BYLAWS OF
HORSE RIVER RANCH HOMEOWNERS ASSOCIATION, INC.

BYLAW I
NAME

The name of the corporation is Horse River Ranch Homeowners Association, Inc. a Colorado Nonprofit Corporation, organized under Colorado Revised Nonprofit Corporation Act and the Colorado Common Interest Ownership Act, and hereinafter referred to as the Association.

BYLAW II
PURPOSES

The purposes for which this Association is formed are as set forth in its Articles of Incorporation and the Declaration of Protective Covenants for Horse River Ranch (the "Declaration of Protective Covenants.")

BYLAW III
POWERS OF THE ASSOCIATION

This Association may exercise any and all powers given to it under the Articles of Incorporation, the Declaration of Protective Covenants, these Bylaws, or by law, and may also exercise every other power reasonable to be inferred from the stated powers or necessary or convenient to effectuate any such power.

BYLAW IV
MEMBERS; MEETINGS

Section 1. **Qualifications and Rights**. Each Owner of a Homestead shall be a Member of the Association. The Person or Persons who constitute the Owner of a Homestead shall automatically be the holder of the Membership appurtenant to that Homestead, and the Membership appurtenant to the Homestead shall automatically pass with fee simple title to the Homestead. If there is more than one Owner of a Homestead, the Owners shall collectively be considered one Member. Any other qualifications and rights set forth in either the Articles of Incorporation or the Declaration of Protective Covenants shall also apply.

Section 2. **Voting Rights of Members.** There shall be one class of Members. Each Member shall have the right to cast one vote for each Homestead owned by the Member. If there is more than one Owner of a Homestead, the Association will accept the vote of any one Owner as the vote of all unless it is notified in writing by any Owner that it should not follow this procedure. If it is so notified, it will not count any vote by an Owner unless all Owners of the Homestead have agreed in writing to be bound by such Owner's vote.

Section 3. **Attendance at Meetings**. Any or all of the Members may participate in an annual, regular, or special meeting of the Members by, or the Meeting may be conducted through, the

use of any means of communication by which all persons participating in the meeting may hear each other during the meeting. A Member participating in a meeting by this means is deemed to be present in person at the meeting. Any Member desiring to attend by any method other than personal attendance shall be responsible for making appropriate arrangements for such attendance, including paying the cost thereof.

Section 4. **Annual Meetings**. The first meeting of the Members shall be held on or before July 31, 2004, and beginning with the 2005 calendar year each subsequent regular annual meeting of the Members shall be held on a Saturday in July, August or September of each year, at such places within the State of Colorado, as may be designated by the Board of Directors.

Section 5. **Special Meetings.** Special meetings of the Members may be called at any time by the President of the Association or by the Board of Directors or upon written request of at least twenty percent of the Members.

Section 6. **Action by Written Ballot**. Actions by written ballot may be taken as provided by Section 7-127-109 of the Colorado Revised Nonprofit Corporation Act.

Section 7. **Notice of Meetings**. Written notice stating the place, day and hour of the Members' meeting, and in case of a special meeting of Members, the purpose or purposes for which the meeting is called, shall be delivered not less than fourteen (14) days nor more than sixty (60) days before the date of the meeting, personally, by fax, or by mail. As required by the Declaration of Protective Covenants, notice of the annual meeting shall be accompanied by a copy of the proposed budget for the next year. Such notice shall be delivered by or at the direction of the Board of Directors and shall go to each Member (Owner of a Homestead) entitled to vote at such meeting. If there is more than one Owner of a Homestead, notice shall go to each Owner. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail addressed to the Member at his address as it appears on the books of the Association with postage prepaid. Notice given by any method other than mail shall be deemed delivered when sent or given. If notice has not been given as required and the Members have not waived notice, the meeting shall be adjourned by the Members present for a period not to exceed sixty (60) days until any deficiency in notice or waiver has been corrected. Meetings may be held by telephone or any other electronic means determined to be reasonable by the Board of Directors and designated in the notice of meeting.

Section 8. **Quorum**. The presence at the meeting of at least twenty percent of the Members shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation or these Bylaws. If a quorum is present at any time during a meeting, it shall be deemed present for the remainder of the meeting. If, however, a quorum is not present or represented at any meeting, the Members entitled to vote at the meeting shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present or represented. Unless otherwise specifically provided by the Declaration of Protective Covenants for Horse River Ranch or by statute, all matters coming before a meeting of Members at which a proper quorum is in attendance, in person or by proxy, shall be decided by the vote of a majority of the votes validly cast at such meeting.

Section 9. **Proxies**

A. A Member entitled to vote may vote or otherwise act in person or by proxy.

B. Without limiting the manner in which a Member may appoint a proxy to vote or otherwise act for the Member, a Member may appoint a proxy by signing an appointment form, either personally or by the Member's attorney-in-fact. In cases where multiple Owners are considered to be one Member, the proxy form must be signed by all Owners.

C. An appointment of a proxy is effective when received by the Association. An appointment is valid for eleven months unless a different period is expressly provided in the appointment form.

D. Any complete copy, including an electronically transmitted facsimile of an appointment of a proxy, may be substituted for or used in lieu of the original appointment for any purpose for which the original appointment could be used.

E. Appointment of a proxy is revoked by the person appointing the proxy:

(1) Attending any meeting and voting in person: or

(2) Signing and delivering to the secretary or other officer or agent authorized to tabulate proxy votes either a writing stating that the appointment of the proxy is revoked or a subsequent appointment form.

F. A proxy signed by multiple Owners who are deemed to be one Member may be revoked only by the consent of all the Owners.

G. The death or incapacity of the Member appointing a proxy does not affect the right of the Association to accept the proxy's authority unless notice of the death or incapacity is received by the secretary or other officer or agent authorized to tabulate votes before the proxy exercises the proxy's authority under the appointment.

BYLAW V
BOARD OF DIRECTORS

Section 1. **Number**. The affairs of this Association shall be managed by a Board of three (3) Directors which is referred to herein and in the Declaration of Protective Covenants as the Board of Directors. The Board of Directors may change the number of directors by amending these Bylaws.

Section 2. **Selection of Directors.** At the time of the formation of the Association, Summerset Land Group, Inc. ("Summerset") shall have the right to appoint the Directors. Summerset shall continue to have the right to appoint and remove all Directors until Summerset has conveyed at least 25 percent of the Homesteads in Horse River Ranch to Owners other than a Successor Declarant as that term is defined in the Declaration of Protective Covenants. Not later than 60 days after that time, one Board member will be elected by the Members of the Association. Summerset will continue to have the right to appoint and remove the other two members until 50 percent of the Homesteads in Horse River Ranch have been conveyed to Owners other than a Successor Declarant. Not later than 60 days after that time, two Directors will be elected by the Members. Not later than 60 days after the later of 1) the resignation of Summerset as Declarant under the Protective Covenants of Horse River Ranch, 2) conveyance of 75 percent of the Homesteads, 3) two years after the last conveyance of a Homestead tract was last exercised, all

Directors shall be elected by the Members by a majority vote.

Section 3. **Qualification of Directors.** Summerset may appoint any person to be a Director. After the termination of Summerset's rights to appoint Directors, a majority of the Directors elected by the Owners must be Members.

Section 4. **Powers and Duties**. The Board of Directors has the powers and duties set forth in the Declaration of Protective Covenants, the Articles of Incorporation and otherwise as provided by law.

Section 5. **Term of Office; Nomination**. Directors selected by Members shall be elected at each annual meeting of Members for a term of one year. Nomination for election to the Board of Directors may be made from the floor at the annual meeting and may also be made by any Member in writing addressed to the Board of Directors, which nomination must be received prior to the time the notice of meeting has been sent to Members.

Section 6. **Removal**. The Members, by a vote of sixty-seven percent of all persons present and entitled to vote at any meeting of the Members at which a quorum is present, may remove any director with or without cause, other than a director appointed by the Declarant.

Section 7. **Compensation.** No Director shall receive compensation for any service rendered to or for the Association in the performance of official duties as a Director. However, any Director may be reimbursed for actual expenses incurred in the performance of any such official duties.

Section 8. **Delegation of Powers**. If the Association delegates powers of the Board of Directors or officers relating to collection, deposit, transfer, or disbursement of Association funds to other persons or to a managing agent, the following shall be required:

A. That the other person or managing agent maintain fidelity insurance coverage or a bond in an amount not less than fifty thousand dollars or such higher amount as the Board of Directors 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.

BYLAW VI
MEETINGS OF THE BOARD OF DIRECTORS

Section 1. **Regular Meetings**. Regular meetings of the Board of Directors shall be held at least twice annually. One such meeting shall be held without notice, immediately following the annual membership meeting at the same location. The second required meeting shall be held prior to the time that the notice of annual meeting is sent to Members and shall include approval of the next yearly budget to be considered by the Members at the annual meeting. Additional

regular meetings may be scheduled without notice, at such place and hours as may be fixed by resolution of the Board of Directors.

Section 2. **Special Meetings**. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors, after not less than three (3) days notice to each Director.

Section 3. **Action Taken Without a Meeting** The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all of the Directors. Any action so approved shall have the same effect as though taken at a meeting. The Directors are expressly authorized to hold meetings by telephone conference call or other electronic means subject to the quorum requirements stated herein.

Section 4. **Attendance at Meetings**. Any or all of the directors may participate in an annual, regular, or special meeting of the Directors by, or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting may hear each other during the meeting. A Director participating in a meeting by this means is deemed to be present in person at the meeting. Any Director desiring to attend by any method other than personal attendance shall be responsible for making appropriate arrangements for such attendance including paying the cost thereof. Unless other arrangements have been approved for voting by the Board of Directors attending electronically shall be deemed to waive their right to vote secretly by written ballot if such voting is allowed or required: all Directors so attending shall vote orally so the vote may be heard by all those in personal attendance.

Section 5. **Quorum**. A majority of the number of Directors in office immediately before the meeting begins shall constitute a quorum for the transaction of business. If a quorum is present at any time during a meeting it shall be deemed present for the remainder of the meeting.

BYLAW VII
OFFICERS AND THEIR DUTIES

Section 1. **Enumeration of Offices**. The officers of this Association shall be a President and a Vice President, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time by resolution create. The President and Vice President must be Directors.

Section 2. **Election of Officers**. During the Declarant Control Period as defined by the Declaration of Protective Covenants, Summerset Land Group, Inc. shall have the right to appoint the officers. When the Declarant Control Period has ended, the officers shall be elected by the Directors. The election of officers shall take place at the Annual Meeting of the Board of Directors following the Annual Meeting of the Members.

officers elected by directors

Section 3. **Term**. Each officer shall hold office for one year unless the officer shall sooner resign or be removed or shall otherwise be disqualified to serve.

Section 4. **Special Appointments**. The Board of Directors may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such

authority and perform such duties as the Board of Directors may, from time to time, determine. Any of the duties delineated in these Bylaws may be delegated by the appropriate officers, subject to the prior approval of the Board of Directors.

Section 5. **Resignation and Removal**. Any officer may be removed from office with or without cause by the Board of Directors. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. **Vacancies**. A vacancy in any office caused by the resignation, death or removal of an officer elected by the Board of Directors may be filled by appointment of the Board of Directors. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

Section 7. **Multiple Offices**. Any two or more offices may be held by the same person except that the Association shall always have at least two persons serving as officers.

Section 8. **Duties**. The duties of the officers are as follows:

President

The President shall preside at all meetings of the Board of Directors and Members, shall see that orders and resolutions of the Board of Directors are carried out, shall sign all deeds and other written instruments; and shall co-sign all promissory notes.

Vice President

The Vice President shall act in the place and stead of the President in the event of the President's absence or inability to act, and shall exercise and discharge such other duties as may be required of the Vice President by the Board of Directors.

Secretary

The Secretary or a designated agent shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; shall keep the corporate seal of the Association, if any, and affix it on all papers requiring said seal; shall serve notice of meetings of the Board of Directors and of the Members; shall keep appropriate records showing the Members of the Association together with their address; and shall perform such other duties as are required by the Board of Directors.

Treasurer

The Treasurer or a designated agent shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign, or authorize a designated agent to sign, all checks and promissory notes of account; shall cause an annual compilation or report of the Association books to be made at the completion of each fiscal year or, at the option of the Board of Directors or as may be required by the Declaration of Protective Covenants, an annual review or other financial statement as may be required; and shall assist in the preparation of an annual budget

and a statement of income and expenditures to be presented to the Membership at its regular annual meeting.

BYLAW VIII
BOOKS AND RECORDS

Section 1. The Association shall keep as permanent records minutes of all meetings of its Members and Board of Directors, a record of all actions taken by the Members or the Board of Directors without a meeting, a record of all actions taken by a committee of the Board of Directors and a record of all waivers of notices of meetings of Members and of the Board of Directors or any committee of the Board of Directors.

Section 2. The Association shall maintain appropriate accounting records

Section 3. The Association shall maintain a record of the Members (Owners of Homesteads) in a form that permits preparation of a list of the name and address of all Members (Owners of Homesteads) in alphabetical order, and the Homestead owned.

Section 4. The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

Section 5. The Association shall keep a copy of each of the following records at its principal office:

A. Its Articles of Incorporation;
B. Its Bylaws;
C. Resolutions adopted by its Board of Directors;
D. The minutes of all meetings of Members and the Board of Directors, and records of all action taken by Members and the Board of Directors without a meeting, for the past three years;
E. All written communications within the past three years to Members;
F. A list of the names and business or home addresses of its current directors and officers;
G. A copy of its most recent corporate report delivered to the Secretary of State under Section 7-136-107 of the Colorado Revised Nonprofit Corporation Act, and
H. All financial statements prepared for periods ending during the last three years that a Member could have requested under Section 7-136-106 of the Colorado Revised Nonprofit Corporation Act.

BYLAW IX
STANDARDS OF CONDUCT FOR DIRECTORS AND OFFICERS

Section 1. **Discharge of Duties.** Each Director shall discharge the Director's duties as a Director, and each officer with discretionary authority shall discharge the officer's duties under that authority;

A. In good faith;
B. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and

C. In a manner the direct or officer reasonably believes to be in the best interests of the Association

Section 2. **Good Faith**. A Director or officer is not acting in good faith if the director or officer has knowledge concerning the matter in question that makes reliance on information, opinions, reports or statements of others unreasonable.

Section 3. **Liability**. A Director or officer is not liable as such to the Association for any action taken or omitted to be taken as a Director or officer, as the case may be, if, in connection with such action or omission, the Director or officer performed the duties of the position in compliance with this section

Section 4. **Trustee**. A Director, regardless of title, shall not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association including, without limitation, property that may be subject to restrictions imposed by the donor or transferor of such property.

Section 5. **Declarant Appointees**. Officers and Directors appointed by Summerset Land Group, Inc. are required to exercise the care required of fiduciaries of the Owners of Homesteads.

BYLAW X
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. **General Rule**. The Association shall indemnify every Director or officer to the full extent permitted by Colorado law. All liability, loss, damage, cost and expense incurred or suffered by the Association by reason of or arising out of or in connection with the foregoing indemnification provision shall be treated and handled by the Association as common expense.

Section 2. **No Indemnification for Acts as Member.** The Association shall not be obligated to indemnify any Member who is or has been an officer or Director of the Association with respect to any duties or obligations assumed or liabilities incurred by the officer or Director as an Owner of a Homestead and not as an officer or Director of the Association.

BYLAW XI
AMENDMENT

These Bylaws may be amended by majority vote at a regular meeting of the Directors, or at a special meeting of the Directors called for that purpose.

BYLAW XII
MISCELLANEOUS

Section 1. **Fiscal Year**. The fiscal year of the Association shall be the calendar year.

Section 2. **Definitions.** Words capitalized in these Bylaws shall be defined as stated herein or in the Declaration of Protective Covenants.

Section 3. **Conflict of Documents**. In case of any conflict between the Declaration of Protective Covenants and these Bylaws, the Declaration of Protective Covenants shall control. In case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control. In case of any conflict between the Declaration of Protective Covenants and the Articles of Incorporation, the Declaration of Protective Covenants shall control.

I DO HEREBY CERTIFY that I am the sole Director of Horse River Ranch Homeowners Association, Inc., a Colorado Nonprofit Corporation. I hereby adopt foregoing Bylaws as of September 15, 2003.

Director:

Scott C. Shirley