

BY-LAWS OF
HILAND TOWNHOME HOMEOWNERS ASSOCIATION

ARTICLE I

Purpose

(1) The purpose for which this nonprofit Association is formed is to constitute the corporation for which reference is made in the Declaration of Restrictive and Protective Covenants to be recorded in Weld County, Colorado.

(2) All present or future owners or any other person that might use in any manner the facilities of the project located on the property therein described are subject to the regulations set forth in these By-Laws. The mere acquisition or rental of any of the lots or the mere act of occupancy of any buildings constructed thereon will signify that these By-Laws are accepted, ratified and will be fully complied with.

(3) Any reference to "owner" or "ownership" as used in these By-Laws means and refers to the owner of a lot as described in the Declaration. "Declarant" as used herein means the named Declarant in the Declaration of Protective and Restrictive Covenants for Hiland Townhomes.

ARTICLE II

Membership, Voting, Majority of Owners, Quorum, Proxies

(1) Membership and Voting. Membership and voting shall be as set forth in the Articles of Incorporation.

(2) Majority of Lot Owners. As used in these By-Laws, the term "majority of lot owners" shall mean those owners of more than fifty {50} percent of the lots as defined in the Declaration.

(3) Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of members holding one-third {1/3} of the votes entitled to be cast shall constitute a quorum. An affirmative vote of a majority of lot owners present, either in person or by proxy, shall be required to transact the business of the meeting.

ARTICLE III

Administration

(1) Association Responsibilities. The owners of the lots will constitute the Association of lot owners, hereinafter referred to as "Association", who will have the responsibility of administering the project through a Board of Directors, hereinafter referred to as the "Board". The Board of Directors shall constitute the Board of Managers as that term is used in Colorado Statutes applicable to these By-Laws.

(2) Place of Meeting. Meetings of the Association shall be held at such place within the State of Colorado as the Board may determine appropriate.

(3) Annual Meetings. The first meeting of the Association shall be held January 16, 1984, unless Declarant gives notice of another time, in which event the meeting will be at the time set forth in the Notice. Thereafter the annual meeting of the Association shall be on or about the 1st day of April. At such meetings there shall be elected a Board of Directors and / or other Association Officers in accordance with the requirements of Section 4 of Article IV of these By-Laws, provided that the Declarant may elect the Board and / or Officers for the period of time provided in Article VI(2) of the Articles of Incorporation. The members may also transact all other business of the Association as may properly come before the meeting.

(4) Special Meetings. The president may call a special meeting of the owners upon his own initiative or as directed by resolution of the Board or upon a receipt of a petition signed by at least one-third {1/3} of the owners. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business except as stated in the notice shall be transacted at any special meeting unless by consent of two-thirds {2/3} of the owners present, either in person or by proxy. Any such meetings shall be held at such place and time as determined by the president within thirty {30} days after receipt by the president of such resolution or petition.

(5) Notice of Meetings. The secretary shall cause to be mailed or delivered a notice of each annual or special meeting, stating the purpose thereof as well as the time and place it is to be held, to each owner of record, at the registered address of each owner, or atleast five {5} days, but not more than thirty {30} days prior to such meeting. The mailing of a notice in the manner provided in this section or the delivery of such notice shall be considered notice served, and the Certificate of the secretary that notice was duly given shall be prima fascia evidence thereof. Attendance of any and all meetings, either in person or by proxy, is mandatory.

(6) Adjourned Meetings. If any meeting of the owners cannot be organized because a quorum has not attended, the owners who are present, either in person or by proxy, may adjourn the meeting, to a time not less than forty-eight {48} hours, nor more than thirty {30} days, from the time the original meeting was called. If any meeting is adjourned due to lack of a quorum and the resumed meeting is found to have insufficient attendance, either in person or by proxy, to constitute a quorum, the meeting will continue and your proxy will be assumed. The non-attendance, either in person or by proxy, of three {3} scheduled meetings shall result in the loss of all voting rights of the absent owner. Reinstatement of the absent owner's voting rights shall be voted on by the Board or the duly elected Officers.

(7) Order of Business. The order of business at all meetings of the owners of units shall be as follows:

- (a) Roll call and certifying proxies.
- (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) Unfinished business.
- (g) New business.
- (h) Election of directors / officers
{during / at the Annual Meeting only}
- (i) Adjournment.

(8) Performance of Functions by Declarant. The rights, duties and functions of the Board shall, at the Declarant's option, be exercised by the Declarant by and through those persons named as Directors in the Articles of Incorporation and as is provided in the Declaration.

ARTICLE IV

Board of Directors

(1) Number of Qualifications. Consistent with the relevant provisions of the Declaration, the Declarant shall exercise the rights, duties and functions of the Board as provided therein by and through the persons named in the Articles of Incorporation as the directors until the first meeting of the members of the Association, provided that rights of Declarant to elect the Board shall terminate not later than May 1, 1986. At the first meeting there shall be elected any three members of the Association to the Board who shall thereafter govern the affairs of this Association until their successors have been duly elected and qualified.

(2) Powers and Duties. The Board shall have powers and duties necessary for the administration of the affairs of the Association. Such powers and duties of the Board shall include, but shall not be limited to the following:

(a) To administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration, and supplements and amendments thereto.

(b) To establish, make and enforce compliance with such rules and regulations as may be necessary for the trash collection, lawn care, snow removal and water metering. A copy of such rules and regulations shall be delivered or mailed to each member upon the adoption thereof.

(c) To incur such costs and expenses as may be necessary to keep in good order, condition and repair the exterior of the improvements.

(d) To prepare a summary budget for the Association at least annually, in order to determine the amount of the assessments payable by the lot owners to meet the expenses of the Association, and allocate and assess such charges among the unit owners as provided in Article IV of the Declaration, and by majority vote of the Board to adjust, decrease or increase the amount of the quarterly or monthly assessments, and remit or return any excess of assessments over expenses, working capital, sinking funds, reserve for deferred maintenance and for replacement to the owners at the end of each operating year. To levy and collect special assessments whenever in the opinion of the Board it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies.

(e) To collect delinquent assessments by suit or otherwise and to enjoin or seek damages from an owner as is provided in the Declaration and these By-Laws. To enforce a late charge of not more than \$15.00 per month, assessed and payable after the fifth {5th} day of the month, and collect interest at the rate of eighteen {18} percent per annum in connection with assessments and late charges remaining unpaid more than twenty {20} days from due date for payment thereof, together with any and all expenses, including attorney's fees incurred. The Board shall have the duty, right, power and authority to prohibit exercise of any right of membership in the Association by an owner, lessee, sublessee, tenant or guest in the event that any assessment made remains unpaid more than thirty {30} days from the due date for payment thereof.

(f) To protect and defend in the name of the Association from loss and damage by suit or otherwise.

(g) To borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the recorded Declaration and these By-Laws, and to execute

all such instruments evidencing such indebtedness as the Board may deem necessary and give security thereof. Such indebtedness shall be the several obligation of all the lot owners, each lot owner bearing an equal share of the total. Persons who shall be authorized by the Association to execute promissory notes and security instruments shall be the president and secretary or assistant secretary.

(h) To enter into contracts to carry out their duties and powers.

(i) To establish a bank account or accounts for the common treasury and for all separate funds which are required or may be deemed advisable.

(j) To make repairs, additions, alterations and improvements to the common elements and consistent with the best interests of the lot owners.

(k) To prepare and deliver annually to each owner a consolidated statement showing receipts, expenses or disbursements, since the last such statement.

(l) To meet at least semi-annually and, if a Managing Agent is employed, an employee of the Managing Agent shall be in attendance upon invitation of the Board.

(m) In general, to carry on the administration of the Association and to do all of those things necessary and reasonable in order to carry out the governing and the operation of this project.

(n) To employ for the Association a Managing Agent to exercise those duties and powers granted to it by the Board, but not those powers which the Board, by law, may not delegate.

(3) No Waiver of Rights. The omission and / or failure of the Association to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provisions of the Declaration, the By-Laws, or the Rules and Regulations adopted pursuant thereto, shall not constitute or be deemed a waiver, modification or release thereof, and the Board of Directors shall have the right to enforce the same thereafter.

(4) Election and Term of Office. At the first meeting of the Association, the term of office of all directors shall be fixed for one {1} year, and all directors / officers elected at the first meeting of the Association shall be for a period of one {1} year. At the expiration of the term of office of each respective director / officer, his successor shall be elected to serve a term of one {1} year. Except as otherwise provided by these By-Laws, the director / officer shall hold office until the successor has been elected and hold the first meeting.

(5) Vacancies. Vacancies in the Board or elected officer post caused by any reason other than the removal of a director or elected officer by a vote of the Association shall be filled by vote of the majority of the remaining directors / officers, even though they may constitute less than a quorum; and each person so elected shall be a director / officer until his successor is elected.

(6) Removal of Directors or Officers. At any regular or special meeting duly called, any one or more of the directors or officers may be removed with or without cause by a majority of the owners, a successor may then and there be elected to fill the vacancy thus created. Any director or officer whose removal has been proposed by the owners shall be given an opportunity to be heard at the meeting prior to voting thereon.

(7) Organization Meeting. The first meeting of a newly elected Board following each annual meeting of the lot owners shall be held within ten {10} days thereafter at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order to legally constitute such meeting, provided a majority of the whole Board shall be present.

(8) Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the directors, but at least two {2} such meetings will be held during each calendar year. Notice of regular meetings of the Board shall be given to each director, personally or by mail, telephone or telegraph at least seven {7} days prior to the day named for each meeting.

(9) Special Meetings. Special meetings of the Board may be called by the president on three {3} days notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the president or secretary in like manner and on like notice on the written request of two or more directors.

(10) Waiver of Notice. Before or at any meeting of the Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to giving of notice. Attendance by a director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are then present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

(11) Board of Directors' Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the facts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

(12) Fidelity Bonds. The Board may, but need not, require that all officers and employees of the Association and the Managing Agent who handle or are responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be the expense of the Corporation.

ARTICLE V

Association Officers

(1) Designation. The officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected and shall be members of the Board, and such assistant officers as the Board shall, from time to time, elect. The office of the President and Treasurer may be held by the same person, and the office of the Vice President and Secretary may be held by the same person.

(2) Election of Officers. The officers of the Association shall be elected annually at the annual meeting, and shall be elected to serve a term of one {1} year.

(3) Removal of Officers. Upon an affirmative vote of a majority of the Association, any officer may be removed, either with or without cause, and his successor elected at any regular meeting, or at any special meeting called for such purpose.

(4) President. The President shall serve as the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. The President shall have all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the owners from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the members of the Association at any regular or special meetings.

(5) Vice President. The Vice President shall have all of the powers and authority and perform all the functions and duties of the president, in the absence of the president, or in his inability for any reason to exercise such powers and functions or perform such duties.

(6) Secretary. The Secretary shall keep all the minutes of the meetings of the Board and of the Association; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

The Secretary shall compile and keep up to date at the principle office of the Association a complete list of the members / lot owners and their registered addresses as shown on the records of the Association.

(7) Treasurer. The Treasurer shall have the responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association; provided, however, that the Board may engage the services of a bookkeeper and accountant as may be necessary.

ARTICLE VI

Indemnification of Officers, Directors and Managing Agent

(1) Indemnification. The Association shall indemnify every director and officer, their respective successors, personal representatives and heirs, against all loss, costs and expenses, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of the Association except as to matters as to which he 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 as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his duty as such director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as common expenses; provided, however, that nothing in this Article VI contained shall be deemed to obligate the Association to indemnify any person with respect to any duties or obligations assumed or liabilities incurred by him as an owner of a lot under and by virtue of the Declaration.

ARTICLE II

Amendments

(1) The Article of Incorporation may be amended in the manner provided by law.

(2) These By-Laws may be amended by majority of the Board of Directors at a duly constituted meeting of the members of the Board of Directors; provided, however, that no amendment shall conflict with or minimize the intended effect of the provisions of the Articles of Incorporation, or of the Declaration.

ARTICLE VIII

Obligations of the Owners

(1) Assessments. All owners shall be obligated to pay a monthly or quarterly assessments imposed by the Association as provided in the Declaration. Assessments shall be due in advance. A member shall be deemed in good standing and entitled to vote at any annual, regular or special meeting of the members within the meaning of the By-Laws, if, and only if, he shall have fully paid all assessments made or levied against him and the lot owned by him.

(a) All assessments are due and payable no later than the fifth {5} day of a month. A late charge of not more than \$15.00 per month, assessed and payable after the fifth {5th} day of the month, and collect interest at the rate of eighteen {18} percent per annum in connection with assessments and late charges remaining unpaid more than twenty {20} days from due date for payment thereof, and together with any and all expenses, including attorney's fees which may be incurred. The Board shall have the duty, right, power and authority to prohibit exercise of any right of membership in the Association by an owner, lessee, sublessee, tenant or guest in the event that any assessment made remains unpaid more than thirty {30} days from the due date for payment thereof.

(b) The rate of assessment will be reviewed periodically in connection with expenses and disbursements, as to the necessity of the rate being assessed. At this time a notice of a meeting will be sent to all Association members / owners to participate in the reviewing process and evaluation of the assessment.

(2) Maintenance and Repair.

(a) Every owner must perform promptly, and at his own expense, any and all maintenance and repair work on any buildings or improvements owned by him which, if omitted, would have affect on

the appearance of the aesthetic integrity of part or all of the project.

(b) All the repairs of external and internal installation of every kind and nature, whether structural or not shall be at the owner's expense, except those which the Declaration specifically requires to be paid by the Association.

(c) An owner shall be obligated to reimburse the Association promptly upon receipt of its statement for any expenditures incurred by it in repairing or replacing any common element damaged by his negligence or by the negligence of his tenants or agents or guests.

(d) The proper cleanliness and upkeep of the general outside appearance shall be the owners responsibility. If the owner, lessee, sublessee, tenant, or guest does not exercise proper cleanliness and upkeep of the general outside appearance, the Association will perform such cleaning and will charge the owner at the rate of \$10.00 per hour for the services rendered.

(e) The presence of barrels, cans, buckets, pails, boxes, bottles, baskets or containers of any nature other than for displaying or containing flowers on the exterior of the building structures is strictly prohibited. Trash or waste containers will be stored in an inside location except on the appropriate day for trash removal.

(f) Any and all damages created by an individual owner, lessee, sublessee, tenant, or guest to the inside of a building or structure is not the responsibility of the Association.

(g) The damage created by an individual owner, lessee, sublessee, tenant, or guest performing any or all landscaping, lawn care, or tree or bush trimming to the common outside areas for which services are contracted by the Association shall be at the expense of the owner, and will not be the responsibility of the Association.

(h) The Association is responsible for, and maintains, an insurance policy covering the physical building structures for any damage and / or loss. The obtaining and maintaining individual homeowners or renters insurance policies covering the inside of the individual residences and it's contents is the responsibility of the owner, lessee, sublessee, or tenant.

(3) General. Each owner, lessee, sublessee, tenant, or guest shall comply strictly with the provisions of the recorded Declaration and these By-Laws and amendments thereto.

(4) Uses of Property.

(a) All property shall be utilized only for the purposes as are provided in the Declaration.

(b) An owner shall not make structural modifications or alterations to any building without the express written approval of the Board. The Board shall be notified in writing of the intended modifications through the Managing Agent, or if no Managing Agent is employed, then through the President of the Board. The Association shall have the obligation to answer an owner's request within thirty {30} days after such notice, and failure to do so within such time shall mean that there is no objection to the proposed modifications or alterations.

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ARTICLE IX

Abatement and Enjoinment of Violations by Unit Owners

Abatement and Enjoinment. The violation of any rule or regulation adopted by the Board, or the breach of any By-Laws, or the breach of any provision of the Declaration, shall give the Board or the Managing Agent the right, in addition to any other rights set forth therein, (i) to enter the building in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting owner, any person, structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions thereof, and the Board or Managing Agent shall not be deemed guilty in any manner of trespass, and to expel, remove and put out, using such force as may be necessary in so doing, without being liable to prosecution or in damages therefor; (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

ARTICLE X

Association - Not for Profit

Association - Not for Profit. This Association is not organized for profit. No member, member of the Board, officer or person from whom the Association may receive any property or funds shall receive or shall be lawfully entitled to receive any pecuniary profit from the operation thereof, and in no event shall any part of the funds or assets of the Association be paid as salary or compensation to, or distributed to, or inure to the benefit of any member of the Board, officer or member; provided, however, always (i) that reasonable compensation may be paid to any member, director or officer while acting as an agent or employee of the Association, for service or services rendered in effecting one or more of the purposes of the Association, and (ii) that any member, director or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association. The provisions herein are not applicable to the Managing Agent who shall perform its manager's duties and functions according to written agreement for the compensation stated herein.

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The undersigned President of this Association does hereby certify that the above and foregoing By-Laws and Rules and Regulations were duly adopted by the Directors, Officers and members of the Association as the By-Laws and Rules and Regulations of said Association on this 17th day of April, 1991.

Jess H. Chub
President

Witnessed by:

Ronald G. Bush
Vice President

Witnessed by:

Nancy S. Seak
Secretary / Treasurer