

**REVISED AND RESTATED BY-LAWS
OF
THE SAGEWOOD PROPERTY OWNERS ASSOCIATION, INC.
(A COLORADO NONPROFIT CORPORATION)**

ARTICLE I – GENERAL

Dated 5-31-08

Section 1.1 - Introduction

These are the By-Laws of The Sagewood Property Owners Association, Inc. (the "Association") which shall operate under the Colorado Revised Nonprofit Corporation Act, as amended. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Association's "First Amended Covenants, Conditions and Restrictions For Sagewood Subdivision Filing #1 recorded on November 18, 2002 at Reception No 573032, Filing #2 recorded on May 11, 2004 at Reception #601505, and amendments dated July 28, 2004 recorded at Reception #605445, and dated March 23, 2005 recorded at Reception #616082 in Routt County, State of Colorado" and in its Articles of Incorporation for the Sagewood Property Owners Association, Inc.

ARTICLE 2 - BOARD

Section 2.1 - Number and Qualification

(a) The affairs of the Common Interest Community and the Association shall be governed by an Executive Board which shall consist initially of three (3) persons, all of whom shall be owners of one or more Lots ("Lot Owners"). If any Lot is owned by a partnership or corporation, any officer, partner or employee of that Lot Owner shall be eligible to serve as a member of the Executive Board ("Director") and shall be deemed to be a Lot Owner for the purposes of the preceding sentence. Directors shall be elected by the Members of the Association. At any meeting at which Directors are to be elected, the Members may, by resolution, adopt specific procedures which are not inconsistent with these By-Laws or the Colorado Revised Nonprofit Corporation Act for conducting the elections. A person shall automatically cease to be a Director at such time as he or she ceases to be an individual member or a partner, trustee, officer, director or shareholder of an institutional member.

(b) Classification of the Directors shall be made by dividing them into three classes, consisting of one director each. The term of office of the Director of the first class shall expire at the first annual meeting of the members held after such classification; the term of office of the Director of the second class shall expire at the second annual meeting thereafter; and the term of office of the Director of the third class shall expire at the third annual meeting thereafter. At each annual meeting after such classification, one Director shall be elected to succeed the Director whose term expires at the time of such meeting and to hold office until the third succeeding annual meeting.

- (c) The Directors of the Executive Board shall be elected at the annual meeting of the Members.
- d) The Directors shall take office upon election. The Executive Board shall elect the officers.

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

- (a) Adopt and amend The Rules and Regulations of the Association ("Rules");
- (b) Adopt and amend the budgets for revenues, expenditures and reserves;
- (c) To fix, determine, levy and collect annual and special assessments to be paid by each of the Owners to meet the expenses as defined in the Declaration, and to create a contingency reserve therefore. The board may adjust the annual assessment from time to time as may in the discretion of the board be deemed necessary or advisable. Special assessments may be levied whenever in the opinion of the board it is necessary or advisable to do so (i) to meet increased operating or maintenance expenses or costs, or (ii) to provide for additional capital expenses All monthly or other assessments shall be in itemized statement form and shall set forth the detail of the various expenses for which the assessments are being made;
- (d) Hire and discharge managing agents;
- (e) Hire and discharge employees, independent contractors and agents;
- (f) Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's Declaration, By-Laws or Rules in the Association's name, on behalf of the Association or two or more Lot Owners on matters affecting the Common Interest Community;
- (g) Impose a reasonable charge for late payment of assessments and, after notice and hearing, levy a reasonable fine for a violation of the Declaration, By-Laws, Rules and Regulations of the Association;
- (h) Impose a reasonable charge for the preparation and recording of amendments to the Declaration, the Condominium Map for the Common Interest Community or statements of unpaid assessments;
- (i) Provide for the indemnification of the Association's officers and the Executive Board and maintain Directors' and officers' liability insurance;
- (j) Exercise any other powers conferred by the Declaration, or the Colorado Revised Nonprofit Corporation Act, as amended;
- (k) Exercise any other power necessary and proper for the governance and operation of the Association; and
- (l) 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 each committee. All committees must maintain and publish notice of their actions to Lot Owners and the Executive Board. However, actions taken by a committee may be appealed to the Executive Board by any Lot Owner within 45 days of publication of notice of that action. The committee's action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

Section 2.3 – Manager The Executive Board may employ a manager or managing agent for the Common Interest 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 day-to-day administration of powers granted to the Executive Board by these By-Laws 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.

Section 2.4 - Removal of Directors The Lot Owners may remove any Director of the Executive Board, with or without cause, by the affirmative vote of at least two-thirds of the votes present and entitled to be cast at a meeting of the Members at which a quorum of Members is present. Upon such removal, the Unite Owners may at the same meeting elect a new Director for the remaining term of the Director so replaced under the terms of a majority vote. If the Lot Owners do not so elect at such meeting, the vacancy shall be filled as set forth in Section 2.5 below.

Section 2.5 – Vacancies Vacancies in the Executive Board, caused by any reason other than the removal of a Director by a vote of the Lot 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 made in the following manner:

- (a) As to vacancies of Directors, by a majority of the remaining elected Directors constituting the Executive Board; and
- (b) Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

Section 2.6 - Regular Meetings The first regular meeting of the Executive Board following each annual meeting of the Owners shall be held after the annual meeting or within 20 days after the annual meeting at a time and place to be set by the elected Directors of the Executive Board who are in attendance at the meeting, at which they shall have been elected. If all of the newly elected Directors are not in attendance at the meeting, notice shall be given to the newly elected Directors at least ten days prior to such meeting in order to legally constitute such meeting.

Section 2.7 - Special Meetings Special meetings of the Executive Board may be called by the President or by a majority of the Directors on at least ten days' notice to each Director.

Section 2.8 - Notice of Meetings Lot Owners may attend Executive Board meetings. Subject to the Colorado Revised Nonprofit Act as amended, notice to Lot Owners and Directors of Executive Board meetings shall be given by posting a tentative schedule of meetings on the Association's Web Site www.sagewoodsubdivision.com as well as a specific notice of the time, place and purpose of each board meeting at least 10 days prior to the meeting. Notice to directors may also be hand delivered or mailed or sent by delivery service. 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 subject to ratification at the next regularly noticed board meeting.

Section 2.9 - Conduct of Board Meetings Roberts Rules of Order shall be used in conducting meetings. At Executive Board meetings, Lot Owners may speak during the Board's discussion and deliberation only if expressly authorized by a majority vote of a quorum of the Executive Board. However, the Executive Board must allow a Lot Owner to speak at an appropriate time prior to the Executive Board taking formal action on any item under discussion. Such opportunity to be heard shall be in addition to any other speaking opportunities provided by the Executive Board. The Executive Board, however, may reasonably limit the time persons are allowed to speak. The Board must provide for a reasonable number of persons to speak on each side of an issue. The conduct of meetings for Executive Board meetings shall apply to Executive Board committee meetings as well, such as the Architectural Control Committee as also noted on Section 7.06 of the Declarations.

Section 2.10 - Quorum and Consent

(a) At all meetings of the Executive Board, a majority of the Directors shall constitute a quorum for the transaction of business, and 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. If, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

(b) 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, that action shall be a valid corporate action subject to notice and ratification in accordance with Section 2.8, 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 2.11 - 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 2.12 - Compensation of Directors The Executive Board shall serve without compensation except for reimbursement of budgeted expenses.

Section 2.13 - Board Member Education The Executive Board may authorize, and account for as a common expense, reimbursement of Board of Directors for their actual and necessary expenses incurred in attending educational meetings and seminars on responsible governance of owners' associations. The course content of such educational meetings and seminars shall be specific to Colorado, and shall make reference to applicable sections of The Colorado Common Interest Ownership Act. If first authorized by the Executive Board- for reimbursement- Board of Directors must show proof of attendance and provide an agenda of the program.

Section 2.14 - Executive Board/Preservation of the Attorney-Client Privilege Once the Executive Board has resolved any matter for which they sought legal advice or concerned litigation, the Executive Board has the discretion to decide whether to disclose such communication at an open meeting or to preserve its attorney-client privilege as a matter of law.

Section 2.15 - Conflicts of Interest As described in Colorado Revised Statutes 7-128-501, a "conflicting interest transaction" means: A contract, transaction, or other financial relationship between the Association and a director of the Association, 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.

- (1) A "party related to a director" shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or a party related to a director has a beneficial interest, or an entity in which a party related to a director is a director, officer, or has a financial interest.
- (2) No loans shall be made by the Association to its directors or officers. Any director or officer who assents to or participates in the making of any such loan shall be liable to the corporation for the amount of such loan until the repayment thereof.
- (3) The following rules apply to approval of any transaction deemed to be a "conflicting interest transaction"
 - (a) The material facts as to the director's relationship or interest and as to the conflicting interest transaction shall be disclosed to the board of directors or the committee, and the board of directors or committee in good faith shall authorize, approve, or ratify 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

- (b) The material facts as to the director's relationship or interest and as to the conflicting interest transaction shall be disclosed to the members entitled to vote thereon, and the conflicting interest transaction shall be specifically authorized, approved, or ratified in good faith by a vote of the members entitled to vote thereon; and
 - (c) The disinterested directors determine that the conflicting interest transaction is fair as to the Association.
- (4) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes, approves, or ratifies the conflicting interest transaction.

ARTICLE 3 - LOT OWNERS AND MEMBERS

Section 3.1 – Members Membership in the Association and the obligations of Members are defined in the Declaration and the Articles of Incorporation.

Section 3.2 - Annual Meeting Annual meetings of Members shall be held once per calendar year commencing in the year 2003 during the month of September at such date and place selected by the Executive Board and set forth in the Notice. At these meetings, the Directors shall be elected by ballot of the Members. Each Lot shall be entitled to vote one vote in all matters to be decided at the meeting. Cumulative voting shall not apply in election of the Executive Board or for any other purpose. The Members may transact other business as may properly come before them at these meetings.

Section 3.3 - Budget Meeting Meetings of Owners to consider proposed budgets. The budget may be considered at Annual or Special Meetings called for other purposes as well.

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 Members representing twenty percent (20%) of the votes in the Association.

Section 3.5 - Place of Meetings Meetings of the Members shall be held at a suitable place convenient to the Members, as may be designated by the Executive Board or the president.

Section 3.6 - Notice of Meetings Notice of Lot Owner meetings shall be posted on an Association Web Site, www.sagewoodsubdivision.com in addition to electronic or mail notices. Notice of Unit Owner meetings shall be physically posted in a conspicuous place in Hayden. Notice shall include the general nature of the meeting, and if applicable, any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Executive Board.

The Association is encouraged to use electronic means to give notice of Lot Owner meetings and must use such method if the Lot Owner has submitted an email address and request for such purpose. The secretary or other officer specified in the By-Laws shall cause notice of meetings

of the Members to be delivered by e-mail if permitted by the Lot owner with a return receipt required, hand-delivered or sent prepaid by United States mail or other delivery service to the address designated in writing by the Owner, or, if none so designated, to the postal mailing address of an Owner not less than 10 nor more than 50 days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

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

Section 3.8 - Adjournment of Meeting At any meeting of Members, a Majority of the Members 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 Members 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 new business.

Roberts Rules of Order shall be used in conducting meetings. At the Lot Owner meetings, Lot Owners must be allowed to speak prior to formal action being taken on an item under consideration. The Association, however, may reasonably limit the time persons are allowed to speak. The Association must provide for a reasonable number of persons to speak on each side of an issue.

Section 3.10 - Voting.

(a) The voting rights of the Members shall be as set forth in the Articles and these By-Laws. If a Lot is owned by more than one person, those persons shall agree among themselves how a vote for that's membership is to be cast. Individual co-owners may not cast fractional votes. If the co-owners or joint owners of a Lot cannot agree as to how to cast the one vote for such said Lot shall not be entitled to vote.

(b) The vote allocated to a Lot may be cast under a proxy duly executed by any Lot Owner or its attorney-in-fact, and duly authorized in writing. In the event of a conflict (either in person or by proxy) among or between the Owners of fractional interests in a Lot, the vote of such Lot shall not be counted. A Lot 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 or longer term.

(c) The Association may reject a vote, consent, written ballot, waiver, proxy appointment, or proxy appointment revocation if such rejection is done in good faith and has reasonable basis for doubt about its validity. Such rejection may not be made with malice, intent to defraud, or take unfair advantage. The Association and individuals acting for the Association in accepting or rejecting one of the above documents will not be liable for any damages if the acceptance or rejection is done in good faith. Any Association action based on the acceptance or rejection of one of the above documents is valid unless a court determines otherwise.

(d) The vote of a corporation, limited liability company, limited partnership or business trust may be cast by any officer, manager or general partner of that entity in the absence of express notice of the designation of a specific person by the Executive Board of directors, operating agreement, partnership agreement or bylaws of the owning entity. The vote of a general partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, limited liability company, partnership or business trust owner be qualified to vote.

(e) Votes allocated to a Lot owned by the Association may not be cast.

Section 3.11 – Quorum Except as otherwise provided in these By-Laws, the Members present in person or by proxy at any meeting of Members, but no less than the number of Lot Owners representing twenty percent (20%) of the votes of the members, shall constitute a quorum at that meeting.

Section 3.12 - Majority Vote The Vote of a majority of the Lot Owners present in person or by proxy at a meeting at which a quorum shall be present shall be binding upon all Lot Owners for all purposes except where a higher percentage Vote is required in the Declaration, these By-Laws or by law.

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, any 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 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 Lot 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 Lot 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 By-Laws 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 Lot 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 By-Laws 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. Except for reserve funds described below, the treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. 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 By-Laws, 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, persons or entity designated by the Executive Board.

Section 4.9 - Statements of Unpaid Assessments The treasurer, assistant treasurer, a manager employed by the Association 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. 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 Lot for which the certificate or statement is furnished.

ARTICLE 5 - ENFORCEMENT

Section 5.1 - Abatement and Enjoinment of Violations by Lot Owners The violation of any of the Rules adopted by the Executive Board or the breach of any provision of the 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 By-Laws:

(a) To enter the Lot in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Lot Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Lot) 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.

ARTICLE 6 - INDEMNIFICATION

To the fullest extent provided by the Colorado Revised Nonprofit Corporation Act, as amended, the Directors and officers of the Association shall not be liable to the Association or the Lot Owners for monetary damages or breach of fiduciary duty. The Association shall indemnify the Directors and officers of the Association to the fullest extent provided by CCIOA and the Colorado Revised Nonprofit Corporation Act, as amended.

ARTICLE 7 - RECORDS

Section 7.1 - Records and Audits The Association shall keep permanent records compliant with applicable provisions of the Colorado Revised Nonprofit Corporation Act as amended, , and shall maintain the following: 1) minutes of all Lot Owner and Board meetings; 2) a record of all actions taken by the Lot Owners or Executive Board by written consent instead of holding a meeting; 3) a record of all actions taken by a committee of the Executive Board; and 4) a record of all waivers of meeting notices of Lot Owners, Board of Directors, or any Committee Members.

The Association shall maintain a record of Lot Owners that allows preparation of a list of the names and addresses of all Lot Owners and that shows the number of votes each Lot Owner is entitled to vote. The Association shall maintain records in written form or in another form that can be converted into written form.

Section 7.2 – Examination The Association shall make all financial and other records available during normal business hours, on notice of five business days, for examination and copying by any Lot Owner if the following conditions are all met: 1) the request was made in good faith and for a proper purpose, and not in vexation, to be frivolous, nor for a pecuniary gain; and 2) the request describes with reasonable detail the records sought and why; and 3) the records are relevant to the purpose of the request and apply to the matter in question. The Association shall charge Lot Owners “actual costs” for copying records, which includes personnel and equipment used for the search, retrieval, and copying of the records. The Association may make some or all required records available on a website accessible to members and the general public.

Section 7.3 - Records

7.3.1 The Association shall keep a copy of each of the following records at its principal office, or managing agent’s principal office: 1) its Articles of Incorporation or other applicable organizational documents; 2) the Declaration; 3) any Covenants, Rules and Regulations, or Policies and Procedures; 4) its Bylaws; 5) resolutions adopted by the Executive Board that affect Unit Owners; 6) the minutes of all Lot Owners’ meetings and records of actions taken by Lot Owners without a meeting for the past three years; 7) all written communications within the past three years to Lot Owners; 8) a list of the names and business or home addresses of its current Directors and officers, if any; 9) its most recent annual report, if any; and 10) all financial audits or reviews conducted during the preceding three years.

7.3.2 The Association shall also keep the following records:

- (a) An account for each Lot, which shall designate the name and address of each Lot Owner, the name and address of each mortgagee who has given notice to the Association that it holds a mortgage or deed of trust on the Lot, 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 Lot Owner showing any other fees payable by the Lot Owner;
- (c) A record of any capital expenditures approved by the Executive Board for the current and next two succeeding fiscal years;
- (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 Lot Owners and the Association;
- (i) A record of any alterations or improvements to Lots or Limited Common Elements which violate any provisions of the Declaration of which the Executive Board has knowledge;
- (j) A record of any violations, with respect to any portion of the Common Interest 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 local corporate law,
- (m) Tax returns for state and federal income taxation to be retained as required by such authorities;
- (n) Minutes of proceedings of incorporators, Lot Owners, Directors, committees of Directors and waivers of notice.

ARTICLE 8 - DISPUTE RESOLUTION AND LITIGATION

Section 8.1 – Litigation The Association shall not commence a judicial or administrative proceeding, including without limitation any proceeding required under Section 8.4 below, without the approval of at least 75% of the Owners. This Section 8.1 shall not apply, however, to: (i) actions

brought by the Association to enforce the terms of the Declaration, the Bylaws or the Rules (including, without limitation, the foreclosure of liens); (ii) the imposition and collection of assessments; (iii) proceedings involving challenges to ad valorem taxation; (iv) counterclaims brought by the Association in proceedings instituted against it; or proceedings under Article VIII, Section 8.08 of the Declarations..

Section 8.2 - Alternative Method for Resolving Disputes The Association, its officers, directors, and committee members; any Owner, all Persons subject to the Declaration; and any Person not otherwise subject to the Declaration who agrees to submit to this Section 8.2 (each such entity being referred to as a "Bound Party") agree to encourage the amicable resolution of disputes, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees to submit those claims, grievances or disputes described in Section 8.3 of the By Laws (collectively, "Claims"), to the procedures set forth in Section 8.4 of the By Laws.

Section 8.3 – Claims Unless specifically exempted below, all Claims arising out of or relating to the interpretation, application or enforcement of the Declaration, or the rights, obligations and duties of any Bound Party under the Declaration, shall be subject to the provisions of Section 8.4 of the By Laws. Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 8.4 of the By Laws:

- (a) any suit by the Association against any Bound Party to enforce the provisions of Article III of the Declaration (Assessments);
- (b) any suit by the Association to obtain a temporary restraining order or injunction (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to act under and enforce the provisions of Articles IV and VII (Covenants, Conditions and Restrictions);
- (c) any suit between or among Owners, to the extent such suit asserts a Claim which would constitute a cause of action independent of the Declaration;
- (d) any suit in which any indispensable party is not a Bound Party; and any suit as to which any applicable statute of limitations, has expired or would expire within 180 days of giving the Notice required by subsection 8.4(a) of these By-Laws. Declaration. With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 8.4.

Section 8.4 - Mandatory Procedures

(a) **Notice.** Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent") (the Claimant and the Respondent are hereinafter referred to individually, as a "Party," or, collectively, as the "Parties") shall notify each Respondent in writing (the "Notice"), stating plainly and concisely (i) the nature of the Claim, including the Persons involved and Respondent's role in the Claim; (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises); (iii) the proposed remedy; and (iv) the fact that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) **Negotiation and Mediation.**

(i) The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in negotiation.

(ii) If the Parties do not resolve the Claim within 30 days after the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days to submit the Claim to mediation under the auspices of an independent mediation service designated by the Association or, if the Parties otherwise agree, to an independent agency providing dispute resolution services in the, Colorado area.

(iii) If Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

(iv) any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the Parties. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation, or within such other time as determined by the mediator or agreed to by the Parties, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

(v) Within 5 days of the Termination of Mediation, the Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent, and the Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or a "take nothing" Settlement Offer.

(c) **Final and Binding Arbitration.**

(i) If the Parties do not agree in writing to a settlement of the Claim within 15 days of the Termination of Mediation, the Claimant shall have 15 additional days to submit the Claim to arbitration in accordance with the Rules of Arbitration as may be required by the agency providing the arbitrator. If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons other than Claimant.

(ii) This subsection 8.4 (c) is an agreement to arbitrate and is specifically enforceable under the applicable arbitration laws of the State of Colorado. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Colorado.

(d) **Allocation of Costs of Resolving Claims.**

(i) Each Party, including, without limitation, any Owner and the Association, shall share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the arbitration proceeding ("Post Mediation Costs"). Under no circumstances shall either Party be entitled to recover its Post Mediation Costs, including any attorneys' fees (except as specifically provided under Section 38-33.3-123 of the Act), from the other party. AS A MEMBER OF THE ASSOCIATION, EACH OWNER ACKNOWLEDGES AND AGREES THAT SUCH OWNER AND THE ASSOCIATION HAVE WAIVED AND SHALL BE DEEMED TO HAVE WAIVED THE RIGHT TO ANY AWARD OF ATTORNEYS FEES IN CONNECTION WITH THE ARBITRATION OF A DISPUTE UNDER THIS SECTION 9.4 (d).

(ii) Any Award which is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add Claimant's Post Mediation Costs to the Award, such costs to be borne equally by all Respondents. Any award which is equal to or less favorable to Claimant than any Respondent's Settlement Offer shall award to such Respondent its Post Mediation Costs. With respect to any Award which is less favorable to Claimant than Claimant's Settlement Demand yet more favorable to Claimant than Respondent's Settlement Offer, each party shall bear its own Post Mediation Costs.

(e) Limitation on Damages. No party, including, without limitation, any Owner and the Association, shall be entitled to receive any award of damages in connection with the arbitration of a Dispute other than such party's actual damages, and the Association and any Owner shall be deemed to have waived their right to receive any damages in a Dispute other than actual damages, including, without limitation, attorneys' fees (except as specifically provided under Section 38-33.3-123 of the Act), special damages, consequential damages, and punitive or exemplary damages. AS A MEMBER OF THE ASSOCIATION, EACH OWNER KNOWINGLY AND WILLINGLY ACKNOWLEDGES AND

AGREES THAT SUCH OWNER AND THE ASSOCIATION HAVE WAIVED AND SHALL BE DEEMED TO HAVE WAIVED, IN CONNECTION WITH THE ARBITRATION OF ANY DISPUTE UNDER SECTION 9.5 (c), THE RIGHT, TO ANY AWARD OF CONSEQUENTIAL, INDIRECT, SPECIAL, PUNITIVE, INCIDENTAL, OR OTHER NON-COMPENSATORY DAMAGES OR SIMILAR DAMAGES, INCLUDING ALL DAMAGES FOR EMOTIONAL DISTRESS, WHETHER FORESEEABLE OR UNFORESEEABLE AND REGARDLESS OF WHETHER SUCH DAMAGES ARE BASED ON (BUT NOT LIMITED TO) CLAIMS ARISING OUT OF BREACH OR FAILURE OF EXPRESS OR IMPLIED WARRANTY OR CONDITION, BREACH OF CONTRACT, VIOLATION OF BUILDING CODES (LOCAL, STATE OR FEDERAL), CONSTRUCTION DEFECTS, MISREPRESENTATION OR NEGLIGENCE OR OTHERWISE.

(f) **Multiple Party Disputes.** Multiple party disputes or claims not consolidated or administered as a class action pursuant to the following sentence will be subject to, and will be arbitrated individually. Only with the written request of all parties involved, but not otherwise, the "Arbitrator" may: (i) consolidate in a single arbitration preceding any multiple party claims that are substantially identical, and (ii) arbitrate multiple claims as a class action.

(g) **Enforcement of Resolution.** If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with Section 8.4 (b) above and any Party thereafter fails to abide by the terms of such agreement, or if any Party fails to comply with an Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in this Section 8.4. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys' fees and court costs to the extent specifically provided under Section 38-33.3-123 of the Act.

Section 8.5 - Legal Proceedings Subject to the provisions of Sections 2.07 and 8.02 of the Declaration, the Association shall have the right, but not the obligation, to institute legal proceedings to enforce all rights under the Declaration, the Bylaws and the Rules. The decision to institute legal proceedings by seeking the approval of at least 80% of the Owners pursuant to Section 8.1 of the By Laws, shall be in the sole discretion of the Board and shall be governed by the considerations detailed in Sections 8.1, if applicable. Failure to commence such legal proceedings shall not constitute a waiver of any such rights. ANY LIMITATIONS ON DAMAGES AND ALL WAIVERS OF LIABILITY AND RIGHTS TO AWARDS OF DAMAGES SET FORTH IN ANY SECTION OF THE DECLARATION WITH RESPECT TO OWNERS, INCLUDING, WITHOUT LIMITATION, ARTICLES III AND VII SHALL APPLY WITH EQUAL FORCE AND EFFECT WITH RESPECT TO THE ASSOCIATION IN ANY LEGAL PROCEEDINGS INSTITUTED BY THE ASSOCIATION UNDER THIS SECTION 8.5.

ARTICLE 9 - MISCELLANEOUS

Section 9.1 – 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 Lot Owners and to all holders of a mortgage or deed of trust in the Lots who have notified the Association that they hold a mortgage or deed of trust in a Lot. Except as otherwise provided, all notices to any Lot Owner shall be sent to the Lot Owner's address as it appears in the records of the Association. All notices to holders of Security Interests in the Lots shall be sent, except where a different manner of notice is specified elsewhere in the Documents, by registered or certified mail to their respective addresses, as designated by them in writing to 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 9.2 - Fiscal Year The fiscal year of the Association shall commence on the first day of each calendar year.

Section 9.3 – Waiver No restriction, condition, obligation or provision contained in these By-Laws 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 9.4 – Office The principal office of the Association shall be as the Executive Board may from time to time designate.

Section 9.5 – 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.

Section 9.6 - Additional Reports For so long as the Association consists of 30 or more Lots and the collection, deposit, transfer or disbursement of Association funds are delegated to a managing agent or entity, or to a third person or entity, “managing agent” the following shall apply:

- (a) The managing agent shall 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) The “managing agent” shall maintain the funds and bank accounts of the Association separate from the funds and accounts of other associations managed by 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.

ARTICLE 10 - AMENDMENTS TO BY-LAWS

Section 10.1 – Procedure The By-Laws may be amended by a majority vote of the Lot Owners, following notice and comment to all Lot Owners, at any meeting duly called for such purpose. The notice of such meeting shall contain a summary of the proposed changes or a copy of the proposed changes.

Section 10.2 – Exceptions No amendment of the By-Laws of this Association shall be adopted which would affect or impair the validity or priority of any mortgage or deed of trust covering any Lot or which would change the provisions of the By-Laws with respect to institutional mortgagees of record.

ATTEST: Certified to be the Revised and Restated By-Laws adopted by The Sagewood Property Owners Association, Inc. at a meeting held on _____, 2008.

_____, Secretary