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**BYLAWS
OF
LPPO Association
(October 17, 2005)**

Updated 9/15/06 to include all revisions made to sections 2.1 (a) and (b) on 6/3/06, striking 3.9 (b) iv on 6/28/06, and 3.10 on 9/9/2006.

**ARTICLE 1
INTRODUCTION**

These are the Bylaws of LPPO, Inc. These Bylaws shall supersede and amend, in their entirety, the Bylaws dated December 1, 1975. The name of the corporation is LPPO Association, (hereinafter referred to as the "Association"). The Association has been organized for the purpose of governing the property described as the Lake Purgatory Subdivision Unit 1. Any person upon becoming an owner of a lot within Lake Purgatory Subdivision Unit 1 shall automatically become a member of this Association and be subject to these Bylaws.

**ARTICLE 2
BOARD**

Section 2.1 Number and Qualification.

(a) The affairs of the Lake Purgatory Subdivision Unit 1 (the "Community") and the Association shall be governed by a Board of Directors (sometimes referred to herein as the "Board") which shall consist of five (5) persons, all of whom shall be lot owners. Board membership is limited to one Board Member per lot. If any Lot is owned by an entity (Partnership, LLC, Corporation, Trust, etc.) the entity shall appoint one person to act on its behalf. That person shall have all the privileges of membership of the Association, including voting, election, and serving on the Board. Notification of the name of that person must be presented in writing to the Board before the start of a meeting. No board member (or the entity represented thereby) shall have an affiliation with more than one other board member (of the entity represented thereby). For purposes of applying this restriction, "affiliation" shall mean a relationship where a person, or the appointing entity (hereafter, collectively the "Person") controls, is controlled by, or is under common control with another Person. A Person controls another Person if that Person: Is a general partner, officer, director, or employee of the other Person; directly or indirectly, or acting in concert with one or more other persons or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing more than twenty percent of the voting interests of the other Person; controls in any manner the election of a majority of the directors of the other Person; or has contributed more than twenty percent of the capital of the other Person.

(b) The terms of the members of the Board of Directors shall be one year.

(c) The Association shall call an annual meeting for the election of Board Members in writing, and shall give not less than 10 or more than 50 days' notice to the Lot Owners for this purpose. This meeting may be called and the notice given by any Lot Owner if the Board fails to do so. Election of Board Members shall be by simple majority vote of the members at the annual meeting of members (at which a quorum is established).

(d) Each Board Member shall hold office until the annual meeting of the members next

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succeeding his or her election, and until the successor is elected and qualified, or until his or her prior death, resignation or removal.

Section 2.2 Powers and Duties. The Board of Directors may act in all instances on behalf of the Association, except as provided in the Declaration or these Bylaws. The Board of Directors shall have, subject to the limitations contained in the Declaration, the powers and duties necessary for the administration of the affairs of the Association and of the Community, including the following powers and duties:

- (a) Adopt and amend Bylaws and Rules and Regulations;
- (b) Adopt and amend budgets for revenues, expenditures and reserves;
- (c) Collect assessments from Lot Owners (assessments includes assessments for common expenses, special assessments, fines, and late charges);
- (d) Hire and discharge managing agents;
- (e) Hire and discharge employees, independent contractors and agents other than managing agents;
- (f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's Declaration, Bylaws or Rules and Regulations in the Association's name, on behalf of the Association or two or more Lot Owners on matters affecting the Community;
- (g) Make contracts and incur liabilities;
- (h) Maintain, repair, refurbish, remodel, improve, replace and modify all Association property within the Community (including, but not limited to, Association roads, utilities, and water systems);
- (i) Cause additional improvements to be made as a part of the common elements of the Community including but not limited to, roads and utilities, "Common Elements";
- (j) Acquire, hold, encumber, and convey, in the Association's name, any right, title or interest to real estate or personal property, including subjecting property to a security interest;
- (k) Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions through or over the Common Elements;
- (l) Impose and receive a payment, fee or charge for services provided to Lot Owners and for the use, rental or operation of the Common Elements;
- (m) Impose a reasonable charge for late payment of assessments, recover reasonable attorney's fees and other legal costs for collection of assessments and other action to enforce the

power of the Association (regardless of whether or not suit was initiated) and levy a reasonable fine for a violation of the Declaration, Bylaws, and Rules and Regulations of the Association (if any);

(n) Impose a reasonable charge for the preparation and recording of amendments to the Declaration or statements of unpaid assessments;

(o) Provide for the indemnification of the Association's officers and the Board of Directors to the extent the Board deems just and reasonable and maintain Board Members' and Officers' liability insurance;

(p) The Board, by resolution adopted by a majority of the entire Board, may from time to time designate from among its members, an executive committee, and such other committees, and alternate members thereof, as they may from time to time deem desirable. Each committee shall consist of three or more members, with such powers and authority (to the extent permitted by law) as may be provided in such resolution. Each committee shall serve at the pleasure of the Board.

(q) Suspend the voting interests allocated to a Lot, and the right of an Owner to cast such votes, or by proxy the votes of another, during any period in which such Owner is sixty days or more in default in the payment of any assessment, or, during any time in which an Owner is in violation of any other provision of the Declarations, Rules & Regulations or Bylaws; and

(r) Exercise any other powers conferred by the Declarations or Bylaws;

(s) Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association; and

(t) Exercise any other power necessary and proper for the governance and operation of the Association.

(u) Standard of Care. A Director shall perform his or her duties as a director, including his or her duties as a member of any committee of the Executive Board upon which he or she may serve, in good faith, in a manner he or she reasonably believes to be in the best interests of the corporation, and with such judgment as an ordinarily prudent person in a like position would use under similar circumstances. In performing his or her duties, a Director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by persons and groups listed in the sub-paragraphs; but he or she shall not be considered to be acting in good faith if he or she has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A person who so performs his or her duties shall not have any liability by reason of being or having been a Director. Those persons and groups on whose information, opinions, reports, and statements a Director is entitled to rely upon are:

i) One or more officers or employees of the corporation whom the Director reasonably believes to be reliable and competent in the matters presented;

ii) Counsel, public accountants, or other persons as to matters which the Director reasonably believes to be within such persons' professional or expert competence or

iii) A committee of the Executive Board upon which he or she does not serve, duly

designated in accordance with the provision of the Articles of Incorporation or the Bylaws, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence.

Conflicts of interest are governed by C.R.S. '38-33.3-110.5 which provides that board members must disclose that they have a conflict of interest in any action or contract that would financially benefit any board member or the parent, grandparent, spouse, child or sibling of any board member. Such disclosure shall be made in an open meeting before any action is taken on the matter. Although the board member with a conflict of interest may be counted for purposes of determining a quorum, such member may not vote on the matter affected by the conflict of interest.

Section 2.3 Manager. The Board of Directors may employ a Manager for the Community, at a compensation established by the Board of Directors, to perform duties and services authorized by the Board of Directors. The Board of Directors may delegate to the Manager only the powers granted to the Board of Directors by these Bylaws under Section 2.2, subsections (c), (e), (g) and (h). Licenses, concessions and contracts may be executed by the Manager pursuant to specific resolutions of the Board of Directors and to fulfill the requirements of the budget.

Section 2.4 Removal of Board Members. The Lot Owners, by a vote of 67% of all persons present in person or by proxy and entitled to vote at any meeting of the Lot Owners at which a quorum is present, may remove any Board Member of the Board of Directors, with or without cause. Written ballots, pursuant to Section 3.11 shall not be utilized for this meeting. For purposes of this meeting, a quorum of fifty percent (50%) of the Owners shall be required. The Board may also remove a Board Member by a 2/3 vote of the entire Board.

Section 2.5 Vacancies. Vacancies in the Board of Directors may be filled at a special meeting of the Board of Directors held for that purpose at any time after the occurrence of the vacancy. These appointments (as a result of vacancies) shall be made by a majority of the remaining elected Board Members constituting the Board of Directors. Each person so elected or appointed shall be a Board Member for the remainder of the term of the Board Member so replaced.

Section 2.6 Regular Meeting. The first regular meeting of the Board of Directors following each annual meeting of the Lot Owners shall be held within ten days of the annual meeting at which the Board of Directors shall have been elected. Notice shall be given to the newly elected Board Members in order to legally constitute such meeting. The Board of Directors may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

Section 2.7 Special Meetings. Special meetings of the Board may be called by the President or by any Board Member on at least three business days' notice to each Board Member. The notice shall be hand-delivered or mailed by first class mail or electronic mail, and shall state the time, place and purpose of the meeting. Notice of special meetings of the Board may also be delivered by email, sent to the email address of record for each Director at least 48 hours before the date and time that the meeting is to be held.

Section 2.8 Location of Meetings. All meetings of the Board of Directors shall be held within La Plata County, Colorado, unless all Board Members consent to another location.

Section 2.9 Waiver of Notice. Any Board Member may waive notice of any meeting in writing. Attendance by a Board Member at any meeting of the Board of Directors shall constitute a waiver of notice. If all the Board Members are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 2.10 Quorum of Board Members. At all meetings of the Board of Directors, a majority of the Board Members shall constitute a quorum for the transaction of business, and the votes of a majority of the Board Members present at a meeting at which a quorum is present shall constitute a decision of the Board of Directors.

Section 2.11 Communication in Lieu of Attendance. A Board Member may attend a meeting of the Board of Directors by using an electronic ("real time" email communication) or telephonic communication method whereby the Board Member may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board of Directors. The Board Member's vote shall be counted and the presence noted as if that Board Member were present in person on that particular matter.

Section 2.12 Board Action in Lieu of Meeting. Any action required or permitted to be taken by the Executive Board or by a committee thereof at a meeting may be taken without a meeting if each and every member of the Executive Board in writing waives the right to demand that the meeting be held and either: (a) votes for such action or (b) votes against such action or abstains from voting. No action so taken shall be effective unless done in writing and describing the action taken, signed by all members of the executive board and not revoked as set forth hereafter, are received by the association (including electronically transmitted facsimile or other form of wire or wireless communication). Action taken pursuant to this section 3.8.1 shall be effective when the last writing necessary to effect the action is received by the corporation unless the writings describing the action taken set forth a different effective date. Any member of the executive board who has signed a writing pursuant to this section 3.8.1 may revoke such writing by a writing signed and dated by the board member describing the action and stating that the prior vote with respect thereto is revoked. Provided, however, such writing must be received by the association before the last writing necessary to effect the action is received. All signed written instruments necessary for any action taken pursuant to this section 1.1 shall be filed with the minutes of the meetings of the executive board.

Section 2.13 Compensation. No Member of the Board shall receive any compensation from the Association for acting as such, however members of the Board may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other Board Members.

Section 2.14 Owner Participation in Physical Board Meetings. C.R.S. '38-33.3-308(1) gives Owners a limited right to speak at physically held Board meetings. Owners shall be given the right to speak during the Board's discussion and deliberation only after being given express authorization from the Board; provided, however, the Board must allow an owner an opportunity to speak at an appropriate time before the Board takes formal action on any item under discussion. The Board may place reasonable time restrictions on those speaking, but must allow a reasonable number of people to speak to each side of an issue.

ARTICLE 3 LOT OWNERS

Section 3.1 Annual Meeting. Annual meetings of Lot Owners shall be held the first or second week of July of every year as selected by the Board in La Plata County, Colorado, at such place and date set forth in the notice. At these meetings, the Board Members shall be elected by ballot of the Lot Owners, in accordance with the provisions of Article 2 of the Bylaws. The Lot Owners may transact other business as may properly come before them at these meetings.

Section 3.2 Special Meetings. Any special meetings of the Association may be called by the president, by a majority of the members of the Board of Directors or by written request of Lot Owners comprising at least 20 percent of the votes in the Association.

Section 3.3 Place of Meetings. Meetings of the Lot Owners shall be held at the principal office of the Association or may be adjourned to a suitable place convenient to the Lot Owners, as may be designated by the Board of Directors or the president.

Section 3.4 Notice of Meetings. The secretary or other officer specified in the Bylaws shall cause notice of meetings of the Lot Owners to be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to the mailing address designated in writing by the Lot Owner, not less than 10 nor more than 50 days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice. The notice must state the time and place of any meeting at the items in the agenda, including the general nature of any proposed amendment to the Declarations or Bylaws, any budget changes, and any proposal to remove an officer or member of a Committee.

Section 3.5 Notices in Newsletter or Other Regular Publications. A written notice or report delivered as part of a newsletter, magazine, or other publication regularly sent to Lot Owners shall constitute a written notice or report if addressed or delivered to the member's address shown in the nonprofit corporation's current list of members, or in the case of members who are residents of the same household and who have the same address in the nonprofit corporation's current list of members, if addressed or delivered to one of such members, at the address appearing on the current list of members.

Section 3.6 Waiver of Notice. Any Lot Owner may, at any time, waive notice of any meeting of the Lot Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 3.7 Adjournment of Meeting. At any meeting of Lot Owners, a Majority of the Lot Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.8 Order of Business. The order of business at all meetings of the Lot Owners shall follow Robert's Rules of order.

Section 3.9 Voting.

- a) Lot owners are authorized to consolidate adjoining lots. Each consolidated lot will be considered one lot, and the owners will have one vote per lot and pay one set of dues per lot to the Association. A lot is defined as a legal lot in La Plata County property records. Lessees of Lots shall not be entitled to vote on any Association matters.
- b) **Voting.** Unless otherwise provided by these Bylaws or the Articles of Incorporation, each Member entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of members.
- i) Voting By Ballot Voting on any question or in any election may be by voice vote, unless the presiding officer shall order or any member shall demand that voting be by ballot.
- ii) Voting by Mail. The Executive Board may decide that voting of the Lot Owners on any matter required or permitted by the statutes of Colorado, the Declaration, the Articles of Incorporation, or these Bylaws shall be by mail. Pursuant to the Colorado Revised Nonprofit Corporation Act, any action that may be taken at any annual regular or special meeting of the Lot Owners may be taken without a meeting if the Secretary delivers a written ballot to every member entitled to vote on the matter.
- (1) A written ballot shall: (i) set forth each proposed action; and (ii) provide an opportunity to vote for or against each proposed action.
- (2) Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.
- (3) All solicitations for votes by written ballot shall: (i) indicate the number of responses needed to meet the quorum requirements; (ii) state the percentage of approvals necessary to approve each matter other than election of members of the Executive Board; (iii) specify the time by which a ballot must be received by the Association in order to be counted; and (iv) be accompanied by written information sufficient to permit each person casting such ballot to reach an informed decision on the matter.
- (4) A written ballot may not be revoked
- (5) Secret Ballots shall be used for all elections of Directors pursuant to C.R.S. '38-33.3-310 and for votes taken by ballot on other issues on which all owners have the right to vote if requested by an Owner. Secret ballots must be counted by a neutral third party or an owner who is not a candidate, is present at the meeting, and is selected randomly from a pool of two or more such non-candidate owners. When reporting vote results, no reference may be made to names, addresses or any other identifying information.
- iii) Voting By Proxy A member entitled to vote may vote or otherwise act in person or by proxy. The proxy may be in any form authorized by the Corporation or by the Colorado Revised Nonprofit Corporation Act. The appointment of a proxy is revocable by the member, either by attending the meeting and voting in person or by signing and delivering to the Secretary of the Corporation or to

another officer or agent authorized by the Corporation to tabulate proxy votes, a writing revoking the proxy or a writing making a subsequent appointment of another proxy. If a Lot is owned by more than one person, each owner of the Lot may vote or register protest to the casting of votes by the other owners of the Lot through a duly executed proxy. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates eleven months (11 months) after its date, unless it specifies a shorter term. In order to maintain secrecy of a directed proxy, it shall be placed in a sealed envelope that is placed in another envelope that has the owner's name and address on the front of it.

iv) Administration of Multiple or Entity Ownership and Voting. If only one of several owners of a Lot is present at a meeting of the Association, the owner present is entitled to cast all the votes allocated to the Lot. If more than one of the owners are present, the votes allocated to the Lot may be cast only in accordance with the agreement of a majority in interest of the owners. There is majority agreement if any one of the owners casts the votes allocated to the Lot without protest being made promptly to the person presiding over the meeting by another owner of the Lot.

(c) Votes allocated to a Lot owned by the Association may not be cast.

1) Acceptance of Votes. The vote of a corporation, limited liability company or business trust may be cast by any officer of that corporation or business trust or by the manager of the limited liability company in the absence of express notice of the designation of a specific person by the Executive Board or bylaws of the owning corporation, limited liability company or business trust. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, limited liability company, partnership or business trust owner is qualified to vote. The votes allocated to a Lot owned by the Association may not be cast. The Association's acceptance of votes shall be governed by C.R.S. '7-127-204.

2) Voting Eligibility Requirement. To be eligible to vote, lot owners are required to have paid in full prior to the start of any meeting, all assessments, dues, snow plowing fees, liens the Association holds on a property, and any other amounts owed to the Association.

Section 3.10 Quorum. Except as otherwise provided in these Bylaws, a quorum is deemed present throughout any meeting of the Lot Owners if persons entitled to cast 40 % of the votes are present in person or by proxy.

Section 3.11 Majority Vote. The majority vote of the Lot Owners shall mean the vote of a majority of the Owners (casting one vote per Lot) present in person or by proxy and shall be binding upon all Lot Owners for all purposes except where a higher percentage Vote is required in the Declaration, these Bylaws or by law.

ARTICLE 4 OFFICERS

Section 4.1 Designation. The principal officers of the Association shall be the

President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary and other officers as it finds necessary. The President and Vice President, but no other officers, need to be Board Members. Any two offices may be held by the same person, except the offices of President and Secretary, and the offices of President and Treasurer. The office of Vice President may be vacant.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board of Directors. They shall hold office at the pleasure of the Board of Directors.

Section 4.3 Removal of Officers. Upon the affirmative vote of a majority of the Board Members, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for that purpose.

Section 4.4 President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Lot Owners and of the Board of Directors. The president shall have all of the general powers and duties which are incident to the office of president of a nonprofit corporation organized under the laws of the State of Colorado, including but not limited to the power to appoint committees from among the Lot Owners from time to time as the president may decide is appropriate to assist in the conduct of the affairs of the Association.

Section 4.5 Vice President. The vice president shall take the place of the president and perform the president's duties whenever the president is absent or unable to act. If neither the president nor the vice president is able to act, the Board of Directors shall appoint some other Board Member to act in the place of the president on an interim basis. The vice president shall also perform other duties imposed by the Board of Directors or by the president.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Lot Owners and the Board of Directors. The secretary shall have charge of the Association's books and papers as the Board of Directors may direct and shall perform all the duties incident to the office of secretary of a nonprofit corporation organized under the laws of the State of Colorado.

Section 4.7 Treasurer. The treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Board of Directors and shall perform all the duties incident to the office of treasurer of a nonprofit corporation organized under the laws of the State of Colorado. The treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Board of Directors. Except for reserve funds described below, the treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent

investments, as the Board of Directors decides. All transfers of funds or checks written from the funds of the Association must be signed by the Treasurer and one other Board Member.

Section 4.8 Agreements, Contracts, Deeds, etc. Except as provided in Sections 4.4, 4.6, 4.7 and 4.9 of these Bylaws, all agreements, contracts, deeds, leases and other instruments of the Association shall be executed by a person or persons designated by a majority decision of the Board.

Section 4.9 Statements of Unpaid Assessments. The treasurer, assistant treasurer, a manager employed by the Association or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments.

The Association may charge a reasonable fee for preparing statements of unpaid assessments. The amount of this fee and the time of payment shall be established by resolution of the Board of Directors. Any unpaid fees may be assessed as a Common Expense against the Lot for which the certificate or statement is furnished.

ARTICLE 5 ENFORCEMENT

Section 5.1 Abatement and Enjoinment of Violations by Lot Owners. In addition to any other rights set forth in these Bylaws and except in case of an emergency, the violation of any of the Rules and Regulations adopted by the Executive Board or the breach of any provision of the Declaration shall give the Executive Board the right, after notice and hearing:

i) To enter the Lot in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Lot Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Lot) that is existing and creating a danger to the Common Area contrary to the intent and meaning of the provisions of the Declaration. The Executive Board shall not be deemed liable for trespass by this action; or

ii) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

a) **Fine for Violation.** By resolution, following notice and hearing, the Executive Board may levy a fine for each day that a violation of the Declaration or Rules and Regulations persists after notice and hearing or other graduating fine based upon frequency of violation. Subsequent to imposition of a fine after notice and hearing, the fine shall be considered an assessment levied against such Lot and the Association may proceed in the same manner authorized for collection of an assessment against the affected Lot Owner and as a lien upon such Lot. Pursuant to the provisions of the Declaration and the Colorado Common Interest Ownership Act, all collection costs and reasonable attorney fees incurred in the course of enforcement and collection of such fine shall become a part of the assessment and lien collection.

b) **Enforcement (Notice and Hearing).** Prior to imposition of a fine in accordance with any violation of these rules and regulations, the Member with respect to whose Lot the violation is associated shall be given at least fifteen (15) days prior notice of any potential discipline or fine to be imposed and the reasons therefore, and said notice shall further state the date on which a hearing shall be conducted before the Executive Board of the Association for purposes of consideration of the imposition

of such fine or discipline. The Member shall be provided an opportunity to be heard, orally or in writing at said hearing. Notice shall be given as required by Colorado Revised Nonprofit Corporation Act.

i) Hearing. At the time and place designated, a quorum of the Executive Board shall be the sole judge of the charges.

ii) Representation of the Accused Owner. The Accused Owner may be represented by legal counsel, or any other person of his choice.

iii) Ruling in Support of the Charges. If the charges are sustained, the Board shall issue a written ruling and cause same to be served upon the Accused Owner by certified mail return receipt requested directed to the address of the Accused Owner registered with the Association.

ARTICLE 6 INDEMNIFICATION

Section 6.1 Indemnification of Directors and Officers. Except in connection with a proceeding by or in the right of the Association in which the Director and/or Officer was adjudged liable to the Association; or in connection with any other proceeding charging that the Director and/or Officer derived an improper personal benefit, whether or not involving action in an official capacity, in which proceeding the Director and/or Officer was adjudged liable on the basis that the Director and/or Officer derived an improper personal benefit, the Association shall indemnify a person made a party to a proceeding because the person is or was a Director and/or Officer against liability incurred in the proceeding if:

- i) The person's conduct was in good faith; and
- ii) The person reasonably believed:

1) In the case of conduct in an official capacity with the Association, that the conduct was in the Association's best interests; and

2) In all other cases, that the conduct was at least not opposed to the Association's best interests; and

3) In the case of any criminal proceeding, the person had no reasonable cause to believe the conduct was unlawful.

a) **Advance of Expenses.** The Association may pay for or reimburse the reasonable expenses incurred by a Director and/or Officer who is a party to a proceeding in advance of final disposition of the proceeding if:

i) The Director and/or Officer furnishes to the Association a written affirmation of the Director and/or Officer's good faith belief that the Director and/or Officer has met the standard of conduct described in this Article

ii) The Director and/or Officer furnishes to the Association a written undertaking, executed personally or on the Director and/or Officer's behalf, to repay the advance if it is ultimately determined that the Director and/or Officer did not meet the standard of conduct; and

iii) A determination is made that the facts then known to those making the

determination would not preclude indemnification under this Article or the Colorado Revised Nonprofit Corporation Act.

The undertaking required by the above subsection shall be an unlimited general obligation of the Director and/or Officer but need not be secured and may be accepted without reference to financial ability to make repayment.

b) Determination and Authorization of Indemnification of Director and/or Officers.

i) The Association may not indemnify a Director and/or Officer unless authorized in the specific case after a determination has been made that indemnification of the Director and/or Officer is permissible in the circumstances because the Director and/or Officer has met the standard of conduct set forth in this Section. The Association shall not advance expenses to a Director and/or Officer unless authorized in the specific case after the written affirmation and undertaking as required by this Article are received and the determination required by this Article has been made.

ii) The determinations required by this Section shall be made:

1) By the board of Director and/or Officers by a majority vote of those present at a meeting at which a quorum is present, and only those Director and/or Officers not parties to the proceeding shall be counted in satisfying the quorum; or

2) If a quorum cannot be obtained, by a majority vote of a committee of the Executive Board designated by said Board, which committee shall consist of two or more Directors not parties to the proceeding; except that the Directors who are parties to the proceeding may participate in the designation of Directors for the committee.

iii) If a quorum cannot be obtained as contemplated above, and a committee cannot be established as above set forth, or, even if a quorum is obtained or a committee is designated, if a majority of the Directors constituting such quorum or such committee so directs, the determination required to be made by subsection (1) of this section shall be made:

1) By independent legal counsel selected by a vote of the Executive Board or the committee in the manner specified by this section or, if a quorum of the full board cannot be obtained and a committee cannot be established, by independent legal counsel selected by a majority vote of the full Executive Board; or

2) By the voting members, but voting members who are also Directors and who are at the time seeking indemnification may not vote on the determination.

iv) Authorization of indemnification and advance of expenses shall be made in the same manner as the determination that indemnification or advance of expenses is permissible; except that, if the determination that indemnification or advance of expenses is permissible is made by independent legal counsel, authorization of indemnification and advance of expenses shall be made by the body that selected such counsel.

6.2 Successful on the Merits. To the extent that a member of the Board or any manager, officer, project manager, employee, fiduciary or agent of the Association has been wholly successful on the merits in defense of any action, suit or proceeding referred to in Sections 6.1 of this Article 6, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably

incurred by him or her in connection therewith.

6.3 Determination Required. Any indemnification under Sections 6.1 of this Article 6 (unless ordered by a court) and as distinguished from Sections 6.2 of this Article 6, shall be made by the Association only as authorized by the specific case upon a determination that indemnification of the member of the Board or officer is proper in the circumstances because such individual has met the applicable standard of conduct set forth in Sections 6.1 above. Such determination shall be made by the Board by majority vote of a quorum consisting of those members of the Board who were not parties to such action, suit or proceeding or, if a majority of disinterested members of the Board so directs, by independent legal counsel or by members entitled to vote thereon. Such determination shall be reasonable, based on substantial evidence of record, and supported by written opinion. The Board shall provide a copy of its written opinion to the officer or Board member seeking indemnification upon request.

6.4 Payment in Advance of Final Disposition. The Association shall pay for or reimburse the reasonable expenses incurred by a former or current member of the Board or officer who is a party to a proceeding in advance of final disposition of the proceeding if (i) the member of the Board or officer furnishes to the Association a written affirmation of the Board Member's good faith belief that he or she has met the standard of conduct described in Sections 6.1 or 6.2 of this Article 6; (ii) the Board Member or officer furnishes to the Association a written understanding, executed personally or on the Board Member's or officer's behalf to repay the advance if it is ultimately determined that the Board Member or officer did not meet the standard of conduct; and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article. The undertaking required in this Section 6.5 shall be an unlimited general obligation of the Board but need not be accepted by the Board Member or officer or may be accepted without reference to financial ability to make repayment.

6.5 No Limitation of Rights. The indemnification provided by this Article 6 shall not be deemed exclusive of nor a limitation upon any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of the members or disinterested members of the Board, or otherwise. Upon a vote of the Board, the Association may also indemnify a member appointed by the Board to serve on a committee (when such committee member is not also a member of the Board) upon such terms and conditions as the Board shall deem just and reasonable.

6.6 Board Members and Officers Insurance. The Association shall purchase and maintain insurance on behalf of any person who is or was a member of the Board or an officer of the Association against any liability asserted against him or her and incurred by such individual in any such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify such individual against such liability under this Article 6.

ARTICLE 7 RECORDS

Section 7.1 Disclosures to Lot Owners.

i) Annual Notices Required. Pursuant to C.R.S. '38-33.3-209.4, at least once a year, an association must provide all Owners with a written notice that states:

- 1) the Association's name;
- 2) the name of any designated agent or management company for the association;
- 3) the physical address and telephone number for the Association and any designated agent or management company;
- 4) the name of the common interest community;
- 5) the initial date of the recording of the Declaration; and
- 6) the Declaration's reception number or book and page where the Declaration is located.

ii) Additional Required Notices to Lot Owners. If the Association's address, designated agent, or management company changes, it must provide all its owners with a written notice of the change within 90 days. In addition to the above disclosure, the Association must have the following information compiled and ready for disclosure within 90 days after the end of each fiscal year:

- 1 the date the Association's fiscal year begins;
- 2 the Association's operating budget for the current fiscal year;
- 3 a list B organized by unit type B of the Association's current regular and special assessments;
- 4 the Association's annual financial statements B including any money held in reserve for the fiscal year immediately preceding the current annual disclosure;
- 5 the results of any financial audit or review for the fiscal year preceding the current annual disclosure;
- 6 a list of all Association insurance policies, including but not limited to the following: property, general liability, association director and officer professional liability, and fidelity policies;
- 7 the insurance company names, policy limits, policy deductibles, additional named insured, and expiration dates of all policies listed in number 6;
- 8 the Association's bylaws, articles, and rules and regulations;
- 9 all board meeting and member meeting minutes for the fiscal year immediately preceding the current annual disclosure; and
- 10 the Association's responsible governance policies adopted under '38-33.3-209.5.

C.R.S. '38-33.3-209.4(3) provides the four allowable means of making these disclosures. First, the Associations may post the information on an internet web page with notice of the web address sent either by first-class mail or e-mail to all owners. The Association may also mail or personally deliver the information to all Owners. Lastly, the Associations may choose to maintain a literature table or binder at the Association's principal place of business, which has all the information compiled. Any costs that the Association occurs in making this disclosure shall be a Common Expense. Owners may be charged for copies of documents if the disclosure is made through the maintenance of a binder or a literature table.

Section 7.2 Records and Audits. The Association shall maintain financial records. The financial records shall be maintained and audited in accordance with C.R.S. '38-33.3-308(4). The cost of the maintaining, reviewing and auditing financial records shall be a Common Expense. C.R.S. '38-33.3-308(4)(b)(I) requires that, at least once every two (2) years, the Association's books and records must be audited or reviewed using generally accepted auditing standards by an individual chosen by the board. Unless the Association chooses to have an audit, the individual selected does not have to be a certified public accountant. An audit, rather than a review, is required if the following conditions are

met:

- 1 - The Association's annual revenues or expenditures are at least \$250,000 and
- 2 - The owners of at least 1/3 of the Lots request an audit.

Section 7.3 Examination. All records maintained by the Association or its Manager (as the case may be) shall be available for examination and copying by any Lot Owner, any Mortgagee having a security interest in a Lot or its insurer or guarantor, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

Section 7.4 Records. The Association shall keep the following records:

- (a) An account for each Lot, which shall designate the name and address of each Lot Owner.
- (b) An account for each Lot Owner showing any fees payable by the Lot Owner;
- (c) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specific project;
- (d) The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;
- (e) The current operating budget;
- (f) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant;
- (g) A record of insurance coverage.
- (h) A record of any alterations or improvements to Lots which violate any provisions of the Declarations of which the Board of Directors has knowledge;
- (i) A record of any violations, with respect to any portion of the Community, of health, safety, fire or building codes or laws, ordinances, or regulations of which the Board of Directors has knowledge;
- (j) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements;
- (k) Balance sheets and other records required by local corporate law;
- (l) Tax returns for state and federal income taxation for the preceding seven years;
- (m) Minutes as required by law; and

(n) A copy of the most recent versions of the Articles, Declarations, Bylaws, Rules and Regulations, and resolutions of the Board of Directors, along with their exhibits and schedules.

Section 7.5 Statements of Unpaid Assessments. The treasurer, assistant treasurer, a manager employed by the Association or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments, in accordance with Section 38-33.3-316 of the Act. The Association may charge a reasonable fee for preparing statements of unpaid assessments. The amount of this fee and the time of payment shall be established by resolution of the Executive Board. The Association may refuse to furnish statements of unpaid assessments until the fee is paid. Any unpaid fees may be assessed as a Common Expense against the Lot for which the statement is furnished.

ARTICLE 8 RULES AND REGULATIONS

Section 8.1 Rules. The Board may adopt, amend, repeal and enforce Rules and impose fines for violations thereof as it deems desirable with respect to the operation of the Association. Amended Rules and Regulations shall be presented at the annual meeting of the Unit Owners. Unless fifty-one percent (51%) of the Unit Owners votes to reject the amended Rules and Regulations, the amended Rules and Regulations shall be deemed approved and adopted by the Unit Owners. All Rules shall be reasonable and uniformly applied under the same or similar circumstances; provided however, that the Board shall exercise its best judgment in recognizing individual circumstances which may require a temporary or permanent variance. Each Owner shall comply with the Rules and be responsible and liable for tenants fully and timely complying with the Rules. The Rules shall have the same force and effect as if they were part of the Declarations.

ARTICLE 9 (Dispute Resolution and Limitation on Litigation)

Section 9.1 Agreement to Encourage Resolution of Disputes Without Litigation. The Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving LPPO ASSOCIATION without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim as described herein, unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in this Section in a good faith effort to resolve such Claim.

As used in this Article, the term "Claim" shall refer to any claim, grievance, or dispute arising out of or relating to:

- i) the interpretation, application, or enforcement of the Declaration, Articles of Incorporation or Rules and Regulations of the Association (collectively, the Governing Documents); or
- ii) the rights, obligations, and duties of any Bound Party under the Governing Documents; or

EXCEPT that the following shall not be considered 'Claims' unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in this Section:

- 1) any suit by the Association to collect assessments or other amounts due from any Owner;
 - 2) any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of this Declaration;
 - 3) any suit between Owners, which does not include the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
 - 4) any suit in which any indispensable party is not a Bound Party;
- and
- 5) any suit as to which any applicable statute of limitations would expire within one hundred eighty (180) days of giving the Notice required by Section 9.2.i), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

Section 9.2 Dispute Resolution Procedures.

i) Notice. The Bound Party asserting a Claim ('Claimant') against another Bound Party ('Respondent') shall give written notice to each Respondent and to the Board stating plainly and concisely:

- 1) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;
- 2) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);
- 3) the Claimant's proposed resolution or remedy; and
- 4) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

Where applicable, the Notice shall conform to 'The Notice of Claim' set forth in C.R.S. ' 13-20-803.5.

ii) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim. The parties are encouraged to conduct the dispute resolution process described herein to conform to and run concurrently with the requirements of C.R.S. ' 13-20-801 et seq. as amended.

iii) Mediation. If the parties have not resolved the Claim through negotiation within thirty (30) days of the date of the notice described in Section 9.2.i) (or within such other period as the parties may agree upon), the Claimant shall have thirty (30) additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not party to the Claim) or to an independent agency providing dispute resolution services in the

Durango area.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within thirty (30) days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all fees charged by the mediator.

iv) **Settlement.** Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

a) **Initiation of Litigation by Association.** In addition to compliance with the foregoing alternative dispute resolution procedures, if applicable, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Members entitled to cast seventy-five (75) percent of the total votes in the Association, except that no such approval shall be required for actions or proceedings:

i) initiated to enforce the provisions of this Declaration, including collection of assessments and foreclosure of liens;

ii) initiated to challenge ad valorem taxation or condemnation proceedings;

iii) initiated against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies; or

iv) to defend claims filed against the Association or to assert counterclaims proceedings instituted against it.

ARTICLE 10 AMENDMENTS TO BYLAWS

Section 10.1 The Bylaws may be amended only by a majority vote of the members of the Board of Directors. The amended By-laws shall be presented at the annual meeting of the Unit Owners. Unless fifty-one percent (51%) of the Unit Owners votes to reject the amended Bylaws,

the amended Bylaws shall be deemed approved and adopted by the Unit Owners.

Section 10.2 No amendment of the Bylaws of this Association shall be adopted which would affect or impair the validity or priority of any mortgage covering any Lot or which would change the provisions of the Bylaws with respect to institutional mortgages of record.

ARTICLE 11 MISCELLANEOUS

Section 11.1 Owner Education. Pursuant to C.R.S. '38-33.3-209.7, the Association shall offer, at no cost to the Owners, on at least an annual basis, some type of education that relates to the general operation of the Association and the rights and responsibilities of Owners, the Association and the Executive Board.

Section 11.2 Notices. All notices to the Association or the Board of Directors shall be delivered to the office of the Manager, or, if there is no Manager, to the office of the Association, or to such other address as the Board of Directors may designate by written notice to all Lot Owners. Except as otherwise provided, all notices to any Lot Owner shall be sent to the Lot Owner's address as it appears in the records of the Association by regular mail to their respective addresses, as designated by them in writing to the Association. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

Section 11.3 Meeting Notices.

i) Posting. Notwithstanding anything herein to the contrary, notices of meeting of the Members or the Executive Board shall comply with C.R.S. '38-33.3-308(1) which requires that the Association physically post the notice of a meeting in a conspicuous place, if at all feasible and practicable, in addition to all other notice requirements. The posted notice must include the time and place of the meeting and the items on the agenda and if a proposed amendment to the Declaration is to be introduced, the notice must also include the general nature of such proposed amendment. The posting shall take place reasonably contemporaneously with the accomplishment of other required notices.

ii) Website. C.R.S. '38-33.3-308(1) encourages the Association to post owner meeting notices on a website or send out a notification e-mail to all owners. If the Association has its own electronic address, it must provide notice of owner meetings by e-mail if requested by an owner who provides the Association with his or her e-mail address. E-mail notices shall be given at least 24 hours before the meeting.

Section 11.4 Fiscal Year. The Board of Directors shall establish the fiscal year.

Section 11.5 Bank Accounts. The depository of the Association shall be such a bank or banks as shall be designated from time to time by the Board of Directors and in which the monies of the Association shall be deposited. Withdrawals of monies from such accounts shall be only by checks signed by such persons as are authorized by the Board of Directors.

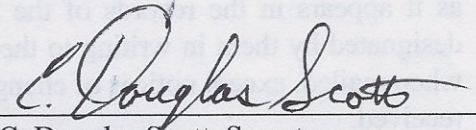
Section 11.6 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 11.7 Office. The principal office of the Association shall be on the Property or at such other place as the Board of Directors may from time to time designate.

Section 11.8 Reserves. As a part of the adoption of the regular budget the Board of Directors shall include an amount which, in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common that it is obligated to maintain, based upon the project's age, remaining life and the quantity and replacement cost of major Common Element improvements.

Section 11.9 Conflicts of Documents. 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; in the case of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

ATTEST: Certified to be the Bylaws adopted by consent of the Board Members of
LPPO Association, Inc., May 15, 2006.


C. Douglas Scott, Secretary