

BYLAWS
OF
TERRACE CONDOMINIUMS HOMEOWNERS ASSOCIATION, INC.

TABLE OF CONTENTS

PAGE

ARTICLE I	DEFINITIONS	1
ARTICLE II	OFFICES	1
ARTICLE III	MEMBERSHIP, VOTING, QUORUM AND PROXIES	1
3.1	Membership	1
3.2	Voting Rights	1
3.3	Quorum	1
3.4	Proxies	1
3.5	Majority Vote	2
ARTICLE IV	ADMINISTRATION	2
4.1	Meetings of Owners	2
4.2	Place of Meeting	2
4.3	Notice of Meeting	3
4.4	Informal Action by Members	3
4.5	Voting	3
4.6	Adjournment of Meeting	4
4.7	Majority Vote	4
4.8	Voting by Mail	4
ARTICLE V	DECLARANT CONTROL	5
5.1	Declarant Control of the Association	5
5.2	Elections By Owners	5
5.3	Delivery of Documents by Declarant	5
ARTICLE VI	BOARD OF DIRECTORS	6
6.1	Number, Tenure and Qualifications	6
6.2	Resignations; Vacancies	6
6.3	General Powers	7
6.4	Additional Powers and Responsibilities	7
6.5	Managing Agent	9
6.6	Regular Meetings	9
6.7	Special Meetings	9
6.8	Quorum	9
6.9	Waiver of Notice	9
6.10	Informal Action by Directors	10
6.11	Telephone Communication in Lieu of Attendance	10
6.12	Removal of Director	10
6.13	Compensation of Directors	10

ARTICLE VII	OFFICERS AND AGENTS	
7.1	General	11
7.2	Removal of Officers	11
7.3	Vacancies	11
7.4	President	11
7.5	Vice Presidents	11
7.6	Secretary	11
7.7	Treasurer	11
7.8	Execution of Instruments	12
7.9	Statements of Unpaid Assessments	12
ARTICLE VIII	OBLIGATIONS OF THE MEMBERS	
8.1	Assessments	13
8.2	Maintenance and Repair	13
8.3	Compliance With Declaration, Articles, Bylaws and Rules	13
8.4	Abatement and Enjoinment of Violations by Unit Owners	13
8.5	Fine for Violation	14
ARTICLE IX	EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND LIEN HOLDERS	
9.1	Proof of Ownership	14
9.2	Registration of Mailing Address	14
9.3	Liens	14
9.4	Address of the Association	15
ARTICLE X	SECURITY INTEREST IN MEMBERSHIP	15
ARTICLE XI	AMENDMENTS	
11.1	Vote	15
11.2	Rights of Mortgagees	15
11.3	Limitation	15
ARTICLE XII	MISCELLANEOUS	
12.1	Seal	15
12.2	Right of Entry	15
12.3	Fiscal Year	16
12.4	Indemnification	16
12.5	Recreational Facilities	16
12.6	Records and Audits	17
12.9	Construction with Other Documents	18

**BYLAWS
OF
TERRACE CONDOMINIUMS HOMEOWNERS ASSOCIATION, INC.**

**ARTICLE I
DEFINITIONS**

The following terms shall have the same meaning herein as such terms have in the Condominium Declaration For Terrace Condominiums (the "Declaration"): "Association," "Building[s]," "Board of Directors," "Common Elements," "Condominium Unit," "Declarant," "First Lienors," "General Common Element," "General Common Expense," "Limited Common Element," "Limited Common Expense," "Mortgagee," "Owner," "Period of Declarant Control," "Premises," "Project," "Sharing Ratio" and "Unit."

The "Act" shall be defined as the Colorado Common Interest Ownership Act, Sections 38-33.3-101, et seq., C.R.S. 1973, as amended. The "CRNCA" shall mean the Colorado Revised Nonprofit Corporation Act, Articles 7-121, et. seq., C.R.S. 1973, as amended.

**ARTICLE II
OFFICES**

The Association is a Colorado nonprofit corporation, with its principal office at 1732 Wazee Street, Suite 206, Denver, Colorado 80202. The Association may also have offices and may carry on its purposes at such other places within and outside the State of Colorado as the Board of Directors may from time to time determine.

**ARTICLE III
MEMBERSHIP, VOTING, QUORUM AND PROXIES**

3.1 Membership. The members of the Association shall be as set forth in the articles of incorporation from time to time.

3.2 Voting Rights. The Association shall have one class of voting membership. The total number of votes shall be equal to the total number of Units existing within the Premises. Members shall be entitled to one vote for each Unit. The total number of votes that may be cast in connection with any matter shall be equal to the total number of Units existing within the Premises. This Section 3.2 may be amended only by the unanimous vote of all the members.

3.3 Quorum. Except as otherwise required by the laws of Colorado or the article of incorporation, the presence in person or by proxy of members entitled to vote more than twenty percent (20%) of the total votes of the members shall constitute a quorum. 26

3.4 Proxies. Votes may be cast in person or by proxy. Every proxy must be executed in writing by the member or his duly authorized attorney-in-fact. Such proxy shall be filed with

the secretary of the Association before or at the time of the meeting. No proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise provided in the proxy.

26
3.5 Majority Vote. At any meeting of members, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the members, unless the vote of a greater number is required by law, the articles of incorporation, the Declaration or these bylaws.

ARTICLE IV ADMINISTRATION

4.1 Meetings of Owners. The following types of "meetings" (as that term is used in the CRNCA) shall be held as provided below.

(a) Annual Meeting. Annual meetings of Owners shall be held at least once a year within the greater ~~Denver metropolitan area~~, in the State of Colorado, at such date set forth in the notice. At these meetings, the Board of Directors shall be elected by ballot of the Owners, in accordance with the provisions of Article 2 of these Bylaws. The Owners may transact other business as may properly come before them at these meetings.

(b) Special Meetings. Request that a special meeting of the Association be called may be made by (i) the president; (ii) a majority of the members of the Board of Directors; or (iii) a written instrument signed by Owners comprising twenty percent (20%) of the votes in the Association.

(c) Meeting to Approve Annual Budget. Pursuant to the Act, at the annual meeting of the Association or at a special meeting of the Association called for such purpose, the Owners shall be afforded the opportunity to ratify a budget of the projected revenues, expenditures and reserves for the Association's next fiscal year as proposed by the Board of Directors. A summary of the proposed budget approved by the Board of Directors shall be mailed to the Owners within thirty (30) days after its adoption along with a notice of a meeting of the Association to be held not less than fourteen (14) nor more than fifty (50) days after mailing of the summary to the Owners (or, in the alternative, together with a ballot and information sufficient to satisfy the provisions of Section 109 of the CRNCA). Unless sixty-seven percent (67%) of the total votes in the Association (i.e., Owners representing sixty-seven percent (67%) of all Units within the Community) reject the proposed budget, the budget is ratified. There are no quorum requirements for this meeting. In the event the proposed budget is rejected, the budget last ratified by the Owners continues until such time as the Owners ratify a subsequent budget proposed by the Board of Directors as provided above.

4.2 Place of Meeting. The Board of Directors may designate any place, either within or outside Colorado, as the place for any annual meeting or for any special meeting called by the Board of Directors. A waiver of notice signed by all members entitled to vote at a meeting may designate any place, either within or outside Colorado, as the place for such meeting. If no

designation is made, or if a special meeting shall be called otherwise than by the Board, the place of meeting shall be the principal office of the corporation in Aspen, Colorado.

4.3 Notice of Meeting. Written or printed notice of any meeting of the members, stating the place, day and hour of the meeting, and the purpose or purposes for which the meeting is called, shall be delivered personally or by mail to each member entitled to vote at such meeting not less than 10 nor more than 50 days before the date of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the member at his address as it appears in the office of the Association, with postage thereon prepaid. For the purpose of determining members entitled to notice of or to vote at any meeting of members, the Board of Directors may set a record date for such determination of members, in accordance with the laws of Colorado. If requested by the person or persons lawfully calling such meeting, the secretary shall give notice thereof at the expense of the Association.

4.4 Informal Action by Members. Any action required or permitted to be taken at a meeting of the members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the members, and may be stated as such in any articles or document filed with the Secretary of State of Colorado.

4.5 Voting. In the election of directors there shall be one vote per Unit, but the members owning a Unit shall have the right to cast such single vote for as many persons as there are directors to be elected. Cumulative voting shall not be allowed.

(a) If only one of several owners of a Unit is present at a meeting of the Association, the Owner present is entitled to cast the votes allocated to the Unit. If more than one of the Owners is present, the votes allocated to the Unit may be cast only in accordance with the agreement of a majority of the owners of that Unit. Majority agreement exists if any one of the Owners casts the votes allocated to the Unit without protest being made promptly to the person presiding over the meeting by another owner of the Unit.

(b) The vote allocated to a Unit may be cast under a proxy duly executed by a Owner. If a Unit is owned by more than one person, each owner of the Unit may vote or register protest to the casting of votes by the other owners of the Unit through a duly executed proxy. A Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. 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.

(c) The vote of a corporation or limited liability company may be cast by an officer of that corporation or by the manager of the limited liability company in the absence of express notice of the designation of a specific person by the Board of Directors, members, manager, operating agreement or bylaws of the owning corporation or limited liability company. 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 person presiding over the meeting may require reasonable evidence that a person voting on behalf of a corporation, limited liability company, partnership or Owner is qualified to vote.

(d) The votes allocated to a Unit owned by the Association may not be cast.

4.6 Adjournment of Meeting. At any meeting of Owners, a Majority Vote may adjourn the meeting to another time.

4.7 Majority Vote. The term "Majority Vote" shall mean the votes of a majority of the Owners (casting one vote per Unit) present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws or in the reference to a "majority of all Owners" in the Declaration, these Bylaws or the Act shall mean a vote cast by Owners representing more than one-half of all Units in the Community.

4.8 Voting by Mail. The Board of Directors may decide that voting of the 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 CRNCA, any action that may be taken at any annual regular or special meeting of the Owners may be taken without a meeting if the Secretary delivers a written ballot to every member entitled to vote on the matter.

(a) A written ballot shall: (i) set forth each proposed action; and (ii) provide an opportunity to vote for or against each proposed action.

(b) 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.

(c) 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 the matter other than election of members of the Board of Directors; (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.

(d) A written ballot may not be revoked.

ARTICLE V DECLARANT CONTROL

5.1 Declarant Control of the Association. During the Period of Declarant Control, the Declarant may appoint and remove the officers and members of the Board of Directors of the Association, notwithstanding anything to the contrary in these bylaws. The Period of Declarant Control commences after initial recording of the Map and terminates no later than the earlier of:

- (a) Sixty (60) days after conveyance of seventy-five percent (75%) of all of the Units that may be created to Owners other than the Declarant; or
- (b) Two (2) years after the last conveyance of a Unit by the Declarant in the ordinary course of business to Owners other than Declarant; or
- (c) Two (2) years after any right to add new Units was last exercised; or
- (d) Five (5) years after the date of initial recording.

Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before termination of the Period of Declarant Control. In that event, the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Board of Directors, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

5.2 Elections By Owners.

- (a) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Owners other than a Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Board of Directors shall be elected by Owners other than the Declarant.
- (b) Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units to Owners other than a Declarant, not less than thirty-three and one-third percent (33-1/3%) of the members of the Board of Directors must be elected by Owners other than the Declarant.
- (c) Not later than the termination of the Period of Declarant Control, the Owners shall elect a Board of Directors, at least a majority of whom shall be Owners other than Declarant.

5.3 Delivery of Documents by Declarant. Within sixty (60) days after the members of the Association other than the Declarant elect a majority of the members of the Board of Directors, the Declarant shall deliver to the Board of Directors, without any charge to the Association, all property of the Owners and of the Association held by or controlled by the Declarant, including without limitation, those items listed in Section 8.5 of the Declaration.

ARTICLE VI BOARD OF DIRECTORS

6.1 Number, Tenure and Qualifications. The affairs of the common interest community created by the Declaration (the "Common Interest Community") shall be governed by, and the Association shall be managed by, a Board of Directors of not fewer than three (3) nor more than five (5) members. The initial Board of Directors shall consist of three (3) members, whose names and addresses are set forth in the Articles of Incorporation. Only Owners, eligible to vote and otherwise in good standing, may be elected to, or appointed to fill a vacancy on, the Board of Directors, provided, however, the Declarant shall have the right to appoint members to the Board of Directors as provided in the Declaration and the Act, and to have members remain on the Board of Directors until the Period of Declarant Control has expired, or as otherwise determined pursuant to the Act. In the case where through removal or resignation, the total number of directors is fewer than three, the Board of Directors will be considered properly constituted until such vacancies are filled. The number of members of the Board of Directors may be increased or decreased by amendment of these Bylaws.

(a) Until the first annual meeting after the Period of Declarant Control, the terms of directors not appointed by the Declarant shall expire at the annual meeting which occurs not less than one (1) year, nor more than two (2) years, eleven months after election to the Board of Directors.

(b) At the first annual meeting of the Association after the Period of Declarant Control, the terms of the members of the Board of Directors elected by Owners shall be staggered so that one (1) member shall be elected to serve a one (1) year term and the remainder to serve two (2) year terms. At the expiration of the initial term of office for each respective member of the Board of Directors, his or her successor shall be elected to serve a term of two (2) years.

(c) The Declaration and Article V of these Bylaws shall govern appointment of members of the Board of Directors during the Period of Declarant Control.

(d) At any time after Owners, other than the Declarant, are entitled to elect a director, the Association may call a meeting and shall give not less than 10 nor more than 50 days' notice to the Owners for this purpose. This meeting may be called and the notice given by any Owner if the Association fails to do so.

(e) Each director shall hold office until the election and qualification of his successor. At any meeting at which the Board of Directors is to be elected, the Owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the CRNCA for conducting the elections.

6.2 Resignations; Vacancies. Any director may resign at any time by giving written notice to the president or to the secretary of the Association. Such resignation shall take effect at the time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. Any vacancy occurring in the Board of

Directors (by reason of resignation, death or an increase in the number of directors) or any newly created directorship resulting from any increase in the authorized number of directors may be filled by the affirmative vote of a majority of the directors then in office though less than a quorum. A director elected to fill a vacancy or newly created directorship shall hold office until the next annual meeting of the members and until his successor is duly elected and qualified.

6.3 General Powers. The Board of Directors shall have and may exercise all the powers of the Association except such as are expressly conferred upon the members, either in their capacity as members of the Association or as Owners of Condominium Units by law, or by the articles of incorporation, the Declaration or these Bylaws.

6.4 Additional Powers and Responsibilities. In addition to its general powers, the Board of Directors shall have the authority and the responsibility, acting through the Association's officers (subject to any and all limitations upon such powers as set forth in the articles of incorporation, the Act or the CRNCA):

- (a) Adopt and amend Bylaws and Rules and Regulations;
- (b) Adopt and amend budgets for revenues, expenditures and reserves;
- (c) Collect assessments from Owners;
- (d) Suspend the voting interests allocated to a Unit, and the right of a Owner to cast such votes, or by proxy the votes of another, during any period in which such Owner is in default in the payment of any Assessment, or, after notice and a hearing, during any time in which a Owner is in violation of any other provision of the Declaration, Articles of Incorporation, Bylaws or Rules and Regulations.
- (e) Hire and discharge managing agents;
- (f) Hire and discharge employees, independent contractors and agents other than managing agents;
- (g) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's governing documents in the Association's name, on behalf of the Association or on behalf of two or more Owners in matters affecting the Common Interest Community;
- (h) Make contracts and incur liabilities;
- (i) Regulate the use, maintenance, repair, replacement and modification of all property within the Community or property which serves the Community but which is outside its boundaries;

Elements; (j) Cause additional improvements to be made as a part of the Common

(k) Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to Section 312 of the Act;

(l) Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions, through or over the Common Elements;

(m) Impose and receive a payment, fee or charge for services provided to Owners and for the use, rental or operation of the Common Elements;

(n) Establish from time to time, and thereafter, impose charges for late payment of assessments or any other sums due and, after notice and hearing, levy a reasonable fine for a violation of the governing documents of the Association;

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

(p) Provide for the indemnification of the Association's officers, the Board of Directors members, all committee members, and members of the Architectural Control Committee to the extent provided by law and maintain directors' and officers' liability insurance;

(q) 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) regular meetings of the Board of Directors during any one year period;

(r) Appoint any committee as required or permitted by the Declaration, the Articles of Incorporation or these Bylaws and, by resolution, establish committees, permanent and standing, to perform any of the functions described in this Section 2.2 under specifically delegated administrative standards as designated in the resolution establishing the committee;

(s) By resolution, set forth policies and procedures which shall be considered incorporated herein by reference as though set forth in full, and which provide for corporate actions and powers which are different than those set forth in the CRNCA, but which are permitted by the Act to be "otherwise set forth in the Bylaws." Such resolutions shall be given the same force and effect as if specifically enumerated in these Bylaws;

(t) Perform or cause to be performed all inspections recommended in any maintenance manual furnished to it by any architect, engineer, design consultants or contractors who have participated in the construction of Units, and, thereafter, perform or cause to be performed all necessary maintenance when recommended as a result of these inspections. To the extent that these recommendations are not followed, in the reasonable business discretion of the Board of Directors, then the Association shall indemnify and hold harmless, any such architect,

engineer, design professional, or contractor for damages suffered or claims made which occur as a direct result of the Association's unreasonable failure to follow such recommendations;

(u) Exercise any other powers conferred by the Declaration, the Articles of Incorporation, these Bylaws, the Act and the CRNCA;

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

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

6.5 Managing Agent. The Board of Directors may employ a Manager or Managing Agent for the Common Interest 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 6.4, Subdivisions (c), (f), (g), (h), (i) and (j). 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. The Board of Directors shall comply with the provisions of C.R.S. § 38-33.3-306(d).

6.6 Regular Meetings. Regular meetings of the Board of Directors may be held without call or formal notice at such places within the State of Colorado, and at such times as the Board from time to time by vote may determine. Any business may be transacted at a regular meeting. The regular meeting of the Board of Directors for the election of officers and for such other business as may come before the meeting may be held without call or formal notice immediately after, and at the same place as, the annual meeting of members, or any special meeting of members at which a Board of Directors is elected.

6.7 Special Meetings. Special meetings of the Board of Directors may be held at any place within the State of Colorado at any time when called by the president, or by two or more directors, upon the giving of at least three days' prior notice of the time and place thereof to each director by leaving such notice with him or at his residence or usual place of business, or by mailing or telegraphing it prepaid, and addressed to him at his post office address as it appears on the books of the Association, or by telephone. Notices need not state the purposes of the meeting. No notice of any adjourned meeting of the directors shall be required.

6.8 Quorum. A majority of the number of directors fixed by these Bylaws, as amended from time to time, shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting from time to time. When a quorum is present at any meeting, a majority of the directors in attendance shall, except where a larger number is required by law, by the articles of incorporation or by these Bylaws, decide any question brought before such meeting.

6.9 Waiver of Notice. Before, at or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent

to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him except when such director attends the meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

6.10 Informal Action by Directors. If a majority of the Board of Directors or a majority of members of a committee established by the Board, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Board of Directors members or of the committee constitutes a quorum, then that action shall be a valid corporate action as though it had been authorized at a meeting of the Board of Directors or the committee, as the case may be. The secretary shall file these consents with the minutes of the meetings of the Board of Directors. The Board of Directors shall honor director proxies in the manner and to the greatest extent provided in the CRNCA.

6.11 Telephone Communication in Lieu of Attendance. A director may attend a meeting of the Board of Directors by using an electronic or telephonic communication method whereby the 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 vote of such director shall be counted and the presence noted as if that director were present in person on that particular matter.

6.12 Removal of Director. The Owners, by a two-thirds vote of all persons present and entitled to vote, at any meeting of the Owners at which a quorum is present, may remove any member of the Board of Directors, with or without cause, other than one appointed by the Declarant. Any member of the Board of Directors appointed by the Declarant during the Period of Declarant Control may only be removed by the Declarant. Vacancies created by removal according to this Section 2.4 may be filled as follows:

(i) As to vacancies of directors whom Owners other than the Declarant elected, by a majority of the remaining Board of Directors; provided, however, if the entire Board of Directors is removed at once, an election shall be held immediately thereafter at the same meeting; and

(ii) As to vacancies of directors whom the Declarant has the right to appoint, by the Declarant.

Each person so elected or appointed shall serve on the Board of Directors for the remainder of the term of the member so replaced.

6.13 Compensation of Directors. No member of the Board of Directors shall receive any compensation from the Association for acting as such unless approved by a majority of the votes in the Association at a regular or special meeting of the Association. Any member of the Board of Directors may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a member of the Board of Directors, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made

known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested member of the Board of Directors.

ARTICLE VII OFFICERS AND AGENTS

7.1 General. The officers of the Association shall be a president (who shall be chosen from among the members of the Board of Directors), one or more vice presidents, a secretary and a treasurer. The officers shall be appointed by an affirmative vote of a majority of the members of the Board of Directors. The Board of Directors may appoint such other officers, assistant officers, committees and agents, including assistant secretaries and assistant treasurers, as they may consider necessary or advisable, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the Board of Directors. One person may hold any two offices, except that no person may simultaneously hold the offices of president and secretary. In all cases where the duties of any officer, agent or employee are not prescribed by the Bylaws or by the Board of Directors, such officer, agent or employee shall follow the orders and instructions of the president.

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

7.3 Vacancies. A vacancy in any office, however occurring, may be filled by an affirmative vote of a majority of the members of the Board of Directors for the unexpired portion of the term.

7.4 President. The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have the general and active control of the affairs and business of the Association and general supervision of its officers, agents and employees. The president of the Association is designated as the officer with the power to prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

7.5 Vice Presidents. The vice presidents shall assist the president and shall perform such duties as may be assigned to them by the president or by the Board of Directors. In the absence of the president, the vice president designated by the Board of Directors or (if there be no such designation) designated in writing by the president shall have the powers and perform the duties of the president. If no such designation shall be made all vice presidents may exercise such powers and perform such duties.

7.6 Secretary. The secretary shall:

(a) Keep the minutes of the proceedings of the members, executive committee and the Board of Directors;

(b) See that all notices are duly given in accordance with the provisions of these bylaws, the Declaration and as required by law;

(c) Be custodian of the corporate records and of the seal of the Association and affix the seal to all documents when authorized by the Board of Directors;

(d) Keep at its registered office or principal place of business within or outside Colorado a record containing the names and registered addresses of all members, the designation of the Unit owned by each member, and, if such Unit is mortgaged, the name and address of each Mortgagee; and

(e) In general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the president or by the Board of Directors. Assistant secretaries, if any, shall have the same duties and powers, subject to supervision by the secretary.

7.7 Treasurer. The treasurer shall be the principal financial officer of the Association and shall have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Association and shall deposit the same in accordance with the instructions of the Board of Directors. He shall receive and give receipts and acquittances for monies paid in on account of the Association, and shall pay out of the funds on hand all bills, payrolls and other just debts of the Association of whatever nature upon maturity. He shall perform all other duties incident to the office of the treasurer and, upon request of the Board, shall make such reports to it as may be required at any time. He shall, if required by the Board, give the Association a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his duties and for the restoration to the Association of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association. He shall have such other powers and perform such other duties as may be from time to time prescribed by the Board of Directors or the president. The assistant treasurers, if any, shall have the same powers and duties, subject to the supervision of the treasurer.

7.8 Execution of Instruments. Except as provided in Sections 7.4, 7.6, 7.7 and 7.9 of these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association may be executed by any officer of the Association or by any other person or persons designated by the Board of Directors.

7.9 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, in accordance with Section 316 of the Act. The amount of the fee for preparing statements of unpaid assessments 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 Assessment against the Unit for which the certificate or statement is furnished.

ARTICLE VIII OBLIGATIONS OF THE MEMBERS

8.1 Assessments. Each Owner shall pay his share of all assessments imposed by the Association to meet the General and Limited Common Expenses. Unless otherwise set out in the Declaration, each assessment for General Common Expenses shall be allocated among the Owners in accordance with their respective Sharing Ratios and each assessment for Limited Common Expenses shall be allocated among the Owners in accordance with their relative percentage interests in the subject Limited Common Elements. If a Unit is owned by two or more Owners, each of such co-Owners shall be jointly and severally liable for the portion of all assessments attributable to such Unit. Assessments shall be made monthly and shall be due and payable on the date specified in the assessment notice. All unpaid assessments shall bear interest at a rate determined by the Board of Directors and shall be secured by a lien on the Unit owned by the defaulting Owner, in accordance with the provisions of the Declaration.

8.2 Maintenance and Repair.

(a) Every Owner shall perform or cause to be performed at his own expense all maintenance and repair work within his own Unit necessary to maintain the Unit in a good and habitable state of repair.

(b) All repairs of internal installations in a Unit such as water, light, gas, power, sewage, telephones, air conditioners, sanitary installations, doors, windows, electrical fixtures and all other accessories, equipment and fixtures belonging to an apartment Unit shall be at the Owner's expense.

(c) Each Owner shall reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any Common Element damaged by the negligence or intentional acts of such Owner or his tenants or guests.

8.3 Compliance With Declaration, Articles, Bylaws and Rules. Each member shall comply with all of the provisions of the Declaration, the articles of incorporation and Bylaws of the Association and any rules and regulations issued by the Board of Directors. If a member fails to comply, the Association shall have the power, during the period of such delinquency, (a) to revoke the delinquent member's right to use General Common Elements designed for recreational purposes, if any, (b) to cause utility service to the delinquent member's Unit to be suspended, (c) to suspend the delinquent member's voting privileges, and (d) to impose appropriate fines, as determined by the Board of Directors, against the delinquent member. In the event of the exercise of any such powers, the Association shall notify the delinquent member's First Lienor of the delinquency and the action taken.

8.4 Abatement and Enjoinment of Violations by Unit Owners. The violation of any of the Rules and Regulations adopted by the Board of Directors or the breach of any provision of the governing documents of the Association shall give the Board of Directors the right, in addition to

all rights set forth above, after notice and an opportunity to be heard (except in case of an emergency):

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

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

8.5 Fine for Violation. The Board of Directors may adopt resolutions providing for fines or other monetary penalties for the infraction of its Articles of Incorporation, Bylaws, Rules and Regulations or of the Declaration. Fines will be levied after notice thereof and an opportunity to be heard. The Board of Directors may levy fines in amounts that it, in its sole discretion, shall determine to be reasonable for each such violation, including those violations which persist after notice and an opportunity for a hearing is given.

ARTICLE IX EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND LIEN HOLDERS

9.1 Proof of Ownership. Except for those Owners who initially contracted to purchase a Unit from the Declarant, any person on becoming an Owner shall furnish to the Association a photocopy or a certified copy of the recorded instrument vesting that person with an ownership interest in the Unit. Such copy shall remain in the files of the Association. A member shall not be deemed to be in good standing and shall not be entitled to vote at any annual or special meeting of members unless this requirement is first satisfied. The Association may issue membership certificates to its members; however, such certificates shall not be deemed to be shares of stock in the Association.

9.2 Registration of Mailing Address. If a Unit is owned by two or more Owners, such co-Owners shall designate one address as the registered address required by the Declaration. The registered address of an Owner or Owners shall be furnished to the secretary within five days after transfer of title, or after a change of address, and such registration shall be in writing and signed by all of the Owners or by such persons as are authorized to sign on behalf of such Owners.

9.3 Liens. Any Owner who mortgages or grants a deed of trust covering his Unit shall notify the Board of Directors of the name and address of the Mortgagee and shall file conformed copies of the note and security instrument with the Board of Directors. The Board of Directors shall maintain such information in a book entitled "Liens on Units." The Board of Directors, when giving notice to an Owner of default in paying an assessment or other default, shall send a copy

of such notice to each Mortgagee with an interest in such Owner's Unit, whose name and address has theretofore been furnished to the Board of Directors.

9.4 Address of the Association. The address of the Association shall be Terrace Condominiums Homeowners Association, Inc., 1732 Wazee Street, Suite 206, Denver, Colorado 80202. Such address may be changed from time to time upon written notice to all members and all Mortgagees listed in Liens on Units.

ARTICLE X SECURITY INTEREST IN MEMBERSHIP

Owners shall have the right irrevocably to constitute and appoint a Mortgagee their true and lawful attorney-in-fact to vote their Unit membership in the Association at any and all meetings of the Association and to vest in the Mortgagee any and all rights, privileges and powers that they have as Owners under the articles of incorporation and these bylaws or by virtue of the Declaration. Such proxy shall become effective upon the filing of notice by the Mortgagee with the secretary of the Association at such time or times as the Mortgagee shall deem its security in jeopardy by reason of the failure, neglect or refusal of the Association, the Board of Directors or the Owners to carry out their duties as set forth in the Declaration. A release of the mortgage or deed of trust covering the subject Unit shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners, as mortgagors, of their duties and obligations as Owners or to impose upon the Mortgagee the duties and obligations of an Owner.

ARTICLE XI AMENDMENTS

11.1 Vote. The Bylaws may be amended only by vote of a majority of the members of the Board of Directors, following notice and comment to all Unit Owners, at any meeting duly called for such purpose.

11.2 Rights of Mortgagees. No amendment of these Bylaws of the Association shall be adopted which would affect or impair the validity or priority of any mortgage or deed of trust encumbering any Unit or which would change the provisions of these Bylaws with respect to institutional mortgagees of record.

11.3 Limitation. Notwithstanding the foregoing, amendment of these Bylaws is specifically subject to the requirements of Section 38-33.3-306 of Colorado Revised Statutes, as amended.

ARTICLE XII MISCELLANEOUS

12.1 Seal. The corporate seal of the Association shall be circular in form and shall contain the name of the corporation, the year of its organization and the words "Seal, Colorado".

12.2 Right of Entry. The manager and any person authorized by the Board of Directors shall have the right to enter each Unit in case of any emergency originating in or threatening such Unit whether or not the Owner or occupant is present at the time.

12.3 Fiscal Year. The fiscal year of the Association shall be such as may from time to time be established by the Board of Directors.

12.4 Indemnification. The Association shall have the following powers regarding indemnification:

(a) To indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a director, officer, employee, or agent of the Association or is or was serving at the request of the Association as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with that action, suit, or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interests of the Association and, regarding any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction or upon a plea of nolo contendere or its equivalent will not of itself create a presumption that the person did not act in good faith and in the manner which he or she reasonably believed to be in the best interests of the Association and, regarding any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(b) To indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee, or agent of another Association, partnership, joint venture, trust, or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the defense or settlement of that action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in the best interests of the Association; but no indemnification shall be made regarding any claim, issue, or matter as to which such person has been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Association unless and only to the extent that the court in which the action or suit was brought determines upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for those expenses which the court deems proper.

(c) To the extent that a director, officer, employee, or agent of a Association has been successful on the merits in defense of any action, suit, or proceeding referred to in subsections (a) and (b) or in defense of any claims, issue, or matter therein, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

(d) Any indemnification under subsection (a) or (b) (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he or she has met the applicable standard of conduct set forth in subsection (a) or (b). That determination shall be made by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding or, if a quorum is not obtainable or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the shareholders.

(e) Expenses (including attorneys' fees) incurred in defending a civil or criminal action, suit, or proceeding may be paid by the Association in advance of the final disposition of that action, suit, or proceeding as authorized in subsection (d) upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount unless it is ultimately determined that he or she is entitled to be indemnified by the Association as authorized in this section.

(f) The indemnification provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under the Articles of Incorporation, any Bylaw, agreement, vote of shareholders or disinterested directors or otherwise, and any procedures provided for by any of the foregoing, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of heirs, executors, and administrators of that person.

(g) The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Association or who is or was serving at the request of the Association as a director, officer, employee, or agent of another Association, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her 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 him or her against that liability under the provisions of this section.

12.5 Recreational Facilities. No major recreational facilities are presently planned as part of the Premises.

12.6 Records and Audits. The Association shall maintain financial records. The cost of any audit or review shall be a General Common Expense unless otherwise provided in the Declaration. An audit or review shall be done no less often than once every three years, unless otherwise provided for in the Declaration.

12.7 Examination. All records maintained by the Association or the Manager shall be available for examination and copying by any Owner or by any of their duly authorized attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

12.8 Records. The Association shall keep the following records:

- (i) An account for each Unit, which shall designate the name and address of each Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Unit, the amount of each assessment, the dates on which each assessment comes due, the amounts paid on the account and the balance due;
- (ii) The current operating budget;
- (iii) A record of insurance coverage provided for the benefit of Owners and the Association;
- (iv) Tax returns for state and federal income taxation;
- (v) Minutes of proceedings of incorporators, Owners, Board of Directors and its committees, and waivers of notice;
- (vi) A copy of the most current versions of the articles of incorporation, the Declaration, these Bylaws, Rules and Regulations, and resolutions of the Board of Directors, along with their exhibits and schedules; and
- (vii) Such other records as the Board of Directors shall determine from time to time are necessary or desirable.

12.9 Construction with Other Documents. The Declaration, as it may be amended or supplemented from time to time, and the articles of incorporation of the Association, filed with the Colorado Secretary of State, as they may be amended from time to time, are hereby incorporated herein. The provisions of such instruments shall control in the event of an irreconcilable conflict with the provisions of these Bylaws, unless otherwise required by the Act. Similarly the Rules and Regulations issued by the Board of Directors, as they may be amended or supplemented from time to time, are hereby incorporated herein; and together with the Declaration and these Bylaws shall control each Owner's use and maintenance obligations with respect to the Units and Common Elements.