

BYLAWS
OF
HILLSIDE AT STONY CREEK HOMEOWNERS'
ASSOCIATION, INC.

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**BYLAWS
OF
HILLSIDE AT STONY CREEK HOMEOWNERS'
ASSOCIATION, INC.**

**ARTICLE 1
GENERAL**

1.1 **Purpose of Bylaws.** These Bylaws are adopted for the regulation and management of the affairs of Hillside at Stony Creek Homeowners' Association, Inc. (the "Association"). The Association has been organized as a Colorado non-profit corporation under the Colorado Nonprofit Corporation Act (the "Act") and in conformance with the Colorado Common Interest Ownership Act ("CCIOA"), and the Declaration of Covenants, Conditions and Restrictions of Hillside at Stony Creek (the "Declaration"). The Declaration has been executed on behalf of Hillside at Stony Creek V, Limited Liability Company as the "Declarant" thereunder. The Declaration relates to the real property in Jefferson County, Colorado, which is or may become subject to the Declaration (the "Property"). The Declaration was recorded in the real property records of Jefferson County, Colorado on 12-07 _____, 1999, at Reception No. F0987323, Book No. N/A, Page No. 001-047.

1.2 **Terms Defined in the Declaration.** Capitalized terms not otherwise defined in these Bylaws shall have the same meaning and definition as in the Declaration.

1.3 **Controlling Laws and Instruments.** These Bylaws are controlled by and shall always be consistent with the provisions of the Act, CCIOA, the Declaration and the Articles of Incorporation ("Articles") of the Association filed with the Secretary of State of Colorado, as any of the foregoing may be amended from time to time. In case of conflict between these Bylaws and the Declaration or Articles, the Declaration or Articles shall control.

**ARTICLE 2
OFFICES**

2.1 **Principal Office.** The Board of Directors, in its discretion, may fix and may change, from time to time, the location of the principal office of the Association, provided that the principal office of the Association shall be located within Arapahoe or Jefferson County, Colorado.

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

ARTICLE 3
MEMBERS; VOTING MEMBERS AND VOTING RIGHTS

3.1 Organization. The Association is a nonprofit Colorado corporation created for the purposes, charged with the duties, and invested with the powers prescribed by law, the Act, and set forth in its Articles and Bylaws or in the Declaration. Neither the Articles, Bylaws nor any Rules promulgated by the Board shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with the Declaration.

3.2 Membership and Voting.

(a) Generally. Every Person who is an Owner (including Declarant) shall be a Member of the Association and shall remain a Member for so long as that Person continues to be an Owner; except that when the Association owns any Lot, the Association shall not be a Member. The Association shall have only one class of Members. Each Member shall be entitled to one vote for each Lot owned by such Member; except that the Association shall not be entitled to a vote for any Lot owned by the Association. Each Membership in the Association shall be appurtenant to and may not be separated from ownership of the first to which the Membership is attributable. Except as expressly provided in this Article 3, no other voting rights are created by this Declaration. No change in the Membership of a Person shall be effective for voting purposes until the Board receives written notice of the change together with satisfactory evidence of the change.

(b) Multiple Owners. When an Owner consists of more than one Person, while each such Person shall be a Member of the Association, only one of such co-Owners shall be entitled to exercise the single vote to which the Lot is entitled. Such co-Owners must designate one co-Owner to exercise the single vote in a written instrument delivered to the Secretary of the Association not later than five (5) days prior to a meeting of the Association. Such written instrument shall remain in full force and effect until revoked by a written instrument filed with the Association or replaced by a subsequent written instrument filed with the Association replacing the designated co-Owner with another designated co-Owner. If such co-Owners fail to designate a co-Owner, then such co-Owners shall be treated as having abstained from any vote made by the Members at any meeting held at any time prior to the timely receipt of the written instrument by the Board. Only the designated co-Owner may cast a vote or issue a proxy on behalf of such co-Owners and the vote cast by the designated co-Owner shall bind all co-Owners. Fractional votes shall not be allowed.

(c) Designated Representative. In all cases in which a Member is not a natural person, such Member shall designate one natural person as the designated representative of such Member in a written instrument delivered to the Secretary of the Association not later than five (5) days prior to a meeting of the Association. Such written instrument shall remain in full force and effect until revoked by written instrument filed with the Association or replaced by a subsequent written instrument filed with the Association replacing the designated

representative with another designated representative. If such Member fails to designate a representative, then such Member shall be treated as having abstained from any vote made by the Members at any meeting held at any time prior to the timely receipt of the written instrument by the Board.

Only the designated representative may cast a vote or issue a proxy on behalf of such Member and the vote cast by the designated representative shall bind the Member.

(d) Proxies. The vote allocated to a Lot may be cast pursuant to a proxy duly executed by an Owner, designated co-Owner, or designated representative and delivered to the secretary of the Association not later than five (5) days prior to a meeting of the Association. An Owner, designated co-Owner or designated representative may not revoke a proxy given pursuant to this Section 3.2(d) except by actual notice of revocation to the secretary of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates 11 months after its date, unless it provides otherwise, and no proxy shall be valid in any event for more than three years after its execution. A proxy shall automatically cease upon a change in the Membership of a Person on the books of the Association.

(e) Association Owned Lots. No votes allocated to a Lot owned by the Association may be cast.

3.3 Resolution of Voting Disputes. In the event of any dispute as to the entitlement of any Member to vote or as to the results of any vote of the Members, the Board of Directors of the Association shall act as arbitrators and the decision of a disinterested majority of the Board of Directors shall, when rendered in writing, be final and binding as an arbitration award and may be acted upon in accordance with the Colorado Uniform Arbitration Act of 1975, as the same may be amended; provided, however, that the Board of Directors shall have no authority or jurisdiction to determine matters relating to the entitlement of the Declarant to vote or relating to the manner of exercise by the Declarant of its voting rights. No dispute as to the- entitlement of any Member to vote shall postpone or delay any vote for which a meeting of the Members has been duly called pursuant to the provisions of these Bylaws if a quorum is present at such meeting.

3.4 Suspension of Voting Rights. The Board of Directors may suspend, after notice and hearing and in accordance with the provisions of Article 10, the voting rights of any Member during and following any breach by such Member of any provision of the Restrictions.

3.5 Transfer of Memberships on Association Books. Transfers of Memberships shall be made on the books of the Association only upon presentation of evidence, satisfactory to the Association, of the transfer of ownership of the lot to which the Membership is appurtenant. Prior to presentation of such evidence, the Association may treat the previous owner of the Membership as the owner of the Membership entitled to all rights in connection therewith.

ARTICLE 4
MEETINGS OF MEMBERS

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

4.2 Annual Meetings of Members. Annual meetings of the Members shall be held in July of each year beginning in July of 1999 on such day in July and at such time of day as is fixed by the Board and specified in the notice of meeting. The annual meetings shall be held to transact such business as may properly come before the Board.

4.3 Special Meetings of Members. Special meetings of the Members may be called by the Board of Directors of the Association or by the Members holding not less than twenty-five percent (25 %) of the total votes of all Members, excluding votes of the Declarant, or by Members holding not less than twenty-five percent (25 %) of the total votes of all Members, including votes of the Declarant. No business shall be transacted at a special meeting of the Voting Members except as indicated in the notice thereof.

4.4 Record Date. To determine the Members entitled to notice of, or to vote at, any meeting of the Members or for any other proper purpose, the Board of Directors may fix, in advance, a date as the record date for any such determination of the Members. The record date shall be not more than fifty (50) days prior to the meeting of the Members or the event requiring a determination of the Members.

4.5 Notice of Members' Meetings. The president or the secretary of the Association or the officers or persons calling the meeting shall deliver written notice stating the place, day and hour of any meeting not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, to each Member entitled to vote at such meeting. The notice of an annual meeting shall identify any matter which it is known may come before the meeting. The notice of a special meeting shall state the purpose or purposes for which the meeting is called. If mailed, such notice shall be deemed to be delivered three (3) days after being deposited in the United States mail, postage prepaid, addressed to the Member at the address for such Member appearing in the records of the Association. Such notice may be posted in a conspicuous place in the Property, and such notice shall be deemed to be delivered to any Member upon such posting if such Member has not furnished to the Association an address for mailing of notices.

4.6 Proxies. Any form of proxy furnished or solicited by the Association shall afford an opportunity thereon for the Members to specify a choice between approval and disapproval of each matter or group of related matters which is known, at the time the form of proxy or written ballot is prepared, may come before the meeting and shall provide, subject to reasonably specified conditions, that if a Member specifies a choice with respect to any such matter, the vote shall be cast in accordance therewith.

4.7 Quorum at Members' Meeting. Except as may be otherwise provided in the Declaration, the Articles of Incorporation or these Bylaws, and except as hereinafter provided with respect to the calling of another meeting, the presence, in person or by proxy, of the Members entitled to cast at least 10% of the votes of all Members shall constitute a quorum at any meeting of such Members. Members present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of members so as to leave less than a quorum. If the required quorum is not present in person or by proxy at any such meeting of the Members, another meeting may be called, subject to the notice requirements hereinabove specified, and the presence, in person or by proxy, of Members entitled to cast at least 5 % of the votes of all Members, shall, except as may be otherwise provided in the Declaration, the Articles of Incorporation or these Bylaws, constitute a quorum at such meeting.

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

4.9 Vote Required at Members' Meeting. At any meeting, if a quorum is present, a majority (i.e., more than 50%) of the votes present in person or by proxy and entitled to be cast on a matter shall be necessary for the adoption of the matter, unless a greater proportion is required by law, the Declaration, the Articles of Incorporation, or these Bylaws.

4.10 Order of Business. In order of business at any meeting of the Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; and (d) the conducting of the business for which the meeting was called.

4.11 Officers of Meetings. At any meeting, the president of the Association shall act as chairman and the secretary shall record the proceedings of the meeting.

4.12 Expenses of Meetings. The Association shall bear the expenses of all annual meetings of the Members and of special meetings of the Members.

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

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

ARTICLE 5 BOARD OF DIRECTORS

5.1 General Powers and Duties of Board. The Board of Directors (sometimes referred to as the "Board") shall have the duty to manage and supervise the affairs of the Association and shall have all powers necessary or desirable to permit it to do so. Without limiting the generality of the foregoing, the Board shall have the power to exercise or cause to be exercised for the Association, all of the powers, rights, responsibilities and authority of the Association not reserved to the Owners in the Declaration, the Articles of Incorporation, these Bylaws, the Act, or the CCIOA. Further, the Board may delegate any portion of its authority to an executive committee or an officer, executive manager or director for the Association.

5.2 Special Powers and Duties of Board. Without limiting the foregoing statement of general powers and duties of the Board or the powers and duties of the Board as set forth in the Declaration, the Board of Directors of the Association shall be vested with and responsible for the specific powers and duties set forth in Article 4 of the Declaration.

5.3 Qualifications of Directors. A Director appointed by the Declarant in accordance with the provisions of Section 5.5 of these Bylaws may be any natural person and need not be an Owner of a Lot. A Director elected or appointed after the Period of Declarant Control shall be a natural person who is an Owner of a Lot or a natural person who is one of several persons constituting an Owner of a Lot. A Director may be reelected and there shall be no limit on the number of terms a Director may serve.

5.4 Number of Directors. The number of Directors of the Association shall be at least three (3), and no decrease in number shall have the effect of shortening the term of any incumbent director.

5.5 Appointment, Election and Term of Office. Notwithstanding any other provision contained herein:

(a) During the Period of Declarant Control, all Directors shall be appointees of the Declarant. All Directors appointed by the Declarant shall be subject to removal at any time and from time to time, by the Declarant, in its sole and absolute discretion.

(b) Not later than 60 days after conveyance of twenty-five percent (25 %) of the Lots that may be created to Owners other than Declarant, at least one member and not less than twenty-five percent (25 %) of the members of the Board must be elected by other than the Declarant. Not later than 60 days after conveyance of fifty percent (50 %) of the Lots that may be created to Owners other than Declarant, not less than thirty-three and one-third percent (33 1/3%) of the members of the Board must be elected by Owners other than Declarant.

(c) Except as otherwise provided in C.R.S. § 38-33.3-220(5), not later than the termination of the Period of Declarant Control, the Owners shall elect a Board of at least three members, at least a majority of whom must be Owners other than the Declarant or designated representatives of Owners other than the declarant. The Board shall elect the officers. The Board members and officers shall take office upon termination of the Period of Declarant Control.

(d) The Directors elected pursuant to subsection 5.5(c) shall each serve a term of three years, except the members of the initial Board so elected, of which one-third will serve for one year, one-third for two years and one-third for three years. If at any time the number of members of the Board is increased or decreased, the terms of the members elected to fill the vacancies thereby created shall be adjusted so as to achieve properly staggered terms thereafter. If the number of members of the Board is not divisible by three, the closest staggering possible based on three-year terms shall be used (e.g. 5 members - 2, 2, 1).

5.6 Nomination and Election of Directors.

(a) Nomination. Nomination for election of a Director pursuant to Sections 5.5(b) and 5.5(c) shall be made by a nominating committee. Nominations may also be achieved from the floor at the annual meeting. The nominating committee shall consist of a chairman, who shall be a member of the Board, and four more Members of the Association. The nominating committee shall be appointed by the Board prior to the annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The nominating committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

(b) Election. Election to the Board shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provision of the Declaration. The persons receiving the largest number of votes shall be elected.

5.7 Removal of Directors. Notwithstanding any provision of the Declaration or Bylaws to the contrary, the Owners, by a two-thirds vote of all persons present and entitled to vote at any meeting of the Owners at which a quorum is present, may remove any member of the Board with or without cause, other than a member appointed by the Declarant. A successor may be then and there elected to fill the vacancy.

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

5.9 Vacancies in Directors. Any vacancy occurring in the Board shall, unless filled in accordance with Sections 5.5 and 5.7 or by election at a meeting of the Owners, be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board of Directors. A Director elected or appointed to fill a vacancy shall be elected or appointed for the unexpired term of his or her predecessor in office. A Directorship to be filled by reason of an increase in the number of Directors shall be filled only by vote of the Owners.

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

5.11 Other Committees of Association. The Board, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more other committees, which may consist of or include Owners who are not Directors. Any such committee shall have and exercise such authority as shall be specified in the resolution creating such committee except such authority as can only be exercised by the Board. The Board in its sole discretion may, by majority vote, create the Architectural Review Committee.

5.12 General Provisions Applicable to Committees. The designation and appointment of any committee and the delegation thereto of authority shall not operate to relieve the Board, or any individual Director, of any responsibility imposed upon it or him or her by law. The provisions of these Bylaws with respect to notice of meetings, waiver of notice, quorums, adjournments, vote required and action by consent applicable to meetings of the Board shall be applicable to meetings of committees of the Board.

5.13 Manager or Managing Agent. The Board, by resolution accepted by a majority of the Directors in office, may designate and appoint a manager or a managing agent, or both, which manager or managing agent shall have and exercise those powers and shall fulfill those duties of the Board as shall be specified in any such resolution. Such manager or managing agent may be an affiliate of the Declarant. Any such resolution may delegate all or substantially all of the powers and duties of the Board to any such manager or managing agent but the Board, in delegating powers and duties to any such manager or managing agent, shall not be relieved of its responsibilities under the Declaration. Any such resolution shall provide that the Manager or Managing Agent: (1) maintain fidelity insurance coverage or a bond in an amount not less than \$50,000 or such higher amount as the Board may require; (2) maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Manager or Managing Agent and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and (3) ensure that the Manager or Managing Agent, a public accountant, or a certified public accountant prepare for, and present to, the Association an annual accounting for Association funds and a financial statement.

5.14 Declarant's Duty to Transfer Property. Within 60 days after the Owners other than the Declarant elect a majority of the owners of the Board, the Declarant shall deliver to the Association all property of the Owners and of the Association held by or controlled by the Declarant including, without limitation, the following items:

- (a) The original or a certified copy of the recorded Declaration as amended, the Articles, Bylaws, minute books, other books and records, and any Rules which may have been promulgated;
- (b) An accounting for Association funds and financial statements, from the date the Association received funds and ending on the date the Period of Declarant Control ends. The financial statements shall be audited by an independent certified public accountant and shall be accompanied by the accountant's letter, expressing either the opinion that the financial statements present fairly the financial position of the Association in conformity with generally accepted accounting principles or a disclaimer of the accountant's ability to attest to the fairness of the presentation of the financial information in conformity with generally accepted accounting principles and the reasons therefor. The expense of the audit shall not be paid for, or charged to, the Association.
- (c) The Association funds or control thereof;
- (d) All of Declarant's tangible personal property that has been represented by declarant to be the property of the Association or all of Declarant's tangible personal property that is necessary for, and has been used exclusively in, the operation and enjoyment of the Common Area, and inventories of these properties;

- (e) A copy of any specifications and plans used in the construction of the improvements in the Common Area.
- (f) All insurance policies then in force, in which the Owners, the Association, or its directors and officers are named as insured Persons.
- (g) Copies of any certificates of occupancy that may have been issued with respect to any Improvements located on a portion of the Common Area;
- (h) Any other permits issued by governmental bodies applicable to Association Property and which are currently in force or which were issued within one year prior to the date on which Owners other than Declarant took control of the Association;
- (i) Written warranties of the contractors, subcontractors, suppliers, and manufacturers that are still effective and which relate to Association Property or the Common Area and Improvements thereon or Improvements for which the Association has maintenance and/or repair responsibility;
- (j) A roster of Owners and First Mortgagees and their addresses and telephone numbers, if known, as shown on Declarant's records;
- (k) Employment contracts in which the Association is a contracting party; and
- (l) Any service contract in which the Association is a contracting party or in which the Association or the Owners have any obligation to pay a fee to the Persons performing the services.

ARTICLE 6 MEETINGS OF DIRECTORS

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

6.2 Annual Meeting of Directors. Annual meetings of the Board shall be held on the same date as, or within ten (10) days following, the annual meeting of the Owners. The business to be conducted at the annual meeting of the Board shall consist of the appointment of officers of the Association and the transaction of such other business as may properly come before the meeting. No prior notice of the annual meeting of the Board shall be necessary if the meeting is held on the same day and at the same place as the annual meeting of the Owners at which the Board is elected or if the time and place of the annual meeting of the Board of Directors is announced at such annual meeting of the Owners, otherwise, notice must be given as provided in Section 6.5.

6.3 Other Regular Meetings of Directors. The Board of Directors shall hold regular meetings at least quarterly and may, by resolution, establish in advance the times and places for such regular meetings. No prior notice of any regular meetings need be given after establishment of the times and places thereof by such resolution, otherwise, such regular meeting shall require notice as provided in Section 6.5.

6.4 Special Meetings of Directors. Special meetings of the Board may be called by the president or any two Directors. Such special meetings shall require notice as provided in Section 6.5.

6.5 Notice of Directors' Meetings. In the case of all Board meetings for which notice is required, notice stating the place, day and hour of the meeting shall be delivered not less than three (3) nor more than fifty (50) days before the date of the meeting, by mail, telegraph, telephone or personally, by or at the direction of the persons calling the meeting, to each Director. If mailed, such notice shall be deemed to be delivered three (3) days after it is deposited in the mail addressed to the Director at his home or business address as either appears in the records of the Association, with postage thereon prepaid. If telegraphed, such notice shall be deemed delivered at 5:00 p.m. on the next calendar day after it is deposited in a telegraph office addressed to the Director at either such address, with all charges thereon prepaid. If by telephone, such notice shall be deemed to be delivered when given by telephone to the Director or to any person answering the phone who sounds competent and mature at his or her home or business phone number as either appears on the records of the Association. If given personally, such notice shall be deemed to be delivered upon delivery of a copy of a written notice to, or upon verbally advising, the Director or some person who appears competent and mature at his or her home or business address as either appears on the records of the Association. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board need be specified in the notice or waiver of such meeting.

6.6 Proxies. A Director shall not be entitled to vote by proxy at any meeting of the Board.

6.7 Quorum of Directors. A majority of the number of Directors fixed in these Bylaws shall constitute a quorum for the transaction of business.

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

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

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

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

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

6.13 Action of Directors Without a Meeting. Any action required to be taken or which may be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Directors.

ARTICLE 7 OFFICERS

7.1 Officers, Employees and Agents. The officers of the Association shall consist of a president, one or more vice presidents, a secretary, a treasurer and such other officers, assistant officers, employees and agents as may be deemed necessary by the Board. Officers other than the president need not be Directors. Any two or more offices may be held by the same person, except the offices of president and secretary.

7.2 Appointment and Term of Office of Officers. The officers shall be appointed by the Board at the annual meeting of the Board and shall hold office, subject to the pleasure of the Board until the next annual meeting of the Board or until their successors are appointed, whichever is later, unless the officer resigns, or is removed earlier.

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

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

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

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

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

7.8 Secretary. The secretary shall be the custodian of the records and the seal of the Association and shall affix the seal to all documents requiring the same; shall prepare, execute, certify, and record amendments to the Declaration on behalf of the Association; shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law and that the books, reports and other documents and records of the Association are properly kept and filed; shall take or cause to be taken and shall keep minutes of the meetings of the Owners, of the Board and of committees of the Board; shall keep at the principal office of the Association a record of the names and addresses of the Owners and the voting representative, if any, of each Owner; and, in general, shall perform all duties incident to the office of secretary and such other duties as may, from time to time, be assigned to him by the Board or by the president. The Board may appoint one or more assistant secretaries who may act in place of the secretary in case of his or her death, absence or inability to act.

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

ARTICLE 8 INDEMNIFICATION OF OFFICIALS AND AGENTS

8.1 Certain Definitions. A "Corporate Official" shall mean any Director or officer and any former Director or officer of the Association. A "Corporate Employee" shall mean any employee and any former employee of the Association. "Corporate Official" and "Corporate Employee" shall not include any managing agent employed by the Association and no such persons shall have rights of indemnification hereunder. "Expenses" shall mean all costs and expenses, including attorneys' fees,

liabilities, obligations, judgments and any amounts paid in reasonable settlement of a Proceeding. "Proceeding" shall mean any claim, action, suit or proceeding, whether threatened, pending or completed, and shall include appeals and proceedings under Article 11 of the Declaration.

8.2 Right of Indemnification. The Association shall indemnify any Corporate Official and any Corporate Employee against any and all Expenses actually and necessarily incurred by or imposed upon him in connection with, arising out of, or resulting from, any Proceeding in which he may be involved or to which he is or may be made a party by reason of (a) actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty while acting in his official capacity as a Corporate Official or Corporate Employee, or (b) any matter claimed against him solely by reason of his being a Corporate Official or Corporate Employee. The right of indemnification shall not extend to any matter as to which such indemnification would not be lawful under the laws of the State of Colorado.

(a) The Association shall indemnify any Corporate Official and any Corporate Employee against liability incurred in or as a result of the proceeding if the Corporate Official or Corporate Employee: (i) conducted himself or herself in good faith; (ii) reasonably believed (a) in the case of a Director acting in his or her official capacity, that his or her conduct was in the Association's best interests, or (b) in all other cases, that the Corporate Official's or Corporate Employee's conduct was at least not opposed to the Association's best interests; and (iii) in the case of any criminal proceeding, the Corporate Official and Corporate Employee had no reasonable cause to believe his or her conduct was unlawful.

(b) The termination of any Proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, is not of itself determinative that the Corporate Official or Corporate Employee did not meet the applicable standards of conduct as set forth in subsection 8.2(a).

(c) The right of indemnification shall not extend to matters as to which the Corporate Official or Corporate Employee: (i) has been adjudged liable for gross negligence or willful misconduct in the performance of the Corporate Official's or Corporate Employee's duty to the Association; or (ii) in connection with any Proceeding charging improper personal benefit to such Corporate Official or Corporate Employee, was adjudged liable on the basis that personal benefit was improperly received by such Corporate Official or Corporate Employee (even if the Association was not thereby damaged). Notwithstanding the foregoing, the Association shall indemnify such Corporate Official or Corporate Employee if and to the extent occurred by the court conducting the Proceeding, or any other court of competent jurisdiction to which such Corporate Official or Corporate Employee has applied, if it is determined by such court, upon application by such Corporate Official or Corporate Employee, that despite the adjudication of liability in the circumstances in clauses (i) and (ii) of this subsection 8.2(c) or whether or not the party met the applicable standards of conduct set forth in subsection 8.2(a), and in view of all relevant circumstances, the Corporate Official

or Corporate Employee is fairly and reasonably entitled to indemnification for such expenses as the court deems proper in accordance with the Act.

8.3 Prior Authorization Required. Any indemnification under Section 8.2 (unless ordered by a court) shall be made by the Association only if authorized in the specific case after a determination has been made that the Corporate Official or Corporate Employee is eligible for indemnification in the circumstances because such Corporate Official or Corporate Employee has met the applicable standards of conduct set forth in subsection 8.2(a) and after an evaluation has been made as to the reasonableness of the Expenses. Any such determination, evaluation and authorization shall be made by the Board by a majority vote of a quorum of the Board, which quorum shall consist of Directors not parties to or directly interested in the Proceeding, or by such other person or body as permitted by law.

8.4 Success on Merits or Otherwise. Notwithstanding any other provision of this Article 8, the Association shall indemnify such Corporate Official or Corporate Employee to the extent that such party has been successful, on the merits or otherwise, including, without limitation, dismissal without prejudice or settlement without admission of liability, in defense of any Proceeding to which the party was a party against Expenses incurred by such party in connection therewith.

8.5 Payment Procedures. The Association shall promptly act upon any request for indemnification, which request must be in writing and accompanied by the order of the court or other reasonably satisfactory evidence documenting disposition of the Proceeding in the case of indemnification under Section 8.4 and by the written affirmation and undertaking to repay as required by Section 8.3 in the case of indemnification under such Section 8.3. The right to indemnification granted by this Article 8 shall be enforceable in any court of competent jurisdiction if the Association denies the claim, in whole or in part, or if no disposition of such claim is made within ninety (90) days after written request for indemnification is made. A party's Expenses incurred in connection with successfully establishing such party's right to indemnification, in whole or in part, in any such Proceeding shall also be paid by the Association.

8.6 Notification to Voting Members. Any indemnification of expenses to a Director (but not to any other party) in accordance with this Article 8, if arising out of a Proceeding by or on behalf of the Association, shall be reported in writing to the Owners with or before the notice of the next meeting of the Owners.

8.7 Authority to Insure. The Association may purchase and maintain liability insurance on behalf of any Corporate official or Corporate Employee against any liability asserted against him and incurred by him as a Corporate Official or Corporate Employee or arising out of his status as such, including liabilities for which a Corporate Official or Corporate Employee might not be entitled to indemnification hereunder.

8.8 Right to Impose Conditions to Indemnification. The Association shall have the right to impose, as conditions to any indemnification provided or permitted in this Article 8, such reasonable

requirements and conditions as may appear appropriate to the Board in each specific case and circumstances, including, but not limited to, any one or more of the following: (a) that any counsel representing the party to be indemnified in connection with the defense or settlement of any proceeding shall be counsel mutually agreeable to the party and to the Association; (b) that the Association shall have the right, at its option, to assume and control the defense or settlement of any Proceeding made, initiated, or threatened against the party to be indemnified; and (c) that the Association shall be subrogated, to the extent of any payments made by way of indemnification, to all of the indemnified party's right of recovery, and that the party to be indemnified shall execute all writings and do everything necessary to assure such rights of subrogation to the Association.

8.9 Other Rights and Remedies. The indemnification provided by this Article 8 shall be in addition to any other rights which a party may have or hereafter acquire under any law, provision of the Articles of Incorporation, any other or further provision of these Bylaws, vote of the Owners or Board, agreement, or otherwise.

8.10 Applicability; Effect. The indemnification provided in this Article 8 shall be applicable to acts or omissions that occurred prior to the adoption of this Article 8 and shall continue as to any party entitled to indemnification under this Article 8 who has ceased to be a Director, officer, or employee of the Association. The repeal or amendment of this Article 8 or of any Section or provision hereof that would have the effect of limiting, qualifying, or restricting any of the powers or rights of indemnification provided or permitted in this Article 8 shall not, solely by reason of such repeal or amendment, eliminate, restrict, or otherwise affect the right or power of the Association to indemnify any person, or affect any rights of indemnification of such person, with respect to any acts or omissions that occurred prior to such real or amendment. All rights to indemnification under this Article 8 shall be deemed to be provided by a contract between the Association and each party covered hereby.

8.11 Indemnification of Agents. The Association shall have the right, but shall not be obligated, to indemnify any agent of the Association not otherwise covered by this Article 8 to the fullest extent permissible by the laws of Colorado. Unless otherwise provided in any separate indemnification arrangement, any such indemnification shall be made only as authorized in the specific case in the manner provided in Section 8.3.

8.12 Savings Clause; Limitation. If this Article 8 or any Section or provision hereof shall be invalidated by any court on any ground, or if the Act is amended in such a way as to affect this Article 8, then the Association shall nevertheless indemnify each party otherwise entitled to indemnification hereunder to the fullest extent permitted by law or any applicable provision of this Article 8 that shall not have been invalidated.

ARTICLE 9 MISCELLANEOUS

9.1 Amendment of Bylaws. The Board shall not have the power to alter, amend or repeal these Bylaws or to adopt new Bylaws. The Voting Members, at a meeting called for that purpose, shall have the sole power to alter, amend or repeal the Bylaws and to adopt new Bylaws by a majority of votes present at the meeting, if a quorum is present. The Bylaws may contain any provision for the regulation or management of the affairs of the Association not inconsistent with law, the Declaration or the Articles. Notwithstanding anything to the contrary contained herein, prior to the Owners having elected a majority of the Board, these Bylaws shall not be amended without the Declarant's prior written consent and approval.

9.2 Compensation of Officers, Directors and Members. No Director shall have the right to receive any compensation from the Association for serving as a Director except for reimbursement of expenses as may be approved by resolution of disinterested members of the Board. Officers, agents and employees shall receive such reasonable compensation as may be approved by the Board. Appointment of a person as an officer, agent or employee shall not, of itself, create any right to compensation.

9.3 Books and Records. The Association shall keep correct and complete books and records of account and shall keep, at its principal office in Colorado, a record of the names and addresses of its Owners (including the Declarant) and copies of the Declaration, the Rules, the Articles of Incorporation and these Bylaws which may be purchased by any Member at reasonable cost. All books and records of the Association, including the Articles of Incorporation and these Bylaws, as amended, and minutes of meetings of the Owners and Directors, may be inspected by any Member, or such Member's agent or attorney, for any proper purpose. The right of inspection shall be subject to any reasonable rules adopted by the Board of Directors requiring advance notice of inspection, specifying hours and days of the week during which inspection will be permitted and establishing reasonable fees for any copies to be made or furnished.

9.4 Annual Report. The Board of Directors shall cause to be prepared, not later than ninety (90) days after the close of each fiscal year of the Association, an annual report of the Association containing (1) an income statement reflecting income and expenditures of the Association for such fiscal year; (2) a balance sheet as of the end of such fiscal year; (3) a statement of changes in financial position for such fiscal year; and (4) a statement of the place of the principal office of the Association where the books and records of the Association, including a list of names and addresses of current Owners, may be found. At the discretion of the Board of Directors, the financial statements of the Association may be reviewed by an independent public accountant and, if applicable, a report based upon such review shall be included in the annual report. The Association shall provide a financial statement (which need not be audited) for the immediately preceding fiscal year, free of charge to the party so requesting, to any First Mortgagee of a Lot, or any insurer or guarantor of such a First Mortgage, within a reasonable time after written request therefor by any such party.

9.5 Statement of Account. Upon payment of a reasonable fee to be determined by the Association and upon written request of an Owner or any person with any right, title or interest in a Lot or intending to acquire any right, title or interest in a Lot, the Association shall furnish a written statement of account setting forth the amount of any unpaid Assessments, or other amounts, if any, due or accrued and then unpaid with respect to the Lot or the Owner of the Lot and the amount of the Assessments for the current fiscal period of the Association payable with respect to the Lot. Such statement shall, with respect to the party to whom it is issued, be conclusive against the Association and all parties, for all purposes, that no greater or other amounts were then due or accrued and unpaid and that no other Assessments have then been levied.

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

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

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

9.9 Shares of Stock and Dividends Prohibited. The Association shall neither have nor issue shares of stock and no dividend shall be paid and no part of the income or profit of the Association shall be distributed to its Members, Directors or officers.

Notwithstanding the foregoing paragraph, the Association may issue certificates evidencing Membership therein, may confer benefits upon its Members in conformity with its purposes and, upon dissolution or final liquidation, may make distributions as permitted by law, and no such payment, benefit or distribution shall be deemed to be a dividend or distribution of income or profit.

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

9.11 Limited Liability. As provided in the Articles and Declaration, the Association, the Board, the Architectural Review Committee, the Declarant, any Member, and any officer, director, partner, agent or employee of any of the same, shall not be liable to any Person or entity for any action or for any failure to act if the action taken or failure to act was in good faith and without malice.

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

9.13 Checks, Drafts and Documents. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board.

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

ARTICLE 10 NOTICE AND HEARING PROCEDURE

Association's Enforcement Rights. In the event of an alleged violation by a Member ("Respondent") of the Declaration, these Bylaws or the Rules, the Board of Directors in addition to its other rights and powers as set forth in these Bylaws and the Declaration, shall have the right, after notice and hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors, to take any one or more of the following actions: (a) levy reimbursement costs for damages to the Common Area, as provided in the Declaration; (b) suspend or condition the right of such Member and anyone claiming through such Member to the use and enjoyment of the Common Area, to the extent any such person is otherwise entitled to such use; (c) suspend a Voting Member's voting privileges as a Voting Member, as provided in the Declaration; or (d) record a notice of noncompliance against the Lot of the Respondent. Any such suspension shall be for a period of not more than sixty (60) days for any non-continuing infraction, but in the case of a continuing infraction (such as nonpayment of any Assessment after the same becomes delinquent) such suspension may be imposed for so long as the violation continues. The failure of the Board or the Architectural Review Committee to enforce the Design Guidelines, the Rules, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided in the Declaration, the Rules, the Design Guidelines or these Bylaws shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these Bylaws, and the other Governing Documents, before that Member may resort to a court of law for relief with respect to any alleged violation by another Member of the Governing Documents, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of any Assessments.

**ARTICLE 11
ASSESSMENTS**

As more fully provided in the Declaration, each Member is obligated to pay to the Association Regular and Special Assessments which are secured by a continuing lien upon the Lot against which the assessment is made. Any Assessments which are not paid when due shall be delinquent. The Association possesses all rights granted in the Declaration to collect such delinquent Assessments. No Owner may waive or otherwise escape liability for the Assessments by nonuse of the Common Area or abandonment of his or her Lot.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting secretary of Hillside at Stony Creek Homeowners' Association, Inc., a Colorado nonprofit corporation (the "Association"); and
2. The foregoing Bylaws, comprising 24 pages (including this page, the cover page and the table of contents), constitute the Bylaws of the Association duly adopted by unanimous consent of the Board of Directors of the Association.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association effective this 1 day of July, 1998.

Secretary: Paul E. Barre

(SEAL)