BYLAWS
OF
ENGLISH GARDENS NUMBER 4 HOMEOWNERS' ASSOCIATION

ARTICLE I
GENERAL

Section 1. Name. The name of the corporation is English Gardens Number 4 Homeowners' Association. It is a Colorado nonprofit corporation (the "Association").

Section 2. Purpose of Bylaws. The purpose for which the Association is formed is to govern the Lots, exercise the rights, power and authority, and fulfill the duties of the Association, as provided in the Declaration of Covenants, Conditions and Restrictions of English Gardens Number 4, and any amendments and supplements thereto, recorded in the office of the Clerk and Recorder of Montrose County ("Declaration"), and the Association's Articles of Incorporation, and any amendments thereto, filed with the Secretary of State of Colorado ("Articles of Incorporation"), and these Bylaws. All Members and any other Person who may use the Lots, or any portion thereof, or any facilities or appurtenances thereto or thereon shall be subject in all respects to the covenants, conditions, restrictions, reservations, easements, regulations, and all other terms and provisions set forth in the Documents and Articles of Incorporation. The mere acquisition, rental or occupancy of any Lot, or any portion thereof, shall signify that all terms and provisions of the Association's Documents and Articles of Incorporation are accepted and shall be complied with.

Section 3. Terms Defined in Declarations. Terms which are defined in the Declaration shall have the same meanings in these Bylaws unless such terms are otherwise defined in these Bylaws.

Section 4. Controlling Laws and Instruments. These Bylaws are controlled by and shall always be consistent with the provisions of the Act, the Colorado Revised Nonprofit Corporation Act, the Declaration and the Articles of Incorporation of the Association, as any of the foregoing may be amended or supplemented from time to time.

ARTICLE II
OFFICES

Section 1. Principal Office. The initial principal office of the corporation shall be at P.O. Box 1188, Montrose, CO 81402. The principal office of the corporation shall be as determined by the Board of Directors, but meetings of Members and Directors may be held at such places within the State of Colorado as may from time to time be designated by the Board of Directors of the Association ("Board").

Section 2. Registered Office and Agent. The Colorado Revised Nonprofit Corporation Act requires that the Association have and continuously maintain in the State of Colorado a registered office and a registered agent who resides in the State of Colorado and whose business office is identical with such registered office. The registered office need not be the same as the principal office of the Association. The initial registered office and the initial registered agent are specified in the Articles of Incorporation of the Association, but may be changed by the Association at any time, without amendment to the Articles of Incorporation, by filing a statement as specified by law in the Office of the Secretary of State of Colorado.

ARTICLE III
MEMBERS

Section 1. Members. A "Member"of the Association is as defined in the Declaration. The corporation shall have one class of Members.

Section 2. Memberships Appurtenant to Sites. Each Membership shall be appurtenant to the fee simple title to a Lot. The Member(s) which has fee simple title to a Lot shall automatically be the holder of the Membership therefore, and the Membership shall automatically pass with fee simple title to the Lot. No Member may resign his, her or its Membership without the conveyance of fee simple title to the Lot.

Section 3. Members' Votes. Each Member shall be entitled to one vote for each Lot which it owns within the Common Interest Community.

Section 4. Voting by Joint Members. If there is more than one Member of a Lot, the vote for such Lot shall be exercised as the persons holding such interest shall determine between themselves, provided that in no event shall more than one vote be cast with respect to any Lot. If, however, more than one Member attends a meeting in person or by proxy, and seeks to cast the vote attributable to the Lot, then the act of those Persons owning a majority interest in such a Lot shall be entitled to cast the vote attributable to such Lot.

Section 5. Resolution of Voting Disputes. In the event of any dispute as to the entitlement of any Member to vote or as to the results of any vote of Members at a meeting, the Board of Directors shall act as arbitrators and the decision of a disinterested majority of the Board of Directors shall, when rendered in writing, be final and binding as an arbitration award and may be acted upon in accordance with the Colorado Uniform Arbitration Act of 1975, as amended.

Section 6. Suspension of Voting Rights. The Board of Directors may suspend, after notice and hearing as provided herein, the voting rights of a Member during and for up to 60

days following any breach by such Member or a Permitted User of such Member of any provision of the Declaration or of any rule or regulation adopted by the Association unless such breach is a continuing breach, in which case such suspension shall continue for so long as such breach continues and for up to 60 days thereafter.

Section 7. Transfer of Memberships on Association Books. Transfers of Memberships shall be made on the books of the Association only upon presentation of evidence, satisfactory to the Association, of the transfer of ownership of the Lot to which the Membership is appurtenant. Prior to presentation of such evidence, the Association may treat the previous owner of the Membership as the owner of the Membership entitled to all rights in connection therewith, including the right to vote and to receive notices.

Section 8. Assignment of Voting Rights to Tenants and Security Interest Holders. A Member may assign its right to vote to a tenant occupying its Lot or to a Security Interest Holder of a Security Interest on its Lot, for the term of the lease or the Security Interest, as applicable. Any such assignment of voting rights and any revocation or termination of any assignment of voting rights shall be in writing and shall be filed with the Secretary of the Association.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1. Place of Members' Meetings. Meetings of Members shall be held at the principal office of the Association or at such other place as may be fixed by the Board of Directors from time to time and specified in the notice of the meeting.

Section 2. Annual Meetings of Members. The first annual meeting of the Members shall be held within fifteen months after the date of incorporation of the Association. Each subsequent regular annual meeting of the Members shall be held in the same month of each year as the month in which the first annual meeting was held, at a date and time to be designated by the Board. At each annual meeting, the Members shall elect Directors to fill vacancies and conduct such other business as may properly come before the meeting.

Section 3. Special Meetings of Members. Special meetings of the Members may be called by the President or a majority of the members of the Board of Directors, and shall be called by the President at the request of Members holding not less than 20% of the total votes of the Association.

Section 4. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the Secretary of the Association or person authorized to call

the meeting, not less than 10 nor more than 50 days before the date of the meeting, either by hand delivery or by United States mail, to each Member entitled to vote at such meeting. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration, the Articles, or these Bylaws, any budget changes, and any proposal to remove an officer or member of the Board of Directors. If mailed, such notice shall be deemed to have been delivered when deposited in the United States mail addressed to the Member at the address of its Lot or to any other mailing address designated in writing by the Member, with postage thereon prepaid; if delivered, such notice shall be deemed to have been delivered on the date of actual delivery thereof.

Section 5. Record Date. For the purpose of determining Members entitled to notice of, or to vote at, any meeting of Members or in order to make a determination of such Members for any other proper purpose, the Board of Directors may fix, in advance, a date as the record date for any such determination of Members. The record date shall be not more than 50 days prior to the meeting of Members or the event requiring a determination of Members.

Section 6. Proxies. A Member entitled to vote may vote in person or by proxy executed in writing by the Member or its duly authorized attorney-in-fact and filed with the Secretary of the Association prior to the time the proxy is exercised. A Member may appoint a proxy by signing an appointment form, either personally or by the Member's attorney-in-fact. A Member may appoint a proxy by transmitting or authorizing the transmission of a telegram, teletype, or other electronic transmission providing a written statement of the appointment to the proxy, to a proxy solicitor, proxy support service organization, or other person duly authorized by the proxy to receive appointments as agent for the proxy or to the Association; except that the transmitted appointment shall set forth or be transmitted with written evidence from which it can be determined that the member transmitted or authorized the transmission of the appointment. Appointment of a proxy is revoked by the person appointing the proxy: (a) attending any meeting and voting in person; or (b) 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. A proxy shall automatically cease upon the conveyance by a Member of the Lot of the Member and the transfer of the Membership on the books of the Association. No proxy shall be valid after 11 months from its date unless otherwise provided in the proxy, and no proxy shall be valid in any event for more than three years after its date of execution. A proxy is void if it is not dated or if it purports to be revocable without notice.

Section 7. Quorum at Members' Meetings. Except as may be otherwise provided in the Declaration, the Articles of Incorporation or these Bylaws, and except as hereinafter provided with respect to the calling of another meeting, a quorum is deemed present if persons entitled to cast sixty percent (60%) of the votes which may be cast for election of the Board of Directors are present, in person or by proxy, at the beginning of the meeting. A quorum of Members who are present in person or by proxy at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of Members so as to leave less than a quorum.

Section 8. Adjournments of Members' Meetings. Members present in person or by proxy at any meeting may adjourn the meeting from time to time, whether or not a quorum shall be present in person or by proxy, without notice other than announcement at the meeting, for a total period or periods not to exceed 30 days after the date set for the original meeting.

Section 9. Vote Required at Members' Meetings. At any Members' meeting, if a quorum is present, in person or by proxy, a majority of the votes present in person or by proxy and entitled to be cast on a matter shall be necessary for the adoption of the matter, unless a greater percentage is required by law, the Declaration, the Articles of Incorporation or these Bylaws.

Section 10. Cumulative Voting Not Permitted. Cumulative voting by Members is not permitted.

Section 11. Order of Business. The order of business at any meeting of Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading and request for approval of minutes of preceding meeting; (d) election of Directors (at annual meetings or special meetings held for such purpose); and (e) other business.

Section 12. Expenses of Meetings. The Association shall bear the expenses of all meetings of Members and of special meetings of Members.

Section 13. Action of Members Without a Meeting. Any action required to be taken or which may be taken at a meeting of Members may be taken without a meeting if a consent, in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof. All such writings must be received by the Association within sixty days after the date the earliest dated writing describing and consenting to the action is received by the Association. Any such writing may be received by the Association by electronically transmitted facsimile or other form of wire or wireless communication providing the Association with a complete copy thereof, including a copy of the signature thereto. Action taken pursuant to this section shall be effective when the last writing necessary to effect the

action is received by the Association, unless the writings describing and consenting to the action set forth a different effective date.

Section 14. Action by Written Ballot. Any action that may be taken at any annual, regular, or special meeting of Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter. A written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall indicate the number of responses needed to meet the quorum requirements; state the percentage of approvals necessary to approve each matter other than election of directors; specify the time by which a ballot must be received by the Association in order to be counted; and be accompanied by written information sufficient to permit each person casting such ballot to reach an informed decision on the matter. In the event the action is for election of Directors, there shall be space on the ballot to write in nominations. Action taken under this section has the same effect as action taken at a meeting of Members and may be described as such in any document.

Section 15. Security Interest Holders. Each Security Interest Holder shall have the right to designate a representative to attend all meetings of Members, but without a vote except as provided in Article III, Section 8.

ARTICLE V
BOARD OF DIRECTORS

Section 1. General Powers and Duties of Board. The Board of Directors shall have the duty to manage and supervise the affairs of the Association and shall have all powers necessary or desirable to permit it to do so. Without limiting the generality of the foregoing, the Board of Directors shall have the power to exercise or cause to be exercised all of the powers, rights and authority not reserved to Members in the Declaration, the Articles of Incorporation, these Bylaws, the Act or the Colorado Revised Nonprofit Corporation Act.

Section 2. Qualifications of Directors. A Director shall be a natural person who is eighteen years of age or older and must be a Member or, if the Member is not a natural person, but is an entity, then a Director must be an authorized agent of such entity. If a Director conveys or transfers title to his or her Lot, then such Director's term shall

immediately terminate and a new Director shall be selected as promptly as possible to take such Director's place.

Section 3. Number of Directors. The affairs of the Association shall be managed by a Board of three (3) Directors, except that until the election of the first member to the Board of Directors by Owners other than Declarant, the Board of Directors may consist of one (1) Director. At such time as Owners other than Declarant elect the first member to the Board of Directors, the Board of Directors shall increase to three (3) Directors. Directors shall be Members which, in the case of Declarant, may include any director, officer, employee or authorized agent of Declarant and, in the case of other entity Members, may include the officers, directors, managers, employees, principals or agents, of each such entity Members, as designated by such entity. The number of Directors may be increased or decreased from time to time by amendment to these Bylaws provided that the number of Directors, except as specified in this Article V, Section 3, shall not be less than three and no decrease in number shall have the effect of shortening the term of any incumbent Director.

Section 4. Term of Office of Directors.

a. No later than sixty (60) days after conveyance of twenty-five percent (25%) of the Lots that may be created to Members other than Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board of Directors must be elected by Members other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Lots that may be created to Members other than Declarant, not less than thirty-three and one-third percent (33-1/3%) of the members of the Board of Directors must be elected by Members other than the Declarant. Such Directors shall be elected to serve until the next annual meeting of Members.

b. Except as otherwise provided in these Bylaws, during the Period of Declarant Control, the Declarant or Persons appointed by the Declarant may appoint all officers and directors of the Board of Directors and remove all officers and directors appointed by it. Not later than termination of the Period of Declarant Control, the Members shall elect a Board of Directors, at least a majority of whom must be Members other than the Declarant.

c. At the first annual meeting of the Association held subsequent to termination of the Period of Declarant Control, the Members shall elect one (1) director for a term of one year, one (1) director for a term of two years, and one (1) director for a term of three years, and at each annual meeting thereafter the Members shall elect the same number of directors as there are directors whose terms are expiring at the time of each election, for terms of two years.

Section 5. Nomination. Nomination for election to the Board may be made by a Nominating Committee if such a committee is appointed, from time to time, by the Board. Nominations may also be made from the floor at any Member meeting.

Section 6. Election. Election to the Board shall be by secret written ballot. At such election the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. In the case of elections in which there are two or more candidates, the person (or persons if there is more than one seat to be filled) receiving the highest number of votes cast shall be elected, and the person receiving the highest number of votes shall be elected to the longer term.

Section 7. Removal of Directors: Vacancies of Directors. Sixty-seven percent (67%) of the votes cast at any meeting of the Members at which a quorum is present (in person, and not by proxy), may remove any member of the Board of Directors with or without cause, other than a Director appointed by the Declarant. Declarant may at any time remove, and appoint the successor of, any member of the Board of Directors who was appointed it. Any vacancy occurring in the Board (by reason of death, resignation or removal of a Director, or an increase in the number of directors) or any newly created directorship resulting from any increase in the authorized number of directors shall be selected by a majority of the remaining members of the Board of Directors not later than the second regular meeting of the Board following such death, resignation or removal, whether or not such remaining members constitute a quorum, and shall serve for the unexpired term of the Director being replaced; provided, however, that the Declarant may appoint the successor of any Director who served in such capacity as a result of being appointed by the Declarant. A Director elected or appointed to fill a vacancy shall be elected or appointed for the unexpired term of his or her predecessor in office.

Section 8. Resignation of Directors. Any Director may resign at any time by giving written notice to the President, to the Secretary or to the Board of Directors stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective.

Section 9. Executive Committee. The Board of Directors, by resolution adopted by a majority of the Directors in office, may, at any time and from time to time, appoint an Executive Committee, which shall include one or more Directors and which shall have and exercise such authority as the Board of Directors may from time to time delegate, except that no such committee shall exercise any of the authority prohibited by C.R.S. 7-128-206.

Section 10. Other Committees. The Board of Directors, by resolution adopted by a majority of the Directors in office, may designate and appoint one or more other committees, which may consist of or include Members who are not Directors. Any such committee shall have and may exercise such authority as shall be specified in the resolution creating such committee, except that no such committee shall exercise any of the authority prohibited by C.R.S. 7- 128-206.

Section 11. General Provisions Applicable to Committees. The appointment of any committee and the delegation thereto of authority shall not relieve the Board of Directors of any responsibility imposed upon it by law.

Section 12. Compensation. No Director shall receive compensation from the Association for serving on the Board of Directors. However, any Director may be reimbursed for actual expenses incurred in the performance of the Director's duties. Further, no Director shall, directly or indirectly, be under contract with, or have any arrangement with, the Association to provide any goods or services while such Director is a member of the Executive Board.

ARTICLE VI
MEETINGS OF DIRECTORS

Section 1. Place of Directors' Meetings. Meetings of the Board of Directors shall be held at the principal office of the Association or at such other place as may be fixed from time to time by the Board of Directors and specified in the notice of the meeting.

Section 2. Regular Meetings of Directors. The Board of Directors shall hold regular meetings at least quarterly and may, by resolution, establish in advance the times and places for regular meetings. No prior notice of any regular meetings need be given after establishment of the times and places thereof by resolution.

Section 3. Special Meetings of Directors. Special meetings of the Board of Directors may at any time be called by the President or any two members of the Board of Directors, upon not less than two (2) days notice to each Director.

Section 4. Open Meetings. All regular and special meetings of the Board, or any committee thereof, shall be open to attendance by all Members or their representatives, except that the Board or a committee thereof may hold an executive or closed door session and may restrict attendance to Board members and other persons specified by the Board. The matters to be discussed at such an executive session shall include only the following matters: (a) matters pertaining to employees of the association or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the association; (b) consultation with legal counsel concerning

disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client; (c) investigative proceedings concerning possible or actual criminal misconduct; (d) matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure; (e) any matter the disclosure of which would constitute an unwarranted invasion of individual privacy. Prior to the time the members of the executive board or any committee thereof convene in executive session, the chair of the body shall announce the general matter of discussion as enumerated in paragraphs (a) to (e) above.

Section 5. Proxies. A Director shall not be entitled to vote by proxy at any meeting of Directors.

Section 6. Quorum of Directors. A majority of the number of Directors fixed in these Bylaws in office immediately before the meeting begins shall constitute a quorum for the transaction of business.

Section 7. Vote Required at Directors' Meeting. At any meeting of Directors, if a quorum is present, a majority of the votes present in person and entitled to be cast on a matter shall be necessary for the adoption of any matter, unless a greater proportion is required by law, the Declaration, the Articles of Incorporation or these Bylaws.

Section 8. Order of Business. The order of business at all meetings of Directors shall be as follows: (a) roll call; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meetings; (d) reports of officers; (e) reports of committees; (f) old business; and (g) new business, or as set by the Board.

Section 9. Officers at Meetings. The President shall act as chairman and the Board of Directors shall elect a Director to act as secretary at all meetings of Directors.

Section 10. Waiver of Notice. A waiver of notice of any meeting of the Board of Directors, signed by a Director, whether before or after the meeting, shall be equivalent to the giving of notice of the meeting to such Director.

Section 11. Action of Directors Without a Meeting. Any action required to be taken or which may be taken at a meeting of Directors may be taken without a meeting if each and every member of the Board in writing either: (a) votes for such action; or (b) votes against such action or abstains from voting; and waives the right to demand that a meeting be held. Action is taken under this section only if the affirmative vote for such action equals or exceeds the minimum number of votes that would be necessary to take such action at a meeting at which all of the Directors then in office were present and voted. No action taken pursuant to this section shall be effective unless writings describing the action taken and otherwise satisfying the requirements of this

section, signed by all Directors and not revoked pursuant to the provisions of this section, are received by the Association. Any such writing may be received by the Association by electronically transmitted facsimile or other form of wire or wireless communication providing the Association with a complete copy of the document, including a copy of the signature on the document. Action taken pursuant to this section shall be effective when the last writing necessary to effect the action is received by the Association unless the writings describing the action taken set forth a different effective date. Any Director who has signed a writing pursuant to this section may revoke such writing by a writing signed and dated by the Director describing the action and stating that the Director's prior vote with respect thereto is revoked, if such writing is received by the Association before the last writing necessary to effect the action is received by the Association. Action taken pursuant to this section has the same effect as action taken at a meeting of Directors and may be described as such in any document. All signed written instruments necessary for any action taken pursuant to this section shall be filed with the minutes of the meetings of the Board of Directors.

Section 12. Participation by Electronic Means. Unless otherwise provided in the bylaws, the Board of Directors may permit any Director to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all Directors participating 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.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD

Section 1. Powers. The Board shall have and may exercise all the powers of the Association except such as are expressly conferred upon the Members by the Declaration, the Articles of Incorporation, or these Bylaws. In addition to its general powers, the Board shall have the authority, acting through the Association's officers (subject to any and all limitations upon such powers as set forth in the Declaration, the Articles of Incorporation, or these Bylaws) to:

a. Adopt and publish rules and regulations and architectural/design guidelines governing the Lots, the Common Elements, the Common Interest Community, or any portion thereof, and any improvements of facilities thereon and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;

b. Suspend the voting rights and the right of a Member to use Common Element amenities, after notice and hearing as provided herein, for a period not to exceed

sixty (60) days, for infraction of published Association Rules and Regulations or the Bylaws, unless such infraction is a continuing infraction, in which case such suspension shall continue for so long as such infraction continues and for up to sixty (60) days thereafter.

c. Enter into, make, perform or enforce contracts, licenses, leases and agreements of every kind and description; provided, however, that the following contracts and leases, if such contracts and leases are entered into before the Board elected by the Members takes office subsequent to termination of the Declarant Control Period, may be terminated without penalty by the Association at any time after such date, upon not less than ninety (90) days' notice to the other party:

(1) Any management contract, employment contract, or lease of recreational or parking areas or facilities;

(2) Any other contract or lease between the Association and a Declarant or an affiliate of a Declarant; or

(3) Any contract or lease that is not bona fide or was unconscionable to the Members at the time entered into under the circumstances then prevailing. However, this subsection c. does not apply to any lease the termination of which would terminate the Common Interest Community or reduce its size, unless the real estate subject to that lease was included in the Common Interest Community for the purpose of avoiding the right of the Association to terminate a lease under this subsection or a proprietary lease;

d. Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;

e. Declare the office of a member of the Board to be vacant in the event such member shall be absent from two (2) regular meetings of the Board during any one-year period;

f. Employ a manager, an independent contractor, or such other employees as they deem necessary, and prescribe their duties; and

g. Provide for Notice and Hearing in compliance with the provisions of these Bylaws, through promulgation of procedures therefore.

Section 7. Duties. It shall be the duty of the Board to:

a. Cause to be kept a complete record of all its acts and corporate affairs and present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by Members entitled to cast at least one-fourth (1/4) of the votes at such meeting;

b. Supervise all Officers, agents, and employees of the Association, and see that their duties are properly performed;

c. As more fully provided in the Declaration, to:

(1) Determine the amount of the annual assessment against each Lot, from time to time, in accordance with the Association budget, and revise the amount of the annual assessment if such budget is rejected by the Members; and

(2) Foreclose the lien against any Lot for which assessments are not paid, or bring an action at law against the Member personally obligated to pay the same;

d. Issue, or cause an appropriate Officer or authorized agent to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as to all persons who rely thereon in good faith;

e. Procure and maintain insurance, as more fully provided in the Declaration;

f. Provide for maintenance, repair and reconstruction of the Common Elements, other parcels of real property, and improvements thereon, including obtaining insurance certificates for reasonable insurance coverage from all contractors, as more fully provided in the Declaration;

g. Keep financial records sufficiently detailed to enable the Association to comply with the requirement that it prove statements of unpaid assessments. All financial and other records shall be made reasonably available for examination by any Member and such Member's authorized agents; and

h. Invest Association funds subject to any investment policy the Board may adopt which reflects the basic investment objectives of diversity, safety, liquidity and income return. At least annually, the Board shall make available to the members a listing on an itemized basis as to amount, type and rate of return, of the instruments, funds and accounts in which Association funds are invested or deposited.

Any of the aforesaid duties may be delegated by the Board to any other Person(s) or to the Manager. To the extent it may be required by any statute, and if not required by statute then at the option of the Board, said Manager or other person who receives the delegation of duties relating to the collection, deposit, transfer or disbursement of Association funds shall: (1) maintain fidelity insurance or a bond in an amount not less than the greater of (a) fifty thousand dollars ($50,000) or (b) the estimated maximum amount of funds, including reserve funds, in the custody of the Manager at any given time during the term of each policy as calculated from the current budget of the Association but in no event less than a sum equal to three (3) months' aggregate assessments plus reserve funds; and (2) maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Manager or other person(s) and maintain all reserve accounts separate from operational accounts of the Association. Further, the Manager, or a Public Accountant or Certified Public Accountant shall prepare and present to the Association an annual accounting for Association funds and a financial statement.

Section 3. Limitation on Powers. The Board may not act on behalf of the Association to amend the Declaration, to terminate this Common Interest Community, or to elect members of the Board or determine the qualifications, powers and duties, or terms of office of Board members, but the Board may fill vacancies in its membership for the unexpired portion of any term.

ARTICLE VIII
OFFICERS

Section 1. Officers, Employees and Agents. The officers of the Association shall consist of a President, a Vice President, a Secretary, a Treasurer and such other officers, assistant officers, employees and agents as may be deemed appropriate or necessary by the Board of Directors from time to time. Officers other than the President need not be Directors. The offices of President and Secretary may not be held by the same person. However, any person may simultaneously hold two or more of any of the other offices, subject to any applicable requirements or limitations contained in the Declaration, Articles of Incorporation, these Bylaws or law.

Section 2. Appointment and Term of Office of Officers. The officers shall be appointed by the Board of Directors at the first meeting of the Board of Director held subsequent to the annual meeting of the Members, and shall hold office for one (1) year, unless the officer sooner resigns or is removed, or shall otherwise be disqualified to serve.

Section 3. Removal of Officers. Any officer, employee or agent may be removed by the Board of Directors, with or without cause, whenever in the Board's judgment the best interests of the Association will be served thereby.

Section 4. Resignation of Officers. Any officer may resign at any time by giving written notice to the President, to the Secretary or to the Board of Directors stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective.

Section 5. Vacancies in Officers. Any vacancy occurring in any position as an Officer may be filled by the Board of Directors. An Officer appointed to fill a vacancy shall be appointed for the unexpired term of its predecessor in office.

Section 6. President. The President shall be a member of the Board of Directors and shall be the principal executive officer of the Association. The President shall preside at all meetings of the Board of Directors.

Section 7. Vice Presidents. The Vice President(s), if appointed, may act in place of the President in case of his death, absence or inability to act, and shall perform such other duties and have such authority as is from time to time delegated by the Board of Directors or by the President.

Section 8. Secretary. The Secretary shall be the custodian of the records and the seal of the Association and shall affix the seal to all documents requiring the same; shall see that all notices are duly given in accordance with the provisions of these Bylaws and as required by law and that the books, reports and other documents and records of the Association are properly kept and filed; shall take or cause to be taken and shall keep minutes of the Board of Directors and of committees of the Board; shall keep at the principal office of the Association a record of the names and addresses of the Members; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned by the Board of Directors or by the President. The Board may appoint one or more Assistant Secretaries who may act in place of the Secretary for whatever reason, including in case of death, absence or inability to act.

Section 9. Treasurer. The Treasurer shall deposit all funds in such depositories as shall be designated by the Board of Directors; shall keep correct and complete financial records and books of account and records of financial transactions and condition of the Association and shall submit such reports thereof as the Board of Directors may, from time to time, require; shall arrange for the annual report required in these Bylaws; and, in general, shall perform all the duties incident to the office of Treasurer and such other duties as may from time to time be assigned to it by the Board of Directors or by the President. The Board may appoint one or more Assistant Treasurers who may act in place of the Treasurer for whatever reason, including in case of death, absence or inability to act.

Section 10. Bonds. The Association shall require fidelity bonds or insurance (if available) covering officers or other persons handling funds of the Association.

ARTICLE IX
INDEMNIFICATION OF OFFICIALS AND AGENTS

Section 1. Certain Definitions. A "Corporate Official" shall mean any Director or Officer, and any former Director or Officer, of the Association. A "Corporate Employee" shall mean any employee, and any former employee, of the Association. "Corporate Official" and "Corporate Employee" shall not include any officer, director, agent or employee of any managing agent employed by the Association, and no such person shall have right of indemnification hereunder. "Expenses" shall mean all costs and expenses including attorneys' fees, liabilities, obligations, judgments and any amounts paid in reasonable settlement of a Proceeding. "Proceeding" shall mean any claim, action, suit or proceeding, civil or criminal, whether threatened, pending or completed, and shall include appeals.

Section 2. Right of Indemnification. The Association shall indemnify any Corporate Official and may, in the discretion of the Board of Directors, indemnify any Corporate Employee, against any and all Expenses actually and reasonably incurred by or imposed upon it in connection with, arising out of, or resulting from, any Proceeding in which it is or may be made a party by reason of (a) actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty while acting in an official capacity as a Corporate Official or Corporate Employee, or (b) any matter claimed against it solely by reason of being a Corporate Official or Corporate Employee. The right of indemnification shall extend to all matters as to which a majority of directors of the Association by resolution, or independent legal counsel in a written opinion, shall determine that the Corporate Official or Corporate Employee acted in good faith and such person reasonably believed that the conduct was in the Association's best interests and had no reasonable cause to believe that its conduct was improper or unlawful. The right of indemnification shall not extend to matters as to which the Corporate Office or Corporate Employee is finally adjudged in an action, suit or proceeding to have been liable for gross negligence or willful misconduct in the performance of its duty except to the extent that a court may determine, upon application, that despite such adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity. The right of indemnification shall not extend to any matter as to which said indemnification would not be lawful under the laws of the State of Colorado.

Section 3. Advances of Expenses and Defense. The Association may advance Expenses to, or where appropriate, may undertake the defense of, any Corporate Official or Corporate

Employee, in a Proceeding provided that the Corporate Official or Corporate Employee shall comply with the requirements of C.R.S. 7-129-104.

Section 4. Rights Not Exclusive. The right of indemnification herein provided shall not be exclusive of other rights to which such Corporate Official or Corporate Employee may be entitled.

Section 5. Authority to Insure. The Association may purchase and maintain liability insurance on behalf of any Corporate Official or Corporate Employee against any liability asserted against it as a Corporate Official or Corporate Employee or arising out of its status as such, including liabilities for which a Corporate Official or Corporate Employee might not be entitled to indemnification hereunder.

ARTICLE X
NOTICE AND HEARING

Section 1. Notice and Hearing. In all instances where the Colorado Common Interest Ownership Act as amended from time to time, the Colorado Revised Nonprofit Corporation Act, as amended from time to time, the Declaration, these Bylaws or any Rules and Regulations of the Association require notice and hearing, the Board shall comply with the following:

(a) Demand. Written demand to cease and desist from the alleged violation shall be served upon the alleged violator specifying:

(i) the alleged violation;
(ii) the action required to abate the violation, and
(iii) a time period, not less than five (5) days, during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violation may result in the imposition of a sanction after notice and an opportunity for hearing, if the violation is not continuing.

(b) Notice. At any time within twelve (12) months of such demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same or a substantially similar rule is subsequently violated, the Board, or its delegate, shall serve the violator with written notice of a hearing to be held by the Board (the "Notice"). The Notice shall contain:

(i) the nature of the alleged violation;
(ii) the time and place of the hearing, which time shall not be less than fifteen (15) days from the giving of the Notice;

(iii) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and

(iv) the proposed sanction to be imposed.

(c) Hearing. The Hearing shall be held pursuant to this Notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of Notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the Notice, together with a statement of the date and manner of delivery, is entered by the Officer, Director, or agent who delivered such Notice. The Notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. If the Notice requirements have been met, and the alleged violator does not appear at the meeting, the alleged violator will be deemed to have waived his or her opportunity for a hearing.
The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The decision of the Board shall he final. However, in no event shall the Board suspend a Member's right to use the condominium community or voting rights for infraction of the Association's rules and/or regulations for a period in excess of sixty (60) days, unless such infraction is a continuing infraction, in which case such suspension may continue for so long as such infraction continues and for up to sixty (60) days thereafter. These procedures shall not be necessary, in order to impose any sanction or penalty for nonpayment of Assessments.

Section 2. Hearing Committee. In any instance that requires a hearing, the President may appoint a Hearing Committee ("Hearing Committee") of three natural persons who need not be Members of the Association. In appointing the members of the Hearing Committee, the President should make a good faith effort to avoid appointing next-door neighbors of the respondent or any Members who are essential witnesses to the alleged violation giving rise to the complaint. The decision of the President shall be final, except that the respondent may challenge any member of the Hearing Committee for cause, where a fair and impartial hearing cannot be afforded, at any time prior to the taking of evidence at the hearing. In the event of such a challenge, the Board shall meet to determine the sufficiency of the challenge, without the President voting. If such a challenge is sustained, the President shall appoint another member to replace the challenged member of the Hearing Committee. All decisions of the Board in this regard shall be final. The Hearing Committee shall elect a chairman and appoint a hearing officer who shall take evidence and ensure that a proper record of all proceedings is maintained.

ARTICLE XI
MISCELLANEOUS

Section 1. Amendment of Bylaws. Subject to any approval or requirements of the FHA or VA or of First Mortgagees required under the Declaration, the Board of Directors shall have the power to alter, amend or repeal these Bylaws or any provision herein, or to adopt new Bylaws. Notwithstanding the foregoing, no alteration or amendment shall result in a change of the rights, privileges, preferences, restrictions, or conditions of a membership class as to voting, dissolution, redemption, or transfer. Further, the Members, at a meeting called for that purpose, shall also have the power to alter, amend or repeal these Bylaws or any provision herein, or to adopt new Bylaws. If, however, the Members shall make, amend or repeal any bylaw, the Board of Directors shall not thereafter amend the same in such manner as to defeat or impair the object of the Members in taking such action. The Bylaws may contain any provision for the regulation or management of the affairs of the Association not inconsistent with law, the Declaration or the Articles of Incorporation.

Section 2. Execution, Certification and Recording Amendments to Declaration. The President, or the Vice President in the President's absence, and the Secretary of the Association shall prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

Section 3. Books and Records. The Association (through its manager, if any) 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 Board of Directors without a meeting, a record of all actions taken by a committee of the Board of Directors in place of the Board of Directors on behalf of the Association, 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. The Association shall maintain appropriate accounting records, and the Association or its agent shall maintain a record of its Members in a form that permits preparation of a list of the name and address of all Members in alphabetical order. The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time. 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 the Board of Directors relating to the characteristics, qualifications, rights, limitations, and obligations of Members; (d) the minutes of all Members' meetings, and records of all action taken by Members without a meeting, for the past three years; (e) all written communications within the past three years to Members generally as 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 Colorado

secretary of state; and (h) all financial statements prepared for periods ending during the last three years, including assets and liabilities and results of operations.

Section 4. Inspection of Books and Records. A Member is entitled to inspect and copy, during regular business hours at the Association's principal office, any of the records of the Association described in Article XI, Section 3 (a) through (h) above, if the member gives the Association written demand (through the Association's manager, if any) at least five business days before the date on which the Member wishes to inspect and copy such records. A Member is entitled to inspect and copy, during regular business hours at a reasonable location specified by the Association, any of the other records of the Association if the Member gives the Association written demand at least five business days before the date on which the Member wishes to inspect and copy such records, and if (a) the Member has been a Member for at least three months immediately preceding the demand to inspect or copy; (b) the demand is made in good faith and for a proper purpose; (c) the Member describes with reasonable particularity the purpose and the records the Member desires to inspect; and (d) the records are directly connected with the described purpose. For purposes of this section "proper purpose" means a purpose reasonably related to the demanding member's interest as a member. This section does not affect (a) the right of a member to inspect records under C.R.S. 7-127-201; (b) The right of a member to inspect records to the same extent as any other litigant if the member is in litigation with the Association; or (c) The power of a court to compel the production of corporate records for examination. A Member's agent or attorney has the same inspection and copying rights as the member. The right to copy records under this Section 11.4 includes, if reasonable, the right to receive copies made by photographic, xerographic, electronic, or other means, except that the Association may impose a reasonable charge, covering the costs of labor and material, for copies of any documents provided to the Member, but further excepting that no charge may be made for providing or mailing the most recent annual financial statements. The charge may not exceed the estimated cost of production and reproduction of the records.

Section 5. Statement of Account. The Association shall furnish to a Member, or to a Security Interest Holder or its designee, upon written request delivered personally or by certified mail, first class postage prepaid, return receipt, to the Association, a written statement setting forth the amount of unpaid Assessments currently levied against such Member's Lot. The statement shall be furnished within fourteen (14) calendar days after receipt of the request and is binding on the Association. The Association shall have the right to charge a reasonable fee for the issuance of such certificate.

Section 6. Corporate Reports. The Association shall file with the Secretary of State of Colorado, within the time prescribed by law, corporate reports on the forms prescribed and

furnished by the Secretary of State and containing the information required by law, and shall pay the fee for such filing as prescribed by law.

Section 7. Fiscal year. The fiscal year of the Association shall begin on January 1 of each year and end the succeeding December 31 except that the first fiscal year shall begin on the date of incorporation. The Board of Directors may change the fiscal year without amending these Bylaws.

Section 8. Seal. The Board of Directors may adopt a seal, which shall have inscribed thereon the name of the Association and the words "SEAL" and "COLORADO."

Section 9. Share of Stock and Dividends Prohibited. The Association shall not have or issue shares of stock and no dividend shall be paid, and no part of the income shall be distributed to its Members, Directors or Officers. Notwithstanding the foregoing, upon dissolution or final liquidation thereof, the Association, may make distributions as permitted by the Declaration; but no such payment, benefit or distribution shall be deemed to be a dividend or distribution of income or profit.

Section 10. Loans to Directors, Officers and Members Prohibited. No loan shall be made by the Association to its Members, Directors or Officers, and any Director or Officer who assents to or participates in the making of any such loan shall be liable to the Association for the amount of such loan until the repayment thereof.

Section 11. Limited Liability. Except as may otherwise be provided by law or as provided in the Articles of Incorporation, the Association, the Board of Directors, the Declarant, and any Officer, Director, Member, agent or employee of any of the same, shall not be liable to any Person for any actions taken or omissions made in the performance of such person's duties.

Section 12. Minutes. Minutes or any similar records of the meetings of Members or of the Board of Directors, when signed by the Secretary or acting Secretary of the meeting, shall be presumed to truthfully evidence the matters set forth therein. A recitation in any such minutes that notice of the meeting was properly given shall be prima facie evidence that the notice was given.

Section 13. Checks, Drafts and Documents. All checks, drafts or other orders for payment of money, notes or other evidence of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 14. Execution of Documents. The Board of Directors, except as these Bylaws otherwise provide, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instance; and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.