

BYLAWS
OF THE
VISTA POINTE TOWNHOME ASSOCIATION, INC.

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BYLAWS

OF THE

VISTA POINTE TOWNHOME ASSOCIATION, INC.

ARTICLE 1 - INTRODUCTION AND PURPOSES

Section 1.1 Introduction. These are the Bylaws of the Vista Pointe Townhome Association, Inc., which Association shall operate under the Colorado Nonprofit Corporation Act, as amended, and the Colorado Common Interest Ownership Act, as amended ("Act").

Section 1.2 Purposes. The purposes for which the Association was formed are to preserve and enhance the value of the properties of members and to govern the Common Interest Community and the Common Elements of the "Vista Pointe Townhomes," a Condominium Community situated in the County of Arapahoe, State of Colorado, as the Common Interest Community was created pursuant to the Declaration and map. Terms which are defined in the Declaration shall have the same meaning herein, unless defined otherwise in these Bylaws.

Section 1.3 Persons Subject to Bylaws. All present or future Owners, tenants, future tenants, guests or any person that might use or occupy, in any matter, the facilities within the Community, are subject to the terms and provisions of these Bylaws, and the other governing documents ("Documents") of the Community. The mere acquisition, rental or use of a Unit will signify that the Documents of the Community are acceptable, ratified and will be complied with.

ARTICLE 2 - BOARD

Section 2.1 Number and Qualification.

(a) The affairs of the Community and the Association shall be governed by an Executive Board which shall consist of three (3) persons. If any Unit is owned by a partnership, corporation, limited liability company or other entity, any officer, partner or employee of that Unit Owner shall be eligible to serve as a Director and shall be deemed to be a Unit Owner for the purposes of these Bylaws. At any meeting at which Directors are to be elected, the Owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the Colorado Nonprofit Corporation Act for conducting the elections.

(b) The terms of at least one-third (1/3) of the Directors shall expire annually.

(c) The Declaration shall govern appointment of Directors of the Executive Board during the period of Declarant control.

(d) The Executive Board shall elect the officers. The Directors and officers shall take office upon election.

Section 2.2 Powers and Duties. The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration and these Bylaws or the Act. The Executive Board shall have, subject to the limitations contained in the Declaration, and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Community, including the following powers and duties:

- (a) Adopt and amend Bylaws and Rules and Regulations;
- (b) Adopt and amend budgets for revenues, expenditures and reserves (subject to the budget being distributed to the Owners and not vetoed by the Owners at a meeting of the Owners);
- (c) Collect assessments for Common Expenses from Unit Owners;
- (d) Hire and discharge managing agents;
- (e) Hire and discharge employees, independent contractors and agents other than managing agents;
- (f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Declaration, Bylaws or Rules in the Association's name, on behalf of the Association or two (2) or more Unit Owners on matters affecting the Community;
- (g) Make contracts and incur liabilities;
- (h) Regulate the use, maintenance, repair, replacement and modification of Common Elements;
- (i) Cause additional improvements to be made as a part of the Common Elements;
- (j) Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to Section 312 of the Act;
- (k) Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions for no more than one (1) year, through or over the Common Elements;

(l) Impose and receive a payment, fee or charge for services provided to Unit Owners and for the use, rental or operation of the Common Elements other than Limited Common Elements described in Subsections 202(1)(b) and (d) of the Act;

(m) Impose a reasonable charge for late payment of assessments and, after notice and hearing, levy reasonable fines for a violation of the Declaration, Bylaws, Rules and Regulations of the Association;

(n) Impose a reasonable charge for the preparation and recording of amendments to the Declaration or statements of unpaid assessments;

(o) Provide for the indemnification of the Association's officers and the Executive Board and maintain directors' and officers' liability insurance;

(p) Suspend the voting rights of an Owner and/or an Owner's right to use any recreational or other facility during any period in which such Owner shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice, for a period not to exceed sixty (60) days for each infraction of any other provision of the Declaration, Articles, Bylaws or written Rules and Regulations;

(q) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors;

(r) Permit persons other than Owners or their tenants, guests and invitees to use any recreational facilities located on the Common Elements on a daily, monthly, seasonal or other basis for such fees as the Board may determine from time to time;

(s) Exercise any other powers conferred by the Declaration or Bylaws;

(t) Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;

(u) Exercise any other power necessary and proper for the governance and operation of the Association; and

(v) By resolution, establish committees of Directors, permanent and standing, to perform any of the above functions under specifically delegated administrative standards as designated in the resolution establishing the committee.

Section 2.3 Manager. The Executive Board may employ a manager for the Community, at a compensation established by the Executive Board, to perform duties and services authorized by the Executive Board. The Executive Board may delegate to the manager only the powers granted to the Executive Board by these Bylaws under Section 2.2, subdivisions (c), (e),

(g) and (h). Licenses, concessions and contracts may be executed by the manager pursuant to specific resolutions of the Executive Board and to fulfill the requirements of the budget. Regardless of any delegation to a manager or managing agent, the members of the Executive Board shall not be relieved of responsibilities under the Declaration, the Articles of Incorporation, these Bylaws or Colorado law.

Section 2.4 Limits on Delegation, Requirements for Association Funds and Financial Statements. Pursuant to the Colorado Common Interest Ownership Act, if the Association has thirty or more units and the Association delegates powers of the executive board or officers relating to collection, deposit, transfer, or disbursement of Association funds to other persons or to a manager or managing agent, the Association requires the following:

(a) 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 Executive Board may require;

(b) 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;

(c) 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.

Section 2.5 Removal of Directors. The Owners, by a vote of at least two-thirds (2/3) of the votes at any meeting of the Owners at which a quorum is present, may remove a Director, other than a Director appointed by Declarant, with or without cause, during that Director's term.

Section 2.6 Vacancies. Vacancies in the Executive Board, caused by any reason other than the removal of a Director by a vote of the Unit Owners, may be filled at a special meeting of the Executive Board held for that purpose at any time after the occurrence of the vacancy, even though the Directors present at that meeting may constitute less than a quorum. These appointments shall be subject to the reserved rights of Declarant to appoint Directors, unless those rights have expired, in which event, appointments shall be made by a majority of the remaining elected Directors constituting the Executive Board. Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 2.7 Regular Meetings. The first regular meeting of the Executive Board following each annual meeting of the Unit Owners shall be held within ten (10) days after the annual meeting at a time and place to be set by the Unit Owners at the meeting at which the Executive Board shall have been elected. No notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the Directors are

present. The Executive Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

Section 2.8 Special Meetings. Special meetings of the Executive Board may be called by the President or by a majority of the Directors on at least three (3) business days' notice to each Director. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting.

Section 2.9 Location of Meetings and Open Meetings. All meetings of the Executive Board shall be held within the Denver metropolitan area, unless all Directors consent in writing to another location. All meetings of the Executive Board shall be open to attendance by members, as provided by applicable Colorado law.

Section 2.10 Waiver of Notice. Any Director may waive notice of any meeting in writing. Attendance by a Director at any meeting of the Executive Board shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

Section 2.11 Quorum of Directors. At all meetings of the Executive Board, a majority of the Directors shall constitute a quorum for the transaction of business, unless there are less than three (3) directors, in which case, all directors must be present to constitute a quorum. At a meeting at which a quorum is present, the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute a decision of the Executive Board unless there are less than three (3) directors, in which case, unanimity of the directors is required to constitute a decision of the Executive Board. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting.

Section 2.12 Consent to Corporate Action. If all the Directors or all Directors of a committee established for such purposes, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of the Directors constitutes a quorum, that action shall be a valid corporate action as though it had been authorized at a meeting of the Executive Board or the committee, as the case may be. The secretary shall file these consents with the minutes of the meetings of the Executive Board.

Section 2.13 Telephone Communication in Lieu of Attendance. A Director may attend a meeting of the Executive Board by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Executive Board. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

Section 2.14 Compensation. No director shall receive any compensation from the Association for acting as such unless approved by a majority of the votes in the Association at a regular or special meeting of the Association. Any director may be reimbursed for expenses

incurred on behalf of the Association upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director, or any entity with which a director is affiliated, for services or supplies furnished to the Association in a capacity other than as a director pursuant to a contract or agreement with the Association, provided that such director's interest was made known to the Board prior to entering into such contract and such contract was approved by a majority of the Board of Directors, excluding the interested director.

ARTICLE 3 - OWNERS

Section 3.1 Membership. Ownership of a Unit is required in order to qualify for membership in this Association. Membership is more fully addressed in the Articles of Incorporation and the Declaration.

Section 3.2 Annual Meeting. Annual meetings of Owners shall be held during each of the Association's fiscal years, at such time of the year and date as determined by the Executive Board and set forth in the notice. At these meetings, the Directors shall be elected by ballot of the Owners, in accordance with the provisions of these Bylaws the Declaration and Articles of Incorporation. The Unit Owners may transact other business as may properly come before them at these meetings. Failure to hold an annual meeting shall not work a forfeiture or dissolution of the Association.

Section 3.3 Budget Meetings. Meetings of Unit Owners to consider proposed budgets shall be called in accordance with the Act. The "CCIOA budget" process allows a majority of the Owners (or a higher percentage, if set in the Declaration) to veto a budget adopted by the Executive Board. CCIOA's budget process to be followed is as follows: The Executive Board of the Association is to prepare and approve a budget at least annually. Each budget is to first be prepared and approved by the Executive Board. Then, within thirty (30) days after the Executive Board's adoption of the proposed budget, the Executive Board must mail or deliver a summary of the budget to all Owners and set a date for a special or annual meeting of the Owners to consider ratification of the budget. Typically, the budget meeting should be combined with the annual meeting. Notice for the meeting at which the budget will be considered by Owners must be mailed not less than fourteen (14) days nor more than sixty (60) days before the meeting. At the meeting, unless a majority of the Owners reject the budget, the budget is ratified. CCIOA does not require that a quorum of owners be present at the meeting, if the meeting is just a budget meeting, but does require a quorum if the meeting is also an annual meeting. In the event the proposed budget is rejected by a majority of Owners, the budget last ratified by the Owners is continued until such time as the owners ratify a subsequent budget proposed by the Executive Board.

Section 3.4 Special Meetings. Special meetings of the Association may be called by the president, by a majority of the members of the Executive Board or by Unit Owners comprising twenty percent (20%) of the votes in the Association.

Section 3.5 Place of Meetings. Meetings of the Unit Owners shall be held in the Community, or in the Denver metropolitan area, and may be adjourned to a suitable place convenient to the Owners, as may be designated by the Executive Board or the president.

Section 3.6 Notice of Meetings. The secretary or other officer specified in the Bylaws shall cause notice of meetings of the Unit Owners to be hand-delivered or sent prepaid by United States Mail to the mailing address of each Unit or to the mailing address designated in writing by the Unit Owner, not less than ten (10) nor more than fifty (50) days in advance of a meeting. At special meetings of the Owners, no action shall be adopted at a meeting except as stated in the notice.

Section 3.7 Waiver of Notice. Any Unit Owner may, at any time, waive notice of any meeting of the Unit Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

Section 3.8 Adjournment of Meeting. At any meeting of Unit Owners, a Majority of the Unit Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

Section 3.9 Order of Business. The order of business at all meetings of the Unit Owners shall be as follows:

- (a) Roll call (or check-in procedure);
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;
- (d) Reports;
- (e) Establish number and term of memberships of the Executive Board (if required and noticed);
- (f) Election of inspectors of election (when required);
- (g) Election of Directors of the Executive Board (when required);
- (h) Ratification of budget (if required and noticed);
- (i) Unfinished business; and
- (j) New business.

Section 3.10 Voting.

(a) If only one (1) of several owners of a Unit is present at a meeting of the Association, the owner present is entitled to cast all the votes allocated to the Unit. If more than one of the owners are present, the votes allocated to the Unit may be cast only in accordance with the agreement of a majority in interest of the owners. There is majority agreement if any one of the owners casts the votes allocated to the Unit without protest being made promptly to the person presiding over the meeting by another owner of the Unit.

(b) Votes allocated to a Unit may be cast under a proxy duly executed by a Unit Owner. If a Unit is owned by more than one (1) person, each owner of the Unit may vote or register protest to the casting of votes by the other owners of the Unit through a duly executed proxy. A Unit Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date, unless it specifies a shorter term.

(c) The vote of a partnership, corporation, limited liability company or other entity may be cast by any officer, partner, manager, employee or agent in the absence of express notice of the designation of a specific person by the Executive Board of directors or bylaws of the owning entity. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership, limited liability company or other entity is qualified to vote.

(d) Votes allocated to a Unit owned by the Association may not be cast.

Section 3.11 Quorum. Except as otherwise provided in these Bylaws, the Unit Owners present in person or by proxy at any meeting of Unit Owners, but no less than twenty percent (20%) of the members, shall constitute a quorum at that meeting.

Section 3.12 Majority Vote. The Vote of a majority of the votes present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Unit Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws, the Articles of Incorporation or by law.

Section 3.13 Unit Owner Addresses for Notices. Unless a Unit Owner shall have notified the Association by registered or certified mail of a different address, any notice required to be given, or otherwise given by the Association under these Bylaws to any Unit Owner or any other written instrument to be given to any Unit Owner, may be mailed to such Unit Owner in a postage prepaid envelope and mailed by first class, registered or certified mail to the address of the Unit shown upon the Association's records as being owned by such Unit Owner. If more than one (1) Unit Owner owns a particular Unit, then any notice or other written instrument may be addressed to all of such Owners and may be mailed in one envelope in accordance with the

foregoing. Any notice or other written instrument given by the Association in accordance with the foregoing will be deemed to have been given on the date that it is mailed.

Section 3.14 Rules at Meeting. The Board may prescribe reasonable rules for the conduct of all meetings of the Board and Unit Owners. In the absence of such rules, Robert's Rules of Order shall be used.

ARTICLE 4 - OFFICERS

Section 4.1 Designation. The principal officers of the Association shall be the president, the vice-president, the secretary and the treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an assistant treasurer, an assistant secretary and other officers as it finds necessary. The president and vice-president, but no other officers, need to be Directors. Any two (2) offices may be held by the same person, except the offices of president and secretary. The office of vice-president may be vacant.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Executive Board. They shall hold office at the pleasure of the Executive Board.

Section 4.3 Removal of Officers. Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Executive Board or at any special meeting of the Executive Board called for that purpose.

Section 4.4 President. The president shall be the chief executive officer of the Association. The president shall preside at all meetings of the Unit Owners and of the Executive Board. The president shall have all of the general powers and duties which are incident to the office of president of a nonprofit corporation organized under the laws of the State of Colorado, including but not limited to the power to appoint committees from among the Unit Owners from time to time as the president may decide is appropriate to assist in the conduct of the affairs of the Association. The president may fulfill the role of treasurer in the absence of the treasurer. The president may cause to be prepared and may execute amendments, attested by the secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5 Vice-President. The vice-president shall take the place of the president and perform the president's duties whenever the president is absent or unable to act. If neither the president nor the vice-president is able to act, the Executive Board shall appoint some other Director to act in the place of the president on an interim basis. The vice-president shall also perform other duties imposed by the Executive Board or by the president.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Unit Owners and the Executive Board. The secretary shall have charge of the Association's books and papers as the Executive Board may direct and shall perform all the duties incident to the office of secretary of a nonprofit corporation organized under the laws of the State of Colorado. The secretary may cause to be prepared and may attest to execution by the president of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.7 Treasurer. The treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Executive Board and shall perform all the duties incident to the office of treasurer of a nonprofit corporation organized under the laws of the State of Colorado. The treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Executive Board. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Executive Board decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the treasurer, and executed by two Directors, one of whom may be the treasurer if the treasurer is also a Director.

Section 4.8 Agreements, Contracts, Deeds, Checks, Etc. Except as provided in Sections 4.4, 4.6, 4.7, and 4.9 of these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any officer of the Association or by any other person or persons designated by the Executive Board.

Section 4.9 Statements of Unpaid Assessments. The treasurer, assistant treasurer, a manager employed by the Association, if any, or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments in accordance with Section 316 of the Act.

The Association may charge a reasonable fee for preparing statements of unpaid assessments. The amount of this fee and the time of payment shall be established by resolution of the Executive Board. Any unpaid fees may be assessed as a Common Expense against the Unit for which the certificate or statement is furnished.

Section 4.10 Compensation. Compensation of officers shall be subject to the same limitations as imposed in these Bylaws on compensation of directors.

ARTICLE 5 - ENFORCEMENT

Section 5.1 Abatement and Enjoinment of Violations by Unit Owners. The violation of any of the Rules and Regulations adopted by the Executive Board or the breach of any provision of the Governing Documents shall give the Executive Board the right, after notice and hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws:

(a) to enter the Unit or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Documents. The Executive Board shall not be deemed liable for any manner of trespass by this action; or

(b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

Section 5.2 Fines for Violation. By action of the Executive Board or its designee, following notice and hearing, reasonable fines may be levied per day for each day that a violation of the Governing Documents or Rules persists after notice and hearing, but this amount shall not exceed that amount necessary to insure compliance with the rule or order of the Executive Board.

ARTICLE 6 - INDEMNIFICATION

The Directors and officers of the Association shall have the liabilities, and be entitled to indemnification, as provided in Colorado Nonprofit Corporation Act, the provisions of which are incorporated by reference and made a part of this document.

ARTICLE 7 - RECORDS

Section 7.1 Records and Audits. The Association shall maintain financial records. The cost of any audit shall be a Common Expense.

Section 7.2 Examination. All records maintained by the Association or the Manager shall be available for examination and copying by any Unit Owner, any holder of a Security Interest in a Unit or its insurer or guarantor, or by any of their duly authorized agents or attorneys, at the expense of the person examining the records, during normal business hours and after reasonable notice.

Section 7.3 Records. The Association or its manager or managing agent, if any, may keep the following records:

- (a) An account for each Unit, which shall designate the name and address of each Unit Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage on the Unit, the amount of each Common Expense assessment, the dates on which each assessment comes due, the amounts paid on the account and the balance due;
- (b) An account for each Unit Owner showing any other fees payable by the Unit Owner;
- (c) A record of capital expenditures approved by the Executive Board;
- (d) A record of the amount and an accurate account of the current balance of any reserves for capital expenditures, replacement and emergency repairs, together with the amount of those portions of reserves designated by the Association for a specific project;
- (e) The most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;
- (f) The current operating budget;
- (g) A record of any unsatisfied judgments against the Association and the existence of any pending suits in which the Association is a defendant;
- (h) A record of insurance coverage provided for the benefit of Unit Owners and the Association;
- (i) A record of any alterations or improvements to Units or Limited Common Elements which violate any provisions of the Declarations of which the Executive Board has knowledge;
- (j) A record of any violations, with respect to any portion of the Community, of health, safety, fire or building codes or laws, ordinances, or regulations of which the Executive Board has knowledge;
- (k) A record of the actual cost, irrespective of discounts and allowances, of the maintenance of the Common Elements;
- (l) Balance sheets and other records required by Colorado corporate law;
- (m) Tax returns for state and federal income taxation;
- (n) Minutes of proceedings of Unit Owners, Directors, committees of Directors and waivers of notice; and

(o) A copy of the most current versions of the Declaration, Articles of Incorporation, Bylaws, Rules, and resolutions of the Executive Board, along with their exhibits and schedules.

ARTICLE 8 - MISCELLANEOUS

Section 8.1 Notices. All notices to the Association or the Executive Board shall be delivered to the office of the Manager, or, if there is no Manager, to the office of the Association, or to such other address as the Executive Board may designate by written notice to all Unit Owners. Except as otherwise provided, all notices to any Unit Owner shall be sent to the Unit Owner's address as it appears in the records of the Association. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

Section 8.2 Fiscal Year. The Executive Board shall establish the fiscal year of the Association.

Section 8.3 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 8.4 Office. The principal office of the Association shall be on the Property or at such other place as the Executive Board may from time to time designate.

Section 8.5 Working Capital. A working capital fund is established pursuant to the Declaration. Any amounts paid into this fund shall not be considered as advance payment of assessments. Each Unit's share of the working capital fund may be collected and then contributed to the Association by the Declarant at the time the sale of the Unit is closed or at the termination of Declarant control. Until paid to the Association, the contribution to the working capital shall be considered an unpaid Common Expense Assessment.

Section 8.6 Reserves. As a part of the adoption of the regular budget the Executive Board shall include an amount which, in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common Elements and those Limited Common Elements that it is obligated to maintain, based upon age, remaining life and the quantity and replacement cost of major Common Element improvements.

ARTICLE 9 - AMENDMENTS TO BYLAWS

Section 9.1 Vote of Executive Board Members. The Bylaws may be amended only by vote of two-thirds (2/3) of the members of the Executive Board.

Section 9.2 Restrictions on Amendments. No amendment of the Bylaws of this Association shall be adopted which would affect or impair the validity or priority of any Security Interest covering any Unit or which would materially change the provisions of the Bylaws with respect to a first lien Security Interest or the interest of an institutional mortgagees of record.

ARTICLE 10 - CONSTRUCTION LITIGATION PROCEDURES

Section 10.1 Association's Enforcement Rights. In the event of an alleged defect in (i) the soils of any property which lie within the Community or any part or parcel thereof or any Improvement thereon; (ii) the physical condition of any Common Element or any Improvement thereon; or (iii) any Improvement to the Real Estate (collectively, a "Defect"), or in the event of any other claim for any other alleged matter whatsoever, including without limitation, a breach of the Declaration, Articles or Bylaws (collectively, a "General Claim"), brought by the Association against Declarant, the Board of Directors shall have the right, after complying with the procedures set forth in this Article, and upon an affirmative vote of a majority of the Board and of a majority of the Members as hereinafter provided, to proceed with a cause of action against the Developer for any of the foregoing reasons.

Section 10.2 Written Notice. The Association shall be required to give written notice to the Developer specifying the particular Defect which is the subject of the claim, including identification of the affected property or Improvements and specifying the facts and circumstances supporting any General Claim. Within thirty (30) days following receipt of the notice, the Developer shall make a written request to inspect the same in order to evaluate the Defect or the General Claim. Such request shall have the effect of tolling all statutes of limitations to a noticed claim until thirty (30) days after the Developer delivers written notice to the Association cancelling the tolling.

Section 10.3 Developer Inspections. The Association shall allow the Developer to inspect all property and Improvements identified in the Association's notice. A majority of the Board of Directors shall be required to meet and confer with the Developer on at least one occasion to discuss the alleged Defect or General Claim. Either party may be represented at the meeting by attorneys and independent consultants. The Association shall be required to make arrangements for the Developer, at the Developer's cost, to do reasonable destructive testing, provided that the Developer shall pay all costs to restore all property or Improvements to its original condition and indemnify the Association against any liability for such destructive testing. All inspections and destructive testing must be completed within thirty (30) days following the property and/or Improvements being made available.

Section 10.4 Developer Settlement Proposal. Within thirty (30) days after completion of the inspection and destructive testing, the Developer shall submit a written statement to the Association setting forth the Developer's proposed settlement of each claim of Defect and General Claim and the reasons therefor, and stating whether the Developer proposes to do any necessary remedial work or to pay the Association a cash sum in lieu thereof. A majority of the Board of

Directors shall be required to meet and confer with the Developer on at least one occasion to discuss the proposed settlement, if any. Either party may be represented at the meeting by attorneys or independent consultants. If the Developer does not deliver such a written statement to the Association within thirty (30) days following the completion of the destructive testing, the Association shall have the right to institute a cause of action against the Developer in accordance with the procedures set forth herein.

Section 10.5 Lawsuit Against the Developer. The consent of a majority of Members of the Association entitled to vote thereon must be obtained before the Association shall have the power to institute a cause of action against the Developer for the Defect or the General Claim. However, such consent must be obtained by the Association only after it delivers ballots to all Members of the Association in accordance with the notice procedures set forth in the Bylaws with respect to special meetings. Such deliver shall also include written materials which provide:

- (a) a statement of the Defect or the General Claim;
- (b) a copy of the Developer's written response thereto, including any settlement proposal;
- (c) a statement advising Members of their duty to disclose to prospective purchasers and lenders the General Claim or Defect which the Association will assert against the Developer;
- (d) a statement that recovery from litigation may not result in receipt of funds to pay all costs of repairing the Defect or remedying the General Claim as estimated by experts retained by the Association;
- (e) an estimate of the cost to the Association in prosecuting the cause of action;
and,
- (f) a description of the agreement with the attorney whom the Board proposes to retain to prosecute the cause of action.

All communications by the Association to the Members shall be deemed privileged communications.

Section 10.6 Liability of Directors or Officers for Failure to Maintain an Action Against the Developer. No officer or director of the Association shall be liable to any person for failure to institute or maintain or bring to conclusion such cause of action in the following criteria are satisfied:

- (a) the officer or director was acting within the scope of his duties;
- (b) the officer or director was acting in good faith; and,

- (c) the act or omission was not willful, wanton or grossly negligent.

Section 10.7 Alternative Dispute Resolution. Any claim of a Defect or a General Claim shall, upon the demand of the Association or the Developer, be submitted to mediation or binding arbitration, subject to the following requirements:

- (a) if the parties cannot agree upon utilizing binding arbitration or mediation, but one of the parties wants to utilize an alternative dispute resolution method, binding arbitration shall be utilized;

- (b) the arbitrator or mediator must be a person qualified, either with applicable industry experience or legal experience with respect to the claim of a Defect or General Claim, to consider and resolve the applicable claim;

- (c) if the parties cannot agree upon an arbitrator or mediator, either party may petition the Douglas County District Court to appoint such arbitrator or mediator;

- (d) the fees and costs of the arbitrator or mediator and its consultants shall be borne equally by the Association and the Developer;

- (e) the arbitrator or mediator shall have authority to establish reasonable terms regarding inspections, destructive testing, and retention of independent consultants;

- (f) the arbitrator or mediator shall hold at least one hearing in which the parties, their attorneys, and expert consultants may participate;

- (g) the arbitrator or mediator shall issue a written report determining all claims, including any defenses raised by the Developer, and which shall include a recommendation for settlement (in the case of mediation) or a binding arbitration award;

- (h) all statutes of limitations on any claim subject to the mediation shall be tolled for the period of mediation or binding arbitration, but no longer than 120 days;

- (i) the Developer shall have the right to allow subcontractors to participate in the arbitration or mediation proceedings to determine indemnification rights and obligations, provided that the Association is not made to bear the cost of resolution of such indemnity issues; and,

- (j) any arbitration shall be determined under the American Arbitration Association, Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof, as modified by this Article. Any issue about whether a claim is covered by this Article shall be determined by the arbitrator. There shall be no substantive motions or discovery, except the arbitrator shall authorize such discovery as may be necessary to insure a fair private hearing, which shall be held within 120 days of the demand, and

concluded within three (3) days. These time limits are not jurisdictional. The arbitrator shall apply substantive law and may award injunctive relief or any other remedy available in Colorado including attorney fees and costs to the prevailing party, but shall not have the power to award punitive damages.

Section 10.8 Utilization of Funds Resulting from the Cause of Action. In the event the Association receives funds as a result of any settlement, arbitration or judgment based upon a cause of action, after payment of fees and costs incurred in connection with prosecution of such action, the Association shall:

- (a) deposit the proceeds in a special, interest-bearing account; and,
- (b) utilize the proceeds only for the purpose of performing remedial or repair work on the conditions which were the subject of the claim of Defect or for purposes of remedying the General Claim.

ATTEST: Certified to be the Bylaws adopted by consent of the Directors of the Vista Pointe Townhome Association, Inc., dated 3/13, 1997.



J. Jeffrey Riggs, Secretary