

ARTICLES OF INCORPORATION

BALLARD HOUSE SOUTH HOMEOWNERS' ASSOCIATION, INC.

For the purpose of forming a nonprofit corporation pursuant to the provisions of the Colorado Nonprofit Corporation Act, as may be amended, the undersigned incorporator has signed and acknowledged the following Articles of Incorporation:

ARTICLE I - NAME

The name of this nonprofit corporation shall be: **BALLARD HOUSE SOUTH HOMEOWNERS' ASSOCIATION, INC.**, (hereinafter the nonprofit corporation shall be referred to as the "Association").

ARTICLE II - DURATION

The period of duration of the Association shall be perpetual.

ARTICLE III - PURPOSES

The objectives and purposes for which this Association is formed, are as follows:

1. To promote the health, safety, and welfare of all members of the Association; To establish, provide and maintain a desirable environment for all members and their guests and to protect and preserve the property, property values and property rights in the Ballard House South, a Condominium Common Interest Community ("Ballard House South") in Telluride, Colorado.
2. To enforce any and all covenants, restrictions, agreements, or rules and regulations contained within the Declaration for the Ballard House South ("Declaration") and applicable to Ballard House South in any manner allowed by the laws of Colorado, the Declaration or these Articles of Incorporation or the Bylaws of the Association as from time to time are in force and effect.
3. To provide any service and perform all actions contemplated by the Declaration or permitted by law.

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ARTICLE IV - POWERS

In furtherance of its purposes, but not otherwise, the Association shall have the following powers:

1. **All Common Law and Statutory Powers.** The Association shall have all of the powers conferred upon nonprofit corporations by common law and statutes of the state of Colorado, in effect now and from

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time to time, and those powers inherent to the Colorado Nonprofit Corporation Act, C.R.S. § 7-20-101 et seq. and those powers inherent to the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101 et seq.

2. **Powers needed to Effectuate the Declaration, Articles, By-laws, Easements, Agreements and any other Statutory Requirements.** The Association shall have all of the powers necessary or desirable to perform the obligations and duties and to exercise the rights and powers of the Association under the Declaration, Articles and By-laws of the Association, together with any related and/or appurtenant easement, agreement or statutory requirement, including, without limitation, the following powers:

- (a) **Assessments.** The Association shall have the power to levy and collect assessments and special assessments against the members for the purpose of defraying the costs, expenses and any losses of the Association or of exercising its powers or of performing its functions; to charge interest on unpaid assessments; and to create, enforce, and foreclose liens given as security for such assessment, charges, attorney fees, fines, penalties, damages and interest.
- (b) **Operation and Maintenance.** To manage, control, operate, maintain, repair, replace and improve all common elements and utility systems serving Ballard House South.
- (c) **Advance Members' Interests.** To engage in activities which will actively foster, promote and advance the common interests of the Association, and its individual members.
- (d) **Buy, Sell, Lease, or Encumber.** To buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate and otherwise deal with and in, real, personal and mixed property of all kinds, and any right or interest therein, for any purpose of this Association.
- (e) **Borrow.** To borrow money and secure the repayment of monies borrowed for any purpose of this Association, limited in amount or in other respects as may be provided in the Declaration or Bylaws of this Association.
- (f) **Contract.** To enter into, make, perform or enforce contracts of every kind and description, including, without limitation, contracts for management services, and to do all other acts necessary, appropriate or advisable in carrying out any purpose of the Association with or in association with any person, firm, association, corporation or other entity or agency, public or private.
- (g) **Bylaws.** To adopt, alter, amend or repeal such Bylaws as may be necessary or desirable for the proper management of the affairs of the Association, provided, however, that such Bylaws may not be inconsistent with or contrary to any provisions of the Declaration or these Articles of Incorporation.
- (h) **Rule Making.** To make and enforce rules and regulations applicable to Ballard House South for the accomplishment of any of the purposes or to further any of the powers set forth above, and to amend such rules and regulations.
- (i) **Powers Not Limited or Restricted.** The foregoing enumeration of powers shall not limit or restrict in any manner the exercise of other and further rights and powers which may now or hereafter be allowed or permitted by law; and the powers specified in each of the paragraphs of this Article IV are independent powers, not to be restricted by reference to or inference from the terms of any other paragraph or provisions of this Article IV.

3. **Limitation on Powers.** Without the unanimous consent of the membership in the Association, the Association shall have no power or authority to take any action which would cause it to be classified other than as a nonprofit corporation by either the Internal Revenue Service or the state of Colorado.

4. **Prohibition on Dividends.** The Association shall not pay any dividends. No distribution of the corporate assets to members shall be made. Upon dissolution of the Association, the assets shall be distributed as provided in Article XII herein.

ARTICLE V - MEMBERSHIP

1. **One Class.** This Association shall be a membership corporation without certificates or shares of stock. There shall be one class of membership and membership in the Association shall be attributable to an interest in a condominium unit within Ballard House South.

2. **Voting.** All members shall be entitled to vote their percentage membership interest in Ballard House South. The voting rights of any members who are in default of any obligations to the Association may be suspended until such default is cured. The percentage vote appurtenant to an interest in a unit shall be made by one person, who shall represent all individuals or entities holding such interest in the condominium unit. The percentage of voting interest in the Association allocated to each member shall be determined in accordance with the provisions of the Declaration.

3. **Membership Appurtenant to Unit Ownership.** Each membership shall be appurtenant to title to an interest in a condominium unit. The owner of an interest in a condominium unit shall automatically be the holder of the membership appurtenant to that interest. Membership in the Association shall not be assigned, encumbered or transferred in any manner except as an appurtenance to transfer of title to interest in the condominium unit to which the membership appertains. Membership in the Association is mandatory.

4. **Transfer.** A transfer of membership shall occur automatically upon the transfer of an interest in the condominium unit to which the membership appertains, provided, however, that the Bylaws of the Association may contain reasonable provisions and requirements with respect to recording such transfers on the books and records of the Association.

5. **Suspensions of Voting Rights.** The Association may suspend the voting rights of the members for failure to comply with rules, regulations or Bylaws of the Association or for failure to comply with any other obligations under the Declaration and rules or agreements created pursuant thereto. The Association may also impose fines, as permitted by law, and take all other actions permitted by law, for failure of a member to comply with the rules, regulations and bylaws of the Association.

6. **Bylaws Applicable to Members' Rights.** The Bylaws may contain provisions, not inconsistent with the foregoing, setting forth the rights, privileges, duties and responsibilities of the Members.

ARTICLE VI - BOARD OF DIRECTORS

The business and affairs of this Association shall be conducted, managed and controlled by its Board of Directors as follows:

1. **Number/Terms.** The Board of Directors (hereinafter sometimes called "Board") shall consist of not less than three members, the specified number to be set forth from time to time in the Declaration and the Bylaws of the Association. In the absence of any provision to the contrary in the Declaration or Bylaws

of the Association, the Board shall consist of three Members. The terms of Directors shall expire annually.

2. **Elected Directors.** Members of the Board of Directors shall be elected in the manner determined by the Bylaws. Until such time as seventy-five percent (75%) of the interests in the condominium units in Ballard House South have been sold, the members of the Board of Directors shall be appointed by the Declarant, Telluride Income/Growth Limited Partnership. The persons comprising the Board shall be natural persons. A person does not have to be an owner of an interest in a condominium unit to serve on the Board. The initial Directors shall be those individuals specified in the Articles of Incorporation. After seventy-five percent (75%) of the interests in the condominium units have been sold, all members of the Board shall be elected by the membership.

3. **Vacancies.** Directors may be removed and vacancies on the Board shall be filled in the manner provided in the Bylaws. Any vacancies on the Board occurring before the first election of Directors by Members shall be filled by vote of the remaining Directors.

4. **Director Liability.** The Corporation hereby elects to enact all of those projections provided by Colorado law which would limit or eliminate the personal liability of Directors to the Association or its members in any and all cases with the exception of those statutory exceptions which do not eliminate or limit a Director's liability.

5. **Initial Board.** The names and addresses of the three natural persons over the age of twenty-one years who shall comprise the initial Board and who shall serve until the first election of Directors by the Members and until their successors are duly elected and qualified are as follows:

Name	Address
Hamish Cruden	Cruman Investments 5B On Hing Building 1 On Hing Terrace Central Hong Kong
B.J. "Chip" Lenihan	119 West Colorado Avenue P.O. Box 200 Telluride, Colorado 81435
Ed Tompkins	1343 East Sequoia Drive Phoenix, Arizona 85024

ARTICLE VII - OFFICERS

The Board shall, at each Annual Meeting of the Directors, elect a President of the Association, one or more Vice Presidents, a Secretary/Treasurer and such other officers as the Board, in accordance with the provisions of the Bylaws, believe will be in the best interests of the Association. The position of Treasurer may be combined with and held by the same person as the position of Secretary. The Officers shall have such duties as may be prescribed in the Bylaws of the Association and shall serve one year terms from the Annual Meeting of Directors at which they are appointed until a successor is named at the following Annual Meeting of Directors, at the pleasure of the Board.

ARTICLE VIII - CONVEYANCES AND ENCUMBRANCES

Association property may be conveyed or encumbered by authority of the Association and its Board of Directors. Conveyances or encumbrances shall be by instrument executed by the President or Vice President and by the Secretary Treasurer or an Assistant Secretary or Assistant Treasurer or executed by such other person or persons to whom such authority may be specifically delegated by the Board.

ARTICLE IX - EXECUTION OF INSTRUMENTS

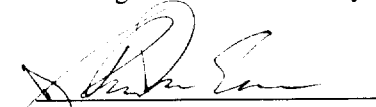
Authority to convey or encumber the property of the Association, and to execute any deed, contract or other instrument on behalf of the Association for itself or as attorney-in-fact for one or more of the members is vested in the president or any vice president. All instruments conveying or encumbering such property shall be executed by the president or vice president or any other officer of the Association.

ARTICLE X - PRINCIPAL OFFICE AND ADDRESS

The principal office and address of the Corporation shall be 119 West Colorado Avenue, Telluride, Colorado 81435.

ARTICLE XI- INITIAL REGISTERED OFFICE AND AGENT

The initial registered office of the corporation shall be at 226-228 West Colorado, Second Floor, P.O. Box 2542, Telluride, Colorado 81435. The initial registered agent at such office shall be Ramon M. Escure, Esq. The undersigned individual hereby consents to serve as the initial registered agent of the corporation.



Ramon M. Escure, Esq.

ARTICLE XII - INCORPORATOR

The following is the name and address of a natural person over the age of twenty-one years and of full, unimpaired legal capacity who is the incorporator of this corporation.

Name	Address
Ramon M. Escure, Esq.	P.O. Box 2542 Telluride, CO 81435

ARTICLE XIII - DISSOLUTION

The Association may be dissolved only by the affirmative vote of a majority of the members. Written notice of a proposal to dissolve, setting forth the reasons thereof and the disposition to be made of the assets, as set forth below, shall be mailed to every member at least 90 days in advance of any action taken. Upon dissolution of the Association, the assets, both real and personal, of the corporation, shall be dedicated to an appropriate public agency, utility or organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is not accepted, such assets shall be granted, conveyed

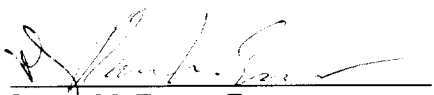
and assigned to any nonprofit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of the Association properties shall be effective to divest or diminish any right or title of any member vested in him under the recorded covenants and deeds applicable to BALLARD HOUSE SOUTH unless made in accordance with the provisions of such covenants and deeds.

ARTICLE XIV - AMENDMENTS

Amendments to these Articles of Incorporation shall be adopted, if at all, in the manner as set forth in the Colorado Nonprofit Corporation Act, as from time to time amended, provided however, that no article or amendment to these Articles of Incorporation shall be contrary to or inconsistent with any provisions of the Declaration.

Executed this 13th day of ~~December, 1998~~ ^{January, 1999}.

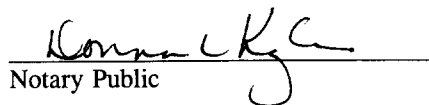
Incorporator:


Ramon M. Escure, Esq.
226-228 West Colorado, Second Floor
P. O. Box 2542
Telluride, CO 81435
(303) 728-6116

STATE OF COLORADO)
) ss
COUNTY OF SAN MIGUEL)

Subscribed and sworn to before me this 13th day of ~~December, 1998~~ ^{January, 1999}, by Ramon M. Escure, Esq.
My commission expires:

September 6, 2000


Notary Public

