

BYLAWS
OF
SHADOW MOUNTAIN RANCH PROPERTY OWNERS ASSOCIATION, INC.

These Bylaws of Shadow Mountain Ranch Property Owners Association, Inc., a Colorado nonprofit corporation, (hereinafter referred to as the "Association") were duly adopted by the Board of Directors of the Association on June 30, 1992.

ARTICLE I

PURPOSE AND DEFINITIONS

- Section 1.1 Purpose. These Bylaws are adopted to facilitate the regulation and proper management of the affairs of Shadow Mountain Ranch Property Owners Association, Inc., which is the duly constituted property owners association for Shadow Mountain Ranch and Resort, a subdivision of Grand County, Colorado. The provisions contained in these Bylaws are intended to be supplemental and subordinate to the provisions of the Declaration of Covenants, Conditions and Restrictions for Shadow Mountain Ranch and Resort (the "Declaration"), recorded in the office of the Clerk and Recorder of Grand County, Colorado, and to the provisions of the Articles of Incorporation of the Association. In the event of any inconsistency between any provision hereof and any provisions of the Declaration and of the Articles of Incorporation for the Association, the provisions of the Declaration and/or Articles of Incorporation shall control.
- Section 1.2 Application. All present or future Owners, tenants, future tenants or any other person occupying any Lot or using the facilities within the Project in any manner are subject to the regulations set forth in these Bylaws.
- Section 1.3 Definitions. The various terms defined in the Declaration shall have the same meaning when used herein, unless the context otherwise requires.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS

- Section 2.1 Membership. Upon becoming an Owner of a Lot within the Project, a person or entity shall automatically become a member of the Association and shall be subject to the provisions of these Bylaws, the Articles of Incorporation and the Declaration. Such membership shall terminate without any action by the Association whenever such person or entity ceases to own a Lot; but such termination shall not relieve or release any such former Owner from any liability or obligation incurred under or in connection with the provisions of these Bylaws, the Articles of Incorporation and the Declaration during the period of such ownership and membership in the Association, nor shall such termination impair any rights or remedies which the Board of Directors of the Association may have against such former Owner. No certificates of stock shall be issued by the Association; but the Board of Directors may, if it so elects, issue a membership card to the owner(s) of a Lot. Such membership card shall be surrendered whenever ownership of the Lot designated thereon shall terminate.
- Section 2.2 Classification and Voting Rights. The classification and voting rights of members shall be as set forth in the Declaration and the Articles of Incorporation of the Association, which provide for one (1) class of members, which includes all Owners of Lots in the Project. Every Owner of a Lot, including the Declarant, shall be entitled to the number of votes equal to the percentage of such Owner's share of common expense assessments, as determined in accordance with the formula set forth in the Declaration, with respect to all matters which may lawfully be submitted to a vote of members, including the election of Directors to serve on the Board of Directors of the Association subject to the provisions of Section 4.3.
- Section 2.3 Majority of the Membership. As used in these Bylaws, the term "majority of the membership" shall mean and refer to any Owner or group of Owners who hold more than fifty percent (50%) of the total number of votes held by all members of the Association.
- Section 2.4 Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of members representing twenty-five percent (25%) or more of the total votes of all members of the Association, shall constitute a quorum; and the affirmative vote of a majority of the votes entitled to be cast at a meeting, determined by the presence of voters or by proxy, shall be required to transact business.
- Section 2.5 Proxies. Votes may be cast in person or by proxy. Proxies shall be in writing in the signature of the person or persons executing the proxy must be witnessed or acknowledged. Proxies must be filed with the Secretary before the appointed time of each meeting. No proxy shall be valid for a period longer than eleven (11) months after the date of its execution, unless otherwise provided in the proxy.
- Section 2.6 Voting by Mail. The Board of Directors may decide that voting of the members shall be by mail with respect to any particular election of Directors or with respect to any other properly noticed matter, including adoption of any proposed amendment to the Articles of Incorporation, or adoption of a proposed plan of merger, consolidation or dissolution. In case of election of Directors by mail, the existing Board of Directors shall nominate candidates and shall advise the Secretary in writing of the names of nominated Directors sufficient to constitute a full Board of Directors and of a date at least fifty (50) days after such advice is given by which all votes are to be received. The Secretary, within five (5) days after such advice is given, shall give written notice of the number of Directors to be elected and of the names of the nominees to all members of the Association. The notice shall state that any member may nominate an additional candidate or candidates, not to exceed the number of Directors to be elected, by notice in writing to the Secretary at the specified address of the principal office of the Association, to be received on or before a specified date fifteen (15) days from the date the notice is given by the Secretary. Within five (5) days after such specified date, the Secretary shall give written notice to all members stating the number of Directors to be elected and the names of all persons nominated by the Board of Directors and by the members, stating that each member may cast his vote by mail for the nominee of his choice with respect to each Director position to be filled, and stating the date established by the Board of Directors by which such votes must be received by the Secretary at the address of the principal office of the Association, which shall be specified in the notice. Votes received after that date shall not be effective. In any election of Directors by mail, an affirmative vote of the majority of the membership shall be required for the election of any nominee to the Board of Directors. Any other proposal submitted to a vote by mail shall be adopted if approved by the affirmative vote of not less than two-thirds (2/3) of the votes which members are entitled to cast on such question. Delivery of a vote in writing to the principal office of the Association shall be equivalent to the receipt of a vote by mail at such address for the purposes of this Section 2.6.

ARTICLE III

MEETINGS OF MEMBERS

- Section 3.1 Place of Meetings. Meetings of members of the Association shall be held at such place as the Board of Directors shall designate. In the absence of such a designation, all meetings shall be held at the principal office of the Association.
- Section 3.2 Annual Meetings. The first annual meeting of the members of the Association shall be held at 1:00 p.m. on June 5, 1993; and subsequent annual meetings shall be held at the same time on the first Saturday in June of each succeeding year or at such other date and time as the Board of Directors may designate by resolution. Except as otherwise provided in Section 4.3, at each annual meeting of members, there shall be elected, by ballot of the members, Directors to serve on the Board of Directors of the Association. The members may also transact such other business of the Association at the annual meeting as may properly come before them.
- Section 3.3 Special Meetings. The President shall call a special meeting of the members when so directed by resolution of the Board of Directors or upon presentation to the Secretary of a petition signed by a majority of the membership. No business shall be transacted at a special meeting except as stated in the notice thereof except by consent of the members representing at least two-thirds (2/3) of the votes of the entire membership, either in person or by proxy.
- Section 3.4 Notices. Notices of annual and special meetings shall be given by the President or Secretary of the Association by regular mail addressed to the registered addresses of the members not less than ten (10) nor more than fifty (50) days prior to the date set for such meeting. Any such notice shall state the date, time and place of the meeting and, if the meeting is a special meeting, the purposes thereof. Waiver of notice, either in person or by proxy, and signed either before, at or after any meeting, shall be a valid substitute for service of notice. The certificate of the President or Secretary that notice was duly given shall be prima facie evidence thereof.
- Section 3.5 Adjourned Meeting. If any meeting of the members cannot be organized because a quorum has not attended, the members who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.
- Section 3.6 Order of Business. The order of business at all annual meetings of the members 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 and/or committees;
 - E. Election of Directors;
 - F. Unfinished business;
 - G. New business.

The order of business at all special meetings of the members shall be as stated in the notice of the special meeting pursuant to Section 3.4 above.

ARTICLE IV

BOARD OF DIRECTORS

- Section 4.1 Number and Qualifications. The affairs of the Association shall be governed by a Board of Directors composed of two (2) Directors, who shall exercise all of the powers of the Association. Directors may but need not be members of the Association. The initial members of the Board of Directors shall be Richard W. Naing and Frederick P. Birks, who shall act in such capacity and shall manage the affairs of the Association until their successors are appointed or elected and are qualified.
- Section 4.2 Powers and Duties. The Board of Directors shall exercise for the Association all powers, duties and authority vested in or delegated to the Association under the provisions of these Bylaws, the Articles of Incorporation of the Association, and the Declaration. Such powers and duties shall include, but shall not be limited to, the following:
- A. To administer and enforce the covenants, conditions, restrictions, limitations, obligations and all other provisions set forth in the Declaration.
 - B. To establish, make and enforce compliance with such reasonable rules and regulations as may be necessary to carry out the functions of the Association, including rules and regulations governing the use and enjoyment of the property held by the Association for common use by the members.
 - C. To determine, fix, levy and collect the regular and special assessments of the Association, to send written notice of each assessment to every Owner subject thereto, and to collect delinquent assessments by suit, foreclosure or otherwise, all as more fully provided in the Declaration.
 - D. To procure and maintain such liability, hazard and such other insurance as the Board may from time to time deem necessary.
 - E. To borrow funds and to execute all instruments evidencing such indebtedness.
 - F. To enter into contracts within the scope of their duties and powers.
 - G. To establish a bank account for the common treasury and for all separate funds which are required or may be deemed advisable by the Board.
 - H. To keep and maintain full and accurate books and records showing all of the receipts, expenses, and disbursements of the Association and to permit examination thereof by members at convenient weekday business hours.
 - I. To employ such personnel as may be deemed necessary from time to time in carrying out the functions of the Association.

- J. In general, to carry on the administration of the Association and to do all of those things necessary and reasonable in order to carry out the functions of the Association under these Bylaws, the Articles of Incorporation and the Declaration.

- Section 4.3 Appointment or Election and Term of Office. In accordance with the provisions of the Declaration, the Declarant shall have the right to appoint not less than two-thirds (2/3) of the members of the Board of Directors of the Association until such time as the Declarant has sold or transferred Lots encompassing seventy-five percent (75%) or more of the total area included in the Project, or until December 31, 2012, whichever first occurs. So long as the Board of Directors consists of two (2) Directors, the Declarant shall have the right to appoint both such Directors pursuant to such reserved right of appointment. Upon expiration of the Declarant's right of appointment, or in case of an increase in the number of Directors, the Director or Directors not subject to appointment shall be elected by majority vote of the members of the Association. The term of office of each Director shall be one (1) year. Directors shall be appointed or elected at the annual meeting of members each year, and shall hold office until the next annual meeting of members, or until his or her successor has been elected and attends the first meeting of the Board.
- Section 4.4 Vacancies. A vacancy in any Director position appointed by the Declarant shall be filled by the Declarant's appointment of a successor Director. Except as otherwise provided in Section 4.5, any other vacancy on the Board shall be filled by the majority vote of the remaining Director or Directors, even though they may constitute less than a quorum of the Board of Directors. A Director appointed or elected to fill a vacancy shall be appointed or elected for the unexpired term of his predecessor in office and shall hold such office until his successor is duly appointed or elected and shall qualify.
- Section 4.5 Removal of Directors. Any Director appointed by the Declarant may be removed by the Declarant at any time with or without cause. Any Director elected by the members may be removed at any regular meeting or a special meeting called for that purpose, with or without cause, by a vote of the majority of the membership; and a successor may then and there be elected to fill the vacancy thus created.
- Section 4.6 Organizational Meeting. The first meeting of the newly elected Board of Directors shall be held immediately following the adjournment of the annual meeting of members, and no notice to the Directors shall be necessary in order to legally constitute such meeting.
- Section 4.7 Regular Meetings. 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 Directors. If a regular meeting schedule is established by resolution of the Board, no notice of such meetings shall be required. Otherwise, notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least ten (10) days prior to the date set for such meeting.
- Section 4.8 Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner on the written request of any Director.
- Section 4.9 Waiver of Notice. Before, at or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by any Director at any meeting of the Board shall be a waiver by him of notice of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required; and any business may be transacted at such meeting.
- Section 4.10 Quorum. At all meetings of the Board of Directors, a majority thereof shall constitute a quorum for the transaction of business; and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors.
- Section 4.11 Compensation. No Director shall receive compensation for acting in such capacity. However, any Director may be reimbursed for transportation and other reasonably related expenses for attendance at any regular or special meeting of the Board of Directors.
- Section 4.12 Managing Agent. The Board of Directors may employ for the Association a professional manager or managing agent (referred to herein as the "Managing Agent"), for such compensation as may be established by the Board, to exercise such powers and perform such duties and services as the Board shall authorize, including but not limited to the powers and duties listed in Section 4.2 hereof. The employment of a Managing Agent shall not relieve the Board of Directors from its responsibilities as provided herein or as provided in the Declaration.

ARTICLE V

OFFICERS

- Section 5.1 Designation. The officers of the Association shall consist of a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors.
- Section 5.2 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 and shall hold office at the pleasure of the Board. Any person may hold concurrently any two offices, except that the same person may not concurrently hold the offices of President and Secretary. The office of Vice President need not be filled.
- Section 5.3 Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, with or without cause, at any regular meeting of the Board or at a special meeting of the Board called for such purpose; and the successor of such officer may then and there be elected to fill the vacancy thus created.
- Section 5.4 President. The President shall be the chief executive officer of the Association and shall be elected from among the members of the Board of Directors. The President shall preside at all meetings of the members of the Association and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the president of a nonprofit corporation, including but not limited to the power to sign and execute, on behalf of the Association, all deeds, agreements, contracts, notes, bills of exchange, checks and all other written documents which may require the signature of the Association.
- Section 5.5 Vice President. A Vice President shall have all of the powers and authority and perform all of the functions and duties of the President in the absence of the President or his or her inability for any reason to exercise such powers and functions or perform such duties.

- Section 5.6 **Secretary.** The Secretary shall keep the minutes of meetings of the Board of Directors and minutes of meetings of the members of the Association. The Secretary shall have charge of such books and papers as the Board of Directors may direct, and shall in general perform all the duties incident to the office of Secretary. The Secretary shall compile and keep up-to-date at the principal office of the Association a complete list of members and their registered mailing addresses. Such list shall be open to inspection by members and other persons lawfully entitled to inspect the same at reasonable times during regular business hours.
- Section 5.7 **Treasurer.** The Treasurer shall have responsibility for Association funds and shall be responsible for keeping full and accurate financial records and books of account of the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer may also serve as Secretary in the event the Secretary is absent.

ARTICLE VI

INDEMNIFICATION OF OFFICERS AND DIRECTORS

- Section 6.1 **Indemnification.** The Association shall indemnify every Director and officer, and his or her heirs, executors and administrators, against all loss, costs, and expenses, including counsel fees reasonably incurred by him or her in connection with any action, suit or proceeding to which he or she may be made a party by reason of his or her being or having been a Director or officer of the Association, to the fullest extent permitted by and consistent with the provisions of the Colorado Nonprofit Corporations Act. The indemnification provision of this paragraph shall also apply to the Declarant during any time that Declarant may be acting on behalf of the Association. The foregoing rights shall not be exclusive of other rights to which such Director, officer or agent shall be entitled. All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a common expense of the members of the Association, which shall be assessed to and paid by the members as provided in the Declaration. Nothing contained in this Section 6.1 shall, however, be deemed to obligate the Association to indemnify any member or Owner of a Lot within the Project who is or has been a Director, officer or agent of the Association with respect to any assessments or other obligations assumed or liabilities incurred by him, her or it as a member or Owner under and by virtue of the herein referenced Declaration.

ARTICLE VII

OBLIGATIONS OF OWNERS

- Section 7.1 **General.** In general, each Owner shall comply strictly with all provisions of the Declaration, the Articles of Incorporation and these Bylaws of the Association.
- Section 7.2 **Assessments.** As more fully provided in the Declaration, each Owner of a Lot within the Project shall be obligated to pay to the Association the regular and special assessments levied to meet the expenses, costs, and financial needs of the Association. A member shall be deemed to be in good standing, within the meaning of these Bylaws, if, and only if, the member shall have fully paid all assessments and other charges made or levied against the Lot(s) owned by such member. If any assessment is not paid when due, the assessment, together with interest, late charges and collection costs, including reasonable attorney's fees, shall be and constitute a lien upon the Lot upon which such assessment was levied. The Association may enforce payment of assessments and other charges by an action against the Owner personally obligated to pay the same or foreclose the lien against the Lot assessed, as more fully provided in the Declaration.
- Section 7.3 **Rules and Regulations.** Every Owner of a Lot within the Project shall comply with all lawful rules and regulations adopted by the Board of Directors concerning matters within the Association's control, including the use and enjoyment of Association property. An Owner shall not be a member in good standing and the Board of Directors may suspend such Owner's voting rights and his right to use Association property during any period or periods during which such Owner fails to comply with such rules and regulations or with any other obligations of such Owner under these Bylaws, the Articles of Incorporation of the Association, and the Declaration.

ARTICLE VIII

COMMITTEES

- Section 8.1 **Architectural Control Committee.** The Board of Directors shall have the power and the duty to appoint and remove the members of the Architectural Control Committee, which shall consist of three (3) members. The Architectural Control Committee shall consider and act upon proposed plans and specifications for the construction of improvements on Lots within the Project and other requests, as provided in the Declaration, and shall perform such other duties as are assigned to it from time to time by the Board of Directors.
- Section 8.2 **Other Committees.** The Board of Directors may appoint such other committees from time to time as it may deem necessary or appropriate in carrying out the purposes and functions of the Association.

ARTICLE IX

BOOKS AND RECORDS

- Section 9.1 **Proof of Ownership.** Any person or entity, on becoming an Owner of any Lot within the Project, shall furnish to the Board of Directors a photocopy or a certified copy of the recorded instrument vesting ownership in that person or entity, which instrument shall remain in the files of the Association.
- Section 9.2 **Registration of Mailing Address.** Each Owner of a Lot within the Project shall have one and the same registered mailing address to be used by the Association for mailing notices, demands, statements and all other communications. Each Owner shall furnish the Association with a written designation of such Owner's registered mailing address, which shall be signed by each person or entity with an ownership interest in the Lot for which the designation is made. An Owner's registered mailing address may be changed from time to time by a similar designation. All notices, demands and statements shall be sent by regular United States Mail, postage prepaid, addressed in the name of the Owner at such registered mailing address; and the giving or service of any such notice, demand or statement shall be deemed to be complete upon the mailing thereof. The failure of any Owner to designate the registered mailing address with respect to any Lot shall be conclusively presumed to be a waiver by such Owner of the right to receive any notice

required or permitted to be given to such Owner under the Declaration or under these Bylaws, the Articles of Incorporation, or rules and regulations of the Association.

Section 9.3

Examination of Books and Records. The books, records and papers of the Association shall at all times during normal business hours, be subject to inspection by any member of the Association.

ARTICLE X

NONPROFIT CORPORATION

Section 10.1

Nonprofit Corporation. This Association is not organized for profit and is a nonprofit corporation pursuant to the Colorado Nonprofit Corporations Act. No member, officer, member of the Board of Directors or person from whom the Association may receive any property or funds shall receive or be lawfully entitled to receive any pecuniary profit from the operations of the Association; and in no event shall any part of the funds or assets of the Association be paid as a salary or compensation to or be distributed to, or inure to the benefit of, any member of the Board of Directors. The foregoing, however, shall in no way prevent or restrict the following:

- A. Reasonable compensation may be paid to any member or Director while acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association; and
- B. Any member or Director may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association.

Section 10.2

No Special Declarant Privileges. Although the Declarant reserves the right to appoint members of the Board of Directors, the Declarant has no financial interest in, nor will it derive any income or profit from the Association. The Declarant has no right to borrow or authorize borrowing from the Association.

ARTICLE XI

AMENDMENT

Section 11.1

Amendments. These Bylaws have been adopted and may be amended from time to time by a majority vote of the Board of Directors at a duly constituted Board meeting for such purpose; provided, however, no amendment shall be contrary to or inconsistent with any provision of the Articles of Incorporation of the Association or the Declaration.

APPROVED AND ADOPTED by the Board of Directors on the 30th day of June, 1992.

BOARD OF DIRECTORS

/s/ Richard W. Naing

Richard W. Naing, Director

/s/ Frederick P. Birks

Frederick P. Birks, Director