

BYLAWS
OF
CONTINENTAL DIVIDE RANCH PROPERTY OWNERS ASSOCIATION

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CONTINENTAL DIVIDE RANCH PROPERTY OWNERS ASSOCIATION, INC.

INTRODUCTION

These are the Bylaws of Continental Divide Ranch Property Owners Association. Capitalized terms are defined in Article 2 of the Declaration.

ARTICLE I
NAME

The name of the corporation is Continental Divide Ranch Property Owners Association, Inc., hereinafter referred to as the "Association."

ARTICLE II
BOARD OF DIRECTORS

Section 2.1. *Number and Qualification.* The affairs of the Association shall be governed by a Board of Directors which, until the termination of the period of Declarant Control, shall be appointed by Declarant and shall consist of no less than one person and up to three people. Following the date of termination of the Declarant's right to appoint members, the Board of Directors shall consist of three persons who shall be Owners. If any Parcel is owned by a partnership or corporation, any Officer, partner or employee of that Owner shall be eligible to serve as a Director and shall be deemed to be an Owner for the purposes of the preceding sentence. Directors shall be elected by the Owners, except for those appointed by the Declarant.

Section 2.2. *Powers and Duties.* The Board of Directors may act in all instances on behalf of the Association, except as provided in the Declaration, these Bylaws or the Colorado Common Interest Ownership Act ("the Act"). The Board of Directors shall have, subject to the limitations contained in the Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association, which shall include the powers and duties set forth in C.R.S. §38-33.3-302(1), in Article 3 of the Declaration and shall specifically include:

- A. *Owner Relations.* Maintain businesslike relations with Owners or occupants.
- B. *Interpretation.* The powers herein granted or necessarily implied shall be construed to favor the broadest discretion of the Board of Directors, except that the Board of Directors shall have the duty to exercise all of such powers as required by law.
- C. *Fiscal Responsibility.* The Board of Directors shall be governed by the following with respect to its fiscal duties and responsibilities:

(1) *Bank Accounts.* The depository of the Association shall be such a bank or banks as shall be designated from time to time by the Board of Directors and in which the monies of the Association shall be deposited. Withdrawals of monies from such accounts shall be only by checks signed by such persons as are authorized by the Board of Directors, provided that a management agreement may include among its provisions authority for the manager to sign checks on behalf of the Association for payment of the obligations of the Association.

(2) *Interest and Counsel Fees.* The Board of Directors, at its option, shall have the right in connection with the collection of this or any other charge, to impose an interest charge of eighteen percent (18%) per annum if such payment is made after a date certain stated in such notice. In the event that the Board of Directors shall effectuate collection of said charges, the Board of Directors may add to the amount owed all collection costs, including reasonable attorney fees incurred.

(3) *Budget.* The Board of Directors shall prepare a proposed annual budget for the upcoming fiscal year at least four months prior to the end of the current fiscal year. As set forth in Article 5, section 5.3 of the Declaration, within thirty (30) days after adoption of any proposed budget for the Ranch, the Board of Directors shall mail, by ordinary first class mail, or otherwise deliver a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) and not more than sixty (60) days after mailing or other delivery of the summary. Unless a majority of the Owners present or represented by proxy at the meeting vote to reject the budget, the budget is ratified *whether or not a majority is present*. In the event the budget is rejected, the periodic budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors.

(4) *Disbursement.* The Board of Directors shall take and hold the funds as collected and shall disburse the same for the purposes and in the manner set forth herein and as required by law.

(5) *Reserves.* The Board of Directors shall not be obligated to expend all of the revenues collected in any accounting period but may maintain a reasonable reserve for, among other things, emergencies, contingencies of bad weather or uncollected accounts. Said reserve fund or funds shall, however, be kept in interest bearing securities, either short or long term, or in an insured, interest bearing savings account. The foregoing shall not be construed to mean that the Board of Directors shall not be permitted to keep additional cash on hand in a checking or petty cash account for the necessary discharge of its function.

(6) *Tax Returns; Member Audit.* The Board of Directors shall direct its accountant to prepare annual tax returns for the Association, which shall be in complete satisfaction of the Board responsibilities for financial reporting. Any owner shall have the right to have the owner's accountant conduct an audit of the financial records of the Association and render a report thereon in writing to the Board of Directors and in summary form to the members and such other persons, firms, or corporations as may be entitled to same.

(7) *Accounts.* The receipts and expenditures of the Association shall be credited and charged to accounts under the following classifications as shall be appropriate, all of which expenditures shall be Common Expenses:

(i) *Current Expenses.* Current expenses which shall include all receipts and expenditures within the year for which the budget is made, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves, to additional improvements or to operations. The balance of this fund at the end of each year shall be applied to reduce the assessments for current expenses for the succeeding year, or may be distributed to the membership as the Directors shall determine;

(ii) *Deferred Maintenance Reserve.* Reserve for deferred maintenance, which shall include funds for maintenance items that occur less frequently than annually;

(iii) *Replacement Reserve.* Reserve for replacement, which shall include funds for repair or replacement required because of damage, depreciation, or obsolescence;

(iv) *Capital Expenditures.* Capital expenditures, which shall include the funds to be used for capital expenditures for additional improvement or additional personal property that will be part of the common elements.

Section 2.3. *Standard of Care.* In the performance of their duties the Officers and members of the Board of Directors are required to exercise (1) if appointed by the Declarant, the care required of fiduciaries of the Owners and (2) if elected by the Owners, ordinary and reasonable care.

Section 2.4. *Term of Office.* A term of office shall be three (3) years. Any member shall be permitted to serve a maximum of two full terms of office in succession, upon the completion of which such person shall be disqualified from holding office as a member of the Board of Directors for a period of three years. The limitation upon terms of office of Board members herein shall not apply to any member of the "First Board of Directors", who shall serve fewer than three years as a member of the Board of Directors during his or her first term in office, it being the intention of these Bylaws that a member of the "First Board of Directors" may serve two three-year terms, in addition to any shorter term served as a member of the "First Board of Directors".

Section 2.5. *Election of Directors.* Election of Directors, following termination of the Declarant's right to appoint Directors, shall be by simple majority vote of the members at the annual meeting.

Section 2.6. *Removal of Directors.* The Owners, by a two-thirds vote of all persons present and entitled to vote, at any meeting of the Owners at which a quorum is present, may remove any Director of the Board of Directors, other than a Director appointed by the Declarant, with or without cause.

Section 2.7. *Vacancies.* Vacancies in the Board of Directors, caused by any reason other than the removal of a Director by a vote of the Owners, may be filled at a special meeting of the Board of Directors held for that purpose at any time after the occurrence of the vacancy, even though the Directors present at that meeting may constitute less than a quorum. These appointments shall be made by a majority of the remaining elected Directors constituting the Board of Directors. Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 2.8. *Regular Meetings.* The first meeting of the Board following the first annual meeting of the Owners shall be held within ten days thereafter and no notice shall be necessary. Thereafter, regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the members of the Board of Directors, but at least two meetings shall be held each year. Notice of regular meetings of the Board of Directors shall be given to each member of the Board by hand delivery, mail, email, or fax at least three business days prior to the day of the meeting. Any member of the Board of Directors may, at any time, waive notice of any meeting of the Board of Directors in writing and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by members of the Board of Directors at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time and place thereof.

Section 2.9. *Special Meetings.* Special meetings of the Board of Directors may be called by the President or by a majority of the Directors on at least three business days' notice to each Director. The notice shall be hand delivered, mailed, emailed, or faxed, and shall state the time, place and purpose of the meeting.

Section 2.10. *Location of Meetings.* All meetings of the Board of Directors shall be held at such time and place as shall be fixed by the Board of Directors.

Section 2.11. *Waiver of Notice.* Any Director may waive notice of any meeting in writing. Attendance by a Director at any meeting of the Board of Directors shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 2.12. *Quorum of Directors.* At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute a decision of the Board of Directors. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 2.13. *Compensation.* No member of the Board of Directors shall receive any compensation for acting as a Director. However, Directors may receive reimbursement for necessary expenses actually incurred in connection with the Director's duties. Directors acting as

employees may be compensated for those duties.

Section 2.14. *Consent to Corporate Action.* If all the Directors or all Directors of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Board of Directors or the committee, as the case may be. The Secretary shall file these consents with the minutes of the meetings of the Board of Directors.

Section 2.15. *Telephone Communication in Lieu of Attendance.* A Director may attend a meeting of the Board of Directors by using an electronic or telephonic communication method whereby the Director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board of Directors. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

Section 2.16. *Non-Waiver.* All the rights, duties, and privileges of the Board of Directors shall be deemed to be continuing and shall not be exhausted by a single act or series of acts. To the same extent, the failure to use or employ any remedy or right hereunder or hereafter granted shall not preclude its exercise in the future nor shall any custom bind the Board of Directors.

ARTICLE III OWNERS

Section 3.1. *Annual Meeting.* Annual meetings of Owners shall be held as provided in the minutes of the first annual meeting of the Association or, if not provided therein, in the month which the Articles of Incorporation for the Association were recorded, or at such other date as set forth in the notice. At these meetings, the Directors shall be elected by ballot of the Owners in accordance with the provisions of Article II of the Bylaws. The Owners may transact other business as may properly come before them at these meetings.

Section 3.2. *Special Meetings.* Special meetings of the Association may be called by the President, whenever he deems such a meeting advisable. A special meeting shall be called by the Secretary when so ordered by the majority of the members of the Board of Directors or upon written request of Owners comprising no less than twenty percent (20%) of the votes in the Association. A request by the Owners shall state the purpose or purposes of such meeting and the matter proposed to be acted upon at the special meeting. The Secretary shall give notice stating the purpose or purposes of the meeting to all members entitled to vote at such meeting. No special meeting need be called upon the request of Owners entitled to cast less than fifty percent (50%) of the votes of the Association to consider any matter which is substantially the same matter voted upon at any meeting of the members held during the preceding twelve (12) months.

Section 3.3. *Place of Meetings.* Meetings of the Owners shall be held at the principal

office of the Association or may be adjourned to a suitable place convenient to the Owners, as may be designated by the Board of Directors or the President.

Section 3.4. *Notice of Meetings.* The Secretary or other Officer specified in the Bylaws shall cause notice to be hand delivered or sent prepaid by United States mail to the mailing address of each Parcel or to the mailing address designated in writing by the Owner, not less than ten (10) nor more than fifty (50) days in advance of a meeting. The notice of the meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an Officer or member of the Executive Committee. No action shall be adopted at a meeting except as stated in the notice.

Section 3.5. *Waiver of Notice.* Any Owner may, at any time, waive notice of any meeting of the Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 3.6. *Adjournment of Meeting.* At any meeting of Owners, a Majority of the Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.7. *Order of Business.* The order of business at all meetings of the Owners shall be as follows:

- (a) Roll call (or check-in procedure);
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports
 - Officers' reports;
 - Committee reports;
- (e) Election of Directors of the Board of Directors (when required);
- (f) Ratification of budget (if required and noticed);
- (g) Unfinished business; and
- (h) New business.

Section 3.8. *Voting.*

(a) The owner(s) of each Parcel shall have one (1) vote per Parcel owned except that the Declarant shall have two (2) votes per Parcel owned until seventy-five percent (75%) of the

Parcels are sold. Subdivided Parcels shall not be allocated additional votes until such Parcels are conveyed to new owners as set forth in Section 3.6 of the Declaration.

(b) If only one (1) of several owners of a Parcel is present at a meeting of the Association, the owner present is entitled to cast the vote allocated to the Parcel. If more than one of the owners are present, the vote allocated to the Parcel may be cast only in accordance with the agreement of a majority in interest of the owners. There is majority agreement if any one of the owners casts the vote allocated to the Parcel without protest being made promptly to the person presiding over the meeting by another owner of the Parcel.

(c) A vote allocated to a Parcel may be cast under a proxy duly executed by a Owner. If a Parcel is owned by more than one person, each owner of the Parcel may vote or register protest to the casting of votes by the other owners of the Parcel through a duly executed proxy. An Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.

(d) The vote of a corporation or business trust may be cast by any Officer of that corporation or business trust in the absence of express notice of the designation of a specific person by the Board of Directors or bylaws of the owning corporation or business trust. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership or business trust owner is qualified to vote.

(e) Cumulative voting shall not be permitted.

(f) The election of Directors shall be by ballot. Unless demanded by at least twenty-five percent (25%) of the members present in person or by proxy at such meeting and entitled to vote there at, or determined by the President to be advisable, the vote on any other question need not be by ballot.

(g) If at any meeting of the Owners, a vote by ballot shall be taken on any question, the President shall appoint an inspector of election to act with respect to such vote. Each inspector so appointed shall first subscribe to an oath to faithfully execute the duties of an inspector at such meeting with strict impartiality and according to the best of his ability. Such inspectors shall decide upon the qualifications of voters and shall report the number of members represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and, when the voting is completed, shall ascertain and report the number of votes respectively for and against the question. Reports of the inspector shall be in writing, signed and delivered by him to the Secretary of the meeting. The inspector need not be a member of the Association, and any Officer of the Association may be an inspector on any question other than a vote for or against his election to any position with the Association or any other question in which he may be directly interested.

Section 3.9. *Quorum.* At each meeting of the Owners, one-third of the Owners, present in person or represented by proxy shall constitute a quorum at that meeting. In the absence of a quorum, the Owners present in person or represented by proxy and entitled to vote, by majority vote, may adjourn the meeting from time to time, until a quorum shall be present or represented. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting originally called.

Section 3.10. *Majority Vote.* The vote of a majority of the Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws or by law.

ARTICLE IV OFFICERS

Section 4.1. *Designation.* The principal Officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, an Assistant Secretary and other Officers as it finds necessary. The President and Vice President, but no other Officers, need to be Directors. Any two (2) offices may be held by the same person, except the combination of offices of President and Vice President and President and Secretary. Nothing herein shall prohibit a Director from being an Officer.

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

Section 4.3. *Removal of Officers.* Upon the affirmative vote of a two-thirds (2/3) majority of the Directors, any Officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for that purpose.

Section 4.4. *President.* The President shall be the chief executive Officer of the Association. The President shall preside at all meetings of the Owners and of the Board of Directors. The President shall have all of the general powers and duties which are incident to the office of President of a non-stock corporation organized under the laws of the State of Colorado, including but not limited to the power to appoint committees from among the Owners from time to time as the President may decide is appropriate to assist in the conduct of the affairs of the Association. The President may fulfill the role of Treasurer in the absence of the Treasurer. The President may cause to be prepared and may execute amendments, attested by the Secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5. *Vice President.* The Vice President shall take the place of the President and perform the President's duties whenever the President is absent or unable to act. If neither

the President nor the Vice President is able to act, the Board of Directors shall appoint some other Director to act in the place of the President on an interim basis. The Vice President shall also perform other duties imposed by the Board of Directors or by the President.

Section 4.6. *Secretary.* The Secretary shall keep the minutes of all meetings of the Owners and the Board of Directors. The Secretary shall have charge of the Association's books and papers as the Board of Directors may direct and shall perform all the duties incident to the office of Secretary of a non-stock corporation organized under the laws of the State of Colorado. The Secretary may cause to be prepared and may attest to the execution by the President of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.7. *Treasurer.* The Treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This Officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Board of Directors and shall perform all the duties incident to the office of Treasurer of a non-stock corporation organized under the laws of the State of Colorado. The Treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Board of Directors. Except for reserve funds described below, the Treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Board of Directors decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the Treasurer, and executed by two Directors, one of whom may be the Treasurer if the Treasurer is also a Director.

Section 4.8. *Agreements, Contracts, Deeds, Checks, etc.* Except as provided in Sections 4.4, 4.6, 4.7, and 4.10 of these Bylaws, all agreements, contracts deeds, leases, checks and other instruments of the Association shall be executed by any Officer of the Association or by any other person or persons designated by the Board of Directors.

Section 4.9. *Compensation.* The President and Vice President shall not receive any compensation for their services except reimbursement for necessary expenses actually incurred in connection with Association duties. The Secretary and Treasurer may be compensated for their services if the Board of Directors determines that such compensation is appropriate. Compensation, if any, shall be in an amount proposed by the Board of Directors and approved by the majority of Owners present or represented by proxy at a meeting.

Section 4.10. *Statements of Unpaid Assessments.* The Treasurer, Assistant Treasurer, a manager employed by the Association or, in their absence, any Officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments, in accordance with Section 38-33.3-316 of the Act and Article 5, Section 5.11 of

the Declaration. The Association may charge a reasonable fee for preparing statements of unpaid assessments. The amount of this fee and the time of payment shall be established by resolution of the Board of Directors. The Association may refuse to furnish statements of unpaid assessments until the fee is paid. Any unpaid fees may be assessed as a Common Expense against the Parcel for which the statement is furnished.

Section 4.11. *Fidelity Bonds.* All Officers and members of the Association having the responsibility of handling funds of the Association are to be bonded pursuant to the provisions of Article 10, Section 10.5 of the Declaration.

Section 4.12. *Other Duties and Powers.* The Officers shall have such other duties, powers, and responsibilities as shall, from time to time, be authorized by the Board of Directors.

ARTICLE V REMEDIES FOR VIOLATIONS

Section 5.1. *Enforcement.* The Association shall have the power, at its sole option, to enforce the terms of this instrument, the Articles, the Declaration or any rule or regulation promulgated pursuant thereto, by any or all of the following: self-help; by sending notice to the offending party to cause certain things to be done or undone; by restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; by taking any other action before any court, summary or otherwise, as may be provided by law; by complaint to the duly constituted authorities.

Section 5.2. *Abatement and Enjoinment of Violations by Owners.* The violation of any of the Rules and Regulations adopted by the Board of Directors or the breach of any provision of the Declaration shall give the Board of Directors the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws:

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

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

Section 5.3. *Fine for Violation.* By resolution, following notice and hearing, the Board of Directors may levy a fine of up to One Hundred Dollars (\$100.00) per day for each day that a violation of the Declaration or Rules and Regulations persists after notice and hearing.

Section 5.4. *Assessments.* Remedies for late payment or default of payment of Assessments shall be governed by Article 5, Section 5.8 of the Declaration.

ARTICLE VI
BOOKS & RECORDS

Section 6.1. *Records and Audits.* The Association shall maintain financial records. The financial records shall be maintained and may be audited in accordance with Article II, above.

Section 6.2. *Examination.* All records maintained by the Association or the Manager shall be available for examination and copying by any Owner, any holder of a Security Interest in a Parcel or its insurer or guarantor, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

Section 6.3. *Records.* The Association shall keep the following records:

(a) An account for each Parcel, which shall designate the name and address of each Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Parcel, the amount of each Common Expense assessment, the dates on which each assessment comes due, the amounts paid on the account and the balance due;

(b) An account for each Owner showing any other fees payable by the Owner;

(c) A record of any capital expenditures in excess of Three Thousand Dollars (\$3,000.00) approved by the Board of Directors for the current and next two succeeding fiscal years;

(d) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specific project;

(e) The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;

(f) The current operating budget;

(g) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant;

(h) A record of insurance coverage provided for the benefit of Owners and the Association;

(i) A record of any alterations or improvements to Parcels or Limited Common Elements which violate any provisions of the Declarations of which the Board of Directors has knowledge;

(j) A record of any violations, with respect to any portion of the Ranch, of health, safety, fire or building codes or laws, ordinances, or regulations of which the Board of Directors has knowledge;

(k) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements, if any;

(l) Balance sheets and other records required by local corporate law;

(m) Tax returns for state and federal income taxation;

(n) Minutes of proceedings of incorporators, Owners, Directors, committees of Directors and waivers of notice; and

(o) A copy of the most current versions of the Declaration, Bylaws, Rules and Regulations, and resolutions of the Board of Directors, along with their exhibits and schedules.

ARTICLE VII INDEMNIFICATION OF OFFICIALS AND AGENTS

Section 7.1. *Certain Definitions.* A "Corporate Official" shall mean any Director or Officer, and any former Director or Officer, of the Association. A "Corporate Employee" shall mean any employee, and any former employee, of the Association. "Corporate Official" and "Corporate Employee" shall not include any officer, director, agent or employee of any managing agent employed by the Association, and no such person shall have right of indemnification hereunder. "Expenses" shall mean all costs and expenses including attorneys' fees, liabilities, obligations, judgments and any amounts paid in reasonable settlement of a Proceeding. "Proceeding" shall mean any claim, action, suit or proceeding, civil or criminal, whether threatened, pending or completed, and shall include appeals.

Section 7.2. *Right of Indemnification.* The Association shall indemnify any Corporate Official and may, in the discretion of the Board of Directors, indemnify any Corporate Employee, against any and all Expenses actually and reasonably incurred by or imposed upon it in connection with, arising out of, or resulting from, any Proceeding in which it is or may be made a party by reason of (a) actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty while acting in an official capacity as a Corporate Official or Corporate Employee, or (b) any matter claimed against it solely by reason of being a Corporate Official or Corporate Employee. The right of indemnification shall extend to all matters as to which a majority of directors of the Association by resolution, or independent legal counsel in a written opinion, shall determine that the Corporate Official or Corporate Employee acted in good faith and such person reasonably believed that the conduct was in the Association's best interests and had no reasonable cause to believe that its conduct was improper or unlawful. The right of indemnification shall not extend to matters as to which the Corporate Office or Corporate Employee is finally adjudged in an action, suit or proceeding to have been liable for gross negligence or willful misconduct in the performance of its duty except to the extent that a

court may determine, upon application, that despite such adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity. The right of indemnification shall not extend to any matter as to which said indemnification would not be lawful under the laws of the State of Colorado.

Section 7.3. *Advances of Expenses and Defense.* The Association may advance Expenses to, or where appropriate, may undertake the defense of, any Corporate Official or Corporate Employee, in a Proceeding provided that the Corporate Official or Corporate Employee shall comply with the requirements of C.R.S. 7-129-104.

Section 7.4. *Rights Not Exclusive.* The right of indemnification herein provided shall not be exclusive of other rights to which such Corporate Official or Corporate Employee may be entitled.

Section 7.5. *Authority to Insure.* The Association may purchase and maintain liability insurance on behalf of any Corporate Official or Corporate Employee against any liability asserted against it as a Corporate Official or Corporate Employee or arising out of its status as such, including liabilities for which a Corporate Official or Corporate Employee might not be entitled to indemnification hereunder.

ARTICLE VIII MISCELLANEOUS

Section 8.1. *Notices.* All notices for the Association or the Board of Directors shall be delivered to the office of the Association, or to such other address as the Board of Directors may designate by written notice to all Owners and to all holders of Security Interests in the Parcels who have notified the Association that they hold a Security Interest in a Parcel. Except as otherwise provided, all notices to any Owner shall be sent to the Owner's address as it appears in the records of the Association. All notices to holders of Security Interests in the Parcels shall be sent by registered or certified mail to their respective addresses, as designated by them in writing to the Association. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

Section 8.2. *Fiscal Year.* The Board of Directors shall establish the fiscal year of the Association, or if no fiscal year is established by the Board of Directors, the fiscal year shall be the calendar year.

Section 8.3. *Waiver.* No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 8.4. *Office.* The principal office of the Association shall be on the Ranch or at such other place as the Board of Directors may from time to time designate.

Section 8.5. *Title to Parcels.* Title to Parcels may be taken in the name of an

individual, or in the name of two or more persons as tenants in common or as joint tenants with right of survivorship, or in the name of a corporation, partnership, or limited liability company, or in the name of a fiduciary. Any Officer of a corporate Owner shall be eligible to serve on the Board.

Section 8.6. *Additions, Alterations or Improvements by the Board.* Whenever, in the judgment of the Board of Directors, Common Elements, if any, shall require additions, alterations or improvements costing in excess of \$1,000.00, said alterations and improvements shall not be made unless they have been approved by a majority of the members present and voting at a meeting at which a quorum is present. When said approval has been obtained, all members shall be assessed for the cost thereof above and beyond that allocated from the reserve fund as a common charge.

Section 8.7. *Right of Access.* Each Owner shall grant a right of access to his Parcel to any person authorized by the Board of Directors for the purpose of inspecting for and correcting any condition originating on his Parcel and threatening another Parcel or any common element, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Owner. In case of an emergency, such right of entry shall be immediate, whether the Owner is present at the time or not.

Section 8.8. *Common Expenses Payable by the Declarant.* Until January 1, 2007, the Declarant shall be solely responsible for all Common Expenses; provided, however, the Declarant may charge tap fees and water rates for the water system prior to that date.

Section 8.9. *Invalidity.* The invalidity of any part of these Bylaws shall not impair or affect in any manner the enforceability or affect the balance of these Bylaws.

Section 8.10. *Amendments.* These Bylaws, or any one of them, may be altered or repealed, or new Bylaws may be made, at any meeting of the Association duly constituted for such purpose, a quorum being present, by an affirmative vote of seventy-five percent (75%) of the votes entitled to be cast in person or by proxy, except that the first annual meeting may not be advanced and the first Board of Directors (including replacements in case of vacancies) may not be removed by reason of any such amendment or repeal.

Section 8.11. *Exculpability of Board and Officers.* Neither the Board as a body nor any member thereof nor any Officer of the Association shall be personally liable to any Owner in any respect for any action or lack of action arising out of the execution of his office. Each Owner shall be bound by the good faith actions of the Board and Officers of the Association in the execution of the duties of said Directors and Officers. Unless acting in bad faith, no Director or Officer of the Association shall be liable to any Owner or other person for misfeasance or malfeasance in office.

Section 8.12. *Conflict.* Anything to the contrary herein notwithstanding, if any provision of this instrument is in conflict with or contradiction of the requirements of the Declaration or any applicable law, then the requirements of the Declaration or said law shall be deemed

controlling.

Dated this _____ day of _____, 2006

ATTEST:

Certified to be the Bylaws adopted by consent of the Directors of Continental Divide Ranch Property Owners Association, Inc., dated _____, 2006.

Secretary

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