

BYLAWS

OF

COTTON RANCH HOMEOWNERS' ASSOCIATION

ARTICLE I

OBJECT AND DEFINITIONS

1.1 **Purpose.** The purpose for which this Association is formed is to govern the property located in Eagle County, Colorado, known as the Cotton Ranch and more particularly described in the Declaration (as defined hereafter), and any other property which the Association may own (hereinafter referred to as the "Properties").

The above-referenced property has been submitted to a Declaration entitled Declaration of Protective Covenants, Conditions, and Restrictions for the Cotton Ranch (hereinafter referred to as the "Declaration").

1.2 **Assent.** All present or future owners, tenants, future tenants, or any other person using the facilities of the Properties in any manner are subject to the regulations set forth in these Bylaws. The mere acquisition or rental of any of the Lots in the Properties or the mere act of occupancy of the Lots shall constitute ratification of these Bylaws.

1.3 **Definitions.** Unless otherwise specified, the following terms shall have the same meaning in these Bylaws as such terms have in the Declaration: Association, Board of Directors, Common Areas, Declarant, Declaration, Member, Owner, Properties, and Lot.

ARTICLE II

MEMBERSHIP, VOTING, MAJORITY OF OWNERS, QUORUM, PROXIES

2.1 **Membership.** The total number of memberships shall not exceed the number of Lots. Upon becoming an Owner of a Lot, any person, including Declarant automatically shall become a member of this Association and shall be subject to the provisions of the Articles of Incorporation, the Declaration, and to these Bylaws. Such membership shall terminate without any Association action whenever such person ceases to own a Lot, but such termination

shall not relieve or release any such former Owner from any liability or obligation incurred under or in connection with the Association during the period of ownership and membership in this Association, nor shall such termination impair any rights or remedies which the Board of Directors of the Association or others may have against such former Owner and Member arising out of, or in any way connected with, such ownership and membership, and the covenants and obligations incident thereto. No certificates of stock shall be issued by the Association, but the Board of Directors may, if it so elects, issue membership cards to the Owner(s) of a Lot. Such membership cards shall be surrendered whenever ownership of the Lot designated thereon shall terminate.

2.2 Classes of Membership and Voting Rights. The Association shall have two classes of voting membership:

2.2.1 Class A. Class A Members shall be all Owners with the exception of the Declarant and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

2.2.2 Class B. The Class B Members shall be Declarant. Declarant shall be entitled to three (3) votes for each Lot owned. The then existing Class B memberships shall be converted to Class A memberships on the happening of any of the following events, whichever occurs first:

2.2.2.1 When the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership; or

2.2.2.2 On December 31, 2005. *Amended*

2.2.3 All Members shall be entitled to vote on all matters, as provided above. Cumulative voting is prohibited. No person or entity other than an Owner of a Lot may be a Member of the Association. Members shall have no preemptive rights to purchase other Lots or the memberships appurtenant thereto.

2.2.4 If title to a Lot is held by more than one 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 person or alternative 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. Within thirty (30) days after such revocation, amendment, or termination thereof, however, the Owner shall reappoint and authorize one person or alternate persons to attend all annual and special meetings as is provided in this paragraph.

2.2.5 A membership in the Association shall not be assigned, encumbered, or transferred in any manner except as an appurtenance to the transfer of title to the Lot to which the membership pertains; provided, however, the rights of membership may be assigned to the holder of a Mortgage on a Lot as further security for a loan secured by a lien on such Lot.

2.2.6 A transfer of membership shall occur automatically upon the transfer of title to the Lot to which the membership pertains.

2.2.7 The Association may suspend the voting rights of a Member for failure to comply with the Rules and Regulations or these Bylaws or with any other obligations of the Owners of a Lot under the Declaration or agreement created thereunder.

2.3 Majority of Owners. As used in these Bylaws, the term "majority of Owners" shall mean and refer to Owners who in the aggregate are allocated more than fifty percent (50%), of the votes in the Association.

2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners to whom twenty percent (20%) of the votes in the Association are allocated shall constitute a quorum. An affirmative vote by the Owners, present physically or by proxy, representing a majority of the votes entitled to be cast by virtue of their presence in person or by proxy at a duly called meeting, shall be required to transact any business. The Members present at any duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members

to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to constitute a quorum.

2.5 Proxies.

2.5.1 Votes may be cast in person or by proxy. Proxies shall be in writing and must be filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot or upon receipt by the Association of written notice of the death or incapacity of the Member who executed the proxy. No proxy shall be valid for a period longer than 11 months after the date thereof.

2.5.2 Any form of proxy or written ballot distributed to the Members shall afford an opportunity on the proxy or form of written ballot to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot or proxy is distributed, to be acted upon at the meeting for which the proxy is solicited or by such written ballot, and shall provide, subject to reasonable specific conditions, that where the Member solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance therewith.

2.5.3 Every form of proxy or written ballot which provides an opportunity to specify approval or disapproval with respect to any proposal shall also contain an appropriate space marked "abstain," whereby a Member may indicate a desire to abstain from voting on the proposal. A proxy marked "abstain" by the Member with respect to a particular proposal shall not be voted either for or against such proposal.

2.5.4 In any election of Directors, any form of proxy or written ballot in which the Directors to be voted upon are named therein as candidates and which is marked by a Member "withhold" or otherwise marked in a manner indicating that the authority to vote for the election of Directors is withheld shall not be voted either for or against the election of a Director.

2.5.5 Failure to comply with this section shall not invalidate any corporate action taken, but may be the basis for challenging any proxy at a meeting and a court may compel compliance therewith at the suit of any Member.

2.6 Voting by Mail.

2.6.1 The Board of Directors may decide that voting of the Members shall be by mail with respect to any properly noticed matter or to any particular election of Directors or with respect to adoption of any proposed budget, or amendment to the Articles of Incorporation, or adoption of a proposed plan of merger, consolidation, or dissolution.

2.6.2 In case of the election of Directors by mail, the existing Board of Directors shall nominate candidates and shall advise the Secretary in writing of the names of nominated Directors sufficient to constitute a full Board of Directors, and of a date, which must be at least fifty (50) days after such advice is given, by which all votes are to be received. The Secretary, within five (5) days after such advice is given, shall give written notice of the number of Directors to be elected and of the names of the nominees to all Owners. The notice shall state that any such Owner may nominate an additional candidate or candidates, not to exceed the number of Directors to be elected, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date fifteen (15) days from the date the notice is given by the Secretary. Within five (5) days after such specified date, the Secretary shall give written notice to all Owners, stating the number of Directors to be elected, stating the names of all persons nominated by the Board of Directors and by the Owners on or before the specified date, stating that each Owner may cast a vote by mail and stating the date established by the Board of Directors by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. All persons elected as Directors pursuant to such an election by mail by receipt of the number of votes required by applicable law shall take office effective on the date specified in the notice for receipt of such votes.

2.6.3 In the case of a vote by mail relating to any properly noticed matter or to any proposed amendment to the Articles of Incorporation or adopting a proposed plan of merger, consolidation, or dissolution, the Secretary shall give notice to all Owners, which notices shall include a proposed written resolution setting forth the description of the proposed action,

and shall state that such persons are entitled to vote by mail for or against such proposal and stating a date not less than twenty (20) days after the date such notice shall have been given on or before which all votes must be received and stating that they must be sent to the specified address of the principal office of the Association. Votes received after that date shall not be effective. Except as otherwise provided in the Declaration, any proposal described in this paragraph shall be adopted if approved by the affirmative vote of the owners to whom sixty-seven percent (67%) of the votes in the Association are allocated.

2.6.4 Delivery of a vote in writing to the principal office of the Association shall be equivalent to receipt of a vote by mail at such address for the purposes of this Section 2.6.

ARTICLE III

ADMINISTRATION AND MEETINGS OF MEMBERS

3.1 Association Responsibilities. The Owners of the Lots will constitute the Association, who will have the responsibility of administering the Association through a Board of Directors.

3.2 Place of Meetings. Meetings of the Association shall be held at such place as the Board of Directors may determine.

3.3 Annual Meetings. The first and subsequent annual meetings shall take place on such date as chosen by the Board of Directors; however, the first annual meeting shall be held no later than the date on which the Class B memberships cease and are converted into Class A memberships, and at least one (1) annual meeting shall take place during each calendar year thereafter and an annual meeting shall also be scheduled within 390 days after the previous annual meeting. At each annual meeting Directors shall be elected by ballot of the Owners. The Owners may also transact such other business of the Association as may properly come before them.

3.4 Special Meetings. The President shall call a special meeting of the Owners when so directed by resolution of the Board of Directors or upon presentation to the Secretary of a petition signed by the Owners to whom twenty percent (20%) of the votes in the Association are allocated. No business shall be transacted at a special meeting except as stated in the notice unless by consent

