

BYLAWS
OF
DURANGO COMMUNITY ASSOCIATION OF LOVELAND, INC.

ARTICLE I

OFFICES

The original principal office of the Association shall be located in the office of Osprey Homes, Inc., 1113 Druid Drive, Fort Collins, Colorado 80525.

ARTICLE II

PLAN OF HOME OWNERSHIP

Section 1. Home Ownership. The property located in the City of Loveland, County of Larimer, State of Colorado, and more particularly described in Exhibit "A" to the Declaration of Covenants, Conditions, Restrictions, and Easements (the Declaration), recorded or to be recorded in the Real Estate Records of Larimer County, Colorado, has been or will be submitted to the provisions of the Declaration by Declarant.

Section 2. Personal Application. All Owners, Mortgagees, lessees, family and occupants of Lots within Durango and their employees and any other person who may use the Common Area or the facilities of the Association in any manner are subject to these Bylaws, the Declaration, and to the Rules and Regulations established by the Board of Directors as hereinafter set forth. The acceptance of a deed or instrument of conveyance, or the entering into a lease, or the act of occupancy of a Lot shall constitute an agreement that these Bylaws, the Rules and Regulations adopted pursuant to these Bylaws, and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

Section 3. Definitions. The words and terms used herein shall have the same meaning as set forth in the Declaration except as may otherwise herein be provided or if the context shall otherwise require.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

The Association shall have two (2) classes of voting membership:

Class A: Class A Members shall be any Participating Builder until conveyance of that Lot to a third party purchaser, and all Owners of Lots except the Developer. Class A Members shall be entitled to one (1) vote for each Lot owned.

Class B: The Class B Member shall be the Declarant who shall have one hundred twenty-nine (129) votes less the number of Class A votes outstanding at the time a vote is taken.

The Class B Membership and the Class B rights shall cease upon the earlier of the following events: when the total number of Class A votes equals the total number of Class B votes or on December 31, 1985.

"Owner" as used herein shall mean the record Owner, whether one or more persons or entities, of fee simple title to any Lot, but excluding those having such interest merely as security for the performance of any obligation, provided that the purchaser at a foreclosure sale or trustee's sale shall be deemed an Owner following expiration of the redemption period, unless waived, if redemption has not occurred. The term Owner shall not include the Owner or Owners of any leasehold estate or interest. At the time of transfer of any Lot, notice of such transfer shall be given to the Association by the transferor. Any transferor who fails to give such notice shall be personally liable for all assessments accruing after such failure and until such notice is given, but shall have none of the rights or privileges accruing to Owners hereunder.

Class A Membership shall be appurtenant to, and may not be separated from, record ownership of a Lot, and such Membership shall automatically transfer to the new Owner upon any sale, transfer, or other disposition of a Lot subject to the provisions hereof. There shall not be more than one Class A Member for each Lot within the Project. Upon any such transfer, sale, or other disposition of all or some of the fee interest in a Lot, the then Owner shall then automatically become the Class A Member with respect to such Lot. Transfer of any Membership except together with the Ownership of a Lot shall be null and void and of no effect and such transferee shall not be entitled to the benefits of being a Member, including, without limitation, the right to use and enjoy the Common Area.

As long as there shall be a Class B Member of the Association as above provided, it shall be entitled to elect a majority of the Directors of the Board as provided in the Bylaws, and to control the operation and affairs of the Association.

Section 2. Voting. Each Class A Member shall be entitled to one (1) vote for each Lot as to which he is an Owner, except that (i) the Association may suspend any Class A Member's voting rights in the Association during any period or periods that such Owner fails to comply with the Rules and Regulations of the Association adopted by the Board of Directors or with any other obligations of the Member under the Bylaws of the Association or the Declaration, and (ii) no Class A Member shall have the right to vote until it shall deliver to the Secretary of the Association (a) a certified copy of the recorded deed or other recorded instrument establishing record title to his Lot; and (b) if the Member shall be more than one (1) Person or a corporation, a written notice subscribed to by all of such Persons or corporation, as the case may be, designating one (1) of such Persons or an officer of such corporation as the person entitled to cast the vote with respect to such Lot; but all other rights and all other obligations of the Owner of such Lot hereunder shall be unaffected including, without limitation, the right to use the Common Area and their obligations to pay assessments. Until the Members of the Association shall consist solely of the Class A Members as above provided, the Class B Member shall be entitled to three (3) votes for each Lot within the Project.

At any meeting of the Association, every Member having the right to vote shall be entitled to vote in person, or by written proxy. Such proxy shall only be valid for such meeting or subsequent adjourned meetings thereof and shall be filed with the Secretary prior to the meeting at which the same are to be used. A notation of such proxies shall be made in the minutes.

At each meeting at which Directors are elected by the Class A Members, each such Member shall be entitled to cast his vote for as many persons as there are Directors to be elected. There shall be no cumulative voting. The candidate receiving the highest number of votes shall be declared elected.

Section 3. Election of Directors and Annual Meetings. Except as provided in Section 4 of this Article III, Class A Members shall not be entitled to vote for the election of Directors until December 31, 1985, or the provisions of this Section are waived by the Class B Member. The first meeting of the Owners at which Class A Members shall be entitled to cast their votes for the election of Directors is hereinafter referred to as the First Annual Owners Meeting. Until the First Annual Owners Meeting, the Declarant shall elect all of the Directors of the Board subject to Section 4 of this Article III. Within thirty (30) days after Owners other than Declarant are entitled to elect a majority of the Directors of the Association, the Secretary of the Association shall call the First Annual Owners Meeting, and Directors of the Board shall thereupon resign. Thereafter, Annual Meetings shall be held on the anniversary of such date in such succeeding year, or on any other date determined by the Board, provided such date shall not be more than thirteen (13) months from the date of the last Annual Meeting. At each Annual Meeting there shall be elected by ballot by the Members a Board of Directors in accordance with the requirements of Article IV of these Bylaws. The Owners may also transact such other business of the Association as may properly come before them.

Section 4. Special Meetings. It shall be the duty of the President, and, should he fail to do so, of the Vice President, to call a special meeting of the Owners as provided in this Section, and in Article VII, Section 3, hereof, or upon a petition signed by a majority of the Members having been presented to the Secretary. The date of any special meeting being called upon such a petition shall be not less than fourteen (14) days nor more than thirty (30) days from receipt of such petition by the Secretary. Prior to the First Annual Owners Meeting as set forth in Section 3 of this Article III, the President shall call at least one (1) such meeting of the Class A Members each year on any date determined by the Board of Directors not more than thirteen (13) months from the date of the last special meeting of the Class A Members. No business shall be transacted at a special meeting except as stated in the notice and until the First Annual Owners Meeting, no action shall be taken or authorized which would enlarge Declarant's obligation or diminish its right under the Declaration or these Bylaws.

Section 5. Quorum. A quorum shall consist of at least one-third (1/3) of all Members entitled to vote whether present in person or by written proxy except as otherwise provided in these Bylaws or in the Declaration. A majority of such quorum shall decide all questions. The question as to the presence of a quorum may only be raised immediately after the meeting has been called to order. If the presence of a quorum has not been questioned or if by count it appears that a quorum is present, then the regularity of the proceedings or the validity of the transactions of the meeting shall in no way be affected by the lack of a quorum or by change in the number present that may take place during the meeting. If no quorum be present, the presiding officer may adjourn the meeting to some other time, not later than seven (7) days from the date of such meeting, and such adjourned meeting shall have the same effect as if held on the day appointed.

When a quorum is present at any meeting, the vote of a majority of the Members present in person or represented by written proxy shall decide all questions and such vote shall be

binding upon all Owners, unless the question is one which, by express provision of the Declaration, Articles of Incorporation, or these Bylaws, a different vote is required, in which case such express provisions shall govern and control the decision of such question.

Section 6. Waiver and Consent. Whenever the vote of Members at a meeting is required or permitted by any provision of this Declaration, Articles of Incorporation, or of these Bylaws to be taken in connection with any action, the meeting and vote of Members may be dispensed with if all Members who would have been entitled to vote upon the action if such Meeting were held, shall consent in writing to such action being taken.

Section 7. Place of Meetings. Meetings shall be held at such suitable place within the State of Colorado convenient to the Owners as may be determined by the Board of Directors.

Section 8. Notice of Meeting. It shall be the duty of the Secretary, at least fourteen (14) but not more than thirty (30) days prior to each annual or special meeting, to mail a notice stating the purpose thereof as well as the time and place where it is to be held to each Member and Institutional Mortgagee.

Section 9. Order of Business. The order of business at all meetings shall be as follows to the extent required:

- (a) Roll call
- (b) Proof of notice of meeting or waiver of notice
- (c) Reading of minutes of preceding meeting
- (d) Report of officers
- (e) Report of Board of Directors
- (f) Report of committees
- (g) Election of inspectors of election (in the event there is an election)
- (h) Election of Directors (in the event there is an election)
- (i) Unfinished business
- (j) New business
- (k) Adjournment

ARTICLE IV

BOARD OF DIRECTORS

Section 1. Number, Qualifications, and Term. The number of Directors which shall constitute the whole Board shall be as follows:

(a) Until the Class A Members shall elect Directors, there shall be three (3) Directors.

(b) After the First Annual Owners Meeting, the number of Directors shall be three (3).

All Directors shall be Owners or an Officer of an Owner if the Owner shall be a corporation, and any such Director who ceases to be an Owner shall automatically be deemed to have resigned. At the expiration of the initial term of office of each such respective Director, his successor shall be elected to serve a term of one (1) year. All Directors shall hold office until their successors have been elected and qualify.

Section 2. Vacancy and Replacement. If the office of any Director or Directors becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, a majority of the remaining Directors, though less

than a quorum, at a special meeting of the Directors, duly called for this purpose, shall choose a successor or successors who shall hold office for the unexpired term with respect to which such vacancy occurred.

Section 3. Removal. Directors may be removed with or without cause by an affirmative vote of a majority of the Members (except that any Directors whose terms do not expire at the next Annual Owners Meeting may be removed only by vote of at least two-thirds (2/3) of the Members) at any meeting of Members when the notice therefor indicates the purpose. No Director shall continue to serve on the Board if, during his term of office, he shall cease to be an Owner.

Section 4. First Board of Directors. The first Board of Directors shall consist of three (3) persons designated as such in the Articles of Incorporation who shall hold office and exercise all powers of the Board of Directors until the First Annual Meeting of Owners as provided in Article III, Section 3. Any or all of said Directors shall be replaced in the manner set forth in Section 2 of this Article in the event of resignation, death, or removal.

Section 5. Powers. The Board shall have general charge, management and control of the affairs, funds, and property of the Association and shall authorize and control all expenditures pursuant and subject to the Articles of Incorporation, the Declaration and these Bylaws. It shall have the powers granted to the Association in the Articles of Incorporation and the duty to carry out the purpose of the Association according to law and as set forth in the Articles, these Bylaws, and the Declaration.

Section 6. Committees. The Board of Directors may, by resolution or resolutions passed by a majority of the whole Board, designate one or more committees, each of such committees to consist of at least one (1) Director which, to the extent provided in said resolution or resolutions and subject to the limitations of Colorado law and of the Declaration, shall have and may exercise such powers of the Board in the management of the Business and affairs of the Project as the resolution or resolutions of the Board shall specifically provide except that the Board of Directors may not delegate to any such committee its obligations pursuant to Article VII of these Bylaws. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Committees established by resolution of the Board of Directors shall keep regular minutes of their proceedings and shall report the same to the Board as required.

Section 7. Compensation. Directors and Officers shall receive no compensation for their services as such.

Section 8. Meetings.

(a) The annual meeting of each Board of Directors newly elected by the Owners shall be held immediately upon adjournment of the meeting at which they were elected, provided a quorum shall then be present, or as soon thereafter as may be practicable at the same place as the Owners Meeting at which time the dates, places, and times of regularly scheduled meetings of the Board shall be set.

(b) There shall be held at least two (2) regularly scheduled meetings of the Board each year without special notice to the Directors.

(c) Special meetings of the Board may be called by the President on seven (7) days' notice (except in emergency when less notice may be given) to each Director either

personally or by mail or telegram except in the event of an emergency when less notice may be given. Special meetings shall be called by the President or Secretary in a like manner and on like notice on the written request of at least two (2) Directors. All such notices of special meetings shall state the purpose thereof.

(d) At all meetings of the Board, a majority of the Directors shall be necessary and sufficient to constitute a quorum for the transaction of business, and an act of the majority of the Directors present at any meeting at which there is a quorum shall be the act of the Board, except as may otherwise specifically be provided by Statute, Articles of Incorporation, or by the Declaration or by these Bylaws. If a quorum shall not be present at any meeting of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(e) Before, at, or after any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such 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 present at any meeting of the Board, no notice except as provided in Section 9 of this Article IV shall be required and any business may be transacted at such meeting.

Section 9. Meetings Open to Owners. Meetings of the Board shall be open to all Owners and Institutional Mortgagees.

Section 10. Fidelity Bonds. The Board shall require that all Officers and Employees of the Project handling or responsible for Association funds shall furnish adequate fidelity bonds. Such fidelity bonds shall be in an amount equal to not less than one hundred fifty percent (150%) of the estimated annual operating expenses of the Project including reserves as determined in the budget approved from time to time pursuant to the provisions of these Bylaws. Such fidelity bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "Employee" or similar defenses and shall provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the Association, and if any Mortgage shall be owned by the Federal National Mortgage Association, then also to the servicer acting on its behalf.

Section 11. Management Agent. The Board of Directors may employ under a term contract or otherwise at a compensation established by the Board of Directors a management agent to perform such duties and services as the Board shall authorize subject to the provisions and limitations set forth in the Declaration.

Section 12. Indemnification. The Association shall have the power to indemnify any Director or Officer or former Director or Officer of the Association or any person who may have served at its request as a Director or Officer of another corporation in which it owns shares of capital stock or of which it is a creditor, against expenses actually and reasonably incurred by him in connection with the defense of any action, suit, or proceeding, civil or criminal, in which he is made a party by reason of being or having been such Director or Officer, except in relation to matters as to which he shall be adjudged in such action, suit, or proceeding, to be liable for negligence or misconduct in the performance of duty to the Association.

ARTICLE V

OFFICERS

Section 1. Elective Officers. The Board shall elect at its annual meeting each year a President, a Vice President, a Secretary, and a Treasurer. The Board may also elect one or more additional Vice Presidents, Assistant Secretaries, and Assistant Treasurers and such other officers as in their judgment may be necessary. All officers (other than those elected by Declarant) must be Owners.

Section 2. Term. Each Officer shall hold office until his successor is elected and shall qualify, but any Officer may be removed and/or replaced, with or without cause, at any time by the affirmative vote of a majority of the whole Board of Directors.

Section 3. The President. The President shall be the Chief Executive Officer of the Association. He shall preside at all meetings of the Association and the Board of Directors, shall be an ex-officio member of all standing committees except any nominating committee, and shall perform such other duties as are incident to the office or properly required of him by the Board.

Section 4. The Vice President. The Vice President shall perform such duties as are properly required of him by the Board of Directors and, in the absence or disability of the President, take the place and perform all duties of the President.

Section 5. The Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board in a business-like manner and shall issue all general notices. He shall make such reports and perform such other duties as are incident to his office or are properly required of him by the Board. The minutes of all such meetings shall be available for inspection by Owners at all reasonable times.

Section 6. The Treasurer. The Treasurer shall have the custody of the Association funds and securities and shall keep full and accurate chronological account of receipts and disbursements in books belonging to the Association including the vouchers for such disbursements and shall deposit all monies and other valuable effects in the name and the credit of the Association in such depositories as may be designated by the Board of Directors.

He shall disburse the funds of the Association as he may be ordered by the Board, making proper vouchers for such disbursements and shall render to the President and Directors, at the regular meetings of the Board or whenever they may require it, an account of all his transactions as Treasurer and of the financial condition of the Association.

He shall keep detailed financial records and books of account of the Association including a separate account for each Unit which, among other things, shall contain the amount of each Assessment against such Units, the date when due, the amounts paid thereon, and the balance remaining unpaid.

He shall perform all other duties incident to his office or which may be properly required of him by the Board.

Section 7. Agreements. All agreements and other instruments authorized by the Board shall be executed by the President and/or such other person or persons as may be designated by the Board.

ARTICLE VI

ARCHITECTURAL REVIEW BOARD

Section 1. Selection of Committee Members. The Board shall select, at its discretion, three (3) members each to serve on the New Construction Committee and the Modification and Change Committee. The members of the New Construction Committee shall continue to be selected by the Declarant for a time period which extends one (1) year beyond the date which the Declarant ceases to be a Class B Member in accordance with the Declaration, Articles of Incorporation, and Bylaws of the Association. From the date that the Declarant ceases to be a Class B Member, all members of the Architectural Review Board must be Members of the Association and Lot Owners in the Project. During the time that the Declarant is a Class B Member, it shall not be necessary for the members of the New Construction Committee to be Members of the Association or Lot Owners within the Project.

Section 2. Term. Each member of the Architectural Review Board shall hold office until his successor has been selected by the Board of Directors of the Association, but any member of the Architectural Review Board may be removed and/or replaced only for cause at any time by an affirmative of a majority of the whole Board of Directors of the Association. The term of office of each member of the Architectural Review Board shall be for a period of one (1) year from the date of election and identified by the Board of Directors of the Association.

ARTICLE VII

NOTICES

Whenever under the provisions of the Declaration or of these Bylaws notice is required or permitted to be given to the Board, any Director, Member, Declarant, or Owner, it shall not be construed to mean personal notice. Such notice shall be in writing and either delivered personally or mailed. Any notices given by mail shall be deemed effectively and sufficiently given when deposited in a United States Post Office or Letter Box in a postpaid sealed wrapper, addressed to the Board, such Director, or Owner at such address as appears on the books of the Association.

Whenever any notice is required to be given under the provisions of the Declaration, or of these Bylaws, a waiver thereof, in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VIII

RULES AND REGULATIONS

Reasonable uniform rules and regulations governing the use of the Common Area and the conduct of persons entitled to use such Property may be adopted and amended from time to time by the Board. All Owners shall obey the rules and regulations as promulgated by the Board. The initial rules and regulations are attached.

ARTICLE IX

MORTGAGEES

Section 1. Notice to Association. An Owner who mortgages his Lot or Unit or the Mortgagee shall notify the Association of the name and address of the Mortgagee and shall file a conformed

copy of the Mortgage with the Association. The Association shall maintain such information in a book entitled "Mortgagees of Lots".

Section 2. Notice of Default. The Association shall give notice to an Owner of a default in payment of Assessments of Common Area expenses or other default imposed by the terms and conditions of the Declaration, the Articles of Incorporation, or Bylaws of the corporation, and if such default is not cured within sixty (60) days, the Association shall send a copy of such notice to each holder of a Mortgage covering such Lot or Unit if the name and address of such Mortgagee has been previously furnished to the Association as provided in Section 1 of this Article.

ARTICLE X

AMENDMENT

These Bylaws may be amended, altered, or rescinded upon the approval of a majority of the Board of Directors or at a regular or special meeting of the Board of Directors or at a regular or special meeting of the Members of the Association. The voting requirements for amendment at a regular or special of the Members of the Association shall require a majority vote of a quorum of Members as identified in Section 5 of Article.III of these Bylaws.

ARTICLE XI

MISCELLANEOUS

Section 1. Severability. Should any of the covenants, terms, or provisions herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of these Bylaws shall, nevertheless, be and remain in full force and effect.

Section 2. Construction. Wherever the masculine singular form of the pronoun is used in these Bylaws, it shall be construed to mean the masculine, feminine, or neuter; singular or plural; wherever the context so requires.

In case any of the Bylaws conflict with the provisions of any Statute, the Articles of Incorporation, or of the Declaration, the provisions of such Statute, the Articles of Incorporation, or of the Declaration, whichever the case may be, shall control.

Section 3. Rules of Procedure. Where not otherwise provided for by these Bylaws, the Rules of Parliamentary Procedure as set forth in Roberts' "Parliamentary Law" shall prevail at all meetings.

Section 4. Interpretations. In the event that any question arises with respect to the construction of any of the provisions of the Bylaws or the Rules and Regulations of the Association, the decision of the Board with respect thereto shall be final and binding upon the Association and the Owners.

THESE BYLAWS WERE ADOPTED BY THE BOARD OF DIRECTORS OF
DURANGO COMMUNITY ASSOCIATION OF LOVELAND, INC. ON THE 29th DAY
OF March, 1988.

BOARD OF DIRECTORS






