

BYLAWS
OF
STEAMBOAT PROPERTY OWNERS' ASSOCIATION

The Board of Directors of Steamboat Property Owners' Association ("the Association"), a Colorado non-profit corporation, hereby adopts the following Bylaws:

ARTICLE I

Definitions

(a) "Articles of Incorporation" shall refer to the Articles of Steamboat Property Owners' Association as filed with the Colorado Secretary of State on June 20, 1986.

(b) "Declaration" shall refer to that certain document, entitled "Declaration of Covenants, Conditions and Restrictions" recorded in the real property records of Routt County in Book 407 at Page 301, as subsequently amended.

(c) "Board" shall mean the Board of Directors of Steamboat Property Owners' Association.

(d) "Owner" shall mean and refer to any person or persons, corporation, partnership, association, trust or other legal entity or combination of legal entities who own fee simple title to a Lot or an interest in a Lot, including contract purchasers, but excluding those persons or entities having such interest merely as security for the performance of an obligation. The term Owner shall also include any person or persons, entity or entities who own fee simple title to any townhouse unit or an interest in a unit in the Ridge III Townhouses development ("Ridge III Unit").

(e) "Subdivision" refers to the Fairway Meadows Subdivision, Filing No. 1, Routt County, Colorado, according to the plat thereof recorded in File No. 7052 of the records of Routt County (the "Plat").

Any terms or phrases defined in the Declaration, as amended, shall have the same meaning when used in these Bylaws.

ARTICLE II

Membership and Voting

Section 1. Membership and Voting. Membership and voting shall be as provided for in the Articles of Incorporation and the Declaration. Each Owner

shall, subject to the terms of these Bylaws, automatically be and become a Member, and membership in the Association shall be an obligation of the purchase and of retention of ownership. Such membership implies and constitutes acceptance of the Declaration, the Articles of Incorporation and these Bylaws.

Section 2. Membership Not Transferable. The Association shall issue no stock and there shall be no stock interest in this non-profit corporation. No certificate of membership shall be issued. It shall be the duty of each Member, upon automatically becoming a Member under the provisions of these Bylaws and the Declaration, to notify the Board of Directors of the Association in writing of the fact of membership and to furnish the name and address under which the membership shall be carried and recognized by the Association as well as a photocopy of the recorded instrument vesting title to a Lot, an interest in a Lot or a Ridge III Unit in that Member. At the discretion of the Board of Directors, a Member shall not be deemed to be in good standing and shall not be entitled to vote at any meeting of the Association until this requirement is satisfied. No membership may be sold, transferred or assigned, whether voluntarily or by operation of law, except in connection with the sale and transfer of the Lot or interest in the Lot to which such membership attaches.

ARTICLE III

Meetings of Members

Section 1. Annual Meetings. The annual meeting of Members shall be held during the month of June of each year, or as soon as possible thereafter, at such place in Steamboat Springs, Colorado and at such time as shall be fixed by the Board and specified in the notice of the meeting. Failure to hold an annual meeting shall not work a forfeiture or dissolution of the Association, nor remove any officer or director from office.

Section 2. Special Meetings. Special meetings of the Members stating the place, date and time of such meeting, may be called by the President or a majority of the Directors or upon the written request of at least one quarter of the Members.

Section 3. Notices. Notice of all meetings of Members shall be mailed or delivered personally by the Secretary to the addresses furnished by the Members, at least twenty days and not more than fifty days before the date of each meeting. Such notice shall specify the place, day and hour of meeting, and, in case of a special meeting, the purpose of the meeting.

Section 4. Quorum. To constitute a quorum there shall be present and voting at the meeting, either in person or by proxy, Members representing at least thirty-three percent (33%) of the total number of all Members. If a quorum shall not be present or represented at any meeting, the Members present shall have the power to adjourn the meeting from time to time, without notice other than the announcement at the meeting, until a quorum shall be present or be represented. All questions shall be decided by a vote of the majority of the votes represented at the meeting, except as otherwise provided by law, by the Articles of Incorporation, by the Declaration, or by these Bylaws. No

cumulative voting shall be allowed on any question, or in the election of Directors.

Section 5. Proxies. Any Member may be represented by a proxy given to some person other than the owning Member. All proxies shall be in writing, shall specify the Lot or the interest in the Lot to be represented by the proxy holder, shall be revocable, shall be delivered to the Secretary of the Association prior to such meeting at which such proxy is voted, and shall be available for inspection at the meeting where exercised.

Section 6. Order of Business. The Directors or presiding officer at a meeting shall have the right to establish the order of business for the meeting.

ARTICLE IV

Board of Directors

Section 1. Number, Tenure and Qualifications. The business and affairs of the Association shall be managed by the Board which shall exercise all of the powers of the Association, unless specifically reserved to the Members. The Board shall consist of seven members, one of which shall be the owner of a Ridge III Unit. Each Director shall be a Member of the Association. Each Director shall hold office until his successor shall be duly elected and take office. The Directors shall be elected by a plurality of the votes cast at the annual meeting of the Members. No cumulative voting shall be allowed.

The directors of the Association shall be divided into three classes, each class to consist, as nearly as may be, of one-third of the number of directors then constituting the whole board of directors. The directors of the first class shall be elected for a term to expire at the first annual meeting of members after their election, the directors of the second class shall be elected for a term to expire at the second annual meeting of members after their election, and the directors of the third class shall be elected for a term to expire at the third annual meeting of members after their election. At each annual meeting of members at which the terms of a class of directors expires, their successors shall be elected to hold office until the third succeeding annual meeting of members. In the case of any increase in the number of directors, the additional directors shall be distributed among the several classes as nearly equally as is possible. Any vacancy occurring in the board of directors, including a vacancy created by an increase in the number of authorized directors, may be filled for the remainder of the full term of office for a director of that class, by the affirmative vote of a majority of the directors at the time in office.

Section 2. Vacancies. If there is a vacancy at any time in the Board occurring by reason of resignation, death, termination of membership in the Association as a result of the sale of such Member's Lot or an increase in the number of directors, the same shall be filled by appointment by majority vote of the surviving members of the Board. A Director appointed to fill a vacancy shall be elected to serve the unexpired term of his predecessor. In the event that there is at some time no Director able to act in this connection, a new

Board shall be elected at a special meeting called for that purpose by any Member.

Section 3. Meetings. At least one regular meeting of the Board shall be held annually. The Board may hold such other regular or special meetings as they may determine. Meetings of the Board may be held without formal call or notice, at such places within the State of Colorado and at such times as the Board may from time to time determine. Any business may be transacted at a regular meeting.

Section 4. Quorum. A majority of the Directors in office shall constitute a quorum. When a quorum is present at any meeting, the act of a majority of the Directors in attendance shall, except where a different number is required by law, by the Articles of Incorporation, by the Declaration or by these Bylaws, be the act of the Board.

Section 5. Powers and Duties. The Board shall have and may exercise all the powers of the Association except such as are expressly conferred upon the Members by law, by the Articles of Incorporation, the Declaration or these Bylaws. In addition to its general powers, the Board shall have the authority and the responsibility, acting directly or through its officers:

A. To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration.

B. To establish, make, amend and enforce compliance with such rules, regulations, provisions and resolutions as may be advisable to regulate the use of the Lots and the common areas of the Subdivision, including the right, power and authority to levy special assessments in the nature of liquidated damage sums in favor of the Association for specific violations of any regulation, provision, rule, or resolution; any such liquidated damage sum shall be a lienable special assessment against the Member who or whose Guests, invitees, agents or tenants violated such rule, regulation, provision or resolution.

C. To obtain and maintain any insurance coverage which may, in the Board's discretion, be advisable.

D. Subject to the terms and limitations of the Declaration, to fix, determine, levy and collect general assessments to be paid by each of the Owners to meet the common expenses of the Association, and to create a contingency reserve therefor, and to fix, determine, levy and collect special assessments. The Directors may adjust the general assessment from time to time in its discretion. Special assessments also may be levied and collected against an Owner as liquidated damages for violation of any rule, regulation, provisions or resolution with respect to operation, use and occupancy, by such Owner or his guests, invitees, agents or tenants, of such Owners' Lot, of roads, parking areas, or any property or common areas owned or managed by the Association. Special assessments also may be levied against and paid by each of the Owners whenever in the opinion of the Board it is necessary or advisable to do so to pay the cost of any proper purpose or activity of the Association, provided, however, that any such assessment which is to be applied to any project or for

any purpose the total cost of which shall exceed \$5,000.00, must first be approved by a two-thirds (2/3) vote of the members who vote in person or by proxy at a meeting duly called for the purpose of voting on such proposed special assessment. All general and special assessments (other than liquidated damages for violating any rule, regulation, provision or resolution) shall be in itemized statement form and shall set forth in detail the various expenses for which the assessments are being made.

E. To collect promptly all delinquent assessments by suit, by foreclosure of lien, by exercise of any power granted by the Declaration, the Articles of Incorporation, these Bylaws, or otherwise, and to enjoin or seek damages from an Owner.

F. To protect and defend the Association from loss and damage by suit or otherwise.

G. To do all things necessary or proper to accomplish the Association's purposes.

H. To acquire, own, improve, develop, operate, manage, encumber, and sell real and personal property for the common use and benefit of the Members.

I. To employ, at the Board's option, a managing agent for the Association at a compensation established by the Board to perform such duties and services as the Board may authorize.

Section 6. Informal Action by Directors. Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the Directors.

Section 7. Compensation. No Director shall receive compensation for any service he may render to the Association. Any Director, however, may be reimbursed for his actual expenses incurred in the performance of his duties.

ARTICLE V

Officers

Section 1. Officers: The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer. Any person may hold more than one office at one time except that no one may hold the offices of both President and Secretary. The Board may appoint such other officers, assistant officers, committees and agents as may be deemed necessary or desirable from time to time. The officers of the Association shall be elected annually by the Board and may be removed with or without cause by the Board. They shall take office immediately after election. All officers shall be Members and Directors of the Association.

Section 2. President: Subject to the direction of the Board, the President shall be the chief executive officer of the Association and shall perform such other duties as from time to time may be assigned to him by the Board. The President shall, ex officio, be a member of all committees. The President is authorized, on behalf of the Association, to execute any deed, contract, assessment, lien or release, or any other instrument.

Section 3. Vice President: The Vice President shall have such power and perform such duties as may be assigned to him by the Board or the President. In the case of the absence or disability of the President, the duties of that office shall be performed by the Vice President.

Section 4. Secretary: The Secretary shall issue notice of all meetings of the membership and of the Board when instructed to do so, he shall attend such meetings and keep full and true copies of the minutes of such meetings in a minute book of the Association. He shall have charge of the corporate seal and attest the same by his signature when attached to any instrument or document and shall perform such other acts or duties as the Board may designate. In the absence of the Secretary or in his inability to perform his duties, such duties may be performed by an assistant secretary or by a secretary pro-tempore appointed at any meeting by the President.

Section 5. Treasurer: The Treasurer shall have custody of the corporate funds and shall keep a full and accurate account of all receipts and disbursements and of the financial and business transactions of the Association and books belonging to the Association. He shall deposit all moneys and other valuable effects of the Association in such banks and depositories as the Board may direct. He shall, from time to time, make written reports to the President and to the Board showing the financial condition of the Association and shall perform such other duties as the Board may designate. He shall be primarily responsible for the levy, assessment and collection of any general or special assessments levied by the Association; provided, however, that he shall be assisted as necessary in such duties by the Board and by other officers.

Section 6. Salaries: No officer shall receive any salary or compensation for his service unless the same shall have been authorized by a vote of the Members.

Section 7. Committees: The Board shall appoint an Architectural Control Committee as provided in the Declaration and shall appoint such other committees as it may deem appropriate in carrying out its purpose.

ARTICLE VI

Obligations of the Members

Section 1. Assessments. Each Owner shall promptly pay all dues, general assessments or special assessments levied by the Association. General assessments shall be determined and assessed in the manner provided in Article V of the Declaration. Notwithstanding any provisions in the Association's Articles to the contrary, the Board shall submit any proposed special assessment which is to be applied to any project or purpose the total cost of which shall

exceed \$5,000.00 to the vote of the members at a meeting called with at least thirty days, but not more than sixty days notice. The notice shall specify that a special assessment will be voted on and will include a general statement of the purpose for the special assessment. Such an assessment must be approved by a two-thirds (2/3) vote of the members who vote in person or by proxy at the meeting called for the purpose of considering the assessment.

Section 2. Collection. If a Lot or any portion of a Lot is owned by two or more Owners in co-tenancy, each such co-Owner shall be jointly and severally liable for each assessment, charge, penalty or cost against and attributable to such Lot. Assessments shall be due and payable by the last day of the calendar month in which such assessment is billed to the Owners. An assessment shall be deemed billed when put in writing, placed in an envelope addressed to the Owner at his last address shown on the Secretary's books, postage prepaid, and deposited in the United States mails. All assessments not paid by the last day of the calendar month in which such assessment is billed shall bear interest after such day at the rate of three percent (3%) per month. The Board is empowered to take any and all action for collection of assessments as are provided for in the Declaration, the Articles of Incorporation or these Bylaws, or permitted by law or in equity. In the event the Association shall retain an attorney to collect any past due assessments, then the Owner who has failed to pay such assessment shall also be liable to the Association for reasonable attorneys' fees and costs of collection incurred by the Association, whether or not suit is brought.

Section 3. Lien. All unpaid general assessments, all unpaid special assessments, accrued interest on and any late charges levied with respect to any unpaid assessment, and reasonable attorneys' fees and costs incurred in connection with collection of any unpaid assessment (whether or not suit is brought), shall each and all constitute a lien on the nonpaying Owner's Lot or Lots in favor of the Association and shall be prior to all other liens and encumbrances, except: (i) a lien for real property taxes or special district assessments, and (ii) the prior lien of any first mortgage or first deed of trust of record encumbering such Lot. The Association's lien shall attach from and after the date of recording a statement of lien encumbering said delinquent Owner's Lot or Lots in the Subdivision, executed by the President or Secretary of the Association, setting forth the amount of the unpaid indebtedness (itemized for general or special assessments, interest, fees and late charges), the name of the Owner of the Lot or Lots, a legal description of the Lots encumbered, and a statement that such lien extends to reasonable attorneys' fees and costs incurred in enforcing the same and may be foreclosed by the Association in the same manner as a mortgage on real property. The statement of lien may be filed at any time after any assessments, fees or costs are more than ten (10) days past due. Thirty (30) days following the recording of the Association's lien, the Association may proceed to foreclose the lien in the same manner as provided for the foreclosure of mortgages on real property under the statutes of the state of Colorado. The Association shall be entitled to purchase the Lot or Lots at any foreclosure sale, and to acquire, hold, lease, mortgage or convey the same. The Association shall have such additional powers as set forth in the Articles of Incorporation or the Declaration.

Section 4. Compliance with Declaration, Articles, Bylaws and Rules. Each Member shall comply with all of the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Association and any rules, regulations, provisions, resolutions and decisions issued by the Board of Directors.

ARTICLE VII

1. Indemnification. Subject to the other provisions of this Article, any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative including an action by or in the right of the Association, by reason of the fact that he is or was a director, officer, employee, or agent of the Association shall be indemnified by the Association against expenses (including attorneys' fees), judgments, penalties, fines, and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit, or proceeding if:

(a) He conducted himself in good faith;

(b) He reasonably believed:

(i) In the case of conduct in his official capacity with the Association, that his conduct was in the Association's best interests; or

(ii) In all other cases, that his conduct was at least not opposed to the Association's best interests; and

(c) In the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful.

The termination of any action, suit, or proceeding by judgment, order, settlement, or conviction or upon a plea of nolo contendere or its equivalent, is not of itself determinative that the individual did not meet the standard of conduct set forth in subsections (a), (b) and (c) above. Indemnification permitted under this subsection in connection with a proceeding by or in the right of the Association is limited to reasonable expenses incurred in connection with the proceeding.

Section 2. Indemnification Prohibited. The Association may not indemnify a director under this Article either:

(a) In connection with a proceeding by or in the right of the Association in which the director was adjudged liable to the Association, or

(b) In connection with any proceeding charging improper personal benefit to the director, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

Section 3. Determination of Standard of Conduct. Any indemnification under Section 1 of this Article VII (unless ordered by a court) shall be made by

the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1. Such determination shall be made by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding, or, if a quorum cannot be obtained, by a majority vote of a committee of the board designated by the board, which committee shall consist of two or more directors not parties to the action, suit or proceeding; except that directors who are parties to the proceeding may participate in the designation of directors for the committee. If the quorum cannot be obtained or the committee cannot be established, or even if a quorum is obtained or a committee designated, if such quorum or committee so directs, the determination of whether the applicable standard has been met shall be made:

(a) By independent legal counsel selected by a majority vote of a quorum of the board of directors consisting of directors who were not parties to the action, suit or proceeding in question or the majority vote of the committee described above, or, if a quorum of the full board cannot be obtained and a subcommittee cannot be established, by independent legal counsel selected by a majority vote of the full board; or

(b) By the shareholders.

Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible; except that, if the determination that indemnification is permissible is made by independent legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses shall be made by the body that selected said counsel.

Section 4. Advance of Expenses. The Association may pay for or reimburse the reasonable expenses incurred by a director, officer, employee or agent of the Association who is a party to a proceeding in advance of the final disposition of the proceeding if:

(a) The party seeking payment of such expenses furnishes the Association a written affirmation of his good-faith belief that he has met the standard of conduct described in subparagraph (a) of Section 1 above;

(b) The party furnishes the corporation a written undertaking, executed personally or on his behalf, to repay the advance if it is determined that he did not meet such standard of conduct; and

(c) A determination is made that the facts then known to those making the determination would not preclude indemnification under this Article.

Section 5. Mandatory Indemnification. Notwithstanding the foregoing, to the extent that a director, officer, employee, or agent of the Association has been wholly successful, on the merits or otherwise, in defense of any action, suit, or proceeding referred to in Sections 1 of this Article VII, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 6. Notice of Indemnification. Any indemnification of or advance of expenses in accordance with this Article, if arising out of a proceeding by or on behalf of the Association, shall be reported in writing to the shareholders with or before the notice of the next shareholders' meeting.

ARTICLE VIII

Miscellaneous

Section 1. Corporate Seal. The seal of the Association shall bear the name of the Association and the words "Colorado-Seal."

Section 2. Amendments. Except as otherwise provided in these Bylaws or the Articles of Incorporation or by law, these Bylaws may be altered, amended or repealed by the Board of Directors or by the affirmative vote of at least 51% of the votes of the membership of the Association.

ARTICLE XIX

MAINTENANCE

Section 1. Owner's Responsibility. The primary purpose of the Declaration, the Association, these Bylaws and the rules and regulations of the Association is, and shall be, to promote and protect the property value of the Lots of individual Members. Each individual Owner is responsible for maintaining his Lot or Lots in a manner consistent with community standards.

Section 2. Responsibility of the Board. The Board is charged with the responsibility of enforcing to the best of its ability the terms of the Declaration, the Articles of Incorporation, these Bylaws, any adopted rules and regulations and, generally, maintaining community standards. In the event that corrective action is required on an individual Lot in this regard, the Board shall notify the Owner of that Lot of the suggested remedy. Should the appropriate corrections not be made within ten (10) days or such period of time as the Board may select, the Board shall cause the necessary work to be accomplished and bill the Owner for the costs of the work. The Board, in the conduct of its responsibilities under this Section, shall make every effort to reach an amicable, mutually agreeable solution of a problem.

Section 3. Collection. If it becomes necessary to bill any owner as a result of the operation of this Article then the provisions of Sections 2 and 3, Article VI shall apply as it relates to the collection of such billing.

CERTIFICATE

I hereby certify that the foregoing Bylaws, consisting of ten (10) pages, including this page, constitute the Bylaws of STEAMBOAT PROPERTY OWNERS' ASSOCIATION, adopted by the board of directors of the corporation as of November 1, 1986.

Secretary