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DEPARTMENT OF STATE  
STATE OF COLORADO

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ARTICLES OF INCORPORATION

FOR THE

ALCAZAR HOMEOWNERS' ASSOCIATION

The undersigned, desiring to establish a nonprofit corporation pursuant to the Colorado Nonprofit Corporation Act, hereby certifies:

ARTICLE I

Name

The name of the corporation shall be: ALCAZAR HOMEOWNERS' ASSOCIATION.

ARTICLE II

Existence

The corporation shall have perpetual existence.

ARTICLE III

Corporate Purposes and Powers

1. Purposes. The objects and purposes of the corporation shall be: (a) to provide for the care, upkeep and supervision of the real property and improvements constituting Alcazar Villas (the "Project"), located in Eagle County, Colorado (the "County") as further described in the Declaration of Covenants, Conditions and Restrictions for Alcazar Villas (the "Declaration") and the Final Plats, described in the Declaration (the "Plat"), recorded or to be recorded by Kensington Land Investment Partners, a Colorado general partnership ("Declarant") with the Clerk and Recorder of the County, including the common area parcels (the "Common Area Parcels"); (b) to regulate and control the relationships between the owners (the "Owners") of villa lots ("Villa Lots") in the Project in connection with their ownership of the Villa Lots; (c) to promote the best interests of the Owners for the purpose of securing for them the fullest utilization and enjoyment of the Project; and (d) to transact all other lawful business allowed by the Colorado Nonprofit Corporation Act.

2. Powers. In furtherance of the foregoing purposes, but not otherwise, the corporation (which is sometimes hereinafter called the "Association") shall have and may exercise all of the following powers:

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(a) Real and Personal Property. To acquire, by gift, purchase, trade or any other method, to own, operate, build upon, manage, rent, sell, develop, encumber and otherwise deal in and with interests in real property in the Project, including the Common Area Parcels maintained thereon from time to time and interests in personal property of every kind and character, tangible and intangible, used or useful in connection with the Project.

(b) Borrowing. To borrow funds or raise moneys in any amount for any of the purposes of the Association and from time to time to execute, accept, endorse and deliver as evidences of such borrowing, all kinds of instruments and securities, including, but without limiting the generality of the foregoing, promissory notes, drafts, bills of exchange, warrants, bonds, debentures, property certificates, trust certificates and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment and performance of such securities by a mortgage on, or pledge, conveyance, deed or assignment in trust of, the whole or any part of the assets of the Association, real, personal or mixed, including contract rights, whether at the time owned or thereafter acquired.

(c) Contracts. To enter into, make, amend, perform and carry out, or cancel and rescind, contracts, management agreements, leases, permits and concession agreements for any lawful purposes pertaining to its business.

(d) Guaranties. To make any guaranty respecting securities, indebtedness, notes, interests, contracts or other obligations created by any individual, partnership, association, corporation or other entity, and to secure any such guaranty by an encumbrance upon any and all assets of the Association to the extent that such guaranty is made in pursuance of the purposes herein set forth.

(e) Loans. To lend money for any of the purposes above set forth; to invest its funds from time to time and to take and hold real and personal property as security for payment of funds so loaned or invested.

(f) Assessments. To levy monthly or other periodic assessments and special assessments against the Owners for Common Expenses (including but not limited to the costs of repairing and maintaining Common Area Parcels, and utility charges which are not charged directly to the Owners by the utility company), to charge interest and/or late fees

on unpaid assessments and to collect dues, fees (including per diem fees) and interest in accordance with its bylaws and enforce liens given as security for such assessments, dues, fees and interest.

(g) General Powers. To do everything necessary, suitable or proper for the accomplishment of any of the purposes, the attainment of any of the objects, or the furtherance of any of the powers above set forth, either alone or in connection with other corporations, firms or individuals, and either as principal or agent, and to do every act or thing incidental or appurtenant to, or growing out of, or connected with any of the aforesaid objects, purposes or powers.

(h) Rule Making. To make and enforce rules and regulations with regard to the management and operation of the Project.

(i) Management, Maintenance and Repair. To provide for the management, maintenance and repair of the Project and in connection therewith, to hire or contract with a property manager and to purchase or lease a residence determined by the board of directors of the Association (the "Board"), to be necessary for use for one or more managers of the Project, to enter into transactions with any entity or Owner to accomplish such purpose, and thereafter to sell, lease or retain any such residence for use as a manager's residence.

(j) Powers Conferred by Law. The foregoing enumeration of specific powers shall not limit or restrict in any manner the general powers of the Association and the enjoyment and exercise thereof as now or hereafter conferred by the laws of Colorado.

3. Restrictions Upon Purposes and Powers. The foregoing purposes and powers of the Association are subject to the following limitations:

(a) Nonprofit organization. That the Association shall be organized and operated exclusively for nonprofit purposes as set forth in Section 528 of the Internal Revenue Code of 1986, as amended, or in any corresponding provision of any future law of the United States of America providing for exemption of similar organizations from income taxation;

(b) Earnings of Association. That no part of the net earnings of the Association shall inure to the benefit of any private holder of membership certificates in the Association; and

(c) Association Participating in Litigation. That the Association shall not participate in any litigation which is, or purports to be, a "class action" without first obtaining the approval of at least 80 percent of the members of the Association (the "Members"). This subparagraph may not be amended unless such amendment is approved by the affirmative vote of at least 80 percent of the votes of all of the Members.

4. Dividends, Distributions, etc. The Association shall not pay any dividends. No distribution of the corporate assets to Members (as such) shall be made until all corporate debts are paid, and then only upon final dissolution of the Association by the affirmative vote of at least 80 percent of the votes of all of the Members at any regular or special meeting called for that purpose at which a quorum shall be represented. Upon such dissolution and distribution, the assets remaining after payment of all debts shall be distributed among the Members of the Association in proportion to their respective interests in the Common Area Parcels of the Project as set forth in the Declaration.

#### ARTICLE IV

##### Address of the Association

The operations of the Association shall be conducted at such places within or outside of the United States as may from time to time be determined by Board. The address of the initial registered and principal office of the corporation, located in Eagle County, is 2035 Cordillera Way, Edwards, Colorado 81632. The name of its initial registered agent at such address is William L. Clinkenbeard.

#### ARTICLE V

##### Association Membership

1. Members. Each individual, corporation, partnership, association, trust or other legal entity or, if more than one, all such individuals and/or entities collectively, owning an undivided fee simple interest in a Villa Lot shall automatically be a Member of the Association. Such membership shall be continuous throughout the period that such ownership continues. A membership shall terminate automatically without any Association action whenever such individual, organization or group ceases to own an undivided interest in a Villa Lot. Except as set forth above,

termination of membership shall not relieve or release any former Member from any liability or obligation incurred by virtue of or in any way connected with ownership of a Villa Lot, or impair any rights or remedies which the Association or others may have against such former Owner and Member arising out of or in any way connected with such ownership or membership.

2. Classes of Membership. The Association shall have the following classes of membership:

(a) Class A. Class A Members shall be all Members except Declarant for so long as Declarant is the Class B Member. Once Declarant ceases to be the Class B Member as set forth in Article VI hereof, it shall be a Class A Member if it is an Owner.

(b) Class B. The Declarant shall constitute the sole Class B Member.

3. Number of Votes. The Owner (or group of Owners) of each Villa Lot, including Declarant, shall be entitled to cast one vote per Villa Lot owned. When more than one person or entity holds an ownership interest in any Villa Lot, all such persons or entities shall be Members; the vote for such Villa Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any single Villa Lot. The Association shall not have a vote with respect to any Villa Lot owned by it. Cumulative voting shall not be allowed.

4. Designation of Voting Member. Any corporation, partnership, association, trust or other legal entity which becomes a Class A Member of the Association (an "Organizational Member") shall from time to time designate by written notice to the Association one or more individuals who may represent it at meetings and vote on behalf of such Organizational Member. The secretary of the Association shall maintain a list of the persons entitled to vote on behalf of such Organizational Member, and until the Association is notified to the contrary, any action taken by such persons purporting to act on behalf of an Organizational Member shall be binding on such Organizational Member. If a Villa Lot is owned by one person, the record Owner shall have the right to vote with respect to such Villa Lot. If a Villa Lot is owned by more than one person, the person entitled to cast the vote for the Villa Lot shall be designated on a certificate, signed by all of the record Owners of the Villa Lot, and filed with the Secretary of the Association. If a Villa Lot is owned by an

Organizational Member, the individual entitled to cast the vote of the Villa Lot for the Organizational Member shall be designated in a certificate for such purpose, and filed with the Secretary of the Association. The person designated in such certificate who is entitled to cast the vote for a Villa Lot shall be known as the "voting member". If such a certificate is not on file with the Secretary of the Association for a Villa Lot owned by more than one person or by an Organizational Member, the vote of the Villa Lot concerned shall not be considered in determining the requirement for a quorum, or for any purpose requiring the approval of a person entitled to cast the vote for the Villa Lot, except if said Villa Lot is owned by a husband and wife. Such certificate shall be valid until revoked or until suspended by a subsequent certificate, or until a change in the ownership of the Villa Lot concerned. Notwithstanding the foregoing, if a Villa Lot is owned jointly by a husband and wife, the following three provisions are applicable thereto:

(i) They may, but shall not be required to, designate a voting member;

(ii) If they do not designate a voting member and if both are present at a meeting (in person or by proxy), and are unable to concur in their decision upon any subject requiring a vote, their vote shall not be counted in any vote on that subject at that meeting; and

(iii) Where they do not designate a voting member and only one is present at a meeting (in person or by proxy), the person present may cast the Villa Lot vote, just as though he or she owned the Villa Lot individually and without establishing the concurrence of the absent person.

5. Amendment of Article V. This Article V may be amended only by the unanimous vote of all the Members.

## ARTICLE VI

### The Board of Directors

1. Control and Management. (a) The control and management of the affairs of the Association and the disposition of its funds and property shall be vested in the Board. The Board shall consist of no fewer than three and no more than five directors.

(b) The Board shall be divided into three classes, as nearly equal in numbers as the then total number of directors constituting the entire Board permits, with the

term of office of one class expiring each year. At the annual meeting of Members in 1992, the term of the director designated below as the Class A director shall expire and a Class A director shall be elected to hold office for a three-year term. At the annual meeting in 1993, the term of the director designated below as the Class B - One director shall expire, and a Class B - One director shall be elected for a three-year term. At the annual meeting in 1994, the term of the director designated below as the Class B - Two director shall expire, and a Class B - Two director shall be elected for a three-year term.

(c) The Class A Members shall elect one director to be known as the Class A director of the Association. The term of office of the Class A director shall run as provided in (b) above. The Class B Member shall appoint two directors, to be known as the Class B - One and Class B - Two directors, with terms of office running as provided in (b) above. The Class B Member shall terminate upon the happening of the earlier of the following:

(i) when the total outstanding Class A votes equal or exceed 75% of the total number of votes held by both the Class A Members and the Class B Member; or

(ii) when the Class B Member resigns as a Member of the Association.

Upon the occurrence of one of the foregoing circumstances, the Class B - One and Class B - Two directors shall automatically be converted to Class A directors, and shall be elected by the Class A Members.

(d) The names and mailing addresses of the persons who are to serve as directors until the annual meetings of Members specified above at which directors of a particular class are elected or appointed or until their successors are elected or appointed and have qualified are:

CLASS A

William L. Clinkenbeard    2035 Cordillera Way  
Edwards, Colorado 81632

CLASS B - ONE

Gerald E. Engle                    2035 Cordillera Way  
Edwards, Colorado 81632

CLASS B - TWO

Debra Duley

2035 Cordillera Way  
Edwards, Colorado 81632

2. Executive Committee. The Board may by resolution designate two or more of their number to constitute an executive committee which shall have and exercise all of the power of the Board in the management of the business and affairs of the Association or such lesser authority as may be set forth in such resolution. No such delegation of authority shall relieve the Board or any member of the Board from any responsibility imposed by law.

ARTICLE VII

Officers

The Association shall have such officers as may from time to time be prescribed by the bylaws. Their terms of office and the manner of their designation or selection also shall be determined according to the bylaws from time to time in effect.

ARTICLE VIII

Managers

The Board shall have power to appoint a manager or managers, which may be a corporation, partnership or other entity, to carry on day-to-day maintenance, repair, rental, service and other functions for the Association upon such terms and conditions as the Board may approve.

ARTICLE IX

Authority to Convey or Encumber Property

Authority to convey or encumber the property of the Association and to execute any deed, contract or other instrument on behalf of the Association for itself or as attorney-in-fact for one or more of the Members is vested in the president or any vice president. All instruments conveying or encumbering such property (whether or not executed as such



attorney-in-fact) shall be executed by the president or a vice president and attested by the secretary or an assistant secretary of the Association.

## ARTICLE X

### Management

The following provisions are inserted for the management of the business and for the conduct of the affairs of the Association, and the same are in furtherance of, and not in limitation or exclusion of, the powers conferred by law:

1. Contracts with Directors, Officers or Members. No contract or other transaction of the Association with any other person, firm or corporation shall be affected or invalidated by (a) the fact that any one or more of the directors, officers or Members of the Association is interested in, or is a director, trustee or officer of, such person, firm or corporation, or (b) the fact that any director, officer or Member, individually or jointly with others, may be a party to or may be interested in, any such contract or transaction. Each person who may become a director, officer or Member of the Association is hereby relieved from any liability that might otherwise arise by reason of his contracting with the Association for the benefit of himself or any firm or corporation in which he may be in any way interested.

2. Board of Directors to Exercise General Power. All corporate powers except those which by law or by these articles of incorporation expressly require the consent of the Members shall be exercised by the Board or the executive committee.

3. Removal and Replacement of Directors. A Class A director may be removed with or without cause by the vote of 66-2/3% or more of the votes of Class A Members then entitled to vote at an election of a Class A director. Any initial director appointed herein or any Class B director may be removed with or without cause by the Class B Member. Any vacancy in a Class A director seat caused by removal (when said director has been elected by a vote of Members) shall be filled only by the vote of Class A Members so represented in person or by proxy at a meeting called for such purpose, as if such meeting were a regular annual meeting for the election of directors or by unanimous written consent of Members. The person or persons having the highest number of votes from the Class A Members shall be declared elected to the Board. Any vacancy in a Class B director seat caused by removal shall be filled by appointment by the Class B Member.

4. Compensation of Directors and Members. The Board is hereby authorized to reimburse members of the Board and other Members for expenses incurred in connection with furthering the purposes of the Association. The Board shall fix the basis and conditions upon which such reimbursement shall be paid. Any director of the Association also may serve in any other capacity and receive reimbursement for such other work.

5. Elimination of Certain Liability of Directors. To the fullest extent permitted by the Colorado Nonprofit Corporation Act, as the same exists or may hereafter be amended, a director of the Association shall not be liable to the Association or its members for monetary damages for breach of fiduciary duty as a director. Any repeal or modification of this Article by the members of the Association shall be prospective only and shall not adversely affect any right or protection of a director of the Association existing at the time of such repeal or modification.

6. Indemnity. Each director or officer, whether or not then in office, and each person who may have served at the request of the Association as a director or officer of another corporation in which the Association owns capital stock or of which it is a creditor, and his executors, administrators and assigns, shall be indemnified by the Association to the fullest extent allowed by the laws of the State of Colorado except as limited by any provisions set forth in the bylaws.

#### ARTICLE XI

##### Bylaws

The initial bylaws of the Association shall be as adopted by its Board. The Board shall have power to alter, amend or repeal the bylaws. The bylaws may contain any provisions for the regulation or management of the affairs of the Association which are not inconsistent with law or these articles of incorporation, as the same may from time to time be amended.

#### ARTICLE XII

##### Right to Amend Articles

The Association reserves the right to amend, alter, change or repeal any provision contained in these articles of incorporation by, unless a higher voting requirement is set

forth herein with respect to any particular provision, the affirmative vote of at least 51 percent of the votes of the Members at any regular or special meeting called for that purpose.

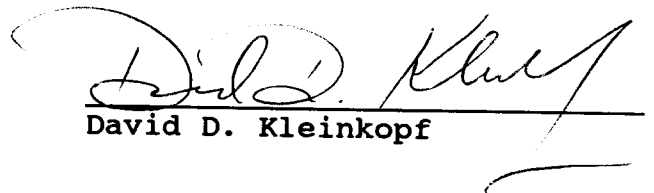
ARTICLE XIII

Incorporator

The name and address of the incorporator is:

David D. Kleinkopf  
1700 Lincoln Street  
Suite 4100  
Denver, Colorado 80203

Dated: October 8, 1991

  
David D. Kleinkopf

## VERIFICATION

STATE OF COLORADO

CITY AND COUNTY OF DENVER ) ss.

I, Joanne Polanshek, a notary public, hereby certify that on the 8th day of October, 1991, personally appeared before me David D. Kleinkopf, who being by me first duly sworn, declared that he was the person who signed the foregoing document as incorporator and that the statements therein contained are true.

Joanne Polanshek  
Notary Public

(notarial seal)

My commission expires: My Commission Expires April 20, 1992.