

AMENDED AND RESTATED
BYLAWS
OF DURANGO MOUNTAIN RESORT

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AMENDED AND RESTATED BYLAWS
OF
DURANGO MOUNTAIN MASTER ASSOCIATION

ARTICLE I.
Definitions.

Each term in these bylaws with its first letter capitalized shall have the meaning defined for such term in the amended and restated articles of incorporation for Durango Mountain Master Association (formerly known as Purgatory Village Owners Association) or as defined in these bylaws.

ARTICLE II.
Offices.

The principal office of the Association shall be at #1 Skier Place, Durango, Colorado 801301. 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.

1. Members. The members of the Association shall be as set forth in the articles of incorporation as from time to time in force and effect.
2. Voting Rights. The voting rights of the members shall be as set forth in the articles of incorporation as from time to time in force and effect.
3. Record Date. The board of directors shall have the power to fix in advance a date as a record date for the purpose of determining members entitled to notice of or to vote at any meeting or to be furnished with any other information or material, or in order to make a determination or membership, for any purpose other than assessments which are provided for in Article IX herein. The members existing on any such record date shall be deemed members for such notice, vote, meeting, furnishing of information or material or other purpose and for any supplementary notice or information or material with respect to the same matter and for any adjournment of the same meeting. A record date shall not be less than 10 or more than 50 days prior to the date on which the particular action requiring determination of membership is proposed or expected to be taken or to occur. If no record date is established for a meeting, the date on which notice of such meeting is first given to any member shall be deemed the record date for the meeting.
4. Quorum. Except as otherwise provided in the articles of incorporation or these bylaws, the presence in person or by proxy of members of a class who are entitled to vote more than 20 percent of the total votes for the members of such class shall constitute a quorum for such class where a vote by class is required (class quorum), and the presence in person or by

proxy of members of any of the classes who are entitled to vote more than 20 percent of the votes of all of the different class members combined shall constitute a quorum where a vote by the combined classes is required (combined quorum).

5. 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. Except as provided in Article X herein, no proxy shall be valid after the expiration of eleven months from the date of its execution, and every proxy shall automatically cease at such time as the member granting the proxy no longer qualifies as a member in the class of voting membership for which vote the proxy was given.

6. Majority Vote. At any meeting of members where a vote by class is required, if a class 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 of such class unless the vote of a greater number is required by law, the articles of incorporation, the Declaration or these bylaws as from time to time in force and effect.

ARTICLE IV.
Property Rights and Rights of
Enjoyment of Association Properties and Functions.

Each member and Guest shall be entitled to the use and enjoyment of Association Properties and Services as set forth in the Declaration as from time to time in force and effect, subject to such rules and regulations as may be adopted by the Associations board of directors from time to time.

ARTICLE V.
Administration.

1. Annual Meeting. The annual meeting of the members shall be held at a time designated by the board of directors the second week in the month of October in each year, or at such other date as may be designated by the board of directors, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in Colorado, such meeting shall be held on the next succeeding business day.

2. Special Meetings. Special meetings of any class of members or the combined classes of members, for any purpose, unless otherwise prescribed by statute, may be called by the president or by the board of directors, and shall be called by the president at the request of the members entitled to vote 30 percent or more of the total votes of such class or combined classes of members.

3. 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 Association in La Plata County, Colorado.

4. 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 pre-paid. If requested by the person or persons lawfully calling such meeting, the secretary shall give the notice thereof at corporate expense.

5. Informal Action by Members. Any action required or permitted to be taken at a meeting of the members, or any class thereof, 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 (or class) 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 (or class), and may be stated as such in any articles or document filed with the Secretary of the State of Colorado.

6. Voting. In the election of directors each member shall have the right to vote as set forth in the articles of incorporation as from time to time in force and effect.

ARTICLE VI. Board of Directors.

1. Number, Tenure and Qualifications. The business and affairs of the Association shall be managed by a board of directors consisting of up to 7 directors who need not be members of the Association. The directors shall hold office until the election or appointment of their successors at the first annual meeting. Thereafter, directors shall be elected or appointed annually by the members at the annual meeting. Each director shall hold office until the election or appointment and qualification of his successor. If a director resigns, his replacement shall hold office only until the next annual meeting of the Association. The number of directors may be changed by amendment of the articles of incorporation in the manner set forth therein.

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 Class A, B or C 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 such a vacancy shall be elected to serve until the next annual meeting of the members. Any vacancy occurring in the board of directors by reason of resignation, death or an increase in the number of Class D or E directors shall be filled by appointment by the Class D or E member, respectively. A director appointed to fill such a vacancy shall serve until the next annual meeting of the members.

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 by law, by the articles of incorporation, the Declaration or these bylaws as from time to time in force and effect.

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, and subject to the provisions of the Declaration:

(a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the articles of incorporation, the Declaration of the bylaws as from time to time in force and effect.

(b) To establish, make, amend, publish and enforce compliance with such reasonable rules and regulations governing the operation and use of Association Properties and Services and the personal conduct of the members and Guests, and to establish, make, amend, publish and enforce payment of reasonable charges for the use of Association Properties and Services.

(c) To maintain in good order, condition and repair Association Properties and all items of personal property used in the enjoyment of such property.

(d) To obtain and maintain insurance in connection with Association Properties and related personal property in the manner and the amounts provided in the Declaration, and such other insurance as the board of directors may consider appropriate.

(e) To fix, determine, levy and collect General and Property Assessments from Owners, Sales Assessments from First Class Members, and Special Assessments to meet the Common Expenses and costs of the Association, and to create a reasonable reserve therefore, as more fully set forth in Article IX hereof.

(f) To collect promptly all delinquent assessments by suit or otherwise and to enjoin or seek damages from a member or Guest.

(g) To collect the charges and fees set forth in the Declaration (including but not limited to those set forth in Sections 3.8 and 3.9 thereof), and otherwise provided for in the Association's articles of incorporation and these bylaws, as in effect from time to time.

(h) To issue, or cause an appropriate officer to issue, upon written demand of any member, a certificate setting forth whether any assessment, charge, fine or penalty has been paid by such member. Such certificate shall be conclusive evidence against the Association for all purposes, except in the case of fraud. The Association may charge a reasonable fee for such certificate.

(i) To protect and defend Association Properties from loss and damage by suit or otherwise.

(j) To borrow funds in order to pay for any expenditure or outlay authorized by these bylaws, the Declaration and the articles of incorporation as from time to time in force and effect, including but not limited to funds borrowed from Declarant or an affiliate thereof, and to execute all such instruments evidencing such indebtedness as may be necessary or advisable.

(k) To enter into contracts within the scope of their duties and powers.

(l) To establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the board of directors.

(m) To maintain full and accurate books and records showing all of the receipts, expenses or disbursements of the Association. Any member may inspect such records upon reasonable notice at any reasonable time.

(n) To prepare and upon request deliver to any requesting member an annual statement showing all receipts, expenses or disbursements since the last such statement.

(o) To advance funds to, or reimburse the operator of the Ski Facility for such portion of such operation's promotional or marketing expense as the board of directors deems reasonable.

5. Compensation. By resolution of the board of directors, any director may be paid any one or more of the following: his reasonable expenses incurred, if any, in furtherance of the business or affairs of the Association; a fixed sum for attendance at meetings; or a stated salary as director. No such payment shall preclude any director from serving the Association in any other capacity and receiving compensation therefor.

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 may from time to time by vote determine. Any business may be transacted at a regular meeting. Until further determination, 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.

7. Special Meetings. Special meetings of the board of directors may be held at any place within Colorado at any time when called by the president, or by 2 or more directors, upon at least 3 days' prior notice of the time and place thereof being given 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 shall state the purposes of the meeting. No notice of any adjourned meeting of the directors shall be required.

8. Quorum. A majority of the number of directors then in office 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, by the Declaration or by these bylaws as from time to time in force and effect, decide any question brought before such meeting.

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 a director attends the meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

10. Informal Action by Directors. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors 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 directors.

11. Executive Committee. An executive committee may be appointed pursuant to the articles of incorporation as from time to time in force and effect.

ARTICLE VII. Officers and Agents

1. General. The officers of the Association shall be a president, one or more vice presidents, a secretary and a treasurer. 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. The salaries of all the officers of the Association shall be fixed 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 the board of directors, such officer, agent or employee shall follow the orders and instructions of the president or his designee.

2. Removal of Officers. Upon an affirmative vote of a majority of the members of the board of directors then in office, 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.

3. Vacancies. A vacancy in any office, however occurring, may be filled by the board of directors for the unexpired portion of the term.

4. President. The president shall be the chief executive officer of the Association. 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.

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.

6. The 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 articles of incorporation, 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 property owned or leased by each member, and if such property is mortgaged and the mortgagee has given the Association notice thereof, the name and address of the mortgagee;

(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. 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 acquaintances for moneys 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 of directors, shall make such reports to it as may be required at any time. He shall, if required by the board of directors, 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.

ARTICLE VIII
Obligations of the Members

1. Assessments.

(a) Each Owner shall be obligated to pay and shall pay to the Association the annual Property Assessment levied under Article IX with respect to such Owner's Improved Site, and each Owner shall comply with any determinations made by the board of directors with respect to such assessments. An "Improved Site" shall be any Site upon which any building improvement has been completed and such building improvement is ready for use for the purpose for which it was designed.

(b) Each First Class Member shall be obligated to and shall collect the Sales Assessment described in Article IX and pay the total amounts thereof regularly to the Association, or see to it that the Sales Assessment is collected and that the total amounts thereof are paid regularly to the Association, as to any transaction with respect to which the Sales Assessment is applicable, and each member shall comply with any determinations made by the board of directors with respect to such assessments.

(c) Each member shall be obligated to pay and shall pay to the Association any Special Assessment imposed under Article IX hereof, as the amount of such Special Assessment applicable to each member is determined under the provisions of that Article. Each member shall comply with any determinations made by the board of directors with respect to such assessment.

(d) Each member shall pay all charges, fines, penalties, interest or other amounts payable to the Association in connection with the Property Assessments, Sales Assessments or Special Assessments, or otherwise payable under the Declaration, the articles of incorporation or these bylaws.

2. Time for Payments. The amount of any Assessment, charge, fine, penalty or other amount payable with respect to any member or such member's Guests or Site shall become due and payable as specified in Article IX hereof or by the board of directors, and any such amount which is delinquent shall bear interest at any rate established by the board of directors from time to time which does not exceed the maximum legal rate then in effect in Colorado, from the date due and payable.

3. Lien for Assessments and Other Amounts. In addition to the rights set forth in Article IX hereof, the Association shall have a lien against each Site to secure payment of any assessment, charge, fine, penalty or other amount due and owing to the Association with respect to the Owner of that Site or with respect to such Owner's Lessees, Guests or Site plus interest from the date due and payable, plus all costs and expenses of collecting the unpaid amount,

including reasonable attorneys fees. Such lien may be foreclosed in the manner for foreclosures of mortgages in the State of Colorado, or as otherwise permitted by Colorado law.

4. Compliance with the Declaration, Articles of Incorporation, Bylaws and Rules and Regulations. Each member shall comply with all provisions of the Declaration, articles of incorporation, these bylaws and any rules and regulations issued by the board of directors as from time to time in force and effect. The membership rights and privileges, including, but not limited to, the right to vote and the right to use Association Properties and Services of any member or Guest, may be suspended by action of the board of directors during the period when any assessments or other amounts due relating to such member's Site remain unpaid; but, upon payment of such assessments or other amounts, such rights and privileges shall be automatically restored. If the board of directors has adopted and published rules and regulations governing the use of Association Properties or Services and the personal conduct of any person related thereto, the directors or the officers of the Association may, in their discretion, suspend the rights of any such person for violation of such rules and regulations for a period not to exceed 30 days, or if such person is in a continuous violation of such rules and regulations for a period until such time as the violation ceases. At the time such continuous violation ceases, the 30-day suspension may be applied to such person.

5. Amendments. This Article VIII may be amended only by a Special Majority Vote.

ARTICLE IX.

Assessments

1. Property Assessments. The board of directors on or about February 15 of each year shall levy upon and subsequently collect from each Owner an annual assessment (the "Property Assessment") which shall be determined by multiplying (A) the assessed value of all real property located within and improvements located on or affixed to each of such Owner's Improved Sites, as such value shall have been most recently determined by the Assessor of La Plata or San Juan County, Colorado (the "Assessed Value"), by (B) the Property Assessment Rate determined by the board of directors in accordance with Section 6(a) of this Article IX. To determine the Assessed Value of each Improved Site and the improvements thereon, the board of directors shall obtain a copy of the most recent tax list and warrant covering and including all real property in Durango Mountain Resort that is subject to the Declaration, as soon as practicable after its publication by the Treasurer of La Plata or San Juan County, Colorado. Notwithstanding the foregoing, if for any reason a current tax list and warrant is not available in a timely fashion or does not, in the judgment of the board of directors, provide sufficient information to determine the Assessed Values of one or more particular Improved Sites and all of the improvements thereon, the board of directors may use any reasonable means available to it to determine such Assessed Values for purposes of levying Property Assessments, including without limitation reference to previous county assessed value determinations and other pertinent information and the employment of qualified appraisers. If a Site has been subdivided or converted to condominiums since the most recently determined Assessed Value, the board may apportion such Assessed Value among the new Sites (including condominium units) created by such subdivision or conversion in any manner which they consider to be fair and equitable.

Identification of Owners for the purpose of levying Property Assessments shall be made in accordance with said tax list and warrant except to the extent that the board of directors shall send by first class mail, postage prepaid, a notice or notices to each Owner at the address shown on said tax list and warrant, or at such other address of which the board of directors may have notice, setting forth the Assessed Value, the Property Assessment Rate and the Property Assessment relative to each Improved Site owned by such Owner. Payment of each Property Assessment shall become due and payable in full on April 30 of such year. Any portion of any Property Assessment not paid when due and payable shall become a lien on and against all of the real property owned by such Owner in Durango Mountain Resort that is subject to the Declaration, including any Sites owned by such Owner other than the Site with respect to which the Property Assessment has not been fully paid. The board of directors in cases of extreme hardship may release any such lien if it receives other security for the payment of the delinquent Property Assessments which it deems sufficient to protect the interests of the Association.

2. Sales Assessments. The board of directors shall regularly levy upon and collect from each First Class Member an assessment (the "Sales Assessment") in regard to all sales of tangible personal property made by such member and made, consummated, conducted, transacted or occurring within the geographical boundaries of Durango Mountain Resort and all sales of services made, performed or rendered by such member within the geographical boundaries of Durango Mountain Resort (all of which are referred to herein as "Local Sales") which are subject to the Colorado Emergency Retail Sales Tax Act of 1935 (Colorado Revised Statutes, 1973, Title 39, Article 26), as amended (the "Colorado Sales Tax"). Services rendered shall specifically include the participation of Class A Members in any rental program, and shall also include Lodge units of any Class B member. Each such member's Sales Assessment shall be determined by multiplying (A) the dollar amount of Local Sales made by such member during the reporting period, by (B) the Sales Assessment Rate determined by the board of directors in accordance with Section 6(b) of this Article IX. Each such member's Sales Assessment shall be due and payable without notice to the Association each time and at such time as such member is required to remit or pay Colorado Sales Tax to the State of Colorado. Each such member shall also deliver to the Association without notice true and complete copies of all written reports, returns, statements, records and declarations, including any supplements or amendments thereto (all of which are referred to herein as "Reports") made or provided to the State of Colorado by such member in connection with any Local Sales under the provisions of said Act at such time as such Reports are required to be made to the State of Colorado. If any subsequent adjustments, additions or modifications are made to any Colorado Sales Tax remitted or paid or Report made by any member to the State of Colorado, such member shall within 30 days thereafter so notify the Association and provide it with true and complete copies of all Reports or other written material issued or received by such member in regard thereto. If any adjustment increases the amount of Colorado Sales Tax a member is required to remit or pay or results in a refund of such tax, such member shall accordingly pay an appropriate additional Sales Assessment or receive an appropriate refund from the Association of any excess Sales Assessments previously paid. Any portion of any Sales Assessment not paid by any member when due and payable shall become a lien on and against all of the real property owned or leased by such member in Durango Mountain Resort. The board of directors in cases of extreme hardship may release any such lien if it receives other security for the payment of the delinquent Sales Assessments which it deems sufficient to protect the interests of the Association. As used in this Paragraph 2, the term

Durango Mountain Resort refers specifically to that real property that is subject to the Declaration, and not to the external boundaries of the property commonly referred to as Durango Mountain Resort.

3. Mountain Assessment. The board of directors may levy upon and collect from the Mountain Member a special assessment (the “Mountain Assessment”) determined by multiplying (A) the Mountain Member’s Assessable Income, as defined below, by (B) the Mountain Assessment Rate determined by the board of directors in accordance with Section 6(c) of this Article IX. The Mountain Member’s Assessable Income shall mean all gross receipts from the operation of the Mountain Facility directly attributable to the sale of ski tow and lift tickets. For the purpose of determining the Mountain Member’s Assessable Income, “gross receipts” shall mean the total amount of payments (whether made in cash or by check or credit card charge) actually received by the Mountain Member from such sales, provided the total amount of such payments received shall not include any related sales commissions paid to sales agents who are not employees of the Mountain Member, nor any sales, use, business, license, occupational or other excise taxes (other than income taxes) imposed upon the Mountain Member by any governmental unit which are determined by reference to the amount of sales or gross receipts. The Mountain Member shall pay the Mountain Assessment to the Association on or before the twentieth day of each calendar month covering Mountain Member Assessable Income received during the preceding calendar month.

4. Special Assessments. Special Assessments may be Resort Assessments. Local Improvement Assessments or Real Estate Transfer Assessments, as those terms are used below. They shall be imposed as provided in this Section 4 and shall be collected by the Association. Any portion of any Special Assessment not paid by any member when due and payable shall become a lien on and against all of the real property owned or leased by such member in Durango Mountain Resort that is subject to the Declaration. The board of directors in cases of extreme hardship may release any such lien if it receives other security for the payment of the delinquent Special Assessments which it deems sufficient to protect the interests of the Association.

(a) Resort Assessments. The board of directors may levy in any fiscal year one or more Resort Assessments, applicable to that year only, for any proper purpose of the Association, provided that each such assessment shall be approved by a Special Majority Vote at a meeting duly called for such purpose upon written notice which sets forth the purpose of the meeting and is sent to all members at least 30 days in advance (unless each member not given such notice waives such notice). Any such assessment which is so approved shall be levied in proportion to each member’s total Property and Sales Assessments to the Association for the previous fiscal year; however, if no such contributions were made in the previous fiscal year, such Resort Assessment may be levied in such proportion as is determined by the board of directors and approved by a Special Majority Vote. The date or dates that any such Resort Assessment is due and payable shall be set forth in the resolution of the board of directors authorizing, such Resort Assessment.

(b) Local Improvement Assessments.

(i) Local Improvements. In the judgment of the board of directors, if certain improvements within Durango Mountain Resort are desirable, if those improvements will especially benefit certain Sites, and if all or a part of the costs of those improvements should in fairness be paid for by the Owners of the benefited Sites, the board of directors may propose a Local Improvement Assessment. With respect to each proposed Local Improvement Assessment, the board of directors shall specify the nature of the proposed improvement, shall designate those Sites which will be especially benefited by the improvement (the "Benefited Sites"), and shall recommend a Local Improvement Assessment calculated to meet the costs applicable to the local improvement, with the board specifying the amounts of such assessments, the dates for payment of such assessments, and the portion, if any, of the costs of any improvement that will be borne by the Association. The Local Improvement Assessment shall then be submitted to a vote of the Owners of the Benefited Sites, at a meeting duly called for such purpose upon written notice which sets forth the purpose of the meeting and is sent to the Owners of the Benefited Sites at least 30 days in advance (unless each Owner not receiving such notice waives such notice). If the Owners of the Benefited Sites containing more than 50 percent of the surface area of the total Benefited Sites approve the Local Improvement Assessment at such a meeting, the Local Improvement Assessment shall take effect. If the surface area of a Benefited Site is owned by more than one Owner (such as in a condominium project), if the Owners of more than a 50 percent fee simple interest in such Benefited Site vote to approve the Local Improvement Assessment, all of the Owners of such Benefited Site shall be deemed to have approved such Local Improvement Assessment.

(ii) Apportionment of Local Improvement Assessments. Local Improvement Assessments shall be assessed in proportion to the benefits received. The board of directors shall make such assessments in proportion as the frontage of each Benefited Site is to the frontage of all the Benefited Sites, or in proportion as the surface area of each Benefited Site is to the surface area of all the Benefited Sites, or by any other method that the board of directors finds will result in assessments being equitable in proportion to benefits received.

(iii) Disposition of Funds Raised Through Local Improvement Assessments. All funds collected through the imposition of a Local Improvement Assessment shall be applied to the costs of making, constructing, installing, maintaining and operating the local improvement for which such assessment was imposed, except that any funds remaining unspent upon completion of such improvement shall be returned to the Owners of the Benefited Sites in the proportion on which such Sites were assessed unless the board of directors determines that such funds should be retained to meet maintenance or operating expenses pertaining to such improvement.

c. Real Estate Transfer Assessments.

(i) Assessable Transfers. Upon the occurrence of any transfer, as defined below, the transferee under such transfer shall pay to the Association a real estate transfer assessment (the “Real Estate Transfer Assessment”) equal to the fair market value, as defined below, of the Site subjected to transfer, multiplied by the Real Estate Transfer Assessment Rate (if any) determined in accordance with Section 6(d) of this Article IX.

(ii) Definitions.

(A) Transfer. For purposes of this Section 4(c) of this Article IX, “transfer” means and includes, whether in one transaction or in a series of related transactions, any conveyance, assignment, lease or other transfer of beneficial ownership of any Site, including but not limited to (1) the conveyance of fee simple title to any Site, (2) the transfer of more than 50 percent of the outstanding shares of the voting stock of a corporation which, directly or indirectly, owns one or more Sites, and (3) the transfer of more than 50 percent of the interest in net profits or net losses of any partnership, joint venture or other entity which, directly or indirectly, owns one or more Sites, but “transfer” shall not mean or include the transfers excluded under paragraph 4(c)(iii).

(B) Transferee. For purposes of this Section 4(c) of this Article IX,, “transferee” means and includes all parties to whom any interest passes by a transfer, and each party included in the term “transferee” shall have joint and several liability for all obligations of the transferee under this Section 4(c).

(C) Fair Market Value. In the case of a transfer that is in all respects a bona fide sale, “fair market value” of the Site subjected to transfer shall be the consideration, as such term is defined below, given for the transfer. In the case of a transfer that is a lease or is otherwise not in all respects a bona fide sale, fair market value of the Site subjected to transfer shall be determined by the Association. A transferee may make written objection to the Association’s determination within 15 days after the Association has given notice of such determination, in which event the Association shall obtain an appraisal, at the transferee’s sole expense, from a real estate appraiser of good reputation, who is qualified to perform appraisals in Colorado, who is familiar with La Plata or San Juan County real estate values and who shall be selected by the Association. The appraisal so obtained shall be binding on both the Association and the transferee. The above provisions to the contrary notwithstanding, where a transferee does not make a full report of a transfer within 15 days after the time required by this Section 4(c) for making such report, the transferee shall be deemed to have waived all right of objection concerning fair market value, and the Association’s determination of such value shall be binding.

(D) Consideration. For purposes of this Section 4(c) of this Article IX, “consideration” means and includes the total of the money paid and the fair

market value of any property delivered, or contracted to be paid or delivered, in return for the transfer of any Site, and includes the amount of any note, contract indebtedness or rental payment reserved in connection with such transfer, whether or not secured by any lien, mortgage or other encumbrance given to secure the transfer price, or any part thereof, or remaining unpaid on the property at the time of transfer, whether or not assumed by the transferee. The term “consideration” does not include the amount of any outstanding lien or encumbrance for taxes, specific benefits or improvements, in favor of the United States, the State of Colorado or a municipal or quasi-municipal governmental corporation or district.

(iii) Exclusions. The Real Estate Transfer Assessment shall not apply to any of the following, except to the extent that they are used for the purpose of avoiding the Real Estate Transfer Assessment:

(A) Any transfer to the United States, or any agency or instrumentality thereof, the State of Colorado, any County, City and County, Municipality, District or other political subdivision of this State.

(B) Any transfer to the Association or its successors.

(C) Any transfer, whether outright or in trust, that is for the benefit of the transferor or his relatives, but only if there is no more than nominal consideration for the transfer. For the purposes of this exclusion, the relatives of a transferor shall include all lineal descendants of any grandparent of the transferor, and the spouses of the descendants. Any person’s stepchildren and adopted children shall be recognized as descendants of that person for all purposes of this exclusion. For the purposes of this exclusion, a distribution from a trust shall be treated as a transfer made by the grantors of the trust, in the proportions of their respective total contributions to the trust.

(D) Any transfer arising solely from the termination of a joint tenancy or the partition of property held under common ownership, except to the extent that additional consideration is paid in connection therewith.

(E) Any transfer or change of interest by reason of death, whether provided for in a will, trust or decree of distribution.

(F) Any transfer made (1) to a corporation or by a corporation to the extent that no consideration is given other than issuance, cancellation or surrender of the corporation’s stock, or (2) by a partner or a joint-venturer to a partnership or a joint-venture to the extent that it is in exchange for an equity interest in such partnership or joint venture, or by a partnership or joint venture to a partner or joint—venturer to the extent that it is in exchange for (or redemption of) an equity interest in such partnership or joint venture.

(G) Any transfer made solely for the purpose of confirming, correcting, modifying or supplementing a transfer previously recorded, making minor boundary adjustments, removing clouds on titles or granting easements, rights-of-way or licenses, and any exchange of Sites between Declarant and any original purchaser from Declarant of one or more Sites being transferred to Declarant in such exchange. To the extent that consideration in addition to previously purchased Sites is paid to Declarant in such an exchange, the additional consideration shall be a transfer subject to assessment. To the extent that Declarant, in acquiring by exchange Sites previously purchased from Declarant, pays consideration in addition to transferring Lots, the amount of such additional consideration shall be treated as reducing the original assessable transfer and shall entitle an original purchaser from Declarant, who exchanges with Declarant Sites previously purchased from Declarant, to a refund from the Association of the amount of the transfer assessment originally paid on that portion of the original transfer.

(H) Any transfer pursuant to any decree or order of a court of record determining or vesting title, including a final order awarding title pursuant to a condemnation proceeding, but only where such decree or order would otherwise have the effect of causing the occurrence of a second assessable transfer in a series of transactions which includes only one effective transfer of the right to use or enjoyment of a Site.

(I) Any lease of any Site (or assignment or transfer of any interest in any such lease) for a period of less than thirty years.

(J) Any transfer solely of minerals or interests in minerals.

(K) Any transfer to secure a debt or other obligation or to release property which is security for a debt or other obligation, including but not limited to a transfer made in lieu of foreclosure of a deed of trust or mortgage.

(L) Any transfer by DSC/Purgatory LLC, or any successor Declarant, or any of their related entities, of property that is intended for either further subdivision or development, or if already subdivided, any sale of a lot(s)/unit(s) to third parties whose intent is to resell the lot(s)/unit(s) or to construct improvements thereon and then resell the lot(s)/unit(s). This exclusion shall not apply to a sale of a subdivided lot (defined as one that is not intended for further subdivision) to a third party who intends to maintain personal ownership of the lot (i.e., someone who does not intend to immediately resell or develop and resell the property).

(iv) Payment and Reports. The Real Estate Transfer Assessment shall be due and payable by the transferee to the Association at the time of the transfer giving rise to such Real Estate Transfer Assessment. With such payment the transferee shall make a written

report to the Association on forms prescribed by the Association, fully describing the transfer and setting forth the true, complete and actual consideration for the transfer, the names of the parties thereto, the legal description of the Site transferred and such other information as the Association may reasonably require.

5. General Assessments. In addition to the assessment provision set forth above, the Association shall have the power to implement a General Assessment. If in the discretion of the Board of Directors it is necessary to impose a General Assessment based upon the estimated cash requirements for the Common Expenses of the Association, such assessment may be imposed. The Common Expenses of the Association include, but are not limited to, the cost of routine maintenance and operation of the Common Elements, expenses of management and insurance premiums, landscaping, care of grounds within Common Elements, routine repairs, replacements and renovations, wages, utility charges, professional fees and expenses, the creation of a reasonable and adequate contingency or other reserve or surplus fund. Such General Assessments may be imposed based upon a budget adopted by the Board, or if necessary, due to overruns and expenses not covered by the other assessments referenced above. The Association shall have the authority to implement differential assessments against individual lots or units, so long as there is a justification for such differential assessment, and so long as such assessments are implemented equitably. This right shall include, but not be limited to, differential assessments based upon the particular village that the unit or lot is located in, including based upon the size or value of any structures thereon. In addition, the Association shall have the right to assess units within individual villages, based upon expenses attributable to that village.

6. General Provisions. Any payment or report required hereunder to be made to the Association shall be deemed to have been made in a timely fashion if sent to the principal office of the Association by first class mail, postage prepaid, and postmarked no later than the date such payment or Report is due, provided the Association thereby actually receives such payment or Report. The Association at its own expense shall have the right at any time, during regular business hours to inspect and copy all records and to audit all accounts of any member which are reasonably related to such member's obligations hereunder to pay assessments or make Reports to the Association. If any portion of any assessment hereunder is not paid when due and payable such portion shall bear simple interest at any rate established by the board of directors from time to time which does not exceed the maximum legal rate then in effect in Colorado, from the date due until paid, and the amount of such interest shall for all purposes hereunder (other than the computation of such interest) be added to and become part of the assessment; provided that the board of directors may in its discretion waive all or any part of such interest for reasonable cause shown. The board of directors shall have power to collect any part of any assessment not paid when due and to enforce any other obligations of any member under this Article IX by any legal means available to it. Each Owner and member shall hold harmless and indemnify the Association and its agents and employees from and against any and all costs, losses, obligations, penalties, expenses, liabilities and damages of every kind whatsoever, including court costs and all reasonable attorney's fees, incurred by or imposed upon the Association or any of its agents or employees in the collection of such Owner's or member's assessments hereunder which are not paid when due or otherwise in the enforcement of any of such Owner's or member's obligations under this Article IX. The board of directors shall have power to determine any matter and to resolve any dispute arising out of the application, determination, payment and

collection of any assessment or the making of any Report provided for in this Article IX, and may promulgate such additional rules and regulations which are consistent with the provisions hereof as the board of directors may deem necessary, useful or appropriate to the reasonable and efficient administration of such provisions.

7. Assessment Rates.

(a) Property Assessment Rate. Based on its budget estimates and the most recently available Assessed Values of the Sites and improvements thereon, the board of directors shall determine and set forth in its annual budget the Property Assessment Rate (referred to in Section 1 of this Article IX) required to produce the total Property Assessment set forth in such budget.

(b) Sales Assessment Rate. The Sales Assessment Rate referred to in Section 2 of this Article IX shall be four percent unless and until the board of directors shall adopt a different rate. However, in no event shall the Sales Assessment Rate exceed four percent.

(c) Mountain Assessment Rate. The Mountain Assessment Rate referred to in Section 3 of this Article IX shall be determined by the board of directors. In determining the Mountain Assessment Rate, the board of directors shall consider what governmental levies, if any, in the form of sales, use, business, license, occupational or other similar charges or taxes have or may be imposed upon the Mountain Member with regard to Mountain Member Assessable Income. The Mountain Assessment shall be zero until the board of directors shall adopt a different rate. However, in no event shall the Mountain Assessment Rate be more than 4 percent.

(d) Real Estate Transfer Assessment Rate. The Real Estate Transfer Assessment Rate referred to in Section 4(c) of this Article IX shall be zero percent unless and until the board of directors shall adopt a different rate. However, in no event shall the Real Estate Transfer Assessment Rate exceed two percent.

8. Amendments. This Article IX may not be altered, amended or repealed except by a Special Majority Vote.

ARTICLE X

Evidence and Determination of Membership, Registration of Mailing Address and Lien Holders.

1. Evidence of Membership and Registration of Mailing Address. Any party on becoming a member shall furnish to the Association a photocopy or a certified copy of the recorded instrument, or a copy of a lease or sublease, vesting that party with the interest required to make it a member of the Association. Each such member shall at the same time give a single name and address to which notices to such member may be sent. The member shall state in such notice the class of membership to which it believes it is entitled, the number of votes to which it believes it is entitled and the basis for such determinations. In the event of any change in the

facts reported in the original written notice, including any change of ownership, the member shall give a new written notice to the Association containing all the information required to be covered by the original notice. As against any member, and any party claiming by, through or under such member, the Association may, but shall not be obligated to, rely, for any and all purposes, on the information reflected in the most recent written notice furnished with respect to such member. The Association shall keep and preserve the most recent written notice received by the Association with respect to each member.

2. Determination as to Membership. The Association, based upon written notices furnished by members as aforesaid and based upon its own investigation, shall have the right, authority and obligation to fix and determine the number and class of votes existing with respect to each member. The Association shall make such determination at least annually and, in any event, as of any record date and shall make supplemental determinations from time to time as may be necessary after any record date in the light of changes which may come to its attention. The Association shall keep records of its determinations hereunder which shall be used and may be relied upon by it for any and all purposes. No party shall be entitled to any notice or the right to vote until it has been determined by the Association that such party is a member. Any party aggrieved by any determination of the Association with respect to its voting rights may contest such action within 45 days after it has notice thereof by commencing a legal action in the District Court of La Plata or San Juan County, Colorado within such 45-day period. If such action is not commenced in such period, the determination of the Association shall be final.

3. Liens. Any member who mortgages or grants a deed of trust covering his Site shall notify the board of directors of the name and address of the mortgagee or beneficiary of the deed of trust and shall file conformed copies of the note and security instrument with the board of directors. Such notice shall include an agreement by the lending institution that it will notify the Association when its lien has been released. The board of directors, when giving notice to a member of default in paying an assessment or other default, shall send a copy of such notice to each mortgagee or beneficiary of a deed of trust covering such member's Site whose name and address has theretofore been filed with the Association, and which has not been removed by appropriate notice that the lien has been released. However, failure to give such notice to a mortgagee shall not invalidate the notice to a member.

4. Address of the Association. The address of the Association shall be #1 Skier Place, Durango, Colorado, 81301. Such address may be changed from time to time upon written notice to all members and all mortgagees or beneficiaries of deeds of trust whose names and addresses have been previously filed with the Association.

ARTICLE XI.
Security Interest In Membership

Members shall have the right irrevocably to constitute and appoint the mortgagee or the beneficiary of a trust deed their true and lawful attorney-in-fact to vote in the Association at any and all meetings of the Association and to vest in the mortgagee or the beneficiary any and all rights, privileges and powers that they have as members under the articles of incorporation and these bylaws or by the virtue of the Declaration as from time to time in force and effect. Such proxy and vesting shall become effective upon the filing of notice by the mortgagee or the beneficiary with the secretary of the Association at such time or times as the mortgagee or the beneficiary shall deem its security in jeopardy by reason of the failure, neglect or refusal of the Association, the board of directors or the members to carry out their duties as set forth in the Declaration. A release of the mortgage or the beneficiary's deed of trust shall operate to revoke such proxy and vesting. Nothing contained in this Article XI shall be construed to relieve members, as mortgagors, of their duties and obligations as members or to impose upon the mortgagee or the beneficiary of the deed of trust the duties and obligations of an Owner.

ARTICLE XII
Design Review Board

The board of directors shall establish a Design Review Board consisting of either 3 or 5 persons in accordance with the Declaration as from time to time in force and effect which shall have the duties and perform the functions described therein. Each member and the Association shall be bound by the Design Review Board's rules and regulations, a copy of which shall be maintained in the records of the Association and available for inspection by members of the Association at all reasonable times.

Amendments

1. By Directors. The board of directors shall have sole power to make, amend and repeal the bylaws of the Association at any regular meeting of the board or at any special meeting called for that purpose at which a quorum is represented, except as otherwise provided by law, the articles of incorporation, the Declaration or these bylaws. However, if the members shall make, amend or repeal any bylaw the directors shall not thereafter amend the same in such manner as to defeat or impair the object of the members in taking such action.

2. Members. The members may, make, alter, amend and repeal the bylaws of the Association by a Special Majority Vote at any annual meeting or at any special meeting called for that purpose at which a combined quorum shall be represented, unless expressly made subject to a higher voting requirement by law, the articles of incorporation, the Declaration or these bylaws.

ARTICLE XIV
Miscellaneous

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.”

2. Fiscal Year. The fiscal year of the Association shall be such as may from time to time be established by the board of directors.

These Amended and Restated Bylaws of the Durango Mountain Master Association were passed and adopted by the Board of Directors effective the ____ day of ____, 2003.

Mark Seiter, President