

By-Laws of
The Ranch Property Owners Association, Inc.
(A Colorado Not-for-Profit Corporation)
(As amended through April 1, 2006)

ARTICLE I NAME

This non-profit corporation shall be called THE RANCH PROPERTY OWNERS ASSOCIATION, INC., hereinafter referred to as the "Association", with its principal office at 32852 U. S. Highway 550, Durango, Colorado 81301 or at such other place designated by the Board of Directors.

ARTICLE II DEFINITIONS

Defined terms not specifically stated below should have the meanings set out in the DECLARATIONS.

ASSOCIATION or THE RANCH PROPERTY OWNERS ASSOCIATION shall mean the non-profit MEMBERSHIP Association described in Article IV of the DECLARATION including its successors and assigns.

ASSOCIATION PROPERTY shall mean real property and any improvements thereon and personal property owned by the ASSOCIATION, if any.

COMMON AREA shall mean all real property (including the improvements thereto) owned by the ASSOCIATION, as displayed in Exhibit A of the DECLARATIONS, and excluding any private property, for the common use and enjoyment of the OWNERS.

DECLARATION shall mean and refer to the 2006 Amended and Restated DECLARATION of Covenants, Conditions and Restrictions, applicable to the properties, as recorded in the Office of Clerk and Recorder of La Plata County, Colorado on June 00000000 under Reception 000000 as amended from time to time.

ARTICLE III PURPOSES

The Property shall be known as "THE RANCH." It is the intent and purpose of these By-Laws:

1. to preserve the great charm and natural beauty of the property through the use of a coordinated plan of development expressed in terms of this instrument and the DECLARATION.

2. to promote the health, safety and welfare of the residents within The Ranch Subdivision.

3. to have and to exercise any and all powers, rights and privileges which a corporation organized under the Non- Profit Corporation Law of the State of Colorado by law may now or hereafter have or exercise and to perform all other lawful acts consistent with the purposes of the Association or as may be provided by the laws of the State of Colorado.

ARTICLE IV MEMBERSHIP

Section 1. OWNER MEMBERS. Each OWNER, by virtue of being an OWNER and for as long as he is an OWNER, shall be a MEMBER of the ASSOCIATION, or, in the event of its dissolution, a MEMBER of the unincorporated association succeeding to the ASSOCIATION, as provided in Paragraph B of Section 4.01 of the DECLARATION. The MEMBERSHIP of an OWNER shall not be transferred, pledged or alienated in any way except upon transfer of title to the owner's LOT and then only to the transferee of title to such LOT. Any attempt to make a prohibited transfer is void.

Section 2. MEMBERS RIGHTS AND DUTIES. The rights, duties, privileges and obligations of an OWNER as a MEMBER of the ASSOCIATION, or its succeeding unincorporated association, shall be those set forth in, and shall be exercised and imposed in accordance with, the provisions of the voting rights of the MEMBERS as set out in Section 5 of the DECLARATION.

Section 3. SUSPENSION OF MEMBERS. The rights and privileges of an OWNER, including the right to vote, may be suspended after a minimum of thirty days notice to the MEMBER setting forth the alleged infraction(s) of any rules and regulations and a hearing before the BOARD. The MEMBER may reply in writing. At the hearing, the BOARD shall present its information concerning the alleged infraction and the MEMBER may present such information deemed revelant in response. The BOARD shall in due course issue in writing its determination on the matter.

ARTICLE V MEETINGS

Section 1. ANNUAL MEETING. The place and time, approximately during June, of the Annual Meeting of the MEMBERS will be determined by the Board of Directors.

Section 2. SPECIAL MEETINGS. Special meetings of the MEMBERS may be called at any time by the President or the Board of Directors or upon written request of at least twenty-five percent (25)% of all members.

Section 3. MEETING NOTICES. The Secretary shall cause written notice of all annual and special meetings of the MEMBERSHIP to be mailed to each MEMBER at least thirty (30) days prior to such meeting. Such notice shall specify the place and time of the meeting and if a Special Meeting; the purpose of said meeting.

Section 4. PROXIES. At meetings of the MEMBERSHIP, each MEMBER may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Each proxy shall be revocable and shall automatically cease upon conveyance of the MEMBER'S LOT.

Section 5. REGULAR BOARD MEETINGS. Regular Meetings of the Board may be called by the President, or in absence of the President, by the Vice President or by any two (2) MEMBERS of the Board. The Board shall meet at least nine (9) times per fiscal year at such time and place as determined by the Board; meetings will be open to any MEMBER. Owners may speak, prior to any formal action being taken, on any item under discussion during the Board's discussion and deliberations. The Board can set a time limit on speakers as well as a limit on the number of speakers. The chairperson must recognize all speakers. The board may go into executive session to deliberate and vote on sensitive items such as matters of a personal nature, litigation strategy or hearings with respect to violations. Any final action taken in executive session shall be recorded in the minutes. The President shall give notice of Regular Meetings, including a detailed agenda for such a meeting, to the Directors at least seven (7) days prior to the meeting. At the same time, the Secretary will also arrange to have a notice of such meeting, including the agenda, posted on the ASSOCIATION Bulletin Board and the ASSOCIATION WEBSITE.

Section 6. SPECIAL BOARD MEETINGS. Special Meetings of the Board may be called at anytime by the President or the Vice President or by any two (2) Directors with at least one (1) day notice to the Directors and posting to the MEMBERS substantially in the form required by the preceding Section.

Section 7. QUORUM. A quorum for the transaction of business of the Association shall be as follows:

7.1 ANNUAL AND SPECIAL MEETINGS OF THE MEMBERSHIP. Presence or representation of at least fifty percent (50%) of the MEMBERS/proxies entitled to vote at any meeting shall constitute a quorum therefor for the transaction of business, except as otherwise provided in the Articles of Incorporation or the DECLARATION. If a quorum is not present or represented at any meeting or if a majority of the MEMBERS present and represented vote to do so, said MEMBERS shall have the power to adjourn the meeting from time to time without notice other than an announcement at the meeting. Action may be taken by mail, telephone or other electronic media, in which event the vote of a majority of the MEMBERSHIP shall be required to approve the action of the MEMBERS, except as otherwise provided by the DECLARATION or these By-Laws.

7.2 BOARD OF DIRECTORS AND COMMITTEES. A majority of the MEMBERS of the Board or of any Committee present at any meeting shall constitute a quorum thereof for the transaction of business. However, action may be taken by mail, telephone or other electronic media by a majority vote of the whole Board or Committee unless otherwise stipulated in The DECLARATION or these By-Laws.

ARTICLE VI
NOMINATION, ELECTION AND VACANCIES

Section 1. NOMINATION OF DIRECTORS. Nominations for election to the Board of directors shall be made by the Nominating Committee at least forty-five (45) days prior to the election. The Nominating Committee shall compile a slate of at least one (1) nominee for each vacating position of Director for election to the Board. Any group of MEMBERS consisting of at least ten percent (10%) of the total MEMBERSHIP may submit additional nominations to the nominating committee not later than thirty-five (35) days before the election. Nominations meeting these criteria shall be reflected on the ballot. At least thirty (30) days prior to the Annual Meeting, the Secretary shall provide notice of the designated nominees to the MEMBERS. At the Annual Meeting, additional members may be nominated from the floor, provided such nominees have indicated in writing their willingness to serve if elected. Nominees must be MEMBERS of the Association.

Section 2. ELECTION OF DIRECTORS. Election to the Board of Directors shall be by secret written ballot during the Annual Meeting. At such election, members in good standing or their proxies may cast their vote for each vacancy as stipulated herein and in the DECLARATION. Those nominees receiving a plurality of vote's cast shall be certified as elected. Cumulative voting is not permitted.

Section 3. ELECTION OF OFFICERS. The Board of Directors by secret written majority vote shall annually elect the officers of the Association during the first meeting of the Board following the Annual Meeting.

Section 4. RESIGNATION. An Officer or Director may resign at any time by giving written notice to the Board of Directors. Such resignation shall be effective at the time specified therein and acceptance shall not be necessary for a resignation to be effective.

Section 5. REMOVAL. A Director may be removed from office at any time by a two-thirds (2/3) affirmative vote of the Association MEMBERS. An Officer may be removed from office by a two-thirds (2/3) affirmative vote of the Board of Directors.

Section 6. VACANCIES. Any vacancy among the Directors or Officers shall be filled by a majority vote of the Board of Directors at a Regular or Special Meeting of the Board immediately following the occurrence of the vacancy; except that if a director vacancy so being filled extends past the date of the next regular annual meeting, the action of the BOARD filling such a vacancy shall be submitted to the MEMBERS for ratification at said next regular Annual Meeting.

ARTICLE VII BOARD OF DIRECTORS

Section 1. GOVERNANCE. The governance and control of this Association on behalf of the members shall be vested in and its affairs managed by a Board of Directors all of

whom must be MEMBERS of the Association. The Board shall have general charge, management and control of the property and activities of this Association in pursuit of Article 3 hereof and the DECLARATION.

Section 2. NUMBER AND MEMBERS. The Board of Directors shall consist of seven (7) MEMBERS elected by the MEMBERSHIP of this Association and shall be composed of four (4) Association officers - President, Vice President, Secretary, and Treasurer -and three (3) other Directors.

Section 3. TERM. The term of office of each one of the Board of Directors elected by the MEMBERS shall be three (3) years. Two (2) new Directors shall be elected at each Annual Meeting to serve the ensuing three (3) years, succeeding the two (2) Directors whose terms expire during the same Annual Meeting, except every third year when three (3) new Directors shall be elected to succeed the Directors whose terms are expiring.

3.1 The Board of Directors shall serve from the Annual Meeting at which their election is certified and shall continue in office until their successors are certified, elected or appointed.

Section 4. VOTING. Each Director shall be entitled to vote on all matters before the Board, except on any action or contract where there is a conflict of interest as set forth in Section 6. The votes of a majority of the Board shall constitute a binding act of the Association. There shall be no proxies.

Section 5. COMPENSATION. There shall be no compensation to any member of the Board of Directors for services rendered to this Association. However, Board members may be reimbursed for expenses incurred in the performance of Association duties.

Section 6. CONFLICTS OF INTEREST. A conflict of interest exists if a Board member or any related member of the family of a Board member would financially benefit from any action or contract with the RPOA. In such instance, the Board member shall declare there is a conflict of interest and may not vote on the proposal. If there is ambiguity as to whether a conflict exists, the Board member may not vote. As a matter of practice, the chairperson presiding at a Board meeting may require Board members to declare whether a conflict may exist before voting on any motion to which this provision may apply and the minutes shall record such declarations. To educate Board members concerning conflicts of interest, this policy shall be reviewed each year at the first Board meeting after the Annual Meeting and new members shall affirm they have reviewed and understand the policy. In the event this policy is violated by a Board member or members and therefore the contract in issue is by law void and unenforceable, the Board members without a conflict may take any action they deem appropriate, including re-affirmation of the action or contract.

ARTICLE VIII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. The Board shall possess all the powers and have the duties necessary for the management of the property and affairs of the Association, except those specifically reserved to the MEMBERSHIP by law, the Articles of Incorporation, the DECLARATION or as otherwise provided in these By-Laws. The Board is generally empowered to perform any acts consistent with the corporate purposes and the laws of the State of Colorado.

Section 2. The powers and duties of the Board of Directors shall include but not be limited to:

2.1 Adopt and publish rules and regulations of the Association.

2.2 Suspend MEMBERSHIP rights and privileges, including voting rights, if a member is in default in the payment of any assessment levied by the Association.

2.3 Employ a manager, an independent contractor or such other employees as deemed necessary; prescribe duties of and supervise same.

2.4 Establish, collect and enforce assessments as more fully provided in Article VI of the DECLARATION and Article XI of these By-Laws.

ARTICLE IX OFFICERS

Section 1. OFFICERS. The officers of this Association shall be the President, Vice-President, Secretary, and Treasurer.

Section 2. TERM. Officers shall serve for a term of one (1) year in their elected office except the Treasurer who shall serve a two (2) year term, effective with the Board of Directors meeting at which their election is certified or shall continue in office until their successors are elected and certified to office, whichever is later. However, an officer cannot serve more than two (2) consecutive terms in office.

Section 3. MULTIPLE OFFICES. No Officer shall simultaneously hold more than one office.

Section 4. DUTIES OF THE OFFICERS.

4.1 The President shall be the Chief Executive Officer of the Association and shall have general management of the affairs of the Association and shall be responsible for the supervision thereof subject to the advice, consent and control of the Board. The President, in the name of the Association, shall co-sign promissory notes and sign and execute such leases, mortgages, deeds and other contracts and instruments as may be authorized by the Board of Directors. The President shall preside at all meetings of the MEMBERSHIP and the Board of Directors and serve as an ex-officio member of all committees, except the Nominating Committee, and perform such other duties as may be

assigned from time to time by the Board of Directors.

4.2 The Vice President shall assist the President in the discharge of the President's duties and in the absence of the President shall assume the duties of the President. When so acting, the Vice President shall have the powers of the President and shall perform such other duties required from time to time by the Board of Directors.

4.3 The Secretary shall record and maintain the minutes and proceedings of all meetings of the Board of Directors and the MEMBERSHIP and provide the Board and the MEMBERSHIP with notice of such meetings. The Secretary shall be the custodian of all records of the Association as required by Article XII of these By-Laws, and insure that all records are properly maintained and available as described in the DECLARATIONS. The Secretary shall issue all notices of meetings and elections and perform such other duties as stipulated in these by-laws or as directed by the Board of Directors.

4.4 The Treasurer shall be responsible for all monies received by the Association, shall have custody and charge of the funds and securities of the Association and shall maintain full and accurate records and accounts of all receipts and disbursements of the Association. The Treasurer shall be responsible for all corporate funds deposited/invested in banks, trust companies, other depositories and financial institutions as recommended by the Financial Committee and approved by the Board of Directors; shall compile, prepare and monitor an annual budget; shall provide a written report of the Association's income and expenditures at each regular meeting of the Board of Directors and to each MEMBER at the Annual Meeting and furnish such other financial information as requested by the Board. The Treasurer shall sign all checks and, in the name of the Association, promissory notes of the Association, shall counsel the Board on fiscal matters, shall chair the Finance Committee, shall be the Association's liaison with the Public Accounting firm chosen by the Board, present all financial records for audit when so notified by the Board and perform such other duties as directed by the Board of Directors.

ARTICLE X COMMITTEES

Section 1. MEMBERS. With the exception of the Architectural and Nominating Committees, other Committees shall consist of a Chairperson designated by the President with other committee MEMBERS designated by the Committee Chairperson and confirmed by the Board.

Section 2. STANDING COMMITTEES.

- 2.1 Architectural
- 2.2. By-Laws
- 2.3. Finance
- 2.4. Maintenance
- 2.5. Nominating

Section 3. ARCHITECTURAL COMMITTEE. The ARCHITECTURAL COMMITTEE shall consist of a Chairperson, who shall be a member of the BOARD, and no more than two (2) members of the ASSOCIATION, who shall be appointed by the chairperson and confirmed by the Board. There shall be two (2) alternate members also confirmed by the BOARD who shall act as substitutes in the event of absence of a COMMITTEE member. All COMMITTEE members shall serve staggered terms and shall be confirmed by a majority vote of the BOARD at the first BOARD meeting following the Annual Meeting. The terms of all ARCHITECTURAL COMMITTEE members shall be three (3) years. This COMMITTEE shall carry out all duties imposed on it by the DECLARATION, shall adopt and enforce ARCHITECTURAL COMMITTEE RULES subject to BOARD approval, and shall perform other duties delegated to it by the BOARD. It shall maintain a record of all actions for a minimum of three (3) years.

Section 4. BY-LAWS COMMITTEE. The By-Laws Committee shall consist of a Chairperson and no more than three (3) other members of the Association. This Committee shall receive all proposals for amendments to the By-Laws and DECLARATION and/or shall formulate such amendments, develop the draft of the proposed amendments, and arrange with the Secretary for notifying the MEMBERSHIP of the proposed amendments; and shall perform all other duties assigned to it by the Board of Directors.

Section 5. FINANCE COMMITTEE. The Finance Committee shall consist of the Treasurer as Chairperson and no more than three (3) other members who have accounting, finance or business experience. The members are selected by the Chairperson, each to serve three year limited terms. The goal should be to make these staggered terms. The Committee shall participate in the preparation of the Annual Budget, recommend assessments to the Board of Directors and the manner in which said assessments shall be enforced and evaluate the Association's investment and capital expenditure program with warranted recommendations to the Board.

Section 6. MAINTENANCE COMMITTEE. The Maintenance Committee shall consist of a Chairperson who shall be a member of the Board of Directors and at least three (3) other members. The Committee shall operate and maintain in good order and repair Association property, or provide for same, for the purposes and uses for which such Association property is intended. The Committee shall maintain in good repair, for the purpose intended, all drainage courses under Association jurisdiction.

Section 7. NOMINATING COMMITTEE. The Nominating Committee shall consist of a Chairperson who shall be a member of the Board of Directors and at least two at-large MEMBERS of the Association, all of whom shall be appointed by a majority vote of the Board of Directors at the first Board meeting following the Annual Meeting and shall serve through the close of the next Annual Meeting. The Committee shall develop a slate of at least one (1) nominee for each vacating position of Director and shall arrange with the Secretary for notifying the MEMBERSHIP of the slate of nominees in accordance with Article VI, Section I, and shall present said slate of nominees to the MEMBERS of

the Association for election at the Annual Meeting and shall serve as tellers at said election and handle all details associated therewith.

Section 8. OTHER COMMITTEES. The Board of Directors may from time to time appoint other committees as warranted.

ARTICLE XI ASSESSMENTS

Section 1. AMOUNT. The amount of the annual assessment of the Association for each MEMBER shall be recommended on a fiscal year basis by the Finance Committee and be approved by a majority vote of the Board of Directors at least thirty (30) days prior to the required notice to the MEMBERS. All activities relating to assessments shall be governed by Article VI of the DECLARATIONS. As deemed necessary for maintenance, the Board may from time to time in any fiscal year levy additional assessments.

Section 2. NOTICE. The Treasurer shall provide each Owner of record subject to assessment with written notice of such assessment at least ten (10) days in advance of the assessment period.

Section 3. PAYMENT. MEMBERS are obligated to pay assessments, which are secured by a continuing lien upon the property against which the assessment is made, in accordance with the terms of payment designated by the Board and specified in the notice of the assessment.

Section 4. DEFAULT. Owners may not waiver or otherwise avoid liability, for timely, full payment of assessments. Assessments not paid within sixty (60) days of the due date constitute a default. Upon such default, the President or Treasurer shall notify the MEMBER in writing of the Association's right to foreclose the lien against the assessed property and/or bring action at law against the Owner obligated to pay the assessment if such assessment is not paid within fifteen (15) days of issuing the default notification. A late payment fee of 1% of the balance owed for each month following default will be added to the assessment if payment is not made, and attorney's fees resulting from such action(s) shall be also added to the amount of the due assessment.

ARTICLE XII BOOKS AND RECORDS

Section 1. RECORDS: The Association shall maintain the following information as permanent written records:

- Minutes of all BOARD and MEMBER meetings,
- Records of all actions taken by the BOARD and MEMBERS by written ballot in lieu of a meeting,
- Records of all actions taken by any committee on behalf of the BOARD or the ASSOCIATION,

- Records of all waivers of notice requirements for meetings of the BOARD, MEMBERS, or any committee.

In addition, the ASSOCIATION must keep a current, reproducible copy of all of the following documents:

- All BOARD resolutions affecting MEMBERS;
- The ARTICLES of Incorporation;
- The DECLARATION;
- These BY-LAWS,
- The ARCHITECTURAL COMMITTEE RULES and any other compendium of rules applying to members in general;
- Minutes of any MEMBERS meetings and records of any actions taken by MEMBERS without a meeting during the preceding 3 years;
- All written communications within the last three years to MEMBERS generally as MEMBERS;
- A listing of all MEMBERS, by lot including their local and out-of-town addresses;
- A list of the names and addresses of the current BOARD members and the officers of The ASSOCIATION;
- The annual financial report of the ASSOCIATION;
- All financial audits or financial reviews conducted during the preceding three fiscal years.

All required records shall be maintained in the business office of the ASSOCIATION, or at the office of the Secretary. In addition, the ASSOCIATION may keep copies of certain of the required records available in digital form on the ASSOCIATION website. The Records Retention Policy of the Association is attached as Exhibit E in the DECLARATIONS.

Section 2. ACCESS TO INFORMATION. Records required to be maintained by Section 1 shall be available to all MEMBERS for inspection and/or copying within 5 days of receipt by the Secretary of the ASSOCIATION of a written request, made in good faith and for a proper purpose, stating the name and address of the MEMBER making the request, the purpose for which the request is being made and, in reasonable detail, the specific records being requested. Requested records applying to the matter in question shall be available to the requesting MEMBER during normal business hours at the office at which the records are kept or mailed to the requesting MEMBER, as appropriate. A nominal fee may be charged, at the discretion of the BOARD, to offset the actual costs of copying and postage. Records maintained on the ASSOCIATION website will not be subject to a request or charge. Records relating to personal or disciplinary matters involving Officers, members of the Board, or employees or agents of the ASSOCIATION and records subject to attorney-client privilege may be excluded from such requests at the discretion of the BOARD and upon the advice of counsel.

ARTICLE XIII AMENDMENT, CONFLICT

Section 1. BY-LAWS. The By-Laws may be amended or repealed by a two-thirds (2/3) majority vote in person/proxy of the MEMBERS present/represented at any Annual or Special meeting of the Association, notice of the proposed amendments having been submitted in writing to the MEMBERS at least thirty (30) days before such meeting or, without a meeting, if authorized in writing and signed by a two-thirds (2/3) majority of the MEMBERS voting by a thirty (30) day signed ballot.

Section 2. ARTICLES OF INCORPORATION. The Board of Directors may amend the Articles of Incorporation and adopt Restated Articles of Incorporation at any meeting of the Board upon two-thirds (2/3) vote of the Directors or without a meeting when authorized in writing by two-thirds (2/3) of the Directors.

Section 3. CONFLICT. The order of precedence to resolve any conflict between documents will be; first, the Articles of Incorporation; second, the DECLARATION; third, these By-Laws.

ARTICLE XIV FISCAL YEAR

The fiscal year of the Association shall commence on April 1 and end on March 31 of the following year.

ARTICLE XV CONTRACTS, CONVEYANCES, ENCUMBRANCES

Section 1. CONTRACTS. The Board of Directors may authorize any officer of the Association to enter into a contract or execute and deliver an instrument in the name of the Association, except as otherwise required by the Articles of Incorporation or by the DCCR's or by these By-Laws.

Section 2. CONVEYANCES AND ENCUMBRANCES. The ASSOCIATION shall have the right to dedicate, transfer, encumber or convey all or any part of the COMMON AREA only upon vote of persons entitled to cast at least sixty-seven percent of the votes in the ASSOCIATION. Notwithstanding the foregoing, however, the ASSOCIATION, upon resolution of the BOARD, shall be entitled to Lease or Transfer title to the Sewer Site (as shown on The Ranch, Phase 1, Plat, recorded as Reception No. 418481) without the need for an authorizing document from the members and shall further be permitted, upon BOARD resolution, to transfer common area to any particular LOT adversely impacted by as-built condition of any subdivision road provided that such transfer shall bear a direct proportion to the dimension of the impact of the road.

ARTICLE XVI RULES

Section 1. RULES OF ORDER. All meetings of this Association shall be governed by Robert's Rules of Order (latest current revised edition), except as otherwise provided in The DECLARATION and these By-Laws.

Section 2. ORDER OF BUSINESS. The Order of Business at all meetings of the Board of Directors, the MEMBERS and committees shall be determined by the Presiding Officer at such meetings.

Section 3. TRANSACTION OF BUSINESS. The Association may transact its business at meetings, by mail, telephone or electronic media.

ARTICLE XVII SUCCESSOR ASSOCIATION

Section 1. DISSOLUTION. In the event that the ASSOCIATION as a corporate entity is dissolved, a non-profit, unincorporated association shall forthwith and without further action or notice be formed and succeed to all the rights and duties of the ASSOCIATION hereunder.

Section 2. ASSETS. Upon its dissolution, other than incident to a merger or consolidation, the net remaining assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which the Association was created. In the event such dedication is refused, such assets shall be distributed to an organization or Association organized and operated for non-profit purposes.

Section 3. SUCCESSOR. The affairs of the successor organization shall be governed by the laws of the State of Colorado and to the extent not inconsistent therewith, by the Articles of Incorporation, the DECLARATION and By-Laws of this Association as if they were created for the purpose of governing the affairs of an unincorporated association.

END