

BYLAWS
OF
1415 STEELE CONDOMINIUM
HOMEOWNERS ASSOCIATION INC.

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BYLAWS
OF
1415 STEELE CONDOMINIUM
HOMEOWNERS ASSOCIATION INC.

I. GENERAL

1.1 Purpose of Bylaws. These Bylaws are adopted for the regulation and management of the affairs of 1415 STEELE CONDOMINIUM HOMEOWNERS ASSOCIATION, INC. (the "Association") . The Association has been organized as a Colorado nonprofit corporation under the Colorado Revised Nonprofit Corporation Act, Colorado Revised Statutes 7-121-101 et seq., as amended (the "Revised Nonprofit Corporation Act"), to be and constitute the Association under the Condominium Declaration for 1415 Steele Condominiums (the "Declaration"). The Declaration has been executed by 1415 Steele LLC, a Colorado limited liability company (the "Declarant"). The Declaration relates to real property located in the City and County of Denver, Colorado, that becomes annexed and subject to the Declaration (the "Association Area").

1.2 Terms Defined in Declaration. Terms used in these Bylaws which are defined in the Declaration shall have the same meaning and definition as in the Declaration unless otherwise defined herein.

1.3 Controlling Laws and Instruments. These Bylaws are controlled by and shall always be consistent with the provisions of the Act, the Revised Nonprofit Corporation Act, the Declaration and the Articles of Incorporation of the Association filed with the Secretary of State of Colorado, as any of the foregoing may be amended from time to time.

II. OFFICES

2.1 Principal Office. The Board of Directors, in its discretion, may fix and may change, from time to time, the location of the principal office of the Association provided that, at such time as suitable quarters can reasonably be obtained within the Association Area in the City and County of Denver, Colorado, the principal office of the corporation shall be located within the Association Area.

2.2 Registered Office and Agent. The Revised Nonprofit Corporation Act requires that the Association have and continuously maintain in the State of Colorado a registered office and a registered agent whose business office is identical with such registered office. The registered office need not be the same as the principal office of the Association. The initial registered office and the initial registered agent are specified in the Articles of Incorporation of the Association but may be changed by the Association at any time, without amendment to the Articles of Incorporation, by filing a statement as specified by law in the Office of the Secretary of State of Colorado.

III. MEMBERS

3.1 Members. A "Member," as defined in the Declaration, is the Person, or if more than one, all Persons collectively, who constitute the owner of a Condominium Unit within the Association Area, including Declarant, but excluding the Association.

3.2 Memberships Appurtenant to Condominium Units. There shall be one (1) membership in the Association for each Condominium Unit within the Association Area, including Condominium Units owned by Declarant and the Association. Each Owner shall have one (1) membership in the Association. The Owner of a Condominium Unit shall automatically be the holder of the membership appurtenant to that Condominium Unit, and the membership appurtenant thereto shall automatically pass with fee simple title to the Condominium Unit. Declarant shall hold one (1) membership in the Association for each Condominium Unit owned by Declarant. Membership in the Association shall not be assignable separate and apart from fee simple title to a Condominium Unit except that an Owner may assign some or all of his rights as a Member of the Association to a tenant or Mortgagee and may arrange for a tenant to perform some or all of such Member's obligations as provided herein or in the Declaration, but no Member shall be permitted to relieve himself of the responsibility for fulfillment of his obligations of a Member hereunder or under the Declaration.

3.3 Voting Rights of Members. Each Member, including Declarant, but excluding the Association, shall have the right to cast one (1) vote for each Condominium Unit owned by such Member that is subject to this Declaration. All agreements and determinations lawfully made by the Association in accordance with the voting procedures established herein, and in the Declaration, shall be deemed to be binding on all Owners, and their successors and assigns.

3.4 Election of Non-Declarant Directors. The Members, other than Declarant and the Association, shall elect the Non-Declarant Directors to the Board as provided in Section 5.4 hereof.

3.5 Voting by Joint Members. If there is more than one person who constitutes the Owner of a Condominium Unit, each such Person shall be entitled to attend any meeting of Members but the votes allocated to the Condominium Unit shall not be increased. In all cases in which more than one Person constitutes the Owner of a Condominium Unit, including instances in which a Condominium Unit is owned by a husband and wife, then, unless written notice to the contrary, signed by any one of such Persons, is given to the Board of Directors of the Association prior to the meeting, any one such Person shall be entitled to cast, in person or by proxy, the vote allocated to the Condominium Unit. If, however, more than one Person constituting such Member attends a meeting in person or by proxy, and seeks to cast the vote allocated to the Condominium Unit, then the act of those Persons owning a majority in interest in such a Condominium Unit shall be entitled to cast the vote allocated to such Condominium Unit. There is a majority agreement if any one of the multiple Persons constituting the Member casts the vote allocated to that Condominium Unit without protest being made promptly to the Person presiding over the meeting by any of the other Persons constituting such Member.

3.6 Resolution of Voting Disputes. In the event of any dispute as to the entitlement of any Member to vote or as to the results of any vote of Members at a meeting of Members, the Board of Directors of the Association shall act as arbitrators and the decision of a disinterested majority of the Board of Directors shall, when rendered in writing, be final and binding as an arbitration award and may be acted upon in accordance with the Colorado Uniform Arbitration Act of 1975, amended in 1993, and as the same may be further amended; provided, however, that the Board of Directors shall have no authority or jurisdiction to determine matters relating to the entitlement of Declarant to vote or relating to the manner of exercise by Declarant of its voting rights.

3.7 Suspension of Voting Rights. The Board of Directors may suspend, after Notice and Hearing, the voting rights of a Member during and for up to 60 days following any breach by such Member or a Related User of such Member of any provision of the Declaration or of any Rule or Regulation adopted by the Association.

3.8 Transfer of Memberships on Association Books. Transfers of memberships shall be made on the books of the Association only upon presentation of evidence, satisfactory to the Association, of the transfer of ownership of the Condominium Unit to which the membership is appurtenant. Prior to presentation of such evidence, the Association may treat the previous owner of the membership as the owner of the membership entitled to all rights in connection therewith, including the rights to vote and to receive notice.

3.9 Assignment of Voting Rights to Tenants and Mortgagees. A Member may assign his right to vote to a tenant occupying his Condominium Unit or to a Mortgagee of his Condominium Unit for the term of the lease or the Mortgage and any sale, transfer or conveyance of the Condominium Unit shall, unless otherwise provided in the document of sale, transfer or conveyance, be subject to any such assignment of voting rights to any tenant or Mortgagee. Any such assignment of voting rights and any revocation or termination of any assignment of voting rights shall be in writing and shall be filed with the Secretary of the Association.

IV. MEETINGS OF MEMBERS

4.1 Place of Members' Meetings. Meetings of Members shall be held at the principal office of the Association or at such other place as may be fixed by the Board of Directors and specified in the notice of the meeting.

4.2 Annual Meetings of Members. The annual meeting of the Members shall be held in December of each year on such day in December and at such time of day as is fixed by the Board of Directors and specified in the notice of meeting. The annual meeting shall be held to vote on any matters established herein, in the Articles of Incorporation and in the Declaration upon which the Members are entitled or required to vote, including without limitation, ratifying the annual Budget of the Association and voting upon a Non-Declarant Director when and at such time as the Members, other than Declarant are entitled to vote for such Non-Declarant Director, and to transact such other business as may properly come before the meeting.

4.3 Special Meetings of Members. Special meetings of the Members may be called by a majority of the Board of Directors of the Association, the President of the Association, or by Members holding not less than fifty percent (50%) of the total votes of in the Association, including votes of Declarant, but excluding votes of the Association. Special meetings shall take place in accordance with C.R.S. 7-127-102, at such place, date and time as is fixed by a resolution of the Executive Board. Only business within the purpose or purposes specifically described in the notice of the meeting may be transacted.

4.4 Record Date. For the purpose of determining Members entitled to notice of, or to vote at, any meeting of Members or in order to make a determination of such Members for any other proper purpose, the Board of Directors of the Association may fix, in advance, a date as the record date for any such determination of Members. The record date shall be not more than 50 days or less than 14 days prior to the meeting of Members or the event requiring a determination of Members.

4.5 Meetings to Approve the Annual Budget. Pursuant to the Revised Nonprofit Corporation Act, at the annual meeting of the Association or at a special meeting of the Association called for such purpose, the Unit Owners shall be afforded the opportunity to ratify a budget of the projected revenues, expenditures and reserves for the Association's next fiscal year as proposed by the Board. A summary of the proposed budget approved by the Board shall be mailed to the Members within thirty (30) days after its adoption along with a written notice of a meeting of the Association to be held not less than fourteen (14) nor more than fifty (50) days after mailing of the summary to the Members (or, in the alternative, together with a ballot and information sufficient to satisfy the provisions of Section 109 of the Revised Nonprofit Corporation Act). Unless sixty-two percent (62%) of the total votes in the Association (i.e., Members representing sixty-two percent (62%) of all Units within the Community) reject the proposed budget, the budget is ratified. There are no quorum requirements for this meeting. In the event the proposed budget is rejected, the budget last ratified by the Members continues until such time as the Members ratify a subsequent budget proposed by the Board as provided above.

4.6 Notice of Members, Meetings. Except for meetings held to approve the annual budget pursuant to Section 4.5 above, notice shall be given pursuant to C.R.S. 7-121-402, provided, however:

(a) Notice may be given in person, by telephone, telegraph, teletype, electronically transmitted, or other form of wire or wireless communication, or by mail or private carrier. If these forms of personal notice are impracticable, notice may be communicated by a newspaper of general circulation in the area where published. Notice by publication is effective on the date of first publication.

(b) Nothing in this Section 4.6 shall prohibit oral notice to Directors concerning its matters and meetings.

(c) A written notice or report delivered as part of a newsletter, magazine or other publication regularly sent to Members shall constitute a written notice or report if addressed or delivered to the Member's address shown in the Association's current list of

Members, or in the case of Members who are residents of the same household and who have the same address in the Association's current list of Members, if addressed or delivered to one of such Members, at the address appearing on the current list of Members.

4.7 Proxies. A Member entitled to vote may vote in person or by proxy executed in writing by the Member or his duly authorized attorney-in-fact and filed with the chairman of the meeting prior to the time the proxy is exercised. Any proxy may be revocable only by revocation in writing filed with the chairman of the meeting prior to the time the proxy is exercised. A proxy shall automatically cease upon the conveyance by a Member of his Condominium Unit and the transfer of the membership on the books of the Association. No proxy shall be valid after 11 months from the date of its execution unless otherwise provided in the proxy and no proxy shall be valid in any event for more than three years after its date of execution. Any form of proxy furnished or solicited by the Association and any form of written ballot furnished by the Association shall afford an opportunity thereon for Members to specify a choice between approval and disapproval of each matter or group of related matters which is known at the time the form of proxy or written ballot is prepared, may come before the meeting and shall provide, subject to reasonably specified conditions, that if a Member specifies a choice with respect to any such matter, the vote shall be cast in accordance therewith.

4.8 Quorum at Members' Meetings. Except as may be otherwise provided in the Declaration, the Articles of Incorporation or these Bylaws, and except as hereinafter provided with respect to the calling of another meeting, the presence at the beginning of the meeting, in person or by proxy, of Members entitled to cast at least fifty percent (50%) of the votes which may be cast for the election of the Board shall constitute a quorum at any meeting of such Members. Members present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of Members so as to leave less than a quorum. If the required quorum is not present in person or by proxy at the beginning of any such meeting of members, another meeting may be called, subject to the notice requirements hereinabove specified, and the presence, in person or by proxy, of Members entitled to cast at least twenty-five percent (25%) of the votes which may be cast for the election of the Board shall constitute a quorum at such subsequent meeting of Members, except as may be otherwise provided in the Declaration, the Articles of Incorporation or these Bylaws. Notwithstanding anything to the contrary contained in the Articles of Incorporation or these Bylaws, no quorum of Members shall be required at any meeting considering the ratification of the Budget.

4.9 Adjournments of Members' Meetings. A majority vote of Members present in person or the proxy at any meeting may adjourn the meeting from time to time, whether or not a quorum shall be present in person or by proxy, without notice other than announcement at the meeting, for a total period or periods of not to exceed 30 days after the date set for the original meeting. At any adjourned meeting which is held without notice other than announcement at the meeting, the quorum requirement shall not be reduced or changed, but if the originally required quorum is present in person or by proxy, any business may be transacted which might have been transacted at the meeting as originally called.

4.10 Vote Required at Members' Meetings. At any meeting of Members, if a quorum is present (other than a vote ratifying the Budget), a majority of the votes present in person or by proxy and entitled to be cast on a matter shall be necessary for the adoption of the matter, unless a greater proportion is required by law, the Declaration, the Articles of Incorporation or these Bylaws.

4.11 Voting by Mail. The Board may decide that voting of the Members on any matter required or permitted by the statutes of Colorado, the Declaration, the Articles of Incorporation or these Bylaws shall be by mail. Pursuant to the Colorado Revised Nonprofit Corporation Act, any action that may be taken at any annual regular or special meeting of the Members may be taken without a meeting if the Secretary delivers a written ballot to every member entitled to vote on the matter.

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

(b) Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes cast that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(c) All solicitations for votes by written ballot shall: (i) indicate the number of responses needed to meet the quorum requirements; (ii) state the percentage of approvals necessary to approve each matter other than election of members of the Board; (iii) specify the time by which a ballot must be received by the Association in order to be counted; and (iv) be accompanied by written information sufficient to permit each person casting such ballot to reach an informed decision on the matter.

(d) A written ballot may not be revoked.

4.12 Cumulative Voting Not Allowed. Cumulative voting by Members in the election of Non-Declarant Directors shall not be permitted.

4.13 Order of Business. The order of business at all meetings of the Members shall be as set forth in the written meeting agenda available at the beginning of each meeting.

4.14 Officers of Meetings. At any meeting of Members, the Members present shall select a chairman and secretary of the meeting.

4.15 Expenses of Meetings. The Association shall bear the expenses of all meetings of Members.

4.16 Waiver of Notice. A written waiver of notice of any meeting of Members, signed by a Member and delivered to the Association for filing with the Association's minutes, whether before or after the meeting, shall be equivalent to the giving of notice of the meeting to such Member but such delivery and filing shall not be conditions to the effectiveness of such waiver. Attendance of a Member at a meeting, either in person or by proxy, shall constitute waiver of notice of such meeting except when the Member attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

4.17 Action of Members Without a Meeting. Any action required to be taken or which may be taken at a meeting of members may be taken without a meeting if a consent, in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

4.18 Declarant's Right to Attend Member Meetings Following the Expiration of the Declarant's Control Period. Notwithstanding the expiration or earlier termination of the Declarant's Control Period, and regardless of Declarant's ability to vote on any particular matter thereafter, Declarant or its representatives shall have the right to attend all meetings of the Members, whether such meetings are deemed executive or closed to Persons other than Members, and the Declarant shall be given all required notices of such meetings as provided in the Bylaws.

V. BOARD OF DIRECTORS

5.1 General Powers and Duties of Board. The Board of Directors shall have the duty to manage and supervise the affairs of the Association and shall have all powers necessary or desirable to permit it to do so. Without limiting the generality of the foregoing, the Board of Directors shall have the power to exercise or cause to be exercised for the Association, all of the powers, rights and authority of the Association not reserved to Members in the Declaration, the Articles of Incorporation, these Bylaws or the Revised Nonprofit Corporation Act.

5.2 Special Powers and Duties of Board. Without limiting the foregoing statement of general powers and duties of the Board of Directors or the powers and duties of the Board of Directors as set forth in the Declaration, the Board of Directors of the Association shall be vested with and responsible for the following specific powers and duties:

(a) Assessments. The duty to fix and levy from time to time Common Assessments, Special Assessments, and Reimbursement Assessments upon the Members as provided in the Declaration; to determine and fix the due date for the payment of such Assessments and the date upon which the same shall become delinquent; and to enforce the payment of such delinquent assessments as provided in the Declaration.

(b) Insurance. The duty to contract and pay premiums for fire and casualty and blanket liability and other insurance in accordance with the provisions of the Declaration.

(c) Common Elements. The duty to contract for and pay bills for maintenance, legal service, accounting service, gardening, common utilities and other materials, supplies and services relating to the Common Elements, and to employ personnel necessary for the care and operation of the Common Elements, and to contract and pay for necessary Improvements on the Common Elements.

(d) Agents and Employees. The power to select, appoint, and remove all officers, agents, and employees of the Association and to prescribe such powers and duties for them as may be consistent with law, with the Articles of Incorporation, the Declaration and these Bylaws; and to fix their compensation and to require from them security for faithful service as deemed advisable by the Board.

(e) Borrowing. The power, with the approval of Members holding at least seventy-five percent (75%) of the votes of the Association, including seventy-five percent (75%) of the votes of Members other than Declarant, to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, mortgages, pledges, hypothecations or other evidences of debt and securities therefor, subject to provisions elsewhere in the Declaration with respect to required approvals and consents to such action.

(f) Enforcement. The power to enforce the provisions of the Declaration, the Rules and Regulations, these Bylaws or other agreements of the Association.

(g) Delegation of Powers. The power to delegate its powers according to the law of the State of Colorado.

(h) Easements. The power to grant easements where necessary for utilities and other facilities over the Common Elements to serve the Association Area.

(i) Rules and Regulations. The power to adopt such Rules and Regulations as the Board may deem necessary for the management of the Association Area. Such Rules and Regulations may concern, without limitation, use of the Common Elements by Members and/or by any Person to purchase a Condominium Unit, signs, parking restrictions; common collection and disposal of refuse; minimum standards of property maintenance consistent with the Declaration; and any other matters within the jurisdiction of the Association as provided in the Declaration; provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles and these Bylaws.

(j) Preparation, Execution, Certification and Recording Amendments to the Declaration on Behalf of the Association. The President or a Vice President and the Secretary or an Assistant Secretary of the Association may prepare, execute, certify and record any amendment to the Declaration on behalf of the Association.

5.3 Election of Directors and Officers by Declarant. From date of formation of the Association until the termination of Declarant's control as provided below, Declarant shall have the right to appoint and remove Directors and officers of the Association as hereinafter provided. The period of Declarant's control of the Association (the "Declarant's Control Period") shall terminate upon the first to occur of: (i) sixty (60) days after conveyance of seventy-five percent (75%) of the Condominium Units that are capable of being created within the Association Area as provided in Section 1.2 of the Declaration to Purchasers, or (ii) the later to occur of (a) three (3) years after the last conveyance of a Condominium Unit to a Purchaser by Declarant in the ordinary course of business, or (b) five years after Declarant's right to create new Condominium Units was last exercised, or (iii) when Declarant determines, in its sole discretion, to surrender its control reserved hereunder; provided, however, that in this last event, Declarant may require that for the balance of what would have otherwise been the Declarant's Control Period, certain actions taken by the Association or the Board, as described in a Recorded instrument executed by Declarant, shall be approved by Declarant before such actions become effective, or (iv) the fifth (5th) anniversary of the date of conveyance of the first Condominium Unit by a Declarant to the first Purchaser thereof (other than a Declarant). Until the date that is sixty (60) days after conveyance of twenty-five percent (25%) of the Condominium Units that are capable of being created within the Association Area as provided in Section 1.2 of the Declaration to Purchasers, Declarant shall have the sole right to elect all Directors (collectively, the "Declarant Directors") and to fill all vacancies of all Declarant Directors. Commencing on the date that is sixty (60) days after conveyance of twenty-five percent (25%) of the Condominium Units that are capable of being created within the Association Area as provided in Section 1.2 of the Declaration to Purchasers, at least one Director and not less than twenty-five percent (25%) of the Directors then sitting on the Board shall be elected and removed in the manner set forth in Section 5.4 below. Declarant shall have the sole right to elect the remaining Directors then sitting on the Board and to fill all vacancies of each such Declarant Director. Commencing on the date that is sixty (60) days after conveyance of fifty percent (50%) of the Condominium Units that are capable of being created within the Association Area as provided in Section 1.2 of the Declaration to Purchasers and continuing thereafter until termination of the Declarant's Control Period, not less than thirty-three and one-third percent (33-1/3%) of the Directors then sitting on the Board shall be elected in the manner set forth in Section 5.4 below. Declarant shall have the sole right to appoint the remaining Directors then sitting on the Board and to fill all vacancies of each such Declarant Director.

5.4 Election of Non-Declarant Directors. Each Director elected pursuant to the provisions of this Section shall be referred to as a "Non-Declarant Director." At such time as the provisions of Section 5.3 require that a Non-Declarant Director be elected, such Non-Declarant Director shall be elected by the majority vote of the Members present, other than Declarant and the Association, at a duly convened meeting of Members for such purpose.

5.5 Qualifications of Directors. A Declarant Director may be any Person, whether or not a Member. A Non-Declarant Director must be an owner of a Condominium Unit within the Association Area other than Declarant or, if the Owner of any such Condominium Unit is a partnership or corporation, must be an authorized agent of such partnership or corporation. If a Non-Declarant Director conveys or transfers title to his Condominium Unit, or if a Non-Declarant Director who is an authorized agent of a partnership or corporation ceases to be such authorized agent, or if the partnership or corporation of which a Non-Declarant Director is an agent transfers title to its Condominium Unit, such Non-Declarant Director's term shall immediately terminate and a new Non-Declarant Director shall be selected as promptly as possible to take such Non-Declarant Director's place. Any Director may be re-elected and there shall be no limit on the number of terms any such Director may serve.

5.6 Number of Directors. During the Declarant's Control Period, the number of Declarant Directors of the Association shall be three. The number of Declarant Directors may be increased or decreased from time to time at the discretion or approval of Declarant, by amendment to these Bylaws, provided that the number of Declarant Directors shall not be less than one (1). At such time provided in Section 5.3 hereof that at least twenty-five percent (25%) of Directors be appointed by the Members other than Declarant, the number of Directors shall be four (4). The number of Declarant Directors may be increased or decreased from time to time by amendment to these Bylaws, provided that the number of Directors shall not be less than four (4), and no decrease in number shall have the effect of shortening the term of any incumbent Director. At such time provided in Section 5.3 hereof that at least thirty-three and one-third percent (33 1/3%) of Directors be appointed by the Members other than Declarant, the number of Directors shall be six (6). The number of Declarant Directors may be increased or decreased from time to time by amendment to these Bylaws, provided that the number of Directors shall not be less than six (6), and no decrease in number shall have the effect of shortening the term of any incumbent Director. Upon termination of the Declarant's Control Period as provided in Section 5.3, the Board shall consist of at least three (3) Directors, at least a majority of whom must be Members other than Declarant, and the Board shall elect the officers. The elected Directors and officers shall take office upon election.

5.7 Term of Office of Directors. Any Declarant Directors shall hold office until Declarant determines to remove any such the Declarant Director. Each Non-Declarant Director, at the first meeting of Members at which Non-Declarant Directors may be elected, shall be elected and continue in office until the next annual meeting of Members or until their successors have been elected, whichever is later, unless a Non-Declarant Director resigns, is removed or his term of office terminates because he is no longer qualified to be a Non-Declarant Director.

5.8 Removal of Directors. Declarant shall have the sole right to remove any Declarant Director with or without cause at any time and to fill all vacancies of each such Declarant Director. At any meeting of Members at which a quorum is present, the notice of which indicates such purpose, any Non-Declarant Director may be removed, with or without cause, by vote of sixty-two percent (62%) of the Members present and entitled to vote at such meeting.

5.9 Resignation of Directors. Any Director may resign at any time by giving written notice to the President, to the Secretary or to the Board of Directors stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective.

5.10 Vacancies in Directors. Any vacancy occurring in the Board of Directors shall, unless filled in accordance with Section 5.3, be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. A Director elected or appointed to fill a vacancy shall be elected or appointed for the unexpired term of his predecessor in office. A Directorship to be filled by reason of an increase in the number of Directors shall be filled first by Declarant's appointment of Declarant Directors, and the balance as may be required by the Act, by the requisite vote of the Members for Non-declarant Directors.

5.11 Executive Committee. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint an Executive Committee, which shall consist of three or more Directors and which, unless otherwise provided in such resolution, shall have and exercise all the authority of the Board of Directors except authority with respect to those matters specified in the Revised Nonprofit Corporation Act as matters which such committee may not have and exercise the authority of the Board of Directors.

5.12 Other Committees of Association. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more other committees, which may consist of or include Members who are not Directors. Any such committee shall have and exercise such authority as shall be specified in the resolution creating such committee except such authority as can only be exercised by the Board of Directors.

5.13 General Provisions Applicable to Committees. The designation and appointment of any committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual Director, of any responsibility imposed upon it or him by law.

The provisions of Article VI of these Bylaws with respect to notice of meeting, waiver of notice, quorums, adjournments, vote required and action by consent applicable to meetings of Directors shall be applicable to meetings of committees of the Board of Directors.

5.14 Manager or Managing Agent. The Board of Directors, by resolution adopted by a majority of the Directors in office, shall, at or as reasonably possible after the first annual meeting of the Board of Directors, designate and appoint a Manager or Managers, which Manager or Managers shall have and exercise those powers and shall fulfill those duties of the Board of Directors as shall be specified in any such resolution. Any such resolution may delegate some or substantially all of the powers and duties of the Board of Directors to any such Manager or Managers, but the Board, in delegating powers and duties to any such manager or managing agent, shall not be relieved of its responsibilities under the Declaration.

VI. MEETINGS OF DIRECTORS

6.1 Place of Directors' Meetings. Meetings of the Board of Directors shall be held at the principal office of the Association or at such other place, within or convenient to the Association Area, as may be fixed by the Board of Directors and specified in the notice of the meeting.

6.2 Annual Meeting of Directors. Annual meetings of the Board of Directors shall be held on the same date as, or within 10 days following, the annual meeting of Members. The business to be conducted at the annual meeting of Directors shall consist of the appointment of officers of the Association and the transaction of such other business as may properly come before the meeting. No prior notice of the annual meeting of the Board of Directors shall be necessary if the meeting is held on the same day and at the same place as the annual meeting of Members at which the Board of Directors is elected or if the time and place of the annual meeting of the Board of Directors is announced at the annual meeting of Members.

6.3 Other Regular Meetings of Directors. The Board of Directors shall hold regular meetings at least quarterly and may, by resolution, establish in advance the times and places for such regular meetings. No prior notice of any regular meetings need be given after establishment of the times and places thereof by such resolution.

6.4 Special Meetings of Directors. Special meetings of the Board of Directors may be called by the President or any two members of the Board of Directors.

6.5 Notice of Directors' Meetings. In the case of all meetings of Directors for which notice is required, notice stating the place, day and hour of the meeting shall be delivered not less than three nor more than 50 days before the date of the meeting, by mail, facsimile, telephone or personally, by or at the direction of the persons calling the meeting, to each member of the Board of Directors. If mailed, such notice shall be deemed to be delivered at 5:00 p.m. on the second business day after it is deposited in the mail addressed to the Director at his home or business address as either appears on the records of the Association, with postage thereon prepaid. If facsimiled, such notice shall be deemed delivered when sent by facsimile to the Director, for which the sender thereof has mechanical verification of the receipt thereof. If by telephone, such notice shall be deemed to be delivered when given by telephone to the Director or to a recording machine answering the phone that adequately identifies the residence or workplace of the Director at his home or business phone number, respectively, as either appears on the records of the Association. If given personally, such notice shall be deemed to be delivered upon delivery of a copy of a written notice to, or upon verbally advising, the Director.

Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of such meeting.

6.6 Proxies. A Director shall be entitled to vote by proxy at any meeting of Directors.

6.7 Quorum of Directors. A majority of the number of Directors fixed in these Bylaws, as they may be amended from time to time, present at the beginning of a meeting shall constitute a quorum for the transaction of business.

6.8 Adjournment of Directors' Meetings. Directors present at any meeting of Directors may adjourn the meeting from time to time, whether or not a quorum shall be present, without notice other than an announcement at the meeting, for a total period or periods not to exceed 30 days after the date set for the original meeting. At any adjourned meeting which is held without notice other than announcement at the meeting, the quorum requirement shall not be reduced or changed, but if the originally required quorum is present, any business may be transacted which may have been transacted at the meeting as originally called.

6.9 Vote Required at Director's Meeting. At any meeting of Directors, if a quorum is present, a majority of the votes present in person or by proxy, and entitled to be cast on a matter shall be necessary for the adoption of the matter, unless a greater proportion is required by law, the Declaration, the Articles of Incorporation or these Bylaws.

6.10 Order of Business. The order of business at all meetings of Directors shall be as follows: (a) roll call; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) unfinished business; and (g) new business.

6.11 Officers at Meetings. The President shall act as chairman and the Board of Directors shall elect a Director to act as secretary at all meetings of Directors.

6.12 Waiver of Notice. A waiver of notice of any meeting of the Board of Directors, signed by a Director, whether before or after the meeting, shall be equivalent to the giving of notice of the meeting to such Director. Attendance of a Director at a meeting in person shall constitute waiver of notice of such meeting except when the Director attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

6.13 Action of Directors Without a Meeting. Any action required or permitted to be taken by the Board at a board meeting may be taken without a meeting if each and every member of the Board in writing either (i) votes for such action, or (ii) votes against such action or abstains from voting and waives the right to demand that a meeting be held.

(a) The affirmative vote for such action must equal or exceed the minimum number of votes that would be necessary to take such action at a meeting at which all of the executive board members then in office were present and voted.

(b) No action taken shall be effective unless done in writing and describing the action taken and otherwise satisfying the requirements of subsection (a), signed by all members of the Board and not revoked pursuant to subsection (d) below, are received by the Association (including electronically transmitted facsimile or other form of wire or wireless communication). Action taken pursuant to Section 6.13 shall be effective when the last writing

necessary to effect the action is received by the Association unless the writings describing the action taken set forth a different effective date.

(c) Any member of the executive board who has signed a writing pursuant to this Section 6.13 may revoke such writing by a writing signed and dated by the Board member describing the action and stating that the prior vote with respect thereto is revoked. Provided, however, such writing must be received by the Association before the last writing necessary to effect the action is received.

(d) Action taken pursuant to this Section 6.13 has the same effect as action taken at a meeting of the Board and may be described as such in any record of the Association.

(e) All signed written instruments necessary for any action taken pursuant to this Section 6.13 shall be filed with the minutes of the meetings of the Board.

6.14 Declarant's Right to Attend Board Meetings Following the Expiration of the Declarant's Control Period. Notwithstanding the expiration or earlier termination of the Declarant's Control Period, and regardless of Declarant's ability to vote on any particular matter thereafter, Declarant or its representatives shall have the right to attend all meetings of the Board or of any committee thereof, whether such meetings are deemed executive or closed to Persons other than directors, and the Declarant shall be given all requisite notices of such meetings as provided in the Bylaws.

VII. OFFICERS

7.1 Officers, Employees and Agents. The officers of the Association shall consist of a President, one or more Vice Presidents, a Secretary, a Treasurer and such other officers, assistant officers, employees and agents as may be deemed necessary by the Board of Directors. Officers other than the President need not be Directors.

7.2 Appointment and Term of Office of Officers. During the Declarant's Control Period, the officers shall be appointed by Declarant. Following the Declarant's Control Period, the officers shall be appointed by the Board of Directors at the annual meeting of the Board of Directors and shall hold office subject to the pleasure of the Board of Directors until the annual meeting of the Board of Directors or until their successor are appointed, whichever is later, unless the officer resigns, or is removed earlier.

7.3 Removal of Officers. During the Declarant's Control Period, the officers may be removed by Declarant with or without cause. Following the Declarant's Control Period, any officer, employee or agent may be removed by the Board of Directors, with or without cause, whenever in the Board's judgment the best interests of the Association will be served thereby. The removal of an officer, employee or agent shall be without prejudice to the contract rights, if any, of the officer, employee or agent so removed. Election or appointment of an officer, employee or agent shall not of itself create contract rights.

7.4 Resignation of Officers. Any officer may resign at any time by giving written notice to the President, to the Secretary or to the Board of Directors of the Association stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective.

7.5 Vacancies in Officers. Any vacancy occurring in any position as an Officer may be filled by the Declarant or the Board of Directors, as applicable. An Officer appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

7.6 President. The President shall be a member of the Board of Directors and shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall direct, supervise, coordinate and have general control over the affairs of the Association, and shall have the powers generally attributable to the chief executive officer of a corporation. The President shall preside at all meetings of the Board of Directors and of Members of the Association.

7.7 Vice President. The Vice President may act in place of the President in case of his death, absence or inability to act, and shall perform such other duties and have such authority as is from time to time delegated by the Board of Directors or by the President.

7.8 Secretary. The Secretary shall be the custodian of the records and the seal of the Association and shall affix the seal to all documents requiring the same; shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law and that the books, reports and other documents and records of the Association are properly kept and filed; shall take or cause to be taken and shall keep minutes of the meetings of Members, of the Board of Directors and of committees of the Board; shall keep at the principal office of the Association a record of the names and addresses of the Members; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the Board of Directors or by the President. Declarant or the Board, as applicable, may appoint one or more Assistant Secretaries who may act in place of the Secretary in case of his death, absence or inability to act.

7.9 Treasurer. The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Association; shall deposit all such funds in the name of the Association in such depositories as shall be designated by the Board of Directors; shall keep correct and complete financial records and books of account and records of financial transactions and condition of the Association and shall submit such reports thereof as the Board of Directors may, from time to time require; shall arrange for the annual report required under Section 9.4 of these Bylaws; and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to him by the Board of Directors or by the President. Declarant or the Board, as applicable, may appoint one or more Assistant Treasurers who may act in place of the Treasurer in case of his death, absence or inability to act.

7.10 Bonds. The Association shall require fidelity bonds of not less than \$25,000.00 covering officers or other persons handling funds of the Association as required in the Declaration. The Association shall pay the premiums for such bonds.

VIII. INDEMNIFICATION OF OFFICIALS AND AGENTS

8.1 Certain Definitions. A "Corporate Official" shall mean Declarant, any Director or officer and any former Declarant, 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 Declarant or of any Manager employed by the Association and no such persons shall have rights 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, whether threatened, pending or completed, and shall include appeals.

8.2 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 necessarily incurred by or imposed upon him in connection with, arising out of, or resulting from, any Proceeding in which he may be involved or to which he is or may be made a party to the fullest extent permitted by the Revised Nonprofit Corporation Act. The Association shall give to the Members written notice of any such indemnification prior to the next scheduled meeting of Members or action of Members without a meeting at the instigation of the Board, as applicable.

8.3 Advances of Expenses and Defense. The Association may advance Expenses to, or where appropriate, may undertake the defense of, any Corporate Official or Employee in a Proceeding to the fullest extent permitted by the Revised Nonprofit Corporation Act. The Association shall give to the Members written notice of any such advance prior to the next scheduled meeting of Members or action of Members without a meeting at the instigation of the Board, as applicable.

8.4 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 as a matter of law.

8.5 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 him and incurred by him as a Corporate Official or Corporate Employee or arising out of his status as such, including liabilities for which a Corporate Official or Corporate Employee might not be entitled to indemnification hereunder.

IX. MISCELLANEOUS

9.1 Amendment of Bylaws. Subject to any approval of Declarant, Eligible First Mortgagees or the Government Mortgage Agencies required under the Declaration, the Board of Directors or the Members, by a majority of votes present at the meeting of Members, if a quorum is present, shall have the power to alter, amend or repeal these Bylaws or to adopt new Bylaws. The Bylaws may contain any provision for the regulation or management of the affairs of the Association not inconsistent with the Act, the Revised Nonprofit Corporation Act, the Declaration or the Articles of Incorporation. Notwithstanding anything to the contrary herein contained, any amendment to these Bylaws made during the Declarant's Rights Period affecting any Special Declarant Right or any Development Right that Declarant may exercise during such period or affecting any obligation of Declarant during such period, or any amendment to these Bylaws made during the Declarant's Control Period affecting a right that Declarant may exercise during such period or affecting any obligation of Declarant during such period, must in each case be approved in writing by Declarant.

9.2 Compensation of Officers, Directors and Delegates. No Director shall have the right to receive any compensation from the Association for serving as a Director except for reimbursement of expenses directly related to the business affairs of the Association and as may be approved by resolution of disinterested members of the Board of Directors. Officers, agents and employees shall receive such reasonable compensation from the Association as may be approved by the Board of Directors except that no officer, director or employee of Declarant or of any Affiliate of Declarant, as defined in the Act, may receive compensation from the Association as an officer, director, or employee. Appointment of a person as an officer, director, agent or employee shall not, of itself, create any right to compensation.

9.3 Books and Records. The Association shall keep correct and complete books and records of accounts and shall keep, at its principal office in the Denver, Colorado Metropolitan Area, a record of the names and addresses of its Members, and copies of the Declaration, the Articles of Incorporation and these Bylaws which may be purchased by any Member at reasonable cost. All books and records of the Association, including the Articles of Incorporation and Bylaws, as each may be amended from time to time, and minutes of meetings of Members and Directors may be inspected by any Member, or his agent or attorney, and any First Mortgagee of a Member for any proper purpose. The right of inspection shall be subject to any reasonable rules adopted by the Board of Directors requiring advance notice of inspection, specifying hours and days of the week during which inspection will be permitted and establishing reasonable fees for any copies to be made or furnished.

9.4 Annual Report. The Board of Directors shall cause to be prepared and distributed to each Member and to each Eligible First Mortgagee who has filed a written request therefore, not later than 90 days after the close of each fiscal year of the Association, an annual report of the Association containing (a) an income statement reflecting income and expenditures of the Association for such fiscal year; (b) a balance sheet as of the end of such fiscal year; (c) a statement of changes in financial position for such fiscal year; and (d) a statement of the place of the principal office of the Association where the books and records of the Association, including a list of names and addresses of current Members, may be found.

9.5 Statement of Account. Within fourteen (14) days from the receipt of such reasonable fee as may be determined from time to time by the Board of Directors, and from the receipt of the written request delivered or mailed, first-class postage prepaid, return receipt requested, to the Secretary of the Association at the principal office of the Association, from an Member, Mortgagee of such Member and any Person with, or intending to acquire, any right, title or interest in the Condominium Unit of such Member, the Association shall furnish a written statement setting forth the amount of any Assessments or other amounts, if any, due and accrued and then unpaid with respect to a Condominium Unit and the applicable Member and setting forth the amount of any Assessment levied against such Condominium Unit which is not yet due and payable. Such statement shall, with respect to the Member, Mortgagee or Person to whom it is issued, be conclusive against the Association, the Board and all other Members for all purposes, that no greater or other amounts were then due or accrued and unpaid and that no other Assessments have been levied. If within such fourteen (14) day period, no such statement is furnished to the inquiring party, either personally or by mail, first-class postage prepaid, return receipt requested, the Association shall have no right to assert a lien upon the Condominium Unit for unpaid Assessments which were due at the date of the inquiry. The Association may charge a fee not to exceed Twenty Five Dollars (\$25.00) for preparation of Statement of Account.

9.6 Biennial Corporate Reports. The Association shall file with the Secretary of State of Colorado, within the time prescribed by law, biennial Corporate reports on the forms prescribed and furnished by the Secretary of State and containing the information required by law and shall pay the fee for such filing as prescribed by law.

9.7 Fiscal Year. The fiscal year of the Association shall begin on January 1 and end the succeeding December 31, except that the first fiscal year shall begin on the date of incorporation. The fiscal year may be changed by the Board of Directors without amending these Bylaws.

9.8 Seal. The Board of Directors may adopt a seal which shall have inscribed thereon the name of the Association and the words "SEAL" and "COLORADO".

9.9 Shares of Stock and Dividends Prohibited. The Association shall not have or issue shares of stock and no dividend shall be paid and no part of the income or profit of the Association shall be distributed to its Members directors or officers. Notwithstanding the foregoing sentence, the Association may issue certificates evidencing membership therein, may confer benefits upon its Members in conformity with its purposes and, upon dissolution or final liquidation, may make distributions as permitted by law, and no such payment, benefit or distribution shall be deemed to be a dividend or distribution of income or profit.

9.10 Loans to Directors and Officers Prohibited. No loan shall be made by the Association to its Directors or Officers and Director or Officers who assents to or participates in the making of any such loan shall be liable to the Association for the amount of such loan until the repayment thereof.

9.11 Limited Liability. Except as provided to the contrary in the Declaration, the Association, the Board of Directors, Declarant and any Member, agent or employee of any of

the same, shall not be liable to any Person for any action or for any failure to act if the action taken or failure to act was in good faith and without malice.

9.12 Special Rights of First Mortgagees. Any Eligible First Mortgagee of a Mortgage encumbering any Condominium Unit in the Association Area shall be entitled to receive written notice from the Association of those matters set forth in Section 16.2 of the Declaration.

9.13 Minutes and Presumptions Thereunder. Minutes or any similar record of the meetings of Members or of the Board of Directors, when signed by the Secretary or acting Secretary of the meeting, shall be presumed to truthfully evidence the matters, set forth therein. A citation in any such minutes that notice of the meeting was properly given shall be prima facie evidence that the notice was given.

9.14 Record of Mortgagees. Under the Declaration, First Mortgagees have rights, under certain circumstances to approve amendments to the Declaration. Therefore, any such First Mortgagee or, upon the failure of such First Mortgagee, any Member who has created or granted a First Mortgage, shall give written notice to the Association, through its Manager, or through the Secretary in the event there is no Manager, which notice shall give the name and address of the First Mortgagee and describe the Condominium Unit encumbered by the First Mortgage. The Community Association shall maintain such information in a book entitled "Record of First Mortgages on Condominium Units". Any such First Mortgagee or such Member shall likewise give written notice to the Community Association at the time of release or discharge of any such First Mortgage.

9.15 Checks, Drafts and Documents. All checks drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board of Directors. All such instruments in excess of Five Thousand Dollars (\$5000) shall be signed by the Treasurer and the Secretary.

9.16 Execution of Documents. The Board of Directors, except as these Bylaws otherwise provide, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

X. NOTICE AND HEARING PROCEDURE

10.1 Notice and Hearing. In all instances where the Colorado Common Interest Ownership Act, the Colorado Revised Nonprofit Corporation Act, as amended from time to time, the Declaration, these Bylaws or any Rules and Regulations of the Association require notice and hearing, the Board of Directors shall comply with a written policy adopted by the Board of Directors that provides:

(a) Not less than fifteen (15) days' prior written notice of the action to be taken and the reasons for such action;

(b) An opportunity for the affected member ("Respondent") to be heard, orally or in writing, not less than five (5) days before the action to be taken by either the Board of Directors or a tribunal appointed by the Board of Directors as provided herein;

(c) That the action taken shall be fair and reasonable taking into consideration all of the relevant facts and circumstances.

For all purposes of this section, notice shall be hand delivered or sent prepaid by United States mail to the mailing address of each Condominium Unit or to any other mailing address designated in writing by the Condominium Unit owner.

10.2 Tribunal. In any instance that requires a hearing, the President may appoint a Hearing Committee ("Tribunal") of three (3) natural Persons. In appointing the members of the Tribunal, the President shall avoid appointing next-door neighbors of the Respondent or any Members who are essential witnesses to the alleged violation giving rise to the Complaint. The decision of the President shall be final, except that the Respondent may challenge any member of the Tribunal for cause, where a fair and impartial hearing cannot be afforded, at any time prior to the taking of evidence at the hearing. In the event of such a challenge, the Board of Directors shall meet to determine the sufficiency of the challenge, without the President voting. If such a challenge is sustained, the President shall appoint another member to replace the challenged member of the Tribunal. All decisions of the Board of Directors in this regard shall be final. The Tribunal shall elect a chairman and appoint a hearing officer who shall take evidence and ensure that a proper record of all proceedings is maintained.

XI. CONSTRUCTION LITIGATION PROCEDURES

11.1 Association's Enforcement Rights. In the event of an alleged defect in (i) the soils of any property which lie within the Association Area or any part or parcel thereof or any Improvement thereon, (ii) the physical condition of any Common Element or any Improvement thereon, or (iii) any Improvement to Property (collectively, a "Defect"), or in the event of any other claim for any other alleged matter whatsoever, including without limitation, a breach of the Declaration, the Articles or these Bylaws (collectively a "General Claim"), brought by the Association against Declarant, the Board of Directors shall have the right, after complying with the procedures set forth in this Article, and upon an affirmative vote of a majority of the Board and of a majority of the Members as hereinafter provided, to proceed with a cause of action against the Declarant for any of the foregoing reasons.

11.2 Written Notice. The Association shall be required to give written notice to the Declarant specifying the particular Defect which is the subject of the claim, including identification of the affected property, Improvements and Improvements to Property, and specifying the facts and circumstances supporting any General Claim. Within thirty (30) days following receipt of the notice, the Declarant shall make a written request to inspect the same in order to evaluate the Defect or the General Claim. Such request shall have the effect of tolling all statutes of limitations to a noticed claim until thirty (30) days after the Declarant delivers written notice to the Association canceling the tolling.

11.3 Declarant Inspections. The Association shall allow the Declarant to inspect all property, Improvements and Improvements to Property identified in the Association's notice. A majority of the Board of Directors shall be required to meet and confer with the Declarant on at least one occasion to discuss the alleged Defect or General Claim. Either party may be represented at the meeting by attorneys and independent consultants. The Association shall be required to make arrangements for the Declarant, at the Declarant's cost, to do reasonable destructive testing, provided that the Declarant shall pay all costs to restore all property, Improvements and Improvements to Property to its original condition and indemnify the Association against any liability for such destructive testing. All inspections and destructive testing must be completed within thirty (30) days following the property, Improvements or Improvements to Property being made available.

11.4 Declarant Settlement Proposal. Within thirty (30) days after completion of the inspection and destructive testing, the Declarant shall submit a written statement to the Association setting forth the Declarant's proposed settlement of each claim of Defect and General Claim and the reasons therefore, and stating whether the Declarant proposes to do any necessary remedial work or to pay the Association a cash sum in lieu thereof. A majority of the Board of Directors shall be required to meet and confer with the Declarant on at least one occasion to discuss the proposed settlement, if any. Either party may be represented at the meeting by attorneys or independent consultants. If the Declarant does not deliver such a written statement to the Association within thirty (30) days following the completion of the destructive testing, the Association shall have the right to institute a cause of action against the Declarant in accordance with the procedures set forth herein.

11.5 Lawsuit Against the Declarant. The consent of a majority of Members of the Association entitled to vote thereon must be obtained before the Association shall have the power to institute a cause of action against the Declarant for the Defect or the General Claim. However, such consent must be obtained by the Association only after it delivers ballots to all Members of the Association in accordance with the notice procedures set forth in the Bylaws with respect to special meetings. Such delivery shall also include written materials which provide:

- (a) a statement of the Defect or the General Claim;
- (b) a copy of the Declarant's written response thereto, including any settlement proposal.
- (c) a statement advising Members of their duty to disclose to prospective purchasers and lenders the General Claim or Defect which the Association will assert against the Declarant.
- (d) a statement that recovery from litigation may not result in receipt of funds to pay all costs of repairing the Defect or remedying the General Claim as estimated by experts retained by the Association.
- (e) an estimate of the cost to the Association in prosecuting the cause of action.
- (f) a description of the agreement with the attorney whom the Board proposes to retain to prosecute the cause of action

All communications by the Association to the Members shall be deemed privileged communications.

11.6 Liability of Directors or Officers for Failure to Maintain an Action Against the Declarant. No officer or director of the Association shall be liable to any person for failure to institute or maintain or bring to conclusion such cause of action if the following criteria are satisfied:

- (a) the officer or director was acting within the scope of his duties;
- (b) the officer or director was acting in good faith; and
- (c) the act or omission was not willful, wanton or grossly negligent.

11.7 Alternative Dispute Resolution. Any Association claim of a Defect or a General Claim shall, upon the demand of the Association or the Declarant, be submitted to mediation or binding arbitration, subject to the following requirements:

(a) If the parties cannot agree upon utilizing binding arbitration or mediation, but one of the parties wants to utilize an alternative dispute resolution method, binding arbitration shall be utilized;

(b) the arbitrator or mediator must be a person qualified, either with applicable industry experience or legal experience with respect to the claim of a Defect or General Claim, to consider and resolve the applicable claim;

(c) if the parties cannot agree upon an arbitrator or mediator, either party may petition the District Court of the county in which the applicable portion of the Association Area is located to appoint such arbitrator or mediator;

(d) the fees and costs of the arbitrator or mediator and its consultants shall be borne equally by the Association and by the Declarant;

(e) the arbitrator or mediator shall have authority to establish reasonable terms regarding inspections, destructive testing, and retention of independent consultants;

(f) the arbitrator or mediator shall hold at least one hearing in which the parties, their attorneys, and expert consultants may participate;

(g) the arbitrator or mediator shall issue a written report determining all claims, including any defenses raised by the Declarant, and which shall include a recommendation for settlement (in the case of mediation) or a binding arbitration award;

(h) all statutes of limitations on any claim subject to the mediation shall be tolled for the period of mediation, but no longer than one hundred twenty (120) days; and

(i) the Declarant shall have the right to allow subcontractors to participate in the arbitration or mediation proceedings to determine indemnification rights and obligations, provided that the Association is not made to bear the cost of resolution of such indemnity issues.

(j) Any arbitration shall be determined under the American Arbitration Association ("AAA") Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof, as modified by this Article the ("AAA Rules") . Any issue about whether a claim is covered by this Article shall be determined by the arbitrator. There shall be no substantive motions or discovery, except the arbitrator shall authorize such discovery as may be necessary to insure a fair private hearing, which shall be held within one hundred twenty (120) days of the demand, and concluded within three (3) days. These time limits are not jurisdictional. The arbitrator shall apply substantive law and may award injunctive relief or any other remedy available in Colorado including attorney fees and costs to the prevailing party, but shall not have the power to award punitive damages.

11.8 Utilization of Funds Resulting from the Cause of Action. In the event the Association receives funds as the result of any settlement, arbitration or judgment based upon a cause of action, after payment of fees and costs incurred in connection with prosecution of such action, the Association shall:

- (a) deposit the proceeds in a special, interest-bearing account; and
- (b) utilize the proceeds only for the purpose of performing remedial or repair work on the conditions which were the subject of the claim of Defect or for purposes of remedying the General Claim.

DATE ADOPTED: 10-31-08



President