

**BYLAWS
OF
SAGE CREEK CANYON
PROPERTY OWNER'S ASSOCIATION, INC.**

Table of Contents
to
BYLAWS
OF
SAGE CREEK CANYON
PROPERTY OWNER’S ASSOCIATION, INC.

ARTICLE 1. PURPOSES, ASSENT OF OWNERS, AND DEFINITIONS 1

 Section 1.1. Purposes. 1

 Section 1.2. Assent. 1

 Section 1.3. Definitions 1

ARTICLE 2. MEMBERSHIP 1

 Section 2.1. Membership 1

 Section 2.2. Responsibilities of Owners 1

 Section 2.3. Membership Certificates 2

 Section 2.4. Voting Rights 2

ARTICLE 3. MEETINGS OF OWNERS 2

 Section 3.1. Place of Meeting. 2

 Section 3.2. Annual Meeting 2

 Section 3.3. Special Meetings. 2

 Section 3.4. Notice of Meetings. 2

 Section 3.5. Electronic Notice. 2

 Section 3.6. Adjourned Meetings. 3

 Section 3.7. Designation of Voting Representative. 3

 Section 3.8. Proxies. 3

 Section 3.9. Rejection of Vote or Proxy. 3

 Section 3.10. Quorum 3

 Section 3.11. Voting 3

 Section 3.12. Secret Ballot for Director Elections. 3

 Section 3.13. Use of Secret Ballot for Votes by Owners. 4

 Section 3.14. Results of Secret Ballot Election. 4

 Section 3.15. Waiver of Meeting and Consent to Action 4

ARTICLE 4. BOARD OF DIRECTORS 4

 Section 4.1. Number and Qualification. 4

 Section 4.2. Election and Term of Office. 4

 Section 4.3. Removal of Members of the Board of Directors. 4

 Section 4.4. Vacancies. 5

 Section 4.5. Quorum of the Board of Directors 5

 Section 4.6. Place and Notice of the Board of Directors Meetings. 5

 Section 4.7. Conduct of Meetings. 5

| | |
|---|----|
| Section 4.8. <u>Powers and Duties.</u> | 7 |
| Section 4.9. <u>Managing Agent.</u> | 7 |
| Section 4.10. <u>Compensation of the Members of the Board of Directors.</u> | 7 |
| Section 4.11. <u>Conflicts of Interest for the Members of the Board of Directors</u> | 7 |
| ARTICLE 5. OFFICERS AND THEIR DUTIES | 8 |
| Section 5.1. <u>Enumeration of Officers.</u> | 8 |
| Section 5.2. <u>Election of Officers.</u> | 8 |
| Section 5.3. <u>Term</u> | 8 |
| Section 5.4. <u>Special Appointments</u> | 9 |
| Section 5.5. <u>Resignation and Removal.</u> | 9 |
| Section 5.6. <u>Vacancies.</u> | 9 |
| Section 5.7. <u>Multiple Offices</u> | 9 |
| Section 5.8. <u>Duties</u> | 9 |
| Section 5.9. <u>Execution of Instruments</u> | 10 |
| ARTICLE 6. INDEMNIFICATION OF MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS | 10 |
| ARTICLE 7. COMMITTEES | 10 |
| ARTICLE 8. RECORD RETENTION AND DISCLOSURE | 10 |
| Section 8.1. <u>Permanent Records.</u> | 10 |
| Section 8.2. <u>Retention of Other Records.</u> | 11 |
| Section 8.3. <u>Principal Place of Business.</u> | 12 |
| Section 8.4. <u>Disclosure.</u> | 12 |
| Section 8.5. <u>Change of Management Notice.</u> | 12 |
| Section 8.6. <u>Disclosure After Fiscal Year.</u> | 12 |
| ARTICLE 9. INSPECTION OF ASSOCIATION RECORDS | 13 |
| Section 9.1. <u>Retention of Records</u> | 13 |
| Section 9.2. <u>Scheduled Record Inspection.</u> | 13 |
| Section 9.3. <u>No Removal of Records.</u> | 13 |
| Section 9.4. <u>Fee for Copies.</u> | 13 |
| Section 9.5. <u>Disclosure of Certain Records</u> | 13 |
| Section 9.6. <u>Limitation of Access to Records.</u> | 14 |
| Section 9.7. <u>List of Owners.</u> | 14 |
| ARTICLE 10. CORPORATE SEAL | 14 |
| ARTICLE 11. FISCAL YEAR | 14 |
| ARTICLE 12. FINANCIAL REVIEW OR AUDIT | 14 |
| ARTICLE 13. NOTICE OF BUDGET ADOPTION | 15 |

| | |
|---|----|
| ARTICLE 14. INVESTMENT OF RESERVES | 15 |
| ARTICLE 15. RULES, REGULATIONS AND POLICIES. | 15 |
| ARTICLE 16. AMENDMENTS | 16 |
| ARTICLE 17. INTERPRETATION | 16 |
| Section 17.1. <u>Generally.</u> | 16 |
| Section 17.2. <u>Conflict between Documents.</u> | 17 |
| CERTIFICATION | 17 |

**BYLAWS
OF
SAGE CREEK CANYON
PROPERTY OWNER'S ASSOCIATION, INC.**

These Bylaws are adopted for SAGE CREEK CANYON PROPERTY OWNER'S ASSOCIATION, INC., a Colorado nonprofit corporation, (the "Association") established by the Articles of Incorporation for the Association filed with the Colorado Secretary of State on October 30, 1980 (the "Articles").

ARTICLE 1. PURPOSES, ASSENT OF OWNERS, AND DEFINITIONS

Section 1.1. Purposes. The primary purposes for which the Association is formed are (a) to provide for the operation, administration, use, and maintenance of certain common areas and other property more fully described in the Declaration of Covenants, Conditions and Restrictions for Sage Creek Canyon Subdivision recorded in the office of the Clerk and Recorder of Summit County, Colorado, as amended or supplemented from time to time (the "Declaration"); (b) to preserve, protect, and enhance the values and amenities of such property; and (c) to promote the health, safety, and welfare of members of the Association.

Section 1.2. Assent. All present or future Owners, Occupants, or any other persons using the facilities of the Subdivision in any manner are subject to these Bylaws and any Rules and Regulations adopted by the Board of Directors pursuant to these Bylaws. Acquisition or rental of any of the Lots in the Subdivision or the mere act of occupancy of any Lots shall constitute an acceptance and ratification of these Bylaws and an agreement to comply with said Rules and Regulations.

Section 1.3. Definitions. Unless otherwise specified, capitalized terms used in these Bylaws shall have the same meaning in these Bylaws as such terms have in the Declaration.

ARTICLE 2. MEMBERSHIP

Section 2.1. Membership. Ownership of a Lot is required in order to qualify for membership in the Association.

Section 2.2. Responsibilities of Owners. Any person or entity, on becoming an Owner, shall automatically become a member of the Association and be subject to these Bylaws. Such membership shall terminate without any formal Association action whenever such person 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 any way connected with, the Association during the period of such ownership, or impair any rights or remedies which the Board of Directors or others may have against such former Owner arising out of ownership of the Lot and membership in the Association and the covenants and obligations incident thereto.

Section 2.3. Membership Certificates. No certificates of stock shall be issued by the Association, but the Board of Directors may, if it so elects, issue membership cards to Owners. Such membership card shall be surrendered to the secretary of the Association whenever ownership of the Lot designated on the card shall terminate.

Section 2.4. Voting Rights. With regard to the affairs of the Association, each Lot shall be allocated a single vote. The Association shall not have a vote with respect to any Lot which may be owned by it.

ARTICLE 3. MEETINGS OF OWNERS

Section 3.1. Place of Meeting. Meetings of the Owners shall be held at such place, within or without the State of Colorado, as the Board of Directors may determine.

Section 3.2. Annual Meeting. The annual meetings of the Owners shall be held on a date and at a time selected by the Board of Directors. The purpose of the annual meetings is for the election of the members of the Board of Directors, consideration of a budget for the next fiscal year, and the transaction of such other business of the Association as may properly come before the meeting.

Section 3.3. Special Meetings. Special meetings of the Owners may be called by the president of the Association, by a majority of the Board of Directors, or by Owners representing twenty percent (20%) of the total votes.

Section 3.4. Notice of Meetings. Written notice given in accordance with the Declaration and stating the place, day, and hour of each meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered and effective not less than fourteen (14) nor more than fifty (50) days before the date of the meeting, by or at the direction of the president or the secretary or the persons calling the meeting as provided under these Bylaws, to the registered address for notice (as provided in the Declaration) of each Lot entitled to be represented by a vote at such meeting. Any notice of a meeting of Owners shall include the items to be included on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board of Directors. To the extent feasible, the notice of any meeting shall be physically posted in a conspicuous place, in addition to any electronic posting or electronic mail notices.

Section 3.5. Electronic Notice. If electronic means are available, the Association shall provide all notices and agendas in electronic form, by posting on a website or otherwise, in addition to printed form, and including, without limitation, notices of all regular and special meetings to Owners via electronic mail to all Owners who so request and who furnish the Association with their electronic mail addresses. Electronic notice of a special meeting shall be given as soon as possible but at least twenty-four (24) hours before the meeting. If the Board of

Directors determines that it is feasible and practicable, the notice of any meeting of Owners may be physically posted in a conspicuous place in or around the Subdivision.

Section 3.6. Adjourned Meetings. If any meeting of the Owners cannot be organized because a quorum, as defined below, has not attended, the Owners who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is obtained.

Section 3.7. Designation of Voting Representative. If title to a Lot is held by more than one (1) individual, by a firm, corporation, partnership, association, limited liability company, trust or other legal entity, or any combination thereof, such individuals, entity, or entities only one vote per Lot may be cast, with the decision of who may cast the vote to be made by the owners of the Lot. The Association shall not be responsible for determining which owner of a Lot is responsible for casting the vote for the Lot.

Section 3.8. Proxies. Votes may be cast in person or by proxy, but no proxy shall be valid after six (6) months from the date of its execution unless otherwise provided in the proxy. Proxies shall be filed with the Board of Directors of the Association at or before the appointed time of each meeting.

Section 3.9. Rejection of Vote or Proxy. The Board of Directors is entitled to reject a vote, consent, written ballot, waiver, proxy appointment, or proxy revocation if the secretary or other officer or agent authorized to tabulate the votes, acting in good faith, has a reasonable basis for doubt about the validity of the signature on it, or about the signatory's authority to sign for the Owner. The Association, and its officer or agent, and the Board of Directors, who accept or reject a vote, consent, written ballot, waiver, proxy appointment, or proxy revocation in good faith are not liable in damages for the consequences of the acceptance or rejection.

Section 3.10. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of the Owners possessing sufficient weighted votes to constitute thirty percent (30%) of the total votes of all Owners shall constitute a quorum, and such Owners present in person or by proxy shall constitute the Owners entitled to vote upon any issue presented at a meeting at which a quorum is present. A majority of votes entitled to be cast by such Owners present in person or by proxy shall be sufficient to make decisions binding on all Owners, unless a different number or method of voting is expressly required by statute or by the Declaration, the Articles of Incorporation of the Association, or these Bylaws.

Section 3.11. Voting. Except as otherwise required by the Declaration or by these Bylaws, the votes of Owners who are present either in person or by proxy at any duly convened meeting of Owners at which a quorum has been established and who cast a simple majority of the total votes eligible to be voted by such present or represented Owners shall decide any question under consideration, and shall constitute the act of and be binding upon the Association.

Section 3.12. Secret Ballot for Director Elections. Any contested position for the Board of Directors shall be elected by the use of secret ballots at the annual meeting of the Owners. The votes shall be counted by either a neutral third party, or by a committee of volunteers, who are Owners selected or appointed at an open meeting, in a fair manner, by the chair of the Board

of Directors or another person presiding during that portion of the meeting. The volunteers shall not be members of the Board of Directors and, in the case of a contested election for a board position, shall not be candidates. The Board of Directors may amend this procedure, in its sole discretion, at any time to conform with applicable Colorado statutes, without needing to amend these Bylaws. Secret ballots are not required for any uncontested position on the Board of Directors.

Section 3.13. Use of Secret Ballot for Votes by Owners. At the discretion of the Board or upon the request of twenty percent (20%) of the Owners who are present at a meeting or represented by a proxy, if a quorum has been achieved pursuant to Section 3.10 of the Bylaws, a vote on any matter affecting the common interest community on which all Owners are entitled to vote shall be by secret ballot.

Section 3.14. Results of Secret Ballot Election. The results of a vote taken by secret ballot shall be reported without reference to the names, addresses, or other identifying information of Owners participating in such vote.

Section 3.15. Waiver of Meeting and Consent to Action. Whenever the vote of Owners at a meeting of Owners is required or permitted by any provision of these Bylaws to be taken in connection with any action of the Association, the meeting and vote of Owners may be dispensed with and the action in question may be approved if all the Owners eligible to vote concerning such matter consent in writing to dispense with the meeting and consent in writing to the action in question.

ARTICLE 4. BOARD OF DIRECTORS

Section 4.1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors, composed of four (4) persons, which number may be amended at the discretion of the Board. The members of the Board of Directors may be nonresidents of Colorado, but all members of the Board of Directors elected by the Owners must be Owners or representatives of Owners designated in accordance with Section 3.7 hereof.

Section 4.2. Election and Term of Office. Directors shall be elected by the Owners at the annual meeting for a one-year term. Owners may serve multiple and consecutive terms on the Board of Directors.

Section 4.3. Removal of Members of the Board of Directors. A regular or special meeting of Owners may be called for the purpose of considering the removal of any member of the Board of Directors. The Board of Directors shall designate by resolution or motion the date and time of such regular or special meeting after such meeting is properly set or called in accordance with these Bylaws and Colorado law. Any one (1) or more of the members of the Board of Directors may be removed with or without cause by an affirmative vote of sixty seven percent (67%) of all Owners. Any member of the Board of Directors whose removal has been proposed shall be given an opportunity to be heard at the meeting. Successors may then and there be elected by the Owners present in person or represented by proxy and eligible to vote to fill the vacancies thus created.

Section 4.4. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of all of the remaining Board of Directors, though less than a quorum of the Board of Directors. The term of the member of the Board of Directors so elected shall be coincident with the term of the replaced member of the Board of Directors.

Section 4.5. Quorum of the Board of Directors. A majority of the number of members of the Board of Directors fixed from time to time by these Bylaws shall constitute a quorum for the transaction of business. Any act by a majority vote of the Board of Directors in attendance where a quorum is present shall be an act of the Board of Directors.

Section 4.6. Place and Notice of the Board of Directors Meetings. Any regular or special meetings of the Board of Directors may be held at such place within the State of Colorado and upon such notice as the Board of Directors may prescribe. The Board of Directors shall hold a regular meeting at least once each year and shall, in addition, meet as often as they deem necessary or desirable to perform their duties hereunder. Attendance of a member of the Board of Directors at any meeting shall constitute a waiver of notice of such meeting, except when a member of the Board of Directors attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Before, at, or after any meeting of the Board of Directors, any member of the Board of Directors may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. 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 waiver of notice of such meeting. The Board of Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by sending written notice to all members of the Board of Directors as required by the Colorado Nonprofit Corporation Act. Any action so approved shall have the same effect as though taken at a meeting of the Board of Directors. All or some of the members of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

Section 4.7. Conduct of Meetings. With regard to the conduct of meetings for the Board of Directors:

- A. Notwithstanding any provision of the Declaration, Bylaws, or other documents to the contrary, all meetings of the Board of Directors are open to every Owner, or to any person designated by an Owner, in writing, as such Owner's representative. Agendas for meetings of the Board of Directors shall be made reasonably available for examination by all Owners.
- B. At an appropriate time determined by the Board of Directors, but before the Board of Directors votes on an issue under discussion, Owners or their designated representatives shall be permitted to speak regarding that issue. The Board of Directors may place reasonable time restrictions on those

persons speaking during the meeting. If more than one person desires to address an issue and there are opposing views, the Board of Directors shall provide for a reasonable number of persons to speak on each side of the issue.

- C. The members of the Board of Directors, or any committee thereof, may hold an executive or close door session and may restrict attendance to Board of Director members and such other persons requested by the Board of Directors during a regular or specially announced meeting or a part thereof. The matters to be discussed at such an executive session shall include only matters enumerated below:
- (i) Matters pertaining to employees of the Association or the managing agent's contract or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association;
 - (ii) Consultation with legal counsel concerning disputes that are the subject of pending or eminent court proceedings or matters that are privileged or confidential between attorney and client;
 - (iii) Investigative proceedings concerning possible or actual criminal conduct;
 - (iv) Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosures;
 - (v) Any matter, the disclosure of which would constitute an unwanted invasion of individual privacy; and
 - (vi) Review of or discussion relating to any written or oral communication from legal counsel.
- D. Upon the final resolution of any matter for which the Board of Directors receives legal advice or concerns pending or contemplated litigation, the Board of Directors may elect to preserve the attorney-client privileged in any appropriate manner, or may elect to disclose such information, as it deems appropriate, about such matter in an open meeting.
- E. Prior to the time the members of the Board of Directors, or any committee thereof, convene in an executive session, the chair of the body shall announce the general matter of the discussion as enumerated above. No rule or regulation of the Board of Directors, or any committee thereof, shall be adopted during an executive session. A rule or regulation may be

validly adopted during a regular or special meeting or after the body goes back into session following an executive session.

- F. Minutes of all meetings of which an executive session was held shall indicate that an executive session was held and the general subject matter of the executive session.

Section 4.8. Powers and Duties. The Board of Directors shall have the powers and duties necessary, desirable, or appropriate for the administration of the affairs of the Association and for the operation and maintenance of the Subdivision. The Board of Directors may do all such acts and things which are not specifically required to be done by the Owners by the Colorado Nonprofit Corporation Act or otherwise by law, the Declaration, the Articles of Incorporation of the Association, or these Bylaws.

Section 4.9. Managing Agent. The Board of Directors may employ for the Association a Managing Agent at a compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize; provided, however, that the Board of Directors in delegating such duties shall not be relieved of its responsibility under the Declaration. The Managing Agent shall maintain fidelity insurance coverage or a bond for the benefit of the Association in an amount not less than two (2) months= current Assessments plus reserves as calculated from the current budget of the Association or such higher amount as the Board of Directors shall require. The Managing Agent shall provide an annual accounting for Association funds and a financial statement to the Association.

Section 4.10. Compensation of the Members of the Board of Directors. Except as provided in this Section 4.10., members of the Board of Directors shall not be paid any compensation for their services performed as members of the Board of Directors unless a resolution authorizing such remuneration shall have been adopted by the Association. Each member of the Board of Directors may receive reimbursement for reasonable transportation, meals, and lodging expenses for attendance at any regular or special meeting of the Board of Directors or for other actual expenses incurred in connection with the performance of his or her duties of office as a member of the Board of Directors. The Board of Directors may authorize, and account for as a common expense, reimbursement of Board of Director members for their actual and necessary expenses incurred in attending educational meetings and seminars on responsible governance of the Association, as long as the content of such course is specific to the state of Colorado. Each Director may only attend a maximum of one such educational meeting or seminar per year.

Section 4.11. Conflicts of Interest for the Members of the Board of Directors. With regard to any conflict of interest for the Board of Directors:

- A. Declaration of Conflict of Interest. If any contract, decision, or any other action, hereinafter collectively referred to as (“Action”), taken by or on behalf of the Association would financially benefit any member of the Board of Directors (or any person who is a parent, grandparent, spouse, child, or sibling of a member of the Board of Directors), then that interested member of the Board of Directors

shall declare that a conflict of interest exists. The interested member of the Board of Directors shall declare the conflict of interest as soon as is reasonably practicable upon the introduction of a motion or discussion regarding the action, and shall describe in detail all of the particular facts of the conflict of interest. The declaration of a conflict of interest may be set forth in writing by the interested member, in which case the written description of the conflict shall be read aloud into the record by a disinterested member, or may be presented verbally.

- B. Vote of Interested Member. After the interested member of the Board of Directors makes such a declaration, the interested member may participate in a discussion of the matter giving rise to the conflict of interest. After having made the disclosure required in Paragraph A above, the interested member of the Board of Directors may vote on the Action, pursuant to C.R.S. § 7-128-501.
- C. Conflicting Interest Not Void. No conflicting interest transaction, as defined by C.R.S. § 7-128-501(1), as amended, shall be void or voidable if any of the following conditions have been met:
- (i) The interested member of the Board of Directors disclosed the material facts relating to the conflict of interest or the Board of Directors is aware of them and the Board of Directors authorizes the transaction by a majority vote;
 - (ii) The interested member of the Board of Directors disclosed the material facts to the membership or the membership is aware of them and the membership votes to authorize the transaction; or
 - (iii) The conflicting interest transaction is fair to the Association.

ARTICLE 5. OFFICERS AND THEIR DUTIES

Section 5.1. Enumeration of Officers. The officers of the Association shall be a president, vice president, secretary, and treasurer, and such other officers as the Board of Directors may from time to time by resolution create. The president must be a member of the Board of Directors.

Section 5.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Owners.

Section 5.3. Term. The officers shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless such officer shall sooner die, resign, or shall be removed or otherwise disqualified to serve. Owners may serve multiple and consecutive terms on the Board of Directors.

Section 5.4. Special Appointments. The Board of Directors may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board of Directors may from time to time determine.

Section 5.5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.6. Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 5.7. Multiple Offices. The person holding the position of president may not hold any other position on the Board of Directors. Any two (2) or more offices may be held by the same person.

Section 5.8. Duties. The duties of the officers are as follows:

- A. President. The president shall preside at all meetings of the Owners and the Board of Directors; shall see that orders and resolutions of the Board of Directors are carried out; shall sign on behalf of the Association all leases, mortgages, deeds, notes, and other written instruments; and shall exercise and discharge such other duties as may be required of the president by the Board of Directors.
- B. Vice President. The vice president(s) shall act in the place and stead of the president in the event of his or her absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of the vice president by the Board of Directors. The Secretary and/or Treasurer may also hold the office of Vice President.
- C. Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Owners; keep the corporate stamp or seal of the Association, if any, and place it on all papers requiring said stamp or seal, if necessary; serve notice of meetings of the Board of Directors and of the Owners; keep appropriate current records showing the Owners together with their addresses; and shall perform such other duties as required by the Board of Directors.
- D. Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; sign all checks of the Association unless the

Board of Directors specifically directs otherwise; keep proper books of account; at the direction of the Board of Directors, cause an audit of the Association books to be made; and prepare an annual budget and a statement of income and expenditures to be presented to the Owners at the regular annual meeting of Owners, and deliver a copy of each to the Owners.

Section 5.9. Execution of Instruments. All agreements, contracts, deeds, leases, checks, notes, and other instruments of the Association may be executed by any person or persons as may be designated by resolution of the Board of Directors, including the Managing Agent.

ARTICLE 6. INDEMNIFICATION OF MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS

To the extent permitted by law and consistent with the Articles of Incorporation of the Association, the Association shall indemnify every member of the Board of Directors, officer, employee, fiduciary and agent of the Association against any liability or expense, including judgments, amounts paid in compromise and settlements, and amounts paid for attorneys' fees and related expenses asserted against or incurred by such person in any such capacity or arising out of that person's capacity as such. The indemnification permitted under this **Article 6** shall not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of such person's duties for the Association in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such member of the Board of Directors or officer or other person may be entitled. All liability, loss, damage, cost, and expense arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a Common Expense.

ARTICLE 7. COMMITTEES

The Board of Directors may appoint such committees as deemed appropriate which, to the extent provided for in the resolution appointing the Committee and allowed by law, shall have the powers of the Board of Directors in the management and affairs and business of the Association.

ARTICLE 8. RECORD RETENTION AND DISCLOSURE

Section 8.1. Permanent Records. The Association shall keep the following as permanent records:

- A. The meeting minutes from all Owner and Board of Directors meetings;

- B. All actions taken by Owners or the Board of Directors by written ballot;
- C. All actions taken by committees instead of the Board of Directors on behalf of the Association;
- D. A record of all waivers of notices for Owner, Board of Directors or committee meetings.

Section 8.2. Retention of Other Records. In addition, the Association shall keep copies of the following records at its principal office:

- A. Complete and accurate financial records detailed enough to show unpaid assessments;
- B. A record of Owners so that the Association can make a list of names, addresses and votes;
- C. The Association's governing documents including: Articles, Bylaws, the Declaration, any amendments thereto, rules and regulations, and responsible governance policies;
- D. Board of Director resolutions;
- E. Minutes of Owner's meetings for the past three years;
- F. Records of actions taken by the Owners without a meeting for the past three years;
- G. All written communications sent to all Owners in the past three years;
- H. A list of the members of the Board of Directors and Officers names and addresses, and the Association's most recent annual report as filed with the Secretary of State;
- I. A list, by Lot, of the Association's current assessments, including both special and regular assessments;
- J. The results of any financial audit or review for the fiscal year immediately preceding, if such audit or review exists;
- K. A list of all Association insurance policies, including the company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies; and
- L. The date on which the fiscal year for the Association begins.

Section 8.3. Principal Place of Business. The principal place of business of the Association shall as disclosed by the Association in accordance with Colorado law. The Association's records shall be stored at this office.

Section 8.4. Disclosure. The Association shall ensure disclosure of this information in one or more of the following methods: posting on an internet web page with accompanying notice to Owners via first-class mail or e-mail; the maintenance of a literature table or binder at the Association's principal place of business; or mail or personal delivery. The Association may account for the cost of such distribution as a common expense.

Section 8.5. Change of Management Notice. The Association shall provide to all Owners, within ninety (90) days of the Association's change of address, change of designated agent, or change of Management company, written notice stating the name of the association, the name of the management company, the physical address of the Association or management company. Such notice shall also include the name of the common interest community, the initial recording date of the Declaration, including the recording information for the Declaration. The Association may account for the cost of such disclosure as a common expense.

Section 8.6. Disclosure After Fiscal Year. Within ninety (90) days after the end of each fiscal year, the Association shall make the following information available to Owners upon reasonable notice in accordance with Section 8.4 herein:

- A. The date on which the fiscal year commences;
- B. Its operating budget for the fiscal year;
- C. A list of the Association's current assessments, both regular and special;
- D. Its annual financial statements; including amounts held in reserve for the preceding fiscal year;
- E. The results of its most recent available financial audit or review;
- F. A list of all Association insurance policies, which shall include the company names, policy limits, policy deductibles, additional named insureds, and the expiration dates of the policies;
- G. All of the Association's bylaws, articles, and rules and regulations, and responsible governance policies; and
- H. The minutes of the Board and Owner meetings for the preceding fiscal year.

ARTICLE 9. INSPECTION OF ASSOCIATION RECORDS

Section 9.1 Retention of Records. The Association shall keep financial and other records in accordance with Article 8. These records shall be made available to Owners for inspection and copying according to the provisions described herein.

Section 9.2. Scheduled Record Inspection. Association records shall be available for inspection through the Managing Agent by appointment, and at the office of the Association. To schedule record inspection at the Association's office, an Owner, or the Owner's designated representative, must provide the Association with a written ("Notice of Intent to Inspect"). So that the Association can have the desired books, records and personnel available, a Notice of Intent to Inspect must be submitted to the Association not later than five (5) business days prior to the planned inspection. Said Notice must describe with reasonable particularity which records are to be inspected and the purpose of the inspection. Such Notice may be sent to the Association by mail at the address disclosed by the Association in accordance with Colorado law. The Association may provide the requested records at the next regularly scheduled meeting if such meeting occurs within thirty (30) after the request.

Section 9.3. No Removal of Records. No records may be removed from the Association's possession without the express written consent of the Board. If an Owner requests to inspect records, the Association may photocopy and provide the requested records to the Owner in lieu of the Owner's inspection of the records. The Board may, at its sole discretion, identify certain records that may only be inspected in the presence of a Board member or other person designated by the Board.

Section 9.4. Fee for Copies. The Association may charge a fee for copies, not to exceed the Association's actual cost for copies of records, and which fee may be collected before any copying begins. Copying requests shall be reviewed on a case by case basis.

Section 9.5. Disclosure of Certain Records. Certain records may only be disclosed with the express written consent of the Board, which records include:

- A. Confidential personnel records;
- B. Confidential communications with legal counsel concerning litigation, disputes that are subject to pending or imminent court proceedings or of privileged or confidential between attorney and client;
- C. Records or files dealing with investigative proceedings concerning possible or actual criminal misconduct;
- D. Any matter, the disclosure of which would constitute an unwarranted invasion of individual privacy;
- E. Preliminary records, work papers, drafts or other general information which has not been formally approved by the Board;

- F. Owner's phone numbers and email addresses.

Section 9.6. Limitation of Access to Records. The Board may, in its discretion, limit the availability of the Association's records and in doing so may consider in the following factors:

- A. Whether the request is made in good faith and for a proper purpose. A proper purpose means a purpose reasonably related to the Owner's interest as an Owner;
- B. Whether the records requested are relevant to the purpose of the request;
- C. Whether disclosure is for an illegal or improper purpose or would violate a constitutional or statutory provision or public policy; and
- D. Whether disclosure may result in an invasion of personal privacy, breach of confidence or privileged information.

Section 9.7. List of Owners. An Owner may not request a membership list for any purpose unrelated to an Owner's Interest as a Lot Owner. Unrelated purposes for the use of a membership list include, but are not limited to:

- A. The solicitation of money or property;
- B. Any commercial purpose; and
- C. To be sold to or purchased by any person.

ARTICLE 10. CORPORATE SEAL

The Association may have a seal or stamp in circular form having within its form the words: ("Sage Creek Canyon Property Owner's Association, Inc.")

ARTICLE 11. FISCAL YEAR

The fiscal year of the Association shall begin on August 1st and end on July 31st of every year. The Board of Directors may by amendment to the Bylaws establish a different fiscal year for the Association.

ARTICLE 12. FINANCIAL REVIEW OR AUDIT

The Association shall maintain accurate and complete financial records. At the discretion of the Board of Directors, or upon a request as set forth herein, the books and records of the

Association shall be subject to an audit, using generally accepted auditing standards, or a review, using statements on standards for accounting and review services, by an independent and qualified person. The cost of any audit or review shall be a common expense. An audit, to be performed by a certified public accountant, shall only be required if the Association has annual revenues or expenditures of at least two hundred fifty thousand dollars (\$250,000) and such audit is requested in writing by the Owners of at least one-third of the Lots (each Lot to be counted equally and not based on Allocated Interests). A review, to be performed by a person having at least a basic understanding of the principles of accounting, shall be required when requested by Owners of at least one-third of the Lots (each Lot to be counted equally and not based on Allocated Interests). The audit or review report shall cover the Association's financial statements, which shall be prepared using generally accepted accounting principles or the cash or tax basis of accounting.

ARTICLE 13. NOTICE OF BUDGET ADOPTION

Within ninety (90) days after adoption of any proposed budget for the common interest community, the Board of Directors shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the members, if said budget has not previously been provided to the membership. (Annual budgets are to be presented to the Annual Meeting in written form for consideration and/or adoption. The approved budget and the notes from the Annual Meeting shall be provided to the complete membership of the association by USPS mail and/or electronic format within ninety days (90) of the date of the Annual Meeting.

ARTICLE 14. INVESTMENT OF RESERVES

The following policies shall apply with regard to the investment of any assessment reserves collected pursuant to the Declaration, if the Association decides to invest such assessment reserves. The investment strategy of the Association for any assessment reserves should emphasize a long-term outlook by diversifying the maturity dates of fixed-income instruments within the portfolio utilizing a laddered investments approach, at the discretion of the Board of Directors. The Board of Directors is subject to the standard of care set forth in C.R.S § 7-128-401, as may be amended from time to time, when investing assessment reserves of the Association, whereby the Board of Directors is required to invest assessment reserves in good faith and with the care of an ordinarily prudent person. The Board of Directors, in its sole discretion, may hire a qualified investment counselor to assist in formulating a specific investment strategy. The Board of Directors shall invest any assessment reserves to generate revenue that will accrue to the balance of such assessment reserves pursuant to such goals, criteria and policies as shall be established from time to time by the Board of Directors as part of the Rules, Regulations and Policies.

ARTICLE 15. RULES, REGULATIONS AND POLICIES.

The Board of Directors shall have the right to establish, amend, and enforce, from time to time, such Rules, Regulations and Policies as the Board of Directors may deem necessary and appropriate for the management, preservation, safety, control, and orderly operation of the Subdivision for the benefit of all Owners and Occupants, and for facilitating the greatest and

most convenient availability and use of the Lots and Common Elements by Owners and Occupants. Such Rules, Regulations and Policies may include a system of late charges and/or interest for untimely payment of Assessments, fees for review by the Association of matters required under the Declaration, and fees and fines for noncompliance with the Rules, Regulations and Policies and other obligations set forth in the Declaration and these Bylaws. The Board of Directors shall provide notice of the adoption or amendment of any Rules, Regulations and Policies and make such amended Rules, Regulations and Policies available for inspection by all Owners, Occupants, and Purchasers during convenient weekday business hours at the principal office of the Association. Such Rules, Regulations and Policies may, to the extent not in conflict with the provisions of the Declaration, the Articles of Incorporation of the Association and these Bylaws, impose reasonable restrictions upon the use and occupancy of any portion of the Subdivision as the Board of Directors, in its sole and absolute discretion, deems necessary and appropriate. Each Owner agrees that all his or her ownership rights shall be in all respects subject to the Rules, Regulations, and Policies, and each Owner agrees to obey such Rules, Regulations and Policies as the same may lawfully be amended from time to time, and to ensure that the same are faithfully observed by Occupants of his or her Lot. Each person who comes within the Subdivision shall be subject to the Rules, Regulations and Policies for the duration of his/her presence therein. A copy of the Rules, Regulations and Policies, as amended from time to time, shall be made available to Owners, Occupants, and Purchasers upon request and payment of a reasonable fee.

ARTICLE 16. AMENDMENTS

These Bylaws may be amended by a vote of a majority of a quorum of the Board of Directors at a regular or special meeting of the Board of Directors. These Bylaws may be amended at any regular meeting of the Owners or at any special meeting called for the purpose of amending the Bylaws, by the affirmative vote of a majority of a quorum of Owners present at the meeting in person or represented by proxy and eligible to vote. Any amendment shall be binding upon every Owner. Any amendment adopted at a regular or special meeting of the Owners may thereafter only be amended at a regular or special meeting of the Owners. Neither the Directors, nor the Owners shall have the power to amend the Bylaws in such a manner as to materially change the configuration or size of any Lot, to materially alter or modify the appurtenances to any Lot, or to change the proportion or percentage of any Owner's interest in the Common Elements, without the unanimous consent of all Owners directly affected thereby. No amendment shall serve to shorten the term of any member of the Board of Directors, or conflict with the Act or delete any provision which must be contained in these Bylaws under the terms of the Act, or conflict with the Articles of Incorporation of the Association or the Declaration.

ARTICLE 17. INTERPRETATION

Section 17.1. Generally. The provisions of these Bylaws shall be liberally construed to effect the purpose of ensuring that the Subdivision shall at all times be operated and maintained in a manner so as to optimize and maximize its enjoyment and utilization by each Owner and Occupant.

Section 17.2. Conflict between Documents. In the case of any conflict between the Rules and Regulations and the Articles, Bylaws, or Declaration, the Articles, these Bylaws, or the Declaration, as the case may be, shall control. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws or the Articles, the Declaration shall control.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Sage Creek Canyon Property Owner's Association, Inc., a Colorado nonprofit corporation (the "Association"); and

That the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted by the Board of Directors of the Association, dated as of the ____ day of _____, 2009.

Dated: _____

Secretary