

**BYLAWS  
OF  
RED SKY RANCH ASSOCIATION**

## TABLE OF CONTENTS

		<b>Page</b>
Article 1	GENERAL.....	1
1.1	Purpose of Bylaws .....	1
1.2	Terms Defined in the Declaration.....	1
1.3	Controlling Laws and Instruments.....	1
Article 2	OFFICES.....	1
2.1	Principal Office .....	1
2.2	Registered Office and Agent.....	1
Article 3	MEMBERS AND VOTING RIGHTS.....	2
3.1	General.....	2
3.2	Authorized Representative.....	2
3.3	Transfer of Memberships on Association Books.....	3
3.4	Resignation of Members .....	3
3.5	Membership Termination; Member Sanctions .....	3
3.6	Purchase of Memberships by Association .....	4
Article 4	MEETINGS OF MEMBERS.....	4
4.1	Place of Members' Meetings .....	4
4.2	Annual Meetings of Members .....	4
4.3	Special Meetings of Members .....	4
4.4	Record Date .....	4
4.5	Notice of Members' Meetings .....	4
4.6	Proxies .....	4
4.7	Quorum at Members' Meeting.....	5
4.8	Adjournments of Members' Meetings.....	5
4.9	Vote Required at Members' Meeting .....	5
4.10	Officers of Meetings .....	5
4.11	Expenses of Meetings .....	6
4.12	Waiver of Notice.....	6
4.13	Action of Members Without a Meeting.....	6
4.14	No Action of Members by Mail Ballot.....	6
Article 5	BOARD OF DIRECTORS .....	6

## TABLE OF CONTENTS

	Page
5.1 General Powers and Duties of Board.....	6
5.2 Special Powers and Duties of Board.....	7
5.3 Limitation on Power to Institute Legal Proceedings.....	7
5.4 General Standards of Conduct for Board Members and Officers.....	7
5.5 Number, Qualification, Appointment, Election and Term of Directors .....	7
5.6 Removal of Directors .....	7
5.7 Resignation of Directors .....	7
5.8 Vacancies in Directors .....	8
5.9 No Committees .....	8
5.10 General Provisions Applicable to Committees .....	8
5.11 Manager or Managing Agent .....	8
5.12 Conflicting Interest Transactions.....	8
5.13 Limitations of Liability and Indemnification of Directors and Officers.....	9
Article 6 MEETINGS OF DIRECTORS.....	10
6.1 Place of Directors' Meetings .....	10
6.2 Annual Meeting of Directors .....	10
6.3 Special Meetings of Directors.....	10
6.4 Notice of Directors' Meetings .....	10
6.5 Proxies .....	11
6.6 Quorum of Directors .....	11
6.7 Adjournment of Director's Meetings.....	11
6.8 Vote Required at Directors' Meeting.....	11
6.9 Waiver of Notice.....	11
6.10 Action of Directors Without a Meeting .....	11
6.11 Meeting Attendance; Open Meetings; Executive Sessions .....	12
Article 7 OFFICERS.....	12
7.1 Officers, Employees and Agents.....	12
7.2 Appointment and Term of Office of Officers .....	12
7.3 Removal of Officers.....	12
7.4 Resignation of Officers .....	13

## TABLE OF CONTENTS

	<b>Page</b>
7.5 Vacancies in Officers.....	13
7.6 President.....	13
7.7 Vice President.....	13
7.8 Secretary.....	13
7.9 Treasurer.....	13
7.10 Authority of Officers to Amend Bylaws.....	13
Article 8 MISCELLANEOUS.....	14
8.1 Amendment of Bylaws.....	14
8.2 Compensation of Officers, Directors and Members.....	14
8.3 Books and Records.....	14
8.4 Biennial Corporate Reports.....	15
8.5 Fiscal Year.....	15
8.6 Seal.....	15
8.7 Shares of Stock and Dividends Prohibited.....	15
8.8 Minutes and Presumptions Thereunder.....	15

**BYLAWS**  
**OF**  
**RED SKY RANCH ASSOCIATION**

**ARTICLE 1**

**GENERAL**

**1.1 Purpose of Bylaws.** These Bylaws of Red Sky Ranch Association (these "Bylaws") are adopted for the regulation and management of the affairs of Red Sky Ranch Association (the "Association"). The Association is organized as a Colorado nonprofit corporation under the Colorado Revised Nonprofit Corporation Act, C.R.S. § 7-121-101 et seq. (the "Nonprofit Act"), in conformance with the Colorado Common Interest Ownership Act, C.R.S. § 38-33.3-101 et seq. ("CCIOA"), and it is the Association under the Declaration of Covenants, Conditions and Restrictions of Red Sky Ranch, a Planned Community (the "Declaration"). The Declaration relates to the real property in Eagle County, Colorado, which is or may become subject to the Declaration (the "Property").

**1.2 Terms Defined in the Declaration.** Initially capitalized terms used but not defined in these Bylaws are defined in the Declaration and have the same definition as in the Declaration.

**1.3 Controlling Laws and Instruments.** These Bylaws are controlled by the provisions of the Nonprofit Act, CCIOA, the Declaration and the Articles of Incorporation of the Association filed with the Secretary of State of Colorado (the "Articles"), as any of them are amended from time to time (the Declaration, the Articles, and these Bylaws, together with any exhibits or attachments thereto, are hereinafter collectively referred to as the "Community Instruments").

**ARTICLE 2**

**OFFICES**

**2.1 Principal Office.** The Board of Directors of the Association (the "Board"), in its discretion, may fix and may change the location of the principal office of the Association from time to time.

**2.2 Registered Office and Agent.** The Board may change the Association's initial registered office and initial registered agent specified in the Articles at any time by filing a statement as specified by law in the Office of the Secretary of State of Colorado. At all times, the street addresses of the Association's registered office and the business office of the Association's registered agent shall be identical.

## ARTICLE 3

### MEMBERS AND VOTING RIGHTS

#### 3.1 General.

(a) By this reference, these Bylaws incorporate the membership and voting rights provisions of the Declaration. Each Owner of a Lot is a member of the Association (a "Member"). An Owner's membership in the Association is hereinafter referred to as a "Membership." Each Membership is appurtenant to the fee simple title to a Lot. The Association will recognize a new Member upon presentation by a new Owner of satisfactory evidence of the sale, transfer, succession, disposition, foreclosure or other transfer of a Lot.

(b) In any matter coming before the Association for which a vote of the Members is required, for any Lot owned by multiple owners (the "Multiple Owners") the vote for such Lot shall be exercised as the Multiple Owners among themselves determine. The Secretary of the Association shall be notified of which of the Multiple Owners shall have the authority to cast a vote on behalf of the Multiple Owners prior to any meeting. In the absence of such designation, the Lot's vote shall be suspended in the event more than one person seeks to exercise it.

(c) The Association itself shall have no vote for any Lot it owns.

(d) There shall be no separate classes of Memberships for the purpose of electing members of the Board or for any other voting matter.

#### 3.2 Authorized Representative.

(a) Any Owner that is not a natural person (i.e., an estate or a trust, corporation, partnership, limited liability company or other entity) shall appoint a natural person as such Owner's attorney-in-fact and authorized representative (an "Authorized Representative") and may vote only through its Authorized Representative. Any Owner who is a natural person may appoint a proxy to vote on behalf of the Owner in matters coming before the Members of the Association, provided that if such proxy is not a natural person, such proxy shall appoint an Authorized Representative pursuant to this Section 3.2.

(b) Any Owner required to appoint an Authorized Representative will do so immediately upon becoming an Owner. Any Owner who is required or elects to appoint an Authorized Representative will notify the Association of its Authorized Representative or any subsequent replacement for its Authorized Representative within 10 days after appointment. The notice will (i) be signed by all Persons constituting the Owner, (ii) be dated, and (iii) contain a statement that the natural person named as the Authorized Representative in the notice will remain the Authorized Representative of that Owner until a subsequent notice is given to the Association (A) appointing a replacement Authorized Representative or (B) in the case of an Authorized Representative appointed by an Owner who is a natural person, terminating the appointment of the Authorized

Representative. The notice will have the effect of a proxy given by all Persons constituting that Owner to the Authorized Representative named in the notice for all purposes under the Community Instruments, CCIOA and the Nonprofit Act, except that the duration of the notice will be perpetual or as stated therein. The appointment of an Authorized Representative is binding upon all Persons comprising the appointing Owner and the vote of the Authorized Representative is conclusive as to the Association, unless and until the Association receives (A) a notice appointing a replacement Authorized Representative or (B) in the case of an Authorized Representative appointed by an Owner who is a natural person, a notice terminating the appointment of the Authorized Representative. Upon receiving any notice appointing an Authorized Representative, the Association may request additional evidence of authority that it reasonably deems necessary to verify the due appointment of the named Authorized Representative. If an Owner who is required or elects to appoint an Authorized Representative owns more than one Lot, the Owner may appoint (1) one natural person to serve as Authorized Representative for all of its Lots; or (2) a different natural person to serve as Authorized Representative for each of its Lots or any number of its Lots.

(c) Unless the context clearly indicates otherwise, the term "Member" as used in these Bylaws means a Member or its Authorized Representative.

**3.3 Transfer of Memberships on Association Books.** Transfers of Memberships will be made on the Association's books only upon presentation of evidence, satisfactory to the Board, of the transfer of ownership of the Lot to which the Membership is appurtenant. Prior to presentation of the evidence, the Association may treat the previous owner of the Membership as being entitled to all rights in connection with the Membership.

**3.4 Resignation of Members.** No Member may resign from the Association. An Owner's Membership in the Association shall terminate only upon the conveyance by such Member of all of such Member's ownership interests in any and all Lots.

**3.5 Membership Termination; Member Sanctions.** No Member may be expelled from the Association and no Member's Membership may be terminated as long as such Member is an Owner. Notwithstanding the foregoing, if any Member fails to comply with any provision of the Community Instruments or the rules and regulations of the Association, the Association may impose upon such Member those enforcement sanctions that are provided for in Section 11.6 of the Declaration. Prior to any Member being sanctioned by the Association, the Board shall provide such Member with notice of the pending sanction and an opportunity for a hearing before the Board. Written notice of the foregoing, detailing the date, time and place of the hearing and the nature of the alleged violation, will be delivered to such Member not less than 30 days prior to the date set by the Board for the hearing. At such hearing, the Member shall be given a reasonable opportunity to explain or defend such Member's actions, after which the Board, upon finding that such Member did violate the Community Instruments or the rules and regulations, may impose such sanctions, including, without limitation imposing monetary fines and suspending services provided by the Association to the Member pursuant to the Declaration, which, in the reasonable discretion of the Board, are reasonably commensurate with the scope of the violation committed by the Member.

**3.6 Purchase of Memberships by Association.** The Association shall not purchase the Membership of any Member.

## ARTICLE 4

### MEETINGS OF MEMBERS

**4.1 Place of Members' Meetings.** Meetings of the Members will be held within 20 miles of the Property boundaries.

**4.2 Annual Meetings of Members.** Annual meetings of the Members will be held each year beginning in December of 2001 on the day and at the time of day fixed in accordance with a resolution of the Board and specified in the notice of meeting. The annual meetings will be held to transact the business that properly comes before the meeting.

**4.3 Special Meetings of Members.** Special meetings of the Members may be called by the Board, the President of the Association, or by the Members holding not less than 20% of the total votes in the Association. Subject to any limitations under Colorado law, the types of business that may be transacted at a special meeting of the Members shall not be limited to business within the purpose or purposes described in the notice of such meeting.

**4.4 Record Date.** For the purpose of determining the Members entitled to notice of, or to vote at, any meeting of the Members, or for the purpose of determining such Members for any other proper purpose, the Board may fix in advance a future date as the record date for any determination of the Members. The record date may not be more than 70 days prior to the meeting of the Members or the event requiring a determination of the Members.

**4.5 Notice of Members' Meetings.** Written notice of any meeting of the Members will be delivered not less than 10 nor more than 50 days before the date of the meeting, either personally or by first class or registered mail to each Member entitled to vote at the meeting. The notice of any meeting will state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes and any proposal to remove a member of the Board. If mailed, the notice will be deemed to be delivered 5 business days after it is deposited in the United States mail, first-class postage prepaid, addressed to the Member at the mailing address for the Member appearing in the Association's records, or if the Member has not furnished a mailing address to the Association, then to the mailing address of the Member's Lot.

**4.6 Proxies.**

(a) In addition to the appointment of an Authorized Representative pursuant to Section 3.2 of these Bylaws, a Member (including an Authorized Representative) that is entitled to vote may vote in person or by proxy if the proxy is executed in writing by the Member and delivered (by hand, mail or fax) to the secretary of the meeting prior to the time the proxy is exercised. A Member may appoint a proxy by signing an appointment form, either personally or by the Member's attorney-in-fact, or by transmitting or authorizing the transmission of an electronic transmission providing a written statement of the appointment to the proxy or other person duly authorized by the



proxy to receive appointments as agent for the proxy or to the Association, except that the transmitted appointment shall set forth or be transmitted with written evidence from which it can be determined that the Member transmitted or authorized the transmission of the appointment.

(b) A proxy may be revoked by a written revocation filed with the chairman of the meeting prior to the time the proxy is exercised or by voting in person. A proxy automatically ceases upon a change in the ownership of the Membership on the Association's books. No proxy is valid after 11 months from the date of its execution unless otherwise provided in the proxy appointment form. Any form of proxy or written ballot furnished or solicited by the Association will afford an opportunity for the Members to specify on the form 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 will provide, subject to reasonably specified conditions, that if a Member specifies a choice with respect to any matter, the vote will be cast in accordance with the Member's choice.

**4.7 Quorum at Members' Meeting.** The presence at a meeting of the Members, in person or by proxy, of Members entitled to cast twenty percent (20%) of the votes in the Association that may be cast on a matter that comes before the meeting constitutes a quorum at any meeting of the Members concerning that matter. The Members present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding that some of the Members withdraw, leaving less than a quorum.

**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, after the date set for the original meeting. At any adjourned meeting held without notice other than announcement at the meeting, the quorum requirement may 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. Notwithstanding the foregoing, if the adjourned meeting is set for a date that is more than 120 days after the record date initially fixed for the meeting pursuant to Section 4.4 of these Bylaws, then notice of the adjourned meeting (pursuant to Section 4.5 of these Bylaws) must be given to the Members of record as of the new record date fixed for such adjourned meeting pursuant to Section 4.4 of these Bylaws.

**4.9 Vote Required at Members' Meeting.** At any meeting of the Members called and held in accordance with these Bylaws, if a quorum is present, action on a matter other than the election of Directors is approved if the votes cast favoring the action exceed the votes cast opposing the action, unless a different percentage is required by law or by the Community Instruments, in which case the different requirement controls. There shall be no cumulative voting for Directors or for any other action considered by the Members.

**4.10 Officers of Meetings.** At any meeting of the Members, the President of the Association will act as chairman.

**4.11 Expenses of Meetings.** The Association will bear the expenses of all annual and special meetings of the Members.

**4.12 Waiver of Notice.** A waiver of notice of any meeting of the Members, signed by a Member, whether before or after the meeting, is equivalent to giving notice of the meeting to the Member. Attendance of a Member at a meeting, either in person or by proxy, constitutes waiver of notice of the 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.

**4.13 Action of Members Without a Meeting.** Any action required to be taken or which may be taken at a meeting of the Members may be taken without a meeting if a written consent setting forth the action taken is signed by all of the Members, including any Multiple Owners, entitled to vote on the subject matter of the action. In order for any action taken without a meeting to be effective, the written consent of all Members entitled to vote on the subject matter of the action must be received by the Association within 60 days after the earliest date upon which the Association received any such written consent. Action taken without a meeting shall be effective when the last written consent necessary to effect the action is received by the Association (the "Effective Date"), unless the written consents set forth a different Effective Date. Any Member submitting a written consent under this Section 4.13 may revoke such consent by a writing signed and dated by the Member describing the action and stating that the Member's prior consent thereto is revoked, provided that such writing is received by the Association before the Effective Date. The record date for determining Members entitled to take action without a meeting or to receive notice of such action shall be the date that the first written consent concerning the action is received by the Association.

**4.14 No Action of Members by Mail Ballot.** Notwithstanding anything to the contrary contained in Section 4.13 above, the Members shall not be permitted to take any action by mail ballot in lieu of a meeting of the Members.

## ARTICLE 5

### BOARD OF DIRECTORS

**5.1 General Powers and Duties of Board.** The Board has the duty to manage and supervise the affairs of the Association and has all powers necessary or desirable to permit it to do so. Without limiting the generality of the previous sentence, the Board has the power to exercise or cause to be exercised for the Association, all of the powers, rights and authority of the Association not reserved to the Owners in the Community Instruments, the Nonprofit Act, or CCIOA. The Board may delegate any portion of its authority to an officer or manager of the Association. Notwithstanding the foregoing, the Board may not act on behalf of the Association to amend the Declaration, except as specifically provided in the Declaration, or to elect members of the Board or determine the qualifications, powers and duties, or terms of office of Board members, but the Board may fill vacancies in its membership for the unexpired portion of any term.

**5.2 Special Powers and Duties of Board.** Without limiting the general powers and duties set forth in Section 5.1 of these Bylaws, the Board has all of the powers and duties set forth in the Declaration.

**5.3 Limitation on Power to Institute Legal Proceedings.** Notwithstanding anything to the contrary contained herein, the Board shall not have the power to commence any judicial or administrative proceeding, including, without limitation, any form of alternative method of dispute resolution as required under Section 11.4 of the Declaration or brought to enforce a contract, lien, or the Declaration, without first obtaining the affirmative vote of Owners to whom are allocated at least 80% of the votes in the Association.

**5.4 General Standards of Conduct for Board Members and Officers.** To the extent not otherwise inconsistent with Colorado law, any Director and officer, in connection with the authority and powers granted to the Board and such officer by the Community Instruments or by any applicable law, including but not limited to, management, personnel, maintenance and operations, interpretation and enforcement of the Community Instruments, the development of rules and restrictions, insurance, contracts and finance, shall act in good faith, with such care as an ordinarily prudent person in a like position would use under similar circumstances, and in a manner that such Director or officer believes is in the best interests of the Association.

**5.5 Number, Qualification, Appointment, Election and Term of Directors.**

(a) The Board will consist of 3 Directors.

(b) Each Director, other than an initial Director named in the Articles, shall be a natural person who is 18 years of age or older and shall be an Owner or a designee of an Owner.

(c) The Board will elect the officers of the Association. Such Directors and officers will take office upon election. At each annual meeting of the Members, the Members will elect the persons who will serve as Directors until the end of the next annual meeting.

(d) The Directors shall serve staggered three year terms, except that one of the initial Directors shall be elected for a one year term, another initial Director shall be elected for a two year term, and the remaining initial Director shall be elected for a three year term. Each Director will serve until the earlier of the election and qualification of his or her successor, or his or her death, resignation or removal.

**5.6 Removal of Directors.** At any meeting of the Members called and held in accordance with these Bylaws at which a quorum is present, any Director may be removed, with or without cause, by the affirmative vote of Members entitled to cast 67% of the votes, present and voting either in person or by proxy, which may be cast in the election of that Director.

**5.7 Resignation of Directors.** 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 his or her resignation. Acceptance of a resignation is not necessary to make the resignation effective.

**5.8 Vacancies in Directors.** Any vacancy occurring in the position of an Director shall be filled by appointment of a new Director by the remaining Directors, or, if there are no remaining Directors, by the vote of the Members at a special meeting of the Members called for that purpose. The term of each Director appointed or elected pursuant to this Section shall run until the next annual meeting of the Members.

**5.9 No Committees.** The Board shall not create any committee having the authority of the Board.

**5.10 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 member of the Board, of any responsibility imposed upon the Board or such member 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.

**5.11 Manager or Managing Agent.**

(a) The Board, by resolution adopted by a majority of the Directors in office, may designate and appoint a manager, managing agent and/or other agent responsible for any of the affairs of the Association. The manager, managing agent and/or other agent will have and exercise those powers and will fulfill those duties of the Board as specified in the resolution, and may be the Declarant or an affiliate of Declarant.

(b) If those duties specified in the resolution delegate to any manager, managing agent or other agent any power relating to the collection, deposit, transfer or disbursement of Association funds, then such manager, managing agent and/or other agent shall (i) maintain fidelity insurance coverage or a bond in an amount not less than \$50,000.00, (ii) maintain all Association funds and accounts separate from the funds and accounts of other associations managed by such manager, managing agent or other agent, and maintain all reserve accounts of such other associations separate from the operational accounts of the Association, and (iii) prepare and provide to the Association an annual accounting and financial statement for the Association funds, which accounting and financial statement may be prepared by the manager, managing agent or other agent, a public accountant or a certified public accountant.

**5.12 Conflicting Interest Transactions.**

(a) No loans shall be made by the Association to the Directors or officers.

(b) No contract, transaction, or other financial relationship between the Association and a Director, or between the Association and a party related to a Director, or between the Association and an entity in which a Director of the Association is a director or officer or has a financial interest (a "Conflicting Interest Transaction") shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a Member or by or in the right of the Association, solely because the Conflicting Interest Transaction involves a Director of the Association or a

party related to a Director or an entity in which a Director of the Association is a director or officer or has a financial interest or solely because the Director is present at or participates in the meeting of the Association's Board that authorizes, approves, or ratifies the Conflicting Interest Transaction or solely because the Director's vote is counted for such purpose if: (i) the material facts as to the Director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Board, and the Board in good faith authorizes, approves, or ratifies the Conflicting Interest Transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors are less than a quorum; or (ii) the material facts as to the Director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Members entitled to vote thereon, and the Conflicting Interest Transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote thereon; or (iii) the Conflicting Interest Transaction is fair as to the Association. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board which authorizes, approves, or ratifies the Conflicting Interest Transaction.

**5.13 Limitations of Liability and Indemnification of Directors and Officers.**

(a) No Director or officer shall be liable for actions taken or omissions made in the performance of such Director's or officer's duties as such, except for wanton and willful acts or omissions.

(b) Subject to any applicable provisions of CCIOA, and without limiting the generality of Section 5.13(a) of these Bylaws, no Director shall have any personal liability to the Association or its Members for monetary damages for breach of fiduciary duty as a Director; except that the personal liability of such Director shall not be eliminated for: (i) any breach of the Director's duty of loyalty to the Association or its Members; (ii) acts or omissions by the Director not in good faith or that involve intentional misconduct or a knowing violation of the law; (iii) voting for or assenting to any unlawful distributions as defined under Section 7-128-403 of the Nonprofit Act, provided that the extent of liability for such vote or assent shall be determined pursuant to Section 7-128-403 of the Nonprofit Act; (iv) consenting to or participating in the making of any loan by the Association to any Director or officer, provided that the extent of liability for such consent or participation shall be determined pursuant to Section 7-128-501 of the Nonprofit Act; or (v) any transaction from which the Director directly or indirectly derived an improper personal benefit.

(c) No Director or officer shall be personally liable for any injury to person or property arising out of a tort committed by an employee of the Association unless such Director or officer was personally involved in the situation giving rise to the injury or unless such Director or officer committed a criminal offense in connection with such situation.

(d) Nothing contained in this Section 5.13 will be construed to deprive any Director of his or her right to all defenses ordinarily available to a director nor will

anything herein be construed to deprive any Director of any right he or she may have for contribution from any other Director or other person.

(e) The Association will indemnify, to the maximum extent permitted by law, any person made a party to a proceeding because such person is or was a Director of the Association against liability incurred in the proceeding and against reasonable expenses incurred by the person in connection with the proceeding. The Association further may, to the maximum extent permitted by law, purchase and maintain insurance on behalf of a person who is or was a director, officer, partner, member, manager, trustee, employee, fiduciary, or agent of another domestic or foreign corporation, nonprofit corporation, or other person or of an employee benefit plan, against liability asserted or incurred by the person in that capacity or arising from the person's status as a director, officer, employee, fiduciary, or agent.

## ARTICLE 6

### MEETINGS OF DIRECTORS

**6.1 Place of Directors' Meetings.** Meetings of the Board will be held within 20 miles of the Property boundaries.

**6.2 Annual Meeting of Directors.** Annual meetings of the Board will be held on the same date as, or within 10 days following, the annual meeting of the Members. The business conducted at the annual meeting of the Board will consist of the appointment of officers of the Association and the transaction of other business that properly comes before the meeting. No prior notice of the annual meeting of the Board is necessary if the meeting is held on the same day and at the same place as the annual meeting of the Members at which the Board is elected or if the time and place of the annual meeting of the Board is announced at the annual meeting of the Owners.

**6.3 Special Meetings of Directors.** Special meetings of the Board may be called by the President or a majority of the Directors.

**6.4 Notice of Directors' Meetings.** When notice is required for any meeting of the Board, notice stating the place, day and hour of the meeting will be delivered not less than 2 nor more than 50 days before the date of the meeting, by mail, facsimile, telephone or personally, by or at the direction of the persons calling the meeting, to each Director. If mailed, the notice will be deemed delivered 5 business days after it is deposited in the mail addressed to the Director at his or her home or business address as either appears in the records of the Association, with its first-class postage prepaid. If by facsimile, the notice will be deemed delivered when facsimile to the Director at his or her home or business facsimile number as either appears on the records of the Association. If by telephone, the notice will be deemed delivered when given by telephone to the Director or to any person answering the telephone who sounds competent and mature at the Director's home or business phone number as either appears on the records of the Association. If given personally, the notice will be deemed 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 the Director's 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 notice of such meeting.

**6.5 Proxies.** For purposes of determining a quorum of Directors with respect to a particular proposal, and for purposes of casting a vote for or against a particular proposal, a Director may be deemed to be present at a meeting and eligible to vote if the Director has granted a signed written proxy to another Director who is present at the meeting, authorizing the other Director to cast the vote that is directed to be cast by the written proxy with respect to the particular proposal that is described with reasonable specificity in the proxy.

**6.6 Quorum of Directors.** A majority of the number of Directors of the Board fixed in these Bylaws constitutes a quorum for the transaction of business.

**6.7 Adjournment of Director's Meetings.** The Directors present at any meeting of the Board may adjourn the meeting from time to time, after the date set for the original meeting. Notice of an adjourned meeting will be given to all Directors. At any adjourned meeting, the quorum requirement will 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.

**6.8 Vote Required at Directors' Meeting.** At any meeting of the Board, if a quorum is present, the affirmative vote of a majority (i.e., more than 50%) of the Directors present is necessary for the adoption of a matter, unless a greater proportion is required by law or the Community Instruments, in which case the greater requirement controls.

**6.9 Waiver of Notice.** A waiver of notice of any meeting of the Board, signed by a Director, whether before or after the meeting, is equivalent to giving notice of the meeting to the Director. Attendance of a Director at a meeting in person constitutes waiver of notice of the 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.

**6.10 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 all of the Directors consent in writing: (i) vote for such action by an affirmative vote of the majority of the Directors then in office; or (ii) vote against such action or abstain from voting, and waive the right to demand that action not be taken without a meeting. Such action taken without a meeting shall not be effective unless and until all such written consents necessary to effect the action, which have not been revoked as provided herein below, are received by the Association; except that the written consents may set forth a different effective date. Any Director who has signed and submitted a written consent pursuant to this Section 6.10 may revoke such written consent by a subsequent document signed and dated by the Director describing the action and stating that the Director's prior vote with respect thereto is revoked, if such document is received by the Association before the last written consent necessary to effect the action is received by the Association.

### **6.11 Meeting Attendance; Open Meetings; Executive Sessions.**

(a) The Board may permit any Director to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all persons participating may hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting.

(b) All regular and special meetings of the Board shall be open to attendance by all Members of the Association or their representatives. Agendas for meetings of the Board shall be made reasonably available for examination by all Members of the Association or their representatives.

(c) The Board may hold an executive or closed door session and may restrict attendance to Directors and such other persons requested by the Board during a regular or specially announced meeting or a part thereof. The matters to be discussed at such an executive session shall be limited to: (i) matters pertaining to employees of the Association 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 misconduct; (iv) matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure; or (v) any matter the disclosure of which would constitute an unwarranted invasion of individual privacy. No rule or regulation of the Board shall be adopted during an executive session.

## **ARTICLE 7**

### **OFFICERS**

**7.1 Officers, Employees and Agents.** The officers of the Association will consist of a President, one or more Vice Presidents, a Secretary, a Treasurer and other officers, assistant officers, employees and agents as the Board deems necessary. Any 2 or more offices may be held by the same person. Notwithstanding the foregoing, the President and the Secretary may not be the same person.

**7.2 Appointment and Term of Office of Officers.** Each officer will be appointed by the Board at its annual meeting and will hold office, subject to the pleasure of the Board, until the next annual meeting of the Board or until the officer's successor is 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 by the removal. The removal of an officer, employee or agent will be without prejudice to the contract rights, if any, of the officer, employee or agent removed. Election or appointment of an officer, employee or agent does not 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 his or her resignation. Acceptance of the resignation is not necessary to make the resignation effective.

**7.5 Vacancies in Officers.** Any vacancy occurring in any officer's position (other than vacancies resulting from the expiration of the officer's term of office) may be filled by appointment of a new officer by the President or the Board. An officer appointed to fill a vacancy will be appointed for the unexpired term of his or her predecessor in office.

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

**7.7 Vice President.** A Vice President may act in place of the President in case of his or her death, absence or inability to act, and will perform other duties and have authority as is from time to time delegated by the Board or by the President. The Board may appoint more than one Vice President.

**7.8 Secretary.** The Secretary will be the custodian of the records and the seal of the Association and will affix the seal to all documents requiring it; will prepare, execute, certify, and record amendments to the Declaration on behalf of the Association; will 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, other documents and all records required to be kept by the Association under Section 8.3 of these Bylaws are properly kept and filed; will take or cause to be taken and will keep minutes of the meetings of the Members and of the Board; will keep at the principal office of the Association a record of the names and addresses of the Members and the Authorized Representative(s), if any, of each Member; and, in general, will perform all duties incident to the office of Secretary and other duties as may, from time to time, be assigned to him or her 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 inaction.

**7.9 Treasurer.** The Treasurer will have charge and custody of, and be responsible for, all funds and securities of the Association in depositories designated by the Board; will keep or cause to be kept correct and complete financial records and books of account and records of financial transactions and condition of the Association and will submit reports of them as the Board requires from time to time; and, in general, will perform all the duties incident to the office of Treasurer and other duties as may from time to time be assigned to him or her 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.

**7.10 Authority of Officers to Amend Bylaws.** Subject to Section 8.1, the President and, in the President's absence or unavailability, any Vice President, may prepare, execute, certify, and record amendments to the Bylaws on behalf of the Association.

## ARTICLE 8

### MISCELLANEOUS

**8.1 Amendment of Bylaws.** Except as otherwise provided by the Nonprofit Act, the Board, by an affirmative vote of a majority of the Directors, may alter, amend or repeal these Bylaws or adopt new Bylaws; however, the Board may not amend Section 4.7, 4.9 or 5.9 of these Bylaws. The Members may also amend the Bylaws, subject to the same limitations on amendments set forth in this Section 8.1 and any other limitations set forth in the Nonprofit Act. The Bylaws may contain any provision for the regulation or management of the affairs of the Association not inconsistent with the Declaration, the Articles, the Nonprofit Act, or CCIOA.

**8.2 Compensation of Officers, Directors and Members.** No Director may receive any compensation from the Association for serving on the Board except for reimbursement of expenses approved by resolution of disinterested Directors. Officers, agents and employees of the Association will receive reasonable compensation, if any, approved by the Board. Appointment of a person as an officer, agent or employee does not, itself, create any right to compensation.

**8.3 Books and Records.**

(a) The Association will keep as permanent records, in written form or in another form capable of conversion into written form within a reasonable time, minutes of all meetings of its Members and the Board, a record of all actions taken by the Members or the Board without a meeting, and a record of all waivers of notices of meetings of Members and of the Board. In addition, the Association or its agent shall maintain at its principal office: (i) appropriate accounting records; (ii) a record of its Members and any Authorized Representatives in a form that permits preparation of a list of the name and address of all Members and any Authorized Representatives in alphabetical order, by class, showing the number of votes each Member is entitled to vote; (iii) copies of: (A) the Declaration (B) the Articles; (C) the Rules; (D) the Bylaws; (E) resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Members or any class or category of Members; (F) the minutes of all Members' meetings, and records of all action taken by Members without a meeting, for the past 3 years; (G) all written communications within the past three years to Members generally as Members; (H) a list of the names and business or home addresses of its current Directors and officers; (I) a copy of its most recent corporate report delivered to the secretary of state under Section 7-136-107 of the Nonprofit Act; and (J) all financial statements prepared for periods ending during the last 3 years that a Member could request under Section 7-136-106 of the Nonprofit Act.

(b) Subject to the allowances and limitations set forth in Sections 7-136-102 and 7-136-103 of the Nonprofit Act, any Member, Member's agent, or holder, insurer or guarantor of a first mortgage secured by a Lot may inspect and copy during regular business hours at the Association's principal office, for any proper purpose, the records of the Association.

(c) The Board will cause to be prepared annually a report with respect to the financial condition of the Association consisting of a balance sheet as of the end of the preceding Fiscal Year and an operating (income) statement for such Fiscal Year. Such annual report will be audited by an independent certified public accountant. A copy of such annual report shall be made available to each Owner, and to the holder, insurer or guarantor of any first mortgage that is secured by a Lot, within a reasonable amount of time after the submission of a written request therefor, and no later than 120 days after the close of each Fiscal Year.

**8.4 Biennial Corporate Reports.** The Association will file with the Secretary of State of Colorado biennial corporate reports on the forms prescribed and furnished by the Secretary of State. The Association will file the reports within the time and containing the information required by law. The Association will pay fees for the filing as prescribed by law.

**8.5 Fiscal Year.** The Association's fiscal year will be designated by the Board.

**8.6 Seal.** The Board may adopt a seal on which is inscribed the name of the Association and the words "SEAL" and "COLORADO."

**8.7 Shares of Stock and Dividends Prohibited.**

(a) The Association may not have or issue shares of stock, and may not pay any dividend or distribute any part of the Association's income or profit to its Members, Board or officers.

(b) Notwithstanding Section 8.7(a), the Association may issue certificates evidencing Membership, may confer benefits upon its Members conforming with its purposes, and, upon dissolution or final liquidation, may make distributions as permitted by law. No such payment, benefit or distribution will be deemed to be a dividend or distribution of income or profit.

**8.8 Minutes and Presumptions Thereunder.** Minutes or any similar records of the meetings of the Members or the Board, when signed by the Secretary or acting Secretary of the meeting, are presumed to truthfully evidence the matters set forth in the minutes or records. A recitation in any such minutes that notice of the meeting was properly given is prima facie evidence that the notice was given.

The above Bylaws of Red Sky Ranch Association, a Colorado nonprofit corporation, have been duly adopted this 29<sup>th</sup> day of November, 2001, by the undersigned initial directors.



Mark Thorne



Richard D. MacCutcheon



Alex Iskenderian

**AMENDMENT TO BYLAWS  
OF  
RED SKY RANCH ASSOCIATION**

In accordance with Section 8.1 of the Bylaws of Red Sky Ranch Association, a nonprofit corporation organized and existing under the laws of the State of Colorado (the "Association"), the Board of Directors has unanimously approved this Amendment to Bylaws of the Association (the "Amendment") by written action effective November 27, 2007, as follows: —

1. The number of Directors of the Association is hereby increased to five (5), effective as of the date of the 2007 annual meeting of the Members of the Association. Therefore, Section 5.5(a) of the Bylaws of the Association is amended to read in its entirety as follows: "The Board will consist of 3 Directors until the date of the 2007 annual meeting of the Members of the Association, and thereafter the Board will consist of 5 Directors. Upon election of the new board members at the 2007 annual meeting of the Members and in order to comply with the provisions of Section 5.5(d) regarding staggered 3-year terms, the Executive Board will determine among itself the terms of the directors such that no more than two (2) directors' terms expire in any one year."
2. Section 5.5(c) of the Bylaws of the Association is amended by deleting the second and third sentences and replacing them with the following:  
  
‘At each annual meeting of the Members, the Members will elect the persons who will serve as Directors. The Members will be entitled to elect as many Directors as there are vacancies on the Board. Such Directors and officers will take office upon election.’
3. Section 5.5(d) is amended by inserting the following after the first sentence:  
  
‘The Board shall assign terms to any additional initial Directors.’

Except as amended by this Amendment, the Bylaws of the Association shall remain in full force and effect.

Dated to be effective as of November 27, 2007.

**RED SKY RANCH ASSOCIATION**

**WRITTEN ACTION BY BOARD OF DIRECTORS**

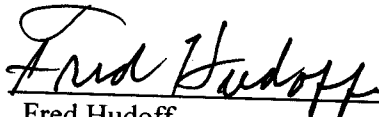
The undersigned, being all the directors of Red Sky Ranch Association, a Colorado nonprofit corporation (the "Association"), hereby approve and adopt the following resolutions pursuant to the Colorado Revised Nonprofit Corporation Act:

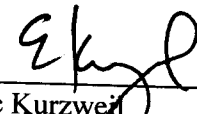
Adoption of Amendment to Bylaws

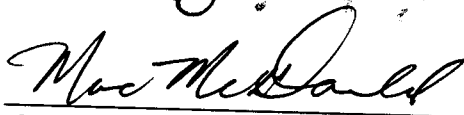
RESOLVED, that the Amendment to Bylaws of the Association attached to this Written Action be, and it hereby is, approved, ratified and confirmed in all respects.

FURTHER RESOLVED, that the proper officers of the Association are hereby authorized, empowered and directed to do and perform any and all acts and deeds necessary or desirable to carry out the foregoing resolutions.

IN WITNESS WHEREOF, we have hereunto subscribed our names as of the 27th day of November, 2007.

  
\_\_\_\_\_  
Fred Hudoff

  
\_\_\_\_\_  
Eric Kurzweil

  
\_\_\_\_\_  
Mac McDonald


**CERTIFICATION**

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of Red Sky Ranch Association, a Colorado nonprofit corporation; and

That the foregoing Amendment to Bylaws of Red Sky Ranch Association was duly and unanimously adopted by the Board of Directors of the Association by written action effective as of November 27, 2007.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 21<sup>st</sup> day of December, 2007.

  
\_\_\_\_\_  
MTC McDONALD, Secretary