

any action, failure to act, approval, disapproval, or failure to approve or disapprove with regard to such requests.

ARTICLE X

WATER RIGHTS AND CONSERVATION

Section 1. Decree Approving Plan of Augmentation. Pursuant to the Water Rights of Beaver Ridge, Ltd., in Park County, "Findings of Fact, Conclusions of Law, and Ruling of the Referee," issued in the District Court in and for Water Division No. 1, State of Colorado, Case No. 93CW071 concerning the application for water rights to Beaver Ridge Ltd. in Park County, (the "Decree"), the Association has certain rights and obligations with respect to the usage of water by Owners. The purpose of this Article X is to set forth such rights and obligations, provided, however, in the event of any conflict between the provisions of this Article X and the Decree, the provisions of the Decree, or any authorized modification thereto approved by the court, shall control. All Owners and the Association are bound by and subject to the provisions of the Decree, and any authorized modifications thereto approved by the court.

Section 2. Well Water. Water shall be supplied by each owner drilling an individual well on his lot. The owner's water supply is subject to the terms and conditions of the Findings of Fact, Conclusions of Law and Judgment and Decree of the Water Court in Cash No. 93CW71 in the District Court for Water Division No. 1, State of Colorado, and to be recorded in the office of the Clerk and Recorder, Park County, Colorado. This Decree provides in part that no curtailment or diversions through facilities required to serve 22 single-family residential equivalent units shall be made unless there is insufficient water available for replacement of the consumptive use depletions of the Subdivision pursuant to the plan for augmentation contained within the Decree. However, if there is insufficient water available to satisfy the requirements of the plan for augmentation, individual wells are subject to curtailment. Before an owner can construct a well, a well permit must be obtained from the Colorado State Engineer's Office in Denver, Colorado. The foregoing Decree provides for 22 on-site domestic water well permits. These will be the only type of permits granted for construction of wells on the property. The Decree provides that no outdoor irrigation will be permitted with these wells, however, the owners of Lots 1, 8, 9, 10, 11, 12, 13, 14, 20, 21 and 22 will be permitted to keep up to two large domestic stock animals (e.g. horses, cattle or similar animals) on their lots. No domestic livestock may be kept on any of the other lots or on the Out Lot.

There may be two excavated ponds on the property, one each on Lots 21 and 22. These ponds will be used for recreation and fish and wildlife preservation and propagation. Each pond will have a surface area no larger than 5,000 square feet. Because they will intercept ground water, well permits will be required prior to their construction. Water rights for the ponds will not be adjudicated, the ponds will not have priorities, and all depletions associated with them will be fully augmented.

The Decree requires that periodic reports of the amount of water used be submitted to the State Engineer. The Declarant and/or Association may, at its discretion, require flow meters or other measuring devices on each well constructed in the Subdivision.

Section 3. Waste Water. All domestic sewage and waste water from owners in the Properties must be disposed of through septic tanks and sewage disposal systems of the soil absorption field type, and other non-evapotranspiration systems.

Section 4. Consumptive Use of Water. The consumptive use of water by owners in the properties is subject to the plan of augmentation decreed by the Water Court, the basis of which is the replacement to the stream system during times of need, from direct-flow and storage water rights, of an amount equal to the depletion of the South Platte River and its tributaries which will result from the development of the properties. The details of this replacement procedure and the amounts of water needed, and their calculation, are set out in detail in the augmentation plan (Decree) referred to above and incorporated herein by reference.

The Colorado State Engineer may curtail diversion of water through the wells located on the Properties if they, or the other features of the plan for augmentation, are being operated or used in violation of the terms of the Decree.

Section 5. Reports. the Association shall report to the Division Engineer of Water District No. 1 ("Division Engineer"), any known violations of the conditions of the Decree. Additionally, on or before January 1 of each year, the Association shall report to the Division Engineer the name and address of its president and the number of residences then constructed available for occupancy.

Section 6. Insufficient Water For Depletion Replacements. In the event that an extreme period of dry weather results in insufficient water being available for depletion replacements pursuant to the Decree, the water users in the Applicant's development, through the Association, shall terminate well diversions, shall acquire additional water by emergency lease or shall reduce their consumptive use, in order that the development's consumptive use will not exceed the limits of water made available for replacement pursuant to the Decree's plan of augmentation.

Section 7. Water Usage Restrictions. In the event water consumption within the Project shall actually exceed, or is projected to exceed, the estimated consumptive use of 0.71 cfs., the Board shall impose mandatory water usage restrictions, including, without limiting the generality of the foregoing, limiting the rate, volume, and hours during which water may be appropriated from the wells in the Project. The Board shall establish and levy fines upon every Lot and its Owner which violate such restrictions, which fine shall be due and payable in full by the Owners of such Lot upon demand by the Association.

Section 8. Fines and Liens. The Board shall establish a schedule of fines for violations of any water usage restrictions, which fines shall be levied against every Owner who violates such restrictions, and shall constitute a lien upon the Lot of such Owner. Unpaid fines shall be subject to interest at the rate established from time to time by the Board and set forth in the schedule of fines. Such interest shall accrue commencing the date such fine is delinquent. the Association shall evidence such lien by recording in the records of the Park County, Colorado Clerk and Recorder, a notice thereof signed by an officer of the Association, setting forth the amount and date of such fine, the rate of interest thereon, the legal description of the Lot upon which the lien is being placed, and the Owner of such Lot. This lien shall always be subordinate to any prior recorded first deed of trust upon such Lot. The lien may be foreclosed by the Association in the same manner as a real estate mortgage. Foreclosure of this lien shall not preclude the Association from suing such Owners personally on this debt.

Section 9. Suspension of Membership Rights. The Board may suspend membership rights of any Member of the Association for failure to pay any lawfully assessed fine levied against the Member who violates water usage restrictions.

Section 10. Enforcement by Court Action. the Association may sue any Owner or other person to enforce compliance with the terms of the Decree and water usage restrictions imposed by the Association in furtherance of the Decree. Furthermore, any person entitled to enforce the Decree shall be empowered to sue the Association on behalf of the Owners. The terms of the Decree, any modifications thereto approved by the Court, and any protective covenants applicable to the lots for the purpose of enforcing the Decree, shall be enforced by the Association.

ARTICLE XI

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Association shall indemnify every director and officer, and member of the Architectural control Committee, and his or her heirs, executors and administrators against all loss, costs and expenses, including counsel fees, reasonably incurred in connection with any action, suit or proceeding to which such person may be made a party by reason of being or having been a director or officer of the Association, or member of the Committee, except as to matters for which such person shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement where the Association is advised by legal counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duties as such Director or officer, or member of the Committee. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs and expense incurred, if suffered by the Association by reason of, or arising out of, or in connection with the foregoing indemnification provisions, shall be

treated and handled by the Association as a common expense. Nothing contained in this Article shall, however, be deemed to obligate the Association to indemnify any member who is, or has been, a director or officer of the Association or member of the Committee, with respect to any duties or obligations assumed, or liabilities incurred, as a member or owner of a Lot under or by virtue of the Declaration.

ARTICLE XII

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. The Declaration, the Articles, and the By-Laws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XIII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XIV

CORPORATE SEAL

the Association shall have a seal in circular form having within its circumference the words: Platte River Ranch Estates Water and Road Association.

ARTICLE XV

ACCESS BY DECLARANT

So long as the Declarant is a Class C member, the Declarant, its officers, agents, employees, contractors, subcontractors and suppliers shall have the right to use the

Common Area, including without limiting the generality of the foregoing, all roads within the Properties, for marketing, construction, and inspection of all or any portion or the Properties.

ARTICLE XVI

ACCESS BY EMERGENCY

All public safety and fire protection emergency vehicles, and ambulances, shall have the right to use the properties roads and common area as reasonably required to fulfill their purposes.

ARTICLE XVII

COMPLIANCE WITH INTERNAL REVENUE CODE

Anything in law, the Articles or these By-Laws to the contrary notwithstanding, the Association shall not be empowered to do or perform any act or thing not authorized to be done by a corporation exempt from federal income tax pursuant to Section 528 of the Internal Revenue Code of 1954, as amended, or the corresponding provisions of any subsequent internal revenue law.

ARTICLE XVIII

AMENDMENTS, GOVERNING PROVISIONS AND SPECIAL BYLAWS

Section 1. Required Approval. Except as provided below, these By-Laws may be amended, at a regular or special meeting of the Members, by a vote of two-thirds (2/3rds) of a quorum of all Members present and eligible to vote in person or by proxy.

Section 2. Governing Provisions. In the case of any conflict between the Articles and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and the Articles or these By-Laws, the Declaration shall control.

Section 3. Special By-Laws. Unless authorized by a court order amending or altering the Decree, Article X of these By-Laws, and Article VII, Section 2(i), may not be altered, amended or repealed.

ARTICLE XIX

NONCOMPLIANCE

Section 1. Suspension of Privileges. In the event of an alleged violation of the Declaration, the Articles of Incorporation, these Bylaws, the Water Decree, or the rules

and regulations of the Association, and after written notice of such alleged violation is given to the Owner (or to any person subject to the terms of any of the above documents) alleged to be in default ("Respondent") in the manner herein provided, the Board shall have the right, after affording the Respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all directors on the Board, to take any one or more of the following actions: (1) to levy a fine as provided by these Bylaws; (2) to suspend or condition the right of said Owner to use the common Properties or any recreational facilities owned, operated, or maintained by the Association; (3) to suspend said Owner's voting privileges as an Owner; or (4) to record a notice of noncompliance against the property of the Respondent in the real property records of the County of Park, State of Colorado. Any such suspension shall be for a period of not more than sixty (60) days for any noncontinuing infraction. If there is a continuing infraction (including nonpayment of any assessment after the same becomes delinquent), suspension may be imposed for so long as the violation continues. The failure of the Board to enforce the provisions of the Declaration, the Articles of Incorporation, these Bylaws, the Water Decree or the rules and regulations of the Association shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws shall be cumulative and none shall be exclusive. However, each Owner (and every other person subject to the terms of the above documents) must exhaust all available internal remedies of the Association prescribed by these Bylaws or by the rules and regulations of the Association before that person may resort to a court of law for relief with respect to any alleged violation of the Declaration, the Articles of Incorporation, these Bylaws, the Water Decree, or the rules and regulations of the Association by another person, provided the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Owner (or other person) where the complaint alleges nonpayment of any type of assessment.

Section 2. Written Complaint. A hearing to determine whether a right of privilege of a Respondent under the Declaration or these Bylaws should be suspended or conditioned shall be initiated by the filing with the President of the Association or other presiding members of the Board of a written Complaint. Any Owner, officer, or member of the Board or the Architectural Control committee may file such Complaint. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the Respondent is charged and a reference of the specific provisions of the Declaration, the Articles of Incorporation, these Bylaws, the Water Decree or the rules and regulations which the Respondent is alleged to have violated. A copy of the Complaint shall be delivered to the Respondent in accordance with the notice procedures set forth in Section 7 hereof, together with a statement which shall be substantially in following form:

"Unless a written request for a hearing signed by or on behalf of the person named as Respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after you were served with the Complaint, you will thus have waived your right to a hearing and the Board of

directors may proceed upon the Complaint without a hearing. The request for a hearing shall be made by delivering or mailing a 'Notice of Defense' substantially in the form as shown below to the Board of Directors at the following address:

501 Ash Street
Denver, CO 80220

or such other address as the Association may from time to time establish.

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody, or control of the Board of Directors, you may contact the Board at such address."

The Respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board. The Respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

The Notice of Defense shall be substantially in the following form:

"To: Board of Directors of Platte River Ranch Estates Water and Road Company:

Having received notification of the Complaint filed against me on _____, I do hereby wish to exercise my right to have a hearing before a Tribunal appointed by the President of the Association.

Additional information of the following types is required by me:

Signed: _____
Owner of: _____
Dated: _____

Section 3. Tribunal. The President shall appoint a Hearing committee ("Tribunal") of three (3) natural persons who are Owners upon receipt of a written Complaint as provided in Section 2 of this Article. In appointing the members of the Tribunal, the President shall make a good faith effort to avoid appointing next-door neighbors of the Respondent or any Owners who are witnesses of the alleged violation giving rise to the Complaint. The appointments of the President shall be final, except that the Respondent may challenge any member of the Tribunal for cause, where a fair and impartial hearing cannot be afforded, at any time prior to the taking of evidence for the hearing. In the event of such challenge, the Board shall meet to determine and vote on the sufficiency of the challenge; the President shall not vote on such matter. If such a challenge is sustained, the President shall appoint another Owner to replace the challenged member of the Tribunal. All decisions of the Board in this regard shall be final. The Tribunal shall elect a Chairman to preside at the hearing and shall appoint a hearing officer who shall not be a member of the Tribunal and who shall present evidence and to ensure that a proper record of all proceedings is maintained.

Section 4. Notice of Hearing. The Tribunal shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing. The hearing shall be held no sooner than thirty (30) days after the Complaint is mailed or delivered to the Respondent as provided in Section 4 of this Article. The notice to the Respondent shall be substantially in the following form but may include other information:

"You are hereby notified that a hearing will be held before a Tribunal appointed by the President of Platte River Ranch Estates Water and Road Company at _____ on the _____ day of _____, _____, at the hour of _____, upon the charges made in the complaint served upon you. You may be present at the hearing; may, but need not, be represented by counsel; may present any relevant evidence; and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to compel the attendance of witnesses and the production of books, documents, or other items by applying to the Board of Directors of the Association."

Section 5. Hearing.

(a) In the event that the Tribunal has commenced to hear the matter and a member of the Tribunal is forced to withdraw prior to a final determination by the Tribunal, the remaining members shall continue to hear the case and the hearing officer shall replace the withdrawing member. Oral evidence may be taken. However, use of affidavits and written interrogatories in lieu of oral testimony shall be encouraged by the Tribunal.

(b) Each party shall have these rights: to call and examine witnesses; to introduce exhibits; to cross-examine witnesses on any matter relevant to the issues; to impeach any witness; and to rebut the evidence against him. If Respondent does not testify in his own behalf, he may be called and examined as if under cross-examination.

(c) The hearing need not be conducted according to technical rules relating to evidence shall be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. The rules of privilege shall be effective to the extent that they are otherwise required by statute to be recognized at the hearing, and irrelevant and unduly repetitious evidence shall be excluded.

(d) Neither the accusing Owner nor the Respondent must be in attendance at the hearing. The hearing shall be open to all Owners, to the extent the capacity of the hearing room permits. In rendering a decision, official notice may be taken at any time of any generally accepted matter within the Declaration, the Articles of Incorporation, these Bylaws, the Water Decree, the rules and regulations, or the workings of the Association. Persons present at the hearing shall be informed of the matters to be noticed by the Tribunal, and these matters shall be made a part of the record of proceedings. The Tribunal may grant continuances on a showing of good cause.

Section 6. Decision. If the Respondent fails to file a Notice of Defense as provided in Section 2 of this Article or fails to appear at a hearing, the Tribunal may take action based upon the evidence presented to it without notice to the Respondent. However, the Respondent may make any showing by way of mitigation. After all testimony and documentary evidence have been presented to the Tribunal, the Tribunal shall vote by secret written ballot upon the matter, with a majority of the entire Tribunal controlling. The Tribunal will prepare written findings of fact and recommendations for consideration by the Board, a copy of which shall be posted by the Board at a conspicuous place where all Owners shall have access, and a copy shall be served by the President on each person involved in the matter and his attorney, if any. The Tribunal shall make its determinations only in accordance with these Bylaws or the rules and regulations shall be imposed only by the Board and in accordance with the findings and recommendations of the Tribunal. The Board may adopt the recommendations of the Tribunal in their entirety, or the Board may reduce the proposed penalty and adopt the balance of the recommendations. In no event shall the Board impose more stringent disciplinary action than that recommended by the Tribunal. The decision of the Board shall be in writing and shall be served and posted in the same manner as the findings and recommendations of the Tribunal. The decision of the Board shall become effective ten (10) days after it is served upon the Respondent, unless otherwise ordered in writing by the Board. On its own motion or on petition by any party, the Board may order a reconsideration at any time within fifteen (15) days following service

of its decision on the involved parties. However, no action against the Respondent arising from the alleged violation shall take effect prior to the expiration of: (a) fifteen (15) days after the Respondent's receipt of the notice of hearing and (b) five days after the hearing required herein.

Section 7. Notices. Any notices, demands, or other communications required or permitted to be given by any provision of this Article shall be given in writing, delivered personally or sent by U.S. mail, postage prepaid, addressed to the person for whom intended at the address then appearing in the records of the Association for such person. Notice shall be considered given when personally delivered or mailed, and shall be considered received on the earlier of the day on which such notice is actually received by the party to whom it is addressed or the third day after such notice is given.

IN WITNESS WHEREOF, we, being all the initial directors of Platte River Ranch Estates Water and Road Association, have hereunto set our hands this 23rd day of AUGUST, 1994.

Quane A. Larson

Denise E. Larson

Alvin Larson