

BYLAWS  
OF  
THE RESERVE AT FRISCO ASSOCIATION

ARTICLE I  
OFFICES

The Reserve at Frisco Association (the "Association") is a Colorado nonprofit corporation, with its principal office located at 229 South Main Street, Breckenridge, Colorado 80424. The Association may also have other offices and may carry on its purposes at such other places within and outside the State of Colorado as the Board of Directors may from time to time determine.

ARTICLE II  
DEFINITIONS AND ASSENT

2.01 Definitions. The definitions contained in the Declaration of Covenants, Conditions, Restrictions and Easements of The Reserve at Frisco, as amended from time to time and recorded in the office of the Clerk and Recorder of Summit County, Colorado, shall apply to these Bylaws, and all defined terms used in the Bylaws shall have the same meaning as defined terms used in the Declaration or the Act.

2.02 Assent. All present or future Owners, their families, present or future tenants, and their guests and invitees, and any other person using the facilities of The Reserve at Frisco (the "Property") in any manner are subject to the basic documents creating and governing The Reserve at Frisco, including, but not limited to, the Declaration, the Articles, these Bylaws, and any other procedures, rules, regulations or policies relating to the project on the Property adopted under such documents by the Association or the Board of Directors (the "Association Documents"). The acquisition or rental of any of the Lots in The Reserve at Frisco or the occupancy of any residence located thereon shall constitute ratification and acceptance of these Bylaws.

ARTICLE III  
MEMBERSHIP, VOTING, QUORUM AND PROXIES

3.1 Membership and Voting. The Association shall be a membership corporation without certificates or shares of stock. The Association shall have one (1) class of voting membership consisting of all Owners, and, except as otherwise provided for in the Declaration or Articles of Incorporation, shall be entitled to vote in Association matters on the basis of one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members of the Association. The vote for each such Lot shall be exercised by one person or alternative persons (who may be a tenant of the Owners) appointed by proxy in accordance with these Bylaws. In the absence of a proxy, the vote allocated to the Lot shall be suspended in the event more than one person or entity seeks to exercise the right to vote on any one

matter. Any Owner may assign his voting right to a tenant, provided that a copy of a proxy appointing the tenant is furnished to the Secretary of the Association prior to any meeting in which the tenant exercises the voting right. In no event shall more than one vote be cast with respect to any one Lot.

Membership shall terminate automatically without any Association action whenever an Owner ceases to own a Lot. Termination of membership shall not relieve or release any former Owner from any liability or obligation incurred by virtue of, or in any way connected with, ownership of a Lot, or impair any rights or remedies which the Association or others may have against such former Owner arising out of, or in any way connected with, such membership.

3.2 Declarant Control. From the 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 all members of the Board of Directors and all officers of the Association. The period of Declarant's control of the Association shall terminate upon the first to occur of sixty (60) days after conveyance of 75% of the Lots, including all Lots permitted to be located in the Expansion Property, to Owners other than a successor Declarant or a Principal Builder, two (2) years after the last conveyance of a Lot by a Declarant in the ordinary course of business, or two (2) years after any right to add new Lots was last exercised. Declarant may voluntarily surrender the right to appoint and remove officers and members of the Board of Directors before termination of the period of Declarant's control, but, in that event, Declarant may require, for the duration of the period of Declarant's control, that specified actions of the Association or Board of Directors, as described in a recorded instrument executed by Declarant, be approved by Declarant before they become effective. Not later than sixty (60) days after the conveyance of 25% of the Lots, including all Lots permitted to be located in the Expansion Property, to Owners other than Declarant or Principal Builder, at least one member and not less than 25% of the members of the Board of Directors will be elected by Owners other than Declarant or a Principal Builder. Not later than sixty (60) days after the conveyance of 50% of the Lots, including all Lots permitted to be located in the Expansion Property, to Owners other than Declarant or a Principal Builder, not less than 33-1/3% of the members of the Board of Directors will be elected by Owners other than Declarant or a Principal Builder. Not later than the termination of the period of Declarant's control as provided above, the Owners (including Declarant if the Declarant is still an Owner) shall elect the Board of Directors of at least three (3) members, at least a majority of whom must be Owners other than Declarant or designated representatives of Owners other than Declarant or Principal Builder, and the Board of Directors shall elect the officers, with such Board members and officers to take office upon termination of the period of Declarant's control. Members of the

Board of Directors and officers elected by the Declarant need not be Owners or employees of Declarant. All Directors and officers appointed by the Declarant shall serve at the pleasure of Declarant, and Declarant shall have the absolute right, at any time, and in its sole discretion, to remove any Director or officer appointed by it, and to replace such Director or officer with another person to serve on the Board or as an officer. Replacement of any Director or officer appointed by Declarant shall be made by written instrument delivered to any officer or any other Director, which instrument shall specify the name of the person designated as successor Director or officer. The removal of any Director or officer and the designation of his successor by Declarant shall become effective immediately upon delivery of such written instrument by Declarant.

3.3 Election of Directors. In the election of Directors by Owners, each Member shall have the right to vote the number of votes to which he is entitled for as many persons as there are Directors to be elected, and for whose election he is entitled to vote. Cumulative voting shall not be allowed.

3.4 Quorum. Except as otherwise provided in these Bylaws or in the Declaration, the presence in person or by proxy of a majority of the votes entitled to be cast at such meeting shall constitute a quorum.

3.5 Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of each meeting. All proxies must be in writing and may be either general or for a particular meeting. A proxy holder need not be an Owner.

3.6 Majority Vote. Unless a different percentage is required by law, the Declaration, the Articles of Incorporation or these Bylaws, the affirmative vote of more than fifty percent (50%) of the votes represented at a meeting duly called and convened at which a quorum is present shall be sufficient to adopt decisions binding on all Members.

#### ARTICLE IV MEETINGS

4.1 Annual Meeting. The annual meeting of the Members shall be held at a time and date designated by the Board of Directors in each calendar year for the purpose of electing Directors and for the transaction of such other business as may come before the meeting.

4.2 Special Meeting. Special meetings of the Members for any purpose other than those regulated by statute shall be called by the President of the Association, either upon resolution of the

Board of Directors, or by petition of Owners representing the Owners of at least fifty percent (50%) of the Lots.

4.3 Notice of Meetings. The President or Secretary shall give, or cause to be given, written notice of the time, place and if a special meeting, the purpose, of each meeting by mailing, postage prepaid, or hand-delivering such notice at least ten (10) days, but not more than fifty (50) days, prior to such meeting to each Member of the Association at the address of such Members that appears in the records of the Association. The Board of Directors may set a record date for determination of Members entitled to notice of and to vote at a meeting. If no such record date is set by the Board of Directors, the date of mailing of the written notice of meeting shall for all purposes be deemed the record date for such meeting.

4.4 Adjourned Meetings. If, at the time and place of meeting, a quorum is lacking, the chairman of the meeting, or the Members holding a majority of the votes present in person or by proxy, may adjourn the meeting from time to time until a quorum exists. At any adjourned meeting at which a quorum exists, any business may be transacted which might have been transacted at the original meeting.

4.5 Waiver of Notice. Any Member may at any time waive any notice required to be given under these Bylaws, by statute or otherwise. The presence of a Member in person at any meeting of the Members shall constitute a waiver, unless such presence is for the express purpose of objecting to the meeting for the reason that it was not lawfully called.

4.6 Place of Meetings. A waiver of notice signed by all Members entitled to vote at a meeting may designate any place, either within or outside Colorado, as the place for such meeting. If there is no such waiver, the place for annual and special meetings shall be the principal office of the Association.

4.7 Action of Members Without a Meeting. Any action required to be taken or which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Members entitled to vote with respect to such action.

4.8 Order of Business. The order of business at all meetings of Members shall be as follows:

- (a) Roll call;
- (b) Statement of compliance with procedures for notice of meeting or waiver of notice;
- (c) Reading of minutes;
- (d) Reports of officers;
- (e) Reports of committees;

- (f) Election of Directors (annual meetings only);
- (g) Unfinished business;
- (h) New business; and
- (i) Adjournment.

4.9 Rules of Meetings. The Board of Directors may prescribe reasonable rules for the conduct of all meetings of the Board of Directors and Members and in the absence of such rules, Robert's Rules of Order shall be used.

## ARTICLE V BOARD OF DIRECTORS

5.1 Association Responsibilities. The Owners will constitute the Association, who will have the responsibility of administering the Property through a Board of Directors. In the event of any dispute or disagreement between any Owners relating to the Property, or any questions of interpretation or application of the provisions of the Declaration or Bylaws, such dispute or disagreement shall be submitted to the Board of Directors. The determination of such dispute or disagreement by the Board of Directors shall be binding on all such Owners, subject to the right of Owners to seek other remedies provided by law after such determination by the Board of Directors.

5.2 Number and Initial Board. The affairs of this Association shall be managed by a Board of Directors of between three (3) and seven (7) Directors who shall be Members of the Association or the delegates of Members appointed by proxy under Section 3.5 above (except as provided in Section 3.2). The number of the Board of Directors shall be established from time to time by amendment to these Bylaws. The initial number of members of the Board of Directors shall be three (3). The Directors selected by Declarant need not be Members of the Association.

5.3 Term of Office of Directors. The term of office for the initial Directors shall be fixed at the time of their appointment as they themselves shall determine in order to establish a system of three (3) year terms in which at least one-third (1/3) of the Board of Directors is elected each year, and the Board shall identify in which year the directorships for each category of representation are subject to election. For example, if the number of Directors on the initial Board is set at three (3) pursuant to Section 5.2 above, one (1) Director shall serve for a one (1) year term, one (1) Director shall serve for a two (2) year term, and one (1) Director shall serve for a three (3) year term. At the expiration of the initial term of office of each respective Director, a successor shall be elected to serve three (3) years. Each Director shall hold office until such Director's successor is elected by the Association and qualified. Any Director elected by the Owners pursuant to Section 3.2 above shall serve for the remainder of the term of the Director replaced.

5.4 Removal of Directors; Vacancies. Except for those Directors appointed by Declarant who may be removed by Declarant as described in Section 3.2 above, Directors may be removed and vacancies on the Board may be filled as follows:

(a) By the Members. Any Director may be removed, with or without cause, at any regular or special meeting of the Members by a majority of votes of the Members entitled to vote for a successor. A successor to any Director removed may be elected at such meeting to fill the vacancy created by removal of the Director. A Director whose removal is proposed by the Members shall be given notice of the proposed removal at least ten (10) days prior to the date of such meeting and shall be given an opportunity to be heard at such meeting.

(b) By the Board of Directors. Any Director who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any assessment for more than thirty (30) days may be removed by a majority vote of the Directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board. In the event of the death, disability, resignation or removal by the Board of Directors, as set forth in this subsection (b), of a Director, a vacancy may be declared by the Board, and the Board may appoint a successor. Any successor appointed by the Board shall serve for the remainder of the term of the Director replaced.

5.5 Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of a first class residential project. The Board may do all such acts and things as are not by law, the Act, the Articles, these Bylaws or the Declaration either prohibited or directed to be exercised and done by the Owners.

5.6 Other Powers and Duties. The Board of Directors shall be empowered and shall have the duties as follows:

(a) to administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration, the Articles and these Bylaws;

(b) to establish, make and enforce compliance with such reasonable rules and regulations as may be necessary for the operation, use and occupancy of The Reserve at Frisco and the Preservation Area with the right to amend same from time to time. A copy of such rules and regulations shall be delivered or mailed to each Owner promptly upon the adoption thereof;

(c) to keep in good order, condition and repair the Preservation Area and all items of personal property owned by the Association, if any, and used in the enjoyment of the Property;

(d) to obtain and maintain to the extent obtainable all policies of insurance required by the Declaration;

(e) subject to the budgeting procedures contained in the Declaration, to periodically fix, determine, levy and collect the assessments to be paid by each of the Owners towards the common expenses of the Association and to adjust, decrease or increase the amount of the assessments, refund any excess assessments to the Owners, credit any excess of assessments over expenses and cash reserves to the Owners against the next succeeding assessment period, or place any excess assessments into designated replacement reserves. Subject to restrictions set forth in the Act, to levy and collect special assessments in accordance with the provisions of the Declaration, whenever in the opinion of the Board it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies. All special assessments shall be in statement form and shall set forth in detail the various expenses for which the assessments are being made. The Act currently restricts the use of special assessments;

(f) to impose penalties and collect delinquent assessments by suit or otherwise, to collect costs and reasonable attorney's fees, and to enjoin or seek damages from an Owner as is provided in the Declaration;

(g) to protect and defend the Property from loss and damage by suit or otherwise;

(h) subject to restrictions set forth in the Act, to borrow funds and to give security therefor in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration or these Bylaws and to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary or desirable. Currently the Act restricts the conveyance or encumbrance of the Preservation Area pursuant to Section 38-33.3-312 of the Act;

(i) to enter into contracts within the scope of their duties and powers, provided however, that any agreement for professional management of the Property, or any other contract providing for services of the Declarant may not exceed three (3) years, and any such agreement must provide for termination by the Board of Directors at the expiration of the period of Declarant control described in Section 3.2 hereof upon no less than ninety (90) days' notice, as more fully set forth in Section 38-33.3-305 of the Act;

(j) to establish bank accounts which are interest-bearing or non-interest bearing, as may be deemed advisable by the Board;

(k) to keep and maintain detailed, full and accurate books and records showing in chronological order all of the receipts, expenses or disbursements pursuant to appropriate specificity and itemization and to permit inspection thereof as is provided in the Declaration and these Bylaws and, upon the vote of Owners representing the Owners of two-thirds of the Lots, to cause a complete audit to be made of the books and records by a competent certified public accountant;

(l) to designate and remove the personnel necessary for the operation, maintenance, repair and replacement of the Preservation Area;

(m) to suspend the voting rights of an Owner for failure to comply with these Bylaws or the rules and regulations of the Association or with any other obligations of the Owners pursuant to the Declaration;

(n) to buy or otherwise acquire, sell or otherwise dispose of, mortgage or otherwise encumber, exchange, lease, hold, use, operate and otherwise deal with and in, real, personal and mixed property of all kinds, and any right or interest therein, for any purpose of the Association, subject to the Declaration and Bylaws of the Association. Currently the Act restricts the conveyance or encumbrance of the Preservation Area pursuant to Section 38-33.3-312 of the Act;

(o) in general, to carry on the administration of the Association and to do all of those things necessary and/or desirable in order to carry out the governing and operating of the Property and to perform all other acts permitted under the Act.

5.7 Manager. The Board of Directors may employ for the Association a manager (at a compensation established by the Board) to perform such duties and services as it shall authorize. The Board may delegate any of the powers and duties granted to it but, notwithstanding such delegation, shall not be relieved of its responsibility under the Declaration, the Articles or these Bylaws.

5.8 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, but at least two (2) such meetings shall be held each year. Notice of regular meetings of the Board shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) business days prior to the day named for such meeting.

5.9 Special Meetings. Special meetings of the Board of Directors may be called by the President, on his own initiative, on three (3) days' notice to each Director, given personally, or by mail, telephone or telegraph, which notice shall set forth 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 and on like notice on receipt of a written request to call such a special meeting from at least two (2) Directors.

5.10 Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting.

5.11 Board of Directors' Quorum. At all meetings of the Board of Directors, a majority of the Directors 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. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time for periods of no longer than one (1) week until a quorum is obtained or until a conclusion can be reached. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.12 Compensation; Fidelity Bonds. The members of the Board of Directors shall serve without salary or compensation. The Board may employ professional consultants for the Association at a compensation established by the Board. Fidelity bonds or insurance must be maintained by the Association to protect against dishonest acts on the part of its Directors, officers, trustees, employees, managers and on the part of all others who handle or are responsible for handling the funds belonging to or administered by the Association in an amount not less than what would constitute two months' current assessments (assuming assessments are made on a monthly basis) plus reserves as calculated from the current budget of the Association. Any such fidelity coverage shall name the Association as an obligee or insured, as applicable, and such bonds shall contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. The premiums on such bonds shall be paid by the Association. Upon the expansion of The Reserve at Frisco wherein thirty (30) or more Lots are established under the Declaration, the Association must secure and maintain, or require to be secured or maintained by any parties handling the collection, deposit, transfer or disbursement of

Association funds, fidelity insurance with aggregate coverage of not less than two (2) months' assessments plus reserves, as calculated from the then-current budget of the Association; provided, however, in no event shall the coverage for third parties handling the collection, deposit, transfer or disbursement of Association funds be less than \$50,000. In addition, upon the expansion of The Reserve at Frisco wherein thirty (30) or more Lots are established under the Declaration, all funds and accounts of the Association being held by a managing agent or other third persons shall be kept in an account separate from the funds of other parties held by such managing agent or third party, and all reserves of the Association shall be kept in an account separate from the operational account of the Association. The Association shall provide to each Member free of charge, an annual accounting of Association funds and a compilation financial statement prepared by or under the supervision of a certified public accountant each year for which an audited financial statement is not prepared.

5.13 Informal Action by Directors. Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as the unanimous vote of the Directors.

5.14 Teleconference Meetings. Any regular or special meeting of the Board of Directors may be conducted by teleconference, followed by minutes of such meeting, which shall be distributed to each Director.

5.15 Board of Directors Committees. The Board of Directors may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at its pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be delegated to it by the Board. Vacancies in such committees shall be filled by the Board or as the Board may provide.

## ARTICLE VI OFFICERS

6.1 General. The officers of the Association (who shall be elected from among the members of the Board of Directors) shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer. The officers shall be elected by an affirmative vote of a majority of the members of the Board of Directors. The Board may elect such other officers, assistant officers, committees and agents, including Assistant Secretaries and Assistant Treasurers, as they may consider necessary or advisable, who shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the

Board of Directors. One (1) person may hold two (2) offices, except that no person may simultaneously hold the offices of President and Secretary. In all cases where the duties of any officer, agent or employee are not prescribed by the Bylaws or by the Board of Directors, such officer, agent or employee shall follow the orders and instructions of the President.

6.2 Removal of Officers. Except for those officers appointed on behalf of Declarant, who may be removed by Declarant as described in Section 3.2, upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

6.3 Vacancies. A vacancy in any office, however occurring, may be filled by an affirmative vote of a majority of the members of the Board of Directors for the unexpired portion of the term.

6.4 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have the general and active control of the affairs and business of the Association and general supervision of its officers, agents and employees. The President has the authority to prepare, execute, certify and record documents reflecting amendment to the Declaration which are properly amended pursuant to the provisions of the Declaration.

6.5 Vice Presidents. The Vice Presidents shall assist the President and shall perform such duties as may be assigned to them by the President or by the Board of Directors. In the absence of the President, the Vice President elected by the Board shall have the powers and perform the duties of the President.

6.6 Secretary. The Secretary shall keep the minutes of the proceedings of the Members and the Board of Directors. He shall see that all notices are duly given in accordance with the provisions of these Bylaws, the Declaration and as required by law. He shall be custodian of the corporate records and of the seal of the Association and affix the seal to all documents when authorized by the Board. He shall keep at its registered office or principal place of business within or outside Colorado a record containing the names and registered addresses of all Members, the designation of the Lot owned by each Member, and, if such Lot is mortgaged, the name and address of each mortgagee. He shall, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board. Assistant Secretaries, if any, shall have the same duties and powers, subject to supervision by the Secretary.

6.7 Treasurer. The Treasurer shall be the principal financial officer of the Association and shall have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Association and shall deposit the same in accordance with the instructions of the Board of Directors. He shall receive and give receipts and acquittances for monies paid in on account of the Association, and shall pay out of the funds on hand all bills, payrolls and other just debts of the Association of whatever nature upon maturity. He shall perform all other duties incident to the office of the Treasurer and, upon request of the Board, shall make such reports to it as may be required at any time. He shall, if required by the Board, give the Association a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of his duties and for the restoration to the Association of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Association. He shall have such other powers and perform such other duties as may be from time to time prescribed by the Board or the President. The Assistant Treasurers, if any, shall have the same powers and duties, subject to the supervision of the Treasurer.

#### ARTICLE VII INDEMNIFICATION

7.1 Definitions. For purposes of this Article VII, the following terms shall have the meanings set forth below:

(a) Proceeding. Any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal;

(b) Indemnified Party. Any person who is or was a party or is threatened to be made a party to any Proceeding by reason of the fact that he is or was a Director or officer of the Association or a member of a committee formed by the Association or, while a Director or officer of the Association or a member of a committee, is or was serving at the request of the Association as a Director, officer, member, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, committee or other enterprise including, without limitation, any employee benefit plan of the Association for which any such person is or was serving as a trustee, plan administrator or other fiduciary.

#### 7.2 Indemnification.

(a) Except as provided in paragraph (d) of this Section 7.2, the Association shall indemnify against liability incurred in any Proceeding an Indemnified Party if:

- (I) He conducted himself in good faith;
- (II) He reasonably believed:

(A) In the case of conduct in his official capacity with the Association that his conduct was in the Association's best interests; or

(B) In all other cases, that his conduct was at least not opposed to the Association's best interests; and

(III) In the case of any criminal Proceeding, he had no reasonable cause to believe his conduct was unlawful.

(b) An Indemnified Party's conduct with respect to an employee benefit plan for a purpose he reasonably believed to be in the interests of the participants in or beneficiaries of the plan is conduct that satisfies the requirements of sub-subparagraph (B) of subparagraph (II) of paragraph (a) of this Section. An Indemnified Party's conduct with respect to an employee benefit plan for a purpose that he did not reasonably believe to be in the interests of the participants in or beneficiaries of the plan shall be deemed not to satisfy the requirements of subparagraph (I) of paragraph (a) of this section.

(c) The termination of any Proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, is not of itself determinative that the individual did not meet the standard of conduct set forth in paragraph (a) of this Section.

(d) The Association may not indemnify an Indemnified Party under this Section either:

(I) In connection with a Proceeding by or in the right of the Association in which the Indemnified Party was adjudged liable to the Association; or

(II) In connection with any Proceeding charging improper personal benefit to the Indemnified Party, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

(e) Indemnification permitted under this Section in connection with a Proceeding by or in the right of the Association is limited to reasonable expenses incurred in connection with the Proceeding.

7.3 Insurance. By action of the Board of Directors, notwithstanding any interest of the Directors in such action, the Association may purchase and maintain insurance, in such amounts as the Board may deem appropriate, on behalf of any Indemnified Party against any liability asserted against him and incurred by him in his capacity of or arising out of his status as an Indemnified Party, whether or not the Association would have the power to

indemnify him against such liability under applicable provisions of laws.

7.4 Right to Impose Conditions to Indemnification. The Association shall have the right to impose, as conditions to any indemnification provided or permitted in this Article, such reasonable requirements and conditions as to the Board of Directors may appear appropriate in each specific case and circumstances including, without limitation, any one or more of the following; (a) that any counsel representing the Indemnified Party in connection with the defense or settlement of any Proceeding shall be counsel mutually agreeable to the Indemnified Party and to the Association; (b) that the Association shall have the right, at its option, to assume and control the defense or settlement of any claim or Proceeding made, initiated or threatened against the Indemnified Party; and (c) that the Association shall be subrogated, to the extent of any payments made by way of indemnification, to all of the Indemnified Party's right of recovery, and that the Indemnified Party shall execute all writings and do everything necessary to assure such rights of subrogation to the Association.

#### ARTICLE VIII AMENDMENT OF BYLAWS

8.1 Amendment by the Members. These Bylaws may be amended by the affirmative vote of at least two-thirds (2/3) of the votes in the Association present or represented by proxy at any regular or special meeting, provided that a quorum is present at any such meeting. However, notwithstanding the foregoing, no provisions of these Bylaws may be amended by a number of Owners which is less than the number of Owners that is required within that particular provision to take certain action. Amendments may be proposed by the Board of Directors or by petition signed by the holders of at least a majority of the votes. A statement of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment will be voted upon.

8.2 Amendment by the Board of Directors. These Bylaws may be amended by the unanimous vote of the Board of Directors at any regular or special meeting, provided that a quorum is present at such meeting. A statement of any proposed amendment shall accompany the notice of any regular or special Board meeting at which such proposed amendment will be voted upon. No amendment may be adopted by the Board which conflicts with an amendment adopted by the Members.

8.3 Scope of Amendments. These Bylaws may not be amended in a manner inconsistent with the Articles of Incorporation of the Association, the Declaration, or any applicable provision of Colorado law.

ARTICLE IX  
CORPORATE SEAL

The Board of Directors shall provide a suitable corporate seal containing the name of the Association, which seal shall be in the custody and control of the Secretary. The corporate seal shall be circular and shall have inscribed thereon the name of the Association and the word "Colorado" in the circle and the word "Seal" in the middle. If and when so directed by the Board, a duplicate seal may be kept and used by such officer or other person as the Board may name.

ARTICLE X  
MISCELLANEOUS

10.1 Registration of Mailing Address. If a Lot is owned by two (2) or more Owners, such co-owners shall designate one (1) address as the registered address required by the Declaration and shall designate the "voting member." An Owner or Owners shall notify the Secretary of his or their (a) registered address within five (5) days after any transfer of title or change of address, and (b) "voting member" within five (5) days after any transfer of title or designation thereof. Such notice shall be written and signed by all of the Owners to which it relates or by such persons authorized to sign on behalf of such Owners.

10.2 Notice to Association. Every Owner shall timely notify the Association of the name and address of any First Mortgagee, purchaser, transferee or lessee of his Lot. The Association shall maintain such information at the office of the Association.

10.3 Proof of Ownership. Except for those Owners who initially purchase a Lot from Declarant, every person becoming an Owner shall immediately furnish to the Board of Directors a photocopy or a certified copy of the recorded instrument vesting in that person such ownership, which instrument shall remain in the files of the Association. A Member shall not be deemed to be in good standing nor shall he be entitled to vote at any annual or special meeting of Members unless this requirement is first met.

10.4 Character of Association. This Association is not organized for profit. No Member, member of the Board of Directors, officer or person for whom the Association may receive any property or funds shall receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of, any of the Board of Directors, officers or Members, except upon a dissolution of the Association; provided, however, (1) that reasonable compensation may be paid to any Member, manager, Director, or officer 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 (2) that any Member, manager, Director, or officer 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.

10.5 Right of Entry. The manager of the Reserve at Frisco and any person authorized by the Board of Directors shall have the right to enter each Lot in case of any emergency originating in or threatening such Lot or the improvements thereon, whether or not the Owner or occupant is present at the time. Such authorized persons shall also have the right to enter each Lot to perform maintenance and repair work as prescribed by these Bylaws and the Declaration.

10.6 Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors and shall be subject to change by the Board of Directors as necessary.

10.7 Annual Budget. Within thirty (30) days after the adoption of any proposed budget for the Association, the Board of Directors shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing or other delivery of the summary. Unless at that meeting a majority of all Owners reject the budget, the budget is ratified, whether or not a quorum is present. In the event that the proposed budget is rejected, the periodic budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget proposed by the Board of Directors. The Board shall adopt a budget and submit the budget to a vote of the Owners as provided herein no less frequently than annually. The Board shall levy, and assess the Association's annual assessments in accordance with the annual budget.

10.8 Inspection of Records. Any Owner or First Mortgagee may inspect the Association's records of receipts and expenditures at any reasonable time during convenient weekday business hours, and, upon fourteen (14) business days' notice to the Board of Directors, manager (if any) or registered agent of the Association, and upon payment of a reasonable fee, not to exceed Twenty Dollars (\$20.00), any Owner or First Mortgagee shall be furnished a statement of account setting forth the amount of any unpaid assessments or other charges due and owing from such Owner, as more fully set forth in the Declaration.

10.9 Captions. The captions and headings in these Bylaws are for convenience only and shall not be considered in construing any provision of these Bylaws.

10.10 Numbers and Genders. Whenever used herein, unless the context shall otherwise provide, the singular number shall include

the plural, the plural the singular, and the use of any gender shall include all genders.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of The Reserve at Frisco Association, a Colorado nonprofit corporation; and

That the foregoing Bylaws constitute the original Bylaws of that Association, as duly adopted by written action of the Board of Directors and of the sole Member of that Association, on the \_\_\_\_ day of August, 1996.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this \_\_\_\_ of August, 1996.

[SEAL]

Mark B. Anderson  
Mark Anderson, Secretary

/byl-res2.dc  
August 23, 1996