area, (2) fail to maintain full current replacement cost fire and extended insurance coverage on the Common Area, or (3) use hazard insurance proceeds for Common Area property losses for purposes other than to repair, replace, or reconstruct such property; or (b) unless it has obtained the prior written consent of at least two-thirds (2/3) of all classes of Members and 100% of all first Mortgagees of Lots (based upon one vote for each first mortgage owned), (1) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any common property owned, directly or indirectly, by the Association for the benefit of the owners (excluding the granting of easements for public utilities or other purposes consistent with the intended use of such common property), or (2) change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner. Further, any agreement for professional management of the Association's business, or any other contract providing for services of the Declarant must provide for termination by either party without cause and without payment of a termination fee upon thirty (30) days or less prior written notice, and shall have a maximum term of one (1) year. Each and every management contract made between the Association and a manager or managing agent during the period when the Declarant or other developer controls the Association shall terminate absolutely, in any event, no later than thirty (30) days after the termination of control by the Declarant or other developer of the Association. All such management contracts entered into by the Association with a manager or managing agent during the period of control by the Declarant or developer shall be subject to review and approval by the Veteran's Administration if the Veteran's Administration is then an insurer or guarantor of any First Mortgage affecting the Properties. The provisions of this paragraph shall be contained, verbatim, in each and every such management contract.

Section 2. Duties. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or any special meeting when such statement is requested in writing by one-fifth (1/5) of the Class A Members who are entitled to vote;
- (b) supervise all officers, agents and employees of this Association, and see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

- (1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;
- (2) foreclose the lien against any Lot for which assessments are not paid within ninety (90) days after due date or to bring an action at law against the Owner personally obligated to pay the same;

(d) issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain insurance in such amounts and in such types as the Board deems desirable, which insurance may include (1) hazard insurance for the Common Area, (2) liability insurance, and (3) fidelity insurance with respect to officers, directors and employees of the Association;

(t) cause the Common Area to be maintained; and

(g) notify in writing the First Mortgagee of any Lot, upon request, when the Owner thereof is in default in the payment of any assessment, or otherwise in default of any obligation under the Declaration, Articles of Incorporation or these Bylaws and the Board has actual knowledge of such default, and said default has not been cured within sixty (60) days after the Board has actual knowledge thereof, provided that said mortgagee has previously given notice in writing to the Association of the existence of such mortgage.

ARTICLE VIII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be Members of the Board of Directors, a secretary and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following such annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless the officer shall sooner resign, or shall be removed, or shall otherwise be disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president, or the secretary. Such resignation shall take effect on the date of 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.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the office replaced.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special officers created pursuant to Section 4 of this Article.

(a) President. The president shall preside at all meetings of the Board of Directors; shall see that

orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks and promissory notes.

(b) Vice-President. The vice-president shall act in the place and stead of the president in the event of the president's absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of the vice-president by the Board.

(c) Secretary. The secretary shall record the notes and keep the minutes of all meetings and proceedings of the Board and of the Members; shall keep the corporate seal of the Association and affix it on all papers requiring said seal; shall serve notice of meetings of the Board and of the Members; shall keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; shall keep proper books of account; shall cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE IX COMMITTEES

The Association shall appoint an Architectural Control Committee, subject to the provisions of the Declaration. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or any First Mortgagee of any Lot. The Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI ASSESSMENTS

As more fully provided in the declarations, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within ten (10) days after the due date, said assessment shall bear interest at the rate of eighteen percent (18%) per annum from the due date. The Association may bring an action at law or in equity against the Owner personally obligated to pay the assessment or foreclose the lien against the property. In either a personal or foreclosure action, the Association shall be entitled to recover as part of the action, interest, costs and reasonable attorney's fees. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII
CORPORATE SEAL

The Association shall have a seal in circular form and within its circumference the words: BASBERG TOWNHOUSE ASSOCIATION.

ARTICLE XIII
AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, provided that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the Articles and Declaration, the Declaration shall control.

ARTICLE XIV
INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify every director and officer, and his or her heirs, executors and administrators, against all loss, costs and expense, including counsel fees, reasonably incurred in connection with any action, suit or proceeding to which such person may be made a party by reason of being or having been a director or officer of the Association, except for matters in which such person shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct, provided, however, that such indemnity shall be limited to the amount of coverage provided to the Association by any policy of officers and directors liability insurance. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such director or officer in relation to the matter involved. The on going rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as common expenses. Nothing contained in this Article shall, however, be deemed to obligate the Association to indemnify any Member or Owner who is or has been a director or officer of the Association with respect to any duties or obligations assumed or liabilities incurred as a Member or Owner under or by virtue of the Declaration.

ARTICLE XV
MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December every year, except that the first fiscal year shall begin on the date of incorporation.