

“If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates State and Federal Fair Housing Laws and is void. Any person holding an interest in this property may request that the county recorder remove the restrictive covenant language pursuant to subdivision (c) of Section 12956.1 of the Government Code.”



EXHIBIT C

BY-LAWS OF THE
MOUNTAIN SHADOWS NORTH HOMEOWNERS ASSOCIATION

1. **GENERAL.**

1.1 **Purpose of Bylaws.** These bylaws ("Bylaws") are adopted for the regulation and management of the affairs of Mountain Shadows North Homeowners Association, Inc. (the "Association"). The Association has been organized as a Colorado nonprofit corporation under the Colorado Revised Nonprofit Corporation Act, Colorado Revised Statutes 7-121-101 et seq. as amended (the "Nonprofit Act"), to act as the Association under the Declaration of Covenants, Conditions, Easements and Restrictions of Mountain Shadows North Homeowners Association (the "Declaration"). The Declaration has been executed by Neumann Homes of Colorado LLC, a Colorado limited liability company. The Declaration relates to real property in the County of Weld, State of Colorado, which is subject to the Declaration.

1.2 **Terms Defined in the Declaration.** Capitalized terms used in these Bylaws which are defined in the Declaration 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 Nonprofit Act, the Colorado Common Interest Ownership Act, Colorado Revised Statutes 38-33.3-101 et seq. as amended (the "Common Interest Act"), the Declaration and the Articles of Incorporation of the Association filed with the Secretary of State of Colorado, as any of the foregoing may be amended from time to time. To the extent there is any conflict between these Bylaws and the Declaration, the Declaration shall control.

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, until further notice, the principal office of the Association shall be located at 5670 Greenwood Plaza Boulevard, Suite 115, Greenwood Village, CO 80111.

2.2 **Registered Office and Agent.** The Nonprofit Act requires that the Association 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 Incorporation but may be changed by the Association at any time, without amendment to the Articles of Incorporation, by filing a statement as specified by law in the Office of the Secretary of State of Colorado.

3. **MEMBERS.**

3.1 **Members.** A "Member" of the Association, shall mean and refer to any person or entity who holds membership in the Association, including Declarant.

3.2 **Memberships Appurtenant to Lots.** Membership in the Association is appurtenant to the Lot of an Owner and the ownership of such membership shall automatically pass with the conveyance of title to the Lot. Members shall be entitled to the benefits, and subject to the burdens relating to membership in the Association. Membership in the Association shall not be assignable separate and apart from title to a Lot, except as may be expressly permitted in the Declaration.

3.3 **Voting Rights of Members.** The Owner of a Lot shall be entitled to cast one (1) vote in all matters requiring or permitting a vote of Members or Owners.

3.4 **Voting by Joint Owners.** If there is more than one person who constitutes the Owner of a Lot, all Owners shall be entitled to attend any meeting of Members, but the voting power attributable to the Lot shall not be increased. In all cases in which more than one person constitutes the Owner of a Lot, including instances in which a Lot is owned by joint tenants or tenants in common or a Lot has been subdivided, only one such person shall be entitled to cast, in person or by proxy, the vote attributable to the Lot. If more than one person constituting such Owner attends a meeting in person or by proxy, then such Owners shall designate one person to vote on behalf of such Owners, and the vote of such person shall be the vote attributable to such Lot.

3.5 **Voting Disputes.** No dispute as to the entitlement of any Member to vote shall postpone or delay any vote for which a meeting of Members has been duly called pursuant to the provisions of these Bylaws and at which a quorum is present.

3.6 **Determination of Member Voting Percentage.** Any provision contained herein requiring the approval of a requisite percentage of Members of the Association shall be deemed satisfied when the requisite percentage of Members entitled to vote has been met, or in the case of provisions requiring unanimous consent, when all Members entitled to vote approve the action or, through a failure to act after appropriate notice, have been deemed to have approved the action.

3.7 **Transfer of Memberships on Association Books.** Transfers of membership in the Association 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, including the rights to vote and to receive notice.

4. **MEETINGS OF MEMBERS.**

4.1 **Place of Members' Meetings.** Meetings of Members shall be held at the principal office of the Association or at such other place 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 January of each year beginning in 2003 on such day and at such time of day as is fixed by the Board of Directors and specified in the notice of meeting. The annual meetings shall be held to transact such business as may properly come before the meeting.

4.3 **Special Meetings of Members.** Special meetings of the Members may be called by the Board of Directors of the Association, the president of the Association or by Members holding not less than sixty percent (60%) of the total votes of all Members entitled to vote. No business shall be transacted at a special meeting of Members except as indicated in the notice thereof.

4.4 **Record Date.** For the purpose of determining Members entitled to notice of, or to vote at, any meeting of Members or in order to make a determination of such Members for any other proper purpose, the Board of Directors of the Association may fix, in advance, a date as the record date for any such determination of Members. The record date shall be not more than 50 days prior to the meeting of Members or the event requiring a determination of Members.

4.5 **Notice of Members' Meetings.** Written notice stating the place, day and hour of any meeting shall 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, by or at the direction of the President or the Secretary of the Association or the officers or persons calling the meeting, 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 including, but not limited to, the general nature of any proposed amendment to the Declaration or Bylaws, any General Budget changes, and any proposal to remove an officer or member of the Board of Directors. 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 when deposited in the United States mail addressed to the Member at his address as it appears on the records of the Association, with postage thereon prepaid. Such notice may be posted in a conspicuous place in the Project, such as on a notice board outside the principal office of the Association, and such notice shall be deemed to be delivered to any Member upon such posting if such Member has not furnished an address for mailing of notice to the Association.

4.6 **Proxies.** A Member entitled to vote may vote in person or by proxy executed in writing by the Member or his duly authorized attorney-in-fact and filed with the chairman of the meeting prior to the time the proxy is exercised. Any proxy may be revocable by attendance of a Member in person at a meeting or by revocation in writing filed with the chairman of the meeting prior to the time the proxy is exercised. A proxy shall automatically cease upon the conveyance by a Member of the Lot of the Member and the transfer of the membership on the books of the Association. No proxy shall be valid: (a) 60 days after the date of its execution unless otherwise provided in the proxy; and in any event, for no more than 11 months after the date of its execution; (b) unless the signatures of the Members providing the proxy are notarized; (c) unless the proxy contains the signature of all Members entitled to vote such interest; and (d) unless the proxy states the specific purpose and the specific meeting for which it was granted. Any form of proxy furnished or solicited by the Association and any form of written ballot furnished by the Association shall afford an opportunity thereon for 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' Meetings.** 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 Members entitled to cast at least sixty percent (60%) of the votes of all Members entitled to vote shall constitute a quorum at any meeting of 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.

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 shall be present in person or by proxy, without notice other than announcement at the meeting, for a total period or periods of not to exceed 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' Meetings.** At any meeting of Members, if a quorum is present, a majority 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; provided, however, that a failure to vote at a meeting shall be deemed approval of the matter.

4.10 **Order of Business.** The order of business at any meeting of 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 **Chairman of Meetings.** At any meeting of Members, the President shall serve as chairman of the meeting and shall select a person to serve as secretary of the meeting.

4.12 **Expenses of Meetings.** The Association shall bear the expenses of holding all annual meetings of Members and of special meetings of Members. The Association shall not bear the expenses of Members' travel to the meetings.

4.13 **Waiver of Notice.** A waiver of notice of any meeting of 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 by 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 to be taken or which may be taken at a meeting of Members, including at the annual meeting, 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 thereof.

5. **BOARD OF DIRECTORS.**

5.1 **General Powers and Duties of Board.** The Board of Directors 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 of Directors shall have 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 Members and provided in the Declaration, the Articles of Incorporation, these Bylaws, the Nonprofit Act or the Common Interest Act, as the same may be amended from time to time. The Board of Directors shall have the power to delegate any of its powers to a committee of the Board, to a professional property management company, to an on-site manager, or to any other managing agent.

5.1.1 If the Association delegates powers of the Board of Directors or Officers relating to the collection, deposit, transfer or disbursement of Association funds to other persons or to a managing agent, then the Association shall require (i) that the other persons or managing agent maintain fidelity insurance coverage or a bond in an amount not less than fifty thousand dollars (\$50,000.00) or such higher amount as the Board of Directors may require, (ii) that the other persons or managing agent maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the other persons or managing agent and maintain all reserve accounts of each association so managed separate from operational accounts of the association and (iii) that an annual accounting for Association funds and a financial statement be prepared and presented to the Association by the managing agent, a public accountant or a certified public accountant.

5.2 **Qualifications of Directors.** A Director may be any natural person and need not be 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.

5.3 **Number of Directors.** The number of Directors of the Association shall be five. The initial Directors shall be appointed by the incorporator.

5.4 **Term.** The term for each Director shall be three (3) years, unless a Director resigns or is removed.

5.5 **Removal of Directors.** Any Director may be removed by a sixty (60%) vote by the Owners, with or without cause.

5.6 **Resignation of Directors.** Any Director may resign at any time by giving written notice to the Board of Directors and to the Owners who appointed such Director stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective.

5.7 **Vacancies** Any vacancy occurring in the Board of Directors shall be filled by the Owners. A Director appointed to fill a vacancy shall be appointed for the unexpired term of his or her predecessor in office.



6. **MEETINGS OF DIRECTORS.**

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

6.2 **Annual Meeting of Directors.** Annual meetings of the Board of Directors shall be held on the same date as, or within 10 days following, the annual meeting of Members. The business to be conducted at the annual meeting of Directors 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 of Directors shall be necessary if the meeting is held on the same day and at the same place as the annual meeting of Members at which the Board of Directors is elected or if the time and place of the annual meeting of the Board of Directors is announced at the annual meeting of such Members.

6.3 **Other Regular Meetings of Directors.** The Board of Directors may hold regular meetings quarterly or on such schedule as the Board of Directors may determine, 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.

6.4 **Special Meetings of Directors.** Special meetings of the Board of Directors may be called by the President or any two members of the Board of Directors.

6.5 **Notice of Directors' Meetings.** In the case of all meetings of Directors for which notice is required, notice stating the place, day and hour of the meeting shall be delivered not less than nor more than twenty (20) days before the date of the meeting, by first class mail, telephone or personally, by or at the direction of the persons calling the meeting, to each member of the Board of Directors. If mailed, such notice shall be deemed to be delivered at 5:00 p.m. on the second business day after it is deposited in the mail addressed to the Director at his home or business address as either appears on the records of the Association, with postage thereon prepaid. If by telephone, such notice shall be deemed to be delivered when given by telephone to the Director. 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. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of such meeting.

6.6 **Quorum of Directors.** Three Directors shall constitute a quorum for the transaction of business.

6.7 **Proxies.** A Director shall be entitled to vote by written proxy to another Director at a meeting of the Board of Directors.

6.8 **Adjournment of Director's Meetings.** Directors present at any meeting of Directors 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 or periods not to exceed 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 Directors, if a quorum is present, a majority of the votes present in person or by proxy and entitled to be cast in 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.

6.10 Order of Business. The order of business at all meetings of Directors 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 if any; (f) unfinished business; and (g) new business.

6.11 Officers at Meetings. The President shall act as chairman and shall select a Director to act as secretary at all meetings of Directors.

6.12 Waiver of Notice. A waiver of notice of any meeting of the Board of Directors, 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 convened.

6.13 Action of Directors Without a Meeting. Any action required to be taken or which may be taken at a meeting of Directors, may be taken without a meeting if (i) a consent in writing, setting forth the action so taken, shall be signed by a majority of the Directors, (ii) such written consent is provided to the Association within sixty (60) days and (iii) notice of such action is promptly given to those Directors which did not partake in the action.

7. OFFICERS.

7.1 Officers, Employees, Agents and Manager. The officers of the Association shall consist of a "President", a "Secretary", a "Treasurer" and such other officers, assistant officers, employees and agents as may be deemed necessary by the Board of Directors (collectively "Officers"). In addition, the Board by a majority vote may designate a manager in accordance with the Declaration. The President and Vice President shall be Directors but the Secretary, Treasurer and other Officers need not be Directors. A person may hold more than one office, except no person shall simultaneously hold the offices of President and Vice President.

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

7.3 Removal of Officers. Any Officer, employee or agent may be removed by the Board of Directors, 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 of Directors of the Association 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 of Directors. An Officer appointed to fill a vacancy shall be appointed for the unexpired term of his/her predecessor in office.

7.6 President. The President shall be the principal executive officer of the Association and, subject to the control of the Board of Directors, shall direct, supervise, coordinate and have general control over the affairs of the Association, and shall have the powers generally attributable to the chief executive officer of a corporation. The President shall preside at all meetings of the Board of Directors. The President may prepare, execute, certify and record any amendment to the Declaration on behalf of the Association.

7.7 Vice President. The Vice President, if any, may act in place of the President in case of the President's 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 of Directors 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 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 Members, of the Board of Directors and of committees of the Board; shall keep at the principal office of the Association a record of the names and addresses of the Members; 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 the Secretary by the Board of Directors or by the President. The Board may appoint one or more Assistant Secretaries who may act in place of the Secretary in case of the Secretary's 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; shall deposit all such funds in the name of the Association in such depositories as shall be designated by the Board of Directors; 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 of Directors may, from time to time, require; 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 the Treasurer by the Board of Directors or by the President. The Board may appoint one or more Assistant Treasurers who may act in place of the Treasurer in case of the Treasurer's death, absence or inability to act.

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. "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.

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/her to the fullest extent provided by law. 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.

8.3 **Indemnification Prohibited.** 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, in which the party 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 required 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 8.3 or whether or not the party met the applicable standards of conduct set forth above 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 Nonprofit Act.

8.4 **Prior Authorization Required.** Any indemnification under Section 8.2 (unless ordered by a court or in accordance with Section 8.5 below) 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 above 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 of Directors by a majority vote of such Board, or by such other person or body as permitted by law. A Director who is a party to the subject Proceeding shall not be entitled to vote on such matter.

8.5 **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.

8.6 Advancement of Expenses. The Association may, but shall not be obligated to, pay for or reimburse the Expenses, or a portion thereof, incurred by a party in advance of the final disposition of the Proceeding if (a) the party furnishes the Association a written affirmation of such party's good faith belief that he or she has met the standard of conduct described above; (b) the party furnishes the Association a written undertaking, executed personally or on behalf of such party, to repay the advance if it is ultimately determined that the party did not meet such standard of conduct; and (c) authorization of payment and a determination that the facts then known to those making the determination would not preclude indemnification under this Article to have been made in the manner provided in Section 8.4. The undertaking required by clause (b) must be an unlimited general obligation of the party, but need not be secured and may be accepted without reference to financial ability to make repayment.

8.7 Payment Procedures. The Association shall promptly act upon any request for indemnification, which request must be in writing and accompanied by the order of 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 8.5 in the case of indemnification under Section 8.6. The right to indemnification and advances granted by this Article 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 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.

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

8.9 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 or her or incurred by such party 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.

8.10 Right to Impose Conditions to Indemnification. The Association shall have the right to impose, as conditions to any indemnification provided or permitted in this Article, such reasonable requirements and conditions as may appear appropriate to the Board of Directors 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.

8.11 Other Rights and Remedies. The indemnification provided by this Article 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 Members or Board of Directors, agreement, or otherwise.\

8.12 Applicability; Effect. The indemnification provided in this Article shall be applicable to acts or omissions that occurred prior to the adoption of this Articles, and shall continue as to any party entitled to indemnification under this Article who has ceased to be a Director, officer, or employee of the Association. The repeal or amendment of this Article 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 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 repeal or amendment. All rights to indemnification under this Article shall be deemed to be provided by a contract between the Association and each party covered hereby.

8.13 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 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.

8.14 Savings Clause; Limitation. If this Article or any Section or provision hereof shall be invalidated by any court on any ground, or if the Nonprofit Act is amended in such a way as to affect this Article, 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 that shall not have been invalidated.

9. MISCELLANEOUS.

9.1 Amendment of Bylaws. The Board of Directors shall not have the power to alter, amend or repeal these Bylaws or to adopt new Bylaws. The 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 unanimous vote of the Members. 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 of Incorporation.

9.2 Compensation of Officers, Directors, Members and Managers. No Director, Officer, Member or manager shall have the right to receive any compensation from the Association for serving in such capacity except for reimbursement of expenses as may be approved by resolution, and the manager shall be entitled to recover the manager's actual, reasonable out-of-pocket expenses related to the performance of duties as manager.



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 Members, including Declarant, and copies of the Declaration, 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, Bylaws as amended, and minutes of meetings Members and Directors may be inspected by any Member, or his agent or attorney, and any First Mortgagee of a Member 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 and distributed to each Member and to each First Mortgagee who has filed a written request therefor, not later than 90 days after the close of each fiscal year of the Association, an annual report of the Association containing (a) an income statement reflecting income and expenditures of the Association for such fiscal year; (b) a balance sheet as of the end of such fiscal year; (c) a statement of changes in financial position for such fiscal year; and (d) 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 Members, may be found. The financial statements of the Association shall be reviewed by an independent public accountant and a report based upon such review shall be included in the annual report.

9.5 **Statement of Account.** 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, the Owner and the amount of the assessments for the current fiscal period of the Association payable with respect to the Lot. Such statement shall be issued within fourteen (14) business days after receipt of such request by the Association and, with respect to the party to whom it is issued, shall 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. The Board of Directors may establish a reasonable fee for preparation of such statements.

9.6 **Corporate Reports.** The Association shall file with the Secretary of State of Colorado, within the time prescribed by law, 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 of Directors 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 not have or 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, 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 of Incorporation and Declaration, the Association, the Board of Directors, Declarant, and any Member, agent or employee of any of the same, shall not be liable to any person for any action or for any failure to act unless the action was taken in bad faith or was the result of gross negligence.

9.12 Special Rights of First Mortgagees. Each First Mortgagee shall receive 30 days advance notice of any proposed material amendment to the Declaration or the Condominium Map, which notice shall include a copy of the proposed change. Any First Mortgagee being served with such notice shall be deemed to have approved such change as proposed unless it states in a timely written response to the Association its objections or comments relative to such proposed change.

Any First Mortgagee shall, upon written request and payment of a reasonable fee therefor which may be charged by the Association: (i) be permitted to inspect the books and records of the Association during normal business hours; (ii) receive copies of the most recent annual financial statements of the Association as and when the same are available to the Owners hereunder; and (iii) receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

9.13 Minutes and Presumptions Thereunder. Minutes or any similar record of the meetings of Members, or of the Board of Directors, 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.

9.14 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 of Directors.

9.15 Execution of Documents. The Board of Directors, 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



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of Directors, 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.

[End of Bylaws]



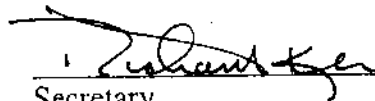
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CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of Mountain Shadows North Homeowners Association, Inc., a Colorado non-profit corporation ("Association"); and
2. The foregoing Bylaws, comprising 14 pages 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 this _____ day of _____, 2003.



 Secretary

(SEAL)