

**BYLAWS
OF
THE WATERS AT SILVER TROUT
HOMEOWNERS ASSOCIATION, INC.**

These Bylaws (“Bylaws”) are adopted for The Waters at Silver Trout Homeowners 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 _____ (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 _____ recorded in the office of the Clerk and Recorder of Summit County, Colorado, on _____, at Reception No. _____, 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 the members of the Association.

Section 1.2. Assent. All present or future Owners, Occupants, or any persons using the facilities of the Project in any manner are subject to these Bylaws and any Rules, Regulations, and Policies (“Rules”) adopted by the Board of Directors pursuant to these Bylaws. Acquisition or rental of any of the Lots in the Project 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.

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 and the Act.

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 to, 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 in accordance with Section 6.2 of the Declaration. 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 shall determine.

Section 3.2. Annual Meeting. The annual meetings of the Owners shall be held on a date and time selected by the Board of Directors in each succeeding year. 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 ten (10) 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 Section 6.2 of 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 the Project, 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 shall be physically posted in a conspicuous place in or around the Project.

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 shall be written instrument executed by all such parties and delivered to the Association, appoint and authorize one (1) person or alternate persons to represent the Owners of the Lot. Such representative shall be a natural person who is an Owner, or a designated board member, or officer of a corporate Owner, or a general partner of a partnership Owner, or a manager of a limited liability company Owner, or a trustee of a trust Owner, or a comparable representative of any other entity, and such representative shall have the power to cast votes on behalf of the Owners as a member of the Association, and serve on the Board of Directors if elected, subject to the provisions of and in accordance with the procedures described in these Bylaws. Notwithstanding the foregoing, if only one (1) of the multiple Owners of a Lot is present at a meeting of the Owners, such Owner is entitled to cast the vote allocated to that Lot. If more than one (1) of the multiple are present, the vote allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the owners, which majority agreement may be assumed for all purposes if any one (1) of the multiple Owners cast the vote allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot. If such protest is made, the vote allocated to the Lot may only be cast by written instrument executed by all Owners who are present at the meeting.

Section 3.8. Proxies. Votes may be cast in person or by proxy, but no proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Proxies shall be filed with the Secretary 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 authorize 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 votes to constitute forty percent (40%) 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.

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 Contested Board Elections. For any contested position on the Board of Directors, Owners shall use secret ballots at the annual meeting of Owners to elect such members. 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. Owners do not need to use secret ballots for election of any non-contested positions on the Board of Directors. The Board of Directors may amend this procedure, in its sole discretion, at any time to conform to applicable Colorado statutes, without needing to amend these Bylaws.

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 these Bylaws, a vote on any matter affecting the Project 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 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. Nothing contained in this Section 3.15 shall be construed as limiting or modifying the Association's right to obtain Owner actin by written ballot in accordance with C.R.S. § 7-127-109, as may be amended, and/or Section 3.16.

Section 3.16 Action by Written Ballot.

- A. Any action required to be taken at a meeting of the Owners may be taken without a meeting if a written ballot is transmitted to each Owner.
- B. At a minimum, the written ballot shall: (1) state each proposed action; and (2) provide an opportunity to vote for or against each proposed action.
- C. Approval of a proposed action via written ballot shall be valid only when: (1) the number of votes cast by ballot (whether for or against) equals or exceeds the quorum required to be present at a meeting of Owners authorizing the action; and (2) the number of approvals of the proposed action equals or exceeds a simple majority of the votes cast by ballot.
- D. Each written ballot shall be accompanied with a solicitation, which shall: (1) indicate the number of responses needed to meet the quorum; (2) state the percentage of approvals necessary to approve each matter; (3) state the time by which the Owner must cast the vote via written ballot, but in no event shall such time be less than ninety-six (96) hours after the time the notice was received; and (4) be accompanied by written information sufficient to permit each Owner casting such ballot to reach an informed decision on the matter.
- E. For purposes of this Section, communications may be sent via mail, including Federal Express or United Parcel Service, or e-mail. Any communication sent via mail is deemed received upon actual receipt. Communications sent via e-mail are deemed received upon being sent.
- F. An Owner may vote via written ballot through the use of a proxy. A written ballot, once cast, may not be revoked.

Section 3.17. Meetings by Telecommunication. Any or all of the Owners may participate in a meeting of the Owners by, or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting may hear each other during the meeting. An Owner participating in a meeting by this means is deemed to be present in person at the meeting.

Section 3.18. Owner Education. The Association shall provide, or cause to be provided, education to Owners on at least an annual basis as to the general operations of the Association and the rights and responsibilities of Owners, the Association, and the Board of Directors under Colorado law. The criteria for compliance with this Section shall be determined by the Board of Directors. The cost of such education shall be accounted as a Common Expense.

ARTICLE 4. DECLARANT CONTROL OF ASSOCIATION

Section 4.1. Period of Declarant Control. There shall be a period of Declarant control of the Association, during which the Declarant, or persons designated by the Declarant may appoint and remove the members of the Board of Directors who need not be Owners. During the period of Declarant control, the provisions of this Article 4 shall prevail over any inconsistent provisions of these Bylaws concerning the election or removal of members of the Board of Directors. The period of Declarant control shall commence upon filing of the Articles and shall terminate no later than the earliest of:

- A. sixty (60) days after conveyance to an Owner other than Declarant of seventy-five percent (75%) of the maximum number of Lots Declarant has the right to create in the Project;
- B. two (2) years after Declarant's last conveyance of a Lot in the ordinary course of business; or
- C. two (2) years after any right to add new Lots was last exercised.

The Declarant may voluntarily surrender the right to appoint and remove members of the Board of Directors before termination of that period, but in that event, the Declarant may require, for the duration of the period of Declarant control, that specified actions of the Association or Board of Directors, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

Section 4.2. Election of Directors During Declarant Control. Not later than sixty (60) days after conveyance to Owners other than Declarant of twenty-five percent (25%) of the maximum number of Lots Declarant has the right to create in the Project, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board of Directors must be elected by Owners other than Declarant. Not later than sixty (60)

days after conveyance to Owners other than Declarant of fifty percent (50%) of the maximum number of Lots Declarant has the right to create in the Project, not less than thirty-three and one-third percent (33-1/3%) of the members of the Board of Directors must be elected by Owners other than Declarant. Not later than the termination of the period of Declarant control, the Owners shall elect a Board of Directors at least a majority of whom must be Owners other than Declarant. A special meeting may be called by any Owner to elect the Owner elected director(s) required, if such a meeting has not been called by the President or by a majority of the Board of Directors within the number of days required.

Section 4.3. Vacancies. If a member of the Board of Directors appointed by Declarant during the period of Declarant control dies or resigns, Declarant shall appoint a new member of the Board of Directors to replace such deceased or resigned member. If a member of the Board of Directors elected by Owners other than Declarant dies or resigns during the period of Declarant control, the Owners other than Declarant shall elect a new member of the Board of Directors to replace such deceased or resigned member.

ARTICLE 5. BOARD OF DIRECTORS

Section 5.1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors composed of three (3) persons. The members of the Board of Directors may be nonresidents of Colorado, but all members of the Board of Directors must be Owners or representatives of Owners designated in accordance with Section 3.7 hereof.

Section 5.2. Election and Term of Office. Members of the Board of Directors shall be elected to serve two (2) year terms. The terms of the members of the Board of Directors shall be staggered so that in even-numbered years two (2) members will be elected and in odd-numbered years one (1) member shall be elected.

Section 5.3. 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 the Owners present in person or represented by proxy and eligible to vote. 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 5.4. 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 5.5. Quorum of the Board of Directors. A majority of the number 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 5.6. 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 objection 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 transaction 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 obtaining the written approval of all members of the Board of Directors. 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 5.7. Action by Written Ballot.

- A. Any action required to be taken at a meeting of the Board of Directors may be taken without a meeting if notice is transmitted in writing to each member of the Board of Directors and each member by the time stated in the notice: (1) votes in writing for such action; or (2) at least a majority of the number of members of the Board of Directors vote in writing for such action and no member of the Board of Directors demands in writing that the action not be taken without a meeting. A member of the Board of Directors may revoke in writing any submitted vote, abstention, or demand before the

time stated in the notice. Any votes, abstentions, demands, or revocations received after the time stated in the notice are ineffective.

- B. At a minimum, the notice under this Section shall (1) state the action to be taken; (2) the time by which a member of the Board of Directors must respond, but in no event shall such time be less than forty-eight (48) hours after the time the notice was received; and (3) that failure to respond in writing by the time stated in the notice will have the same effect as abstaining in writing and failing to demand in writing that the action not be taken without a meeting.
- C. For purposes of this Section, communications may be sent via mail, including Federal Express or United Parcel Service, or e-mail. Any communication sent via mail is deemed received upon actual receipt. Communications sent via e-mail are deemed received upon being sent.
- D. A member of the Board of Directors' right to demand that the action not be taken without a meeting shall be deemed to have been waived unless the Association receives such demand from the member in writing by the time stated in the notice and has not revoked such demand before the time stated in the notice.

Section 5.8. Conduct of Meetings. With regard to the conduct of meetings for the Board of Directors:

- A. Notwithstanding any provision of the Declaration, these 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 (1) 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 closed-door session and may restrict attendance to

Board of Directors 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 imminent 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 privilege 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 5.9. 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 Project. 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, the Act, or otherwise by law, the Declaration, the Articles, or these Bylaws.

Section 5.10. 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 fifty thousand dollars (\$50,000.00) 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 maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Managing Agent and shall maintain all reserve accounts for the Association separate from operational accounts of the Association. The Managing Agent shall provide an annual accounting for Association funds and a financial statement to the Association.

Section 5.11. Compensation of the Members of the Board of Directors. Except as provided in this Section 5.11, 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 Directors 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 member of the Board of Directors may only attend a maximum of one (1) such educational meeting or seminar per year.

Section 5.12. Conflicts of Interest for the Members of the Board of Directors. With regard to any conflict of interest for the Board of Directors:

- A. Definition. For purposes of this Section, a “conflict of interest” means any contract, decision, or any other action (hereinafter collectively referred to as “Action”) entered into or taken by or on behalf of the Association where:
- (i) The Action would financially affect, either beneficially or detrimentally, any member of the Board of Directors or any person who is a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the member of the Board of Directors or a party related to such member has a beneficial interest, or an entity in which a party related to a member is a director, officer, or has a financial interest (collectively, “Related Party”); provided, however, that a Board member shall not be deemed to have a conflict of interest if he or she or a Related Party will not, as the result of a decision on the Action, receive any greater relative benefit or detriment than will similarly situated members of the Association;
 - (ii) Any member of the Board of Directors’ decision with respect to an Action may be affected by his or her, or a Related Party’s personal interests or motives; provided, however, that a Board member shall not be deemed to have a conflict of interest if his or her, or a Related Party’s personal interests or motives are not substantially different than will similarly situated members of the Association; or
 - (iii) A majority of the Board of Directors otherwise determines that a conflict of interest exists between any member of the Board of Directors or a Related Party and the Association.
- B. Declaration of Conflict of Interest. In the event a conflict of interest exists, then that interest member of the Board of Directors or the Board of Directors, as the case may be, shall declare that a conflict of interest exists. The interested member of the Board of Directors or 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 or the Board of Directors, 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.
- C. Vote of Interested Member. After a conflict of interest is declared, the interested member may not participate in a discussion of the matter giving rise to the conflict of interest nor vote on the Action. The interested

member of the Board of Directors may be counted for purposes of determining quorum. In the event multiple members of the Board of Directors declare or are declared to have a conflict of interest, the affirmative vote of a majority of the remaining members shall constitute an act of the Board of Directors.

- D. Review. The Board of Directors shall periodically review this Section and any additional Rules and Regulations it may pass regarding conflicts of interest for the members of the Board of Directors.

ARTICLE 6. OFFICERS AND THEIR DUTIES

Section 6.1. 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 6.2. 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 6.3. 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.

Section 6.4. 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 6.5. 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 6.6. 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 6.7. Multiple Offices. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 6.8. 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 of the Board of Directors.
- B. Vice President. The Vice President 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 of 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 stamp or seal, if necessary; 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 6.9. 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 7. INDEMNIFICATION OF MEMBERS OF THE BOARD OF DIRECTORS AND OFFICERS

To the extent permitted by law and consistent with the Articles, 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.

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 8. 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, affairs, and business of the Association.

ARTICLE 9. RECORD RETENTION AND DISCLOSURE

Section 9.1. Retained Records. The Association shall maintain the records identified in Exhibit A, attached hereto and as amended from time to time, which shall be deemed the sole records of the Association for the purposes of document retention and production to Owners.

Section 9.2. Principal Place of Business. The principal place of business of the Association shall be as disclosed by the Association in accordance with Colorado law. The Association's records shall be stored at this office.

Section 9.3. 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 the Managing Agent, written notice stating the name of the Association and Managing Agent. 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 9.4. 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 9.5 herein:

- A. The date on which the fiscal year for the Association begins;
- B. The Association's operating budget for the current fiscal year;
- C. A list, by Lot type, of the Association's current Assessments, both regular and special;
- D. Its annual financial statement, including amounts held in reserve for the preceding fiscal year;
- E. The results of the 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, Rules, and Responsible Governance Policies; and
- H. The minutes of the Executive Board and Owner meetings for the preceding fiscal year.

Section 9.5. Disclosure. The Association shall ensure disclosure of the information subject to Section 9.4 in one (1) 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.

ARTICLE 10. ASSOCIATION RECORDS

Section 10.1. Retention of Records. The Association shall keep financial and other records in accordance with Article 9. The Association is not obligated to compile or synthesize information in order to satisfy this requirement. These records shall be made available to Owners for examination and copying according to the provisions provided herein.

Section 10.2. Scheduled Record Inspection. Association records shall be available for examination and copying through the Managing Agent by appointment, at the office of the Association. To schedule record examination and copying at the Association's office, an Owner, or the Owner's authorized agent, must provide the Association with a written "Notice of Intent to Examine and Copy" so that the Association can have the

desired books, records, and personnel available. A Notice of Intent to Examine and Copy must be submitted to the Association not later than ten (10) days prior to the planned examination and copying. Said Notice must describe with reasonable particularity which records are sought and the purpose of the examination and copying. Such Notice may be sent to the Association by mail at the address disclosed by the Association in accordance with Colorado law. Any scheduled examination and copying must occur during normal business hours. The Association may require the requested examination and copying to occur at the next regularly scheduled Executive Board meeting if such meeting occurs within thirty (30) days after the request.

Section 10.3. No Removal of Records. No records may be removed from the Association's possession without the express written consent of the Executive Board. A right to copy records includes the right to receive copies by photocopying or other means, including the receipt of copies through an electronic transmission; provided, however, that the Association must produce such copies only when such form of production is available and the Owner specifically includes such a request in the Notice of Intent to Examine and Copy.

Section 10.4. Fees for Copies. The Association may charge a fee for copies, not to exceed the Association's estimated actual cost for copies of records, and which fee may be collected before any copying begins.

Section 10.5. Limitation of Access to Certain Records. The Executive Board may withhold records from examination and copying to the extent that the records are or concern:

- A. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;
- B. Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;
- C. Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine;
- D. Disclosure of information in violation of law;
- E. Records of an executive session of the Executive Board; and
- F. Individual Lots other than those of the requesting Owner.

Section 10.6. Prohibited Access to Certain Records. The Executive Board must withhold records from examination and copying to the extent that the records are or concern:

- A. Personnel, salary, or medical records relating to specific individuals; or
- B. Personal identification and account information of Owners, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

Section 10.7. List of Owners. An Owner may not request a membership list for any purpose unrelated to an Owner's interest as an Owner without the written consent of the Executive Board. Unrelated purposes for the use of a membership list include, but are not limited to:

- A. The solicitation of money or property, unless such money or property will be used solely to solicit votes of the Owners in an election to be held by the Association;
- B. Any commercial purpose; or
- C. To be sold to or purchased by any person.

Section 10.8. Commercial Use. Association records and the information contained therein may not be used for commercial purposes.

Section 10.9. Records Retention. Unless otherwise stated in Exhibit A, all records shall be retained permanently. The Association shall destroy all other records after the time frame for which they must be kept has lapsed.

ARTICLE 11. FISCAL YEAR

The fiscal year of the Association shall begin on January 1st and end on December 31st of every year. The Board of Directors may by amendment to the Bylaws establish a different fiscal year of 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 (\$250,000.00) and such audit is requested in writing by the Owners of at least one-third (1/3) of the Lots. 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 (1/3) of the Lots. 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

If the Board of Directors adopts a budget, as opposed to the Owners at an annual or special meeting, within thirty (30) 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 Owners and shall set a date for a meeting of the Owners to consider the budget. Such meeting shall occur within a reasonable time after mailing or other delivery of the summary, or as allowed for in these Bylaws. The Board of Directors shall give notice to the Owners of the meeting as allowed for in these Bylaws. Unless at the meeting a majority of the votes of all Owners, rather than a majority of those votes represented and being voted in person or by proxy, reject the proposal, the proposed budget is ratified, whether or not a quorum is present at the meeting. In the event the proposed budget is rejected, the budget last ratified by the owners shall continue to be in effect until such time as the Owners ratify a subsequent budget proposed by the Board of Directors as provided above.

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.

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 as the Board of Directors may deem necessary and appropriate for the management, preservation, safety, control, and orderly operation of the Project for the benefit of all Owners and Guests, and for facilitating the greatest and most convenient availability and use of the Lots and Common Elements by Owners and Guests. Such Rules 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 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 and make such amended Rules available for inspection by all Owners, Occupants, purchasers, and Mortgagees during convenient weekday business hours at the principal office of the Association. Such Rules may, to the extent not in conflict with the provisions of the Declaration, the Articles, and these Bylaws, impose reasonable restrictions upon the use and occupancy of any portion of the Project 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, and each Owner agrees to obey such Rules as the same may lawfully be amended from time to time, and to ensure that the same are faithfully observed by Guests of his or her Lot. Each person who comes within the Project shall be subject to the rules for the duration of his presence therein. A copy of the Rules, as amended from time to time, shall be made available to Owners, occupants, purchasers, and Mortgagees 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 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 members of the Board of Directors, nor the Owners shall have the power to amend these 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 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 Project 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 Guest.

Section 17.2. Compliance with the Act. These Bylaws are intended to comply with the requirements of the Act. If any of these Bylaws conflict with the provisions of the Act, the provisions of the Act will govern the Association.

Section 17.3. Conflict between Documents. In the case of any conflict between the Rules 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

The undersigned hereby certifies that the foregoing Bylaws were adopted by the Board of Directors of The Waters at Silver Trout Homeowners Association, Inc., as of

_____.

Member of the Board of Directors

**EXHIBIT A
TO
BYLAWS OF**

DATED AND EFFECTIVE _____

- A. The date on which the fiscal year for the Association begins;
- B. The Association's operating budget for the current fiscal year;
- C. Annual financial statements, if any, for the past three (3) years that show in reasonable detail the Association's assets and liabilities, the results of its operations, and the amounts held in reserve;
- D. Detailed records of receipts and expenditures affecting the operation and administration of the Association;
- E. The results of the Association's most recent available financial audit or review, and/or reserve study;
- F. The Association's tax returns, if available for the past seven (7) years;
- G. A list, by Lot type, of the Association's current Assessments, both regular and special, and records relating to delinquent Owners' accounts;
- H. The names of current Owners in a form that permits preparation of a list of the names of all Owners and the physical mailing addresses at which the Association communicates with them, showing the number of votes each Owner is entitled to vote;
- I. A list of the names, e-mail addresses, and physical mailing addresses of the current Executive Board;
- J. The most recent annual report delivered to the Colorado Secretary of State;
- K. All of the Association's Bylaws, Articles, Rules, governance policies, and any policies adopted by the Executive Board;
- L. All minutes from owner and Executive Board meetings, a record of all actions taken by Owners or the Executive Board without a meeting, and a record of all actions taken by any committees of the Executive Board;

- M. Written communications among, and the votes cast by, the Executive Board that are directly related to an action taken by the Executive Board without a meeting;
- N. Records of Executive Board or committee actions to approve or deny any requests for design or architectural approval from Owners;
- O. Ballots, proxies, and other records related to voting by Owners for one (1) year after the election, action, or vote to which they relate;
- P. Resolutions adopted by the Executive Board relating to the characteristics, qualifications, rights, limitations, and obligations of Members or any Class;
- Q. All written communications within the past three (3) years to Owners generally as Owners;
- R. 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;
- S. Records of claims for construction defects and amounts received pursuant to settlement of those claims; and
- T. Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two (2) years.