

TRAILS WEST VILLAGE HOMEOWNER'S ASSOCIATION, INC.

BY-LAWS OF THE CORPORATION

EFFECTIVE DATE: March 2004

APPLICABILITY: These By-Laws shall be binding upon all persons who may own, rent or otherwise occupy any lot in the Trails West Village Subdivision; and such person's ownership, rental or occupancy thereof shall be conclusive evidence of his intention to be bound by these By-Laws.

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ARTICLE I
Offices

The principal office of the Association shall be designated from time to time by the corporation.

The registered office of the Association required by statute to be maintained in Colorado may be, but need not be, identical with the principal office, and the address of the registered office may be changed from time to time by the board of directors.

ARTICLE II
Meetings of Members

Section 1. Annual Meeting. The annual meeting of the Members shall be held during the month of April of each year on a date and at a time fixed by the board of directors of the Association (or by the president in the absence of action by the board of directors), beginning with the year 2004, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the election of directors is not held on the day fixed as provided herein for any annual meeting of the Members, or any adjournment thereof, the board of directors shall cause the election to be held at a special meeting of the Members as soon thereafter as it may conveniently be held.

Section 2. Special Meetings. Unless otherwise prescribed by statute, special meetings of the Members may be called for any purpose by the president or by the board of directors. The president shall call a special meeting of the Members if the Association receives one or more written demands for the meeting, stating the purpose or purposes for which it is to be held, signed and dated by at least eight Members eligible to vote.

Section 3. Place of Meeting. The board of directors may designate any place, within Mesa County, State of Colorado, as the place for any annual meeting or any special meeting called by the board of directors.

Section 4. Notice of Meeting. Written notice stating the place, date, and hour of the meeting shall be given not less than thirty nor more than sixty days before the date of the meeting, unless any other longer notice period is required by statute. The secretary shall be required to give such notice only to Members entitled to vote at the meeting.

Notice of a special meeting shall include a description of the purpose or purposes of the meeting. Notice of an annual meeting need not include a description of the purpose or purposes of the meeting except the purpose or purposes shall be stated with respect to (i) an amendment to the articles of incorporation of the Association, (ii) a dissolution of the Association, (iii) restatement of the articles of incorporation, or (iv) any other purpose for which a statement of purpose is required by law. Notice shall be given personally or by mail, private carrier, telegraph, teletype, electronically transmitted facsimile or other form of wire or wireless communication by or at the direction of the president, the secretary, or the officer or persons calling the meeting, to each Member of record entitled to vote at such meeting. If mailed and if in a comprehensible form, such

notice shall be deemed to be given and effective when deposited in the United States mail, properly addressed to the Member at his address as it appears in the Association's current record of Members, with first class postage prepaid. If notice is given other than by mail, and provided that such notice is in a comprehensible form, the notice is given and effective on the date actually received by the Member.

Section 5. Quorum. The presence at the meeting of the Members and/or proxies entitled to cast one-fifth (1/5) of the total votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these By-Laws. If such a quorum is not present or represented by proxy at a meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. Unless specifically provided by the Declaration, the Articles of Incorporation, these Bylaws or by statute, all matters coming before the meeting of Members at which a proper quorum is in attendance, in person and /or by proxy, shall be decided by the vote of a majority of the votes validly cast at such meeting.

Section 6. Proxies. At all meetings of Members, a Member may vote by proxy by signing an appointment form or similar writing, either personally or by his duly authorized attorney-in-fact. A Member may also appoint a proxy by transmitting or authorizing the transmission of an e-mail, facsimile transmission or other electronic transmission providing a written statement of the appointment to the proxy to the Association. 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. The proxy appointment form or similar writing shall be filed with the secretary of the Association before or at the time of the meeting. The appointment of a proxy is effective when received by the Association and is valid only for a period ending with the meeting next succeeding the appointment, as the same meeting may be continued to another date. In any event, the proxy is revocable, and shall expire the sooner of eleven months from the date the proxy is given or at a time that the Member shall sell or dispose of his Lot.

Section 8. Voting of Members. Each Lot owner shall be entitled to one vote, on each matter submitted to a vote at a meeting of Members. Lots held jointly with two or more persons shall designate one person to cast one vote on each matter coming before the Meeting. If joint owners cannot agree upon a designated person for any matter before the meeting, such joint owners' vote will not be counted, and it will be assumed that such joint owners have abstained from casting a vote on such matter. Cumulative voting shall not be permitted.

ARTICLE III Board of Directors

Section 1. Number. The number of directors of the Association shall be fixed from time to time by the Members, within a range of no less than five (5) or more than eight (8) but no decrease in the number of directors shall have the effect of shortening the term of any incumbent director. A

director shall be a natural person who is eighteen years of age or older. Each director must be a Member of the corporation.

Directors shall be elected at each annual meeting of Members. Written ballots are not required. Nominations can be made at the meeting. Each director shall hold office for three years following his election and thereafter until his successor shall have been elected and qualified. Any director may be removed by the Members with or without cause, at a meeting called for that purpose. The notice of the meeting shall state that the purpose or one of the purposes of the meeting is removal of the director. A director may be removed only if the number of votes cast in favor of removal exceeds the number of votes cast against removal.

Section 2. Vacancies. Any director may resign at any time by giving written notice to the secretary. Such resignation shall take effect at the time the notice is received by the secretary unless the notice specifies a later effective date. Unless otherwise specified in the notice of resignation, the corporation's acceptance of such resignation shall not be necessary to make it effective. Any vacancy on the board of directors may be filled by the affirmative vote of a majority of the Members at a special meeting called for that purpose or by the board of directors. If the directors remaining in office constitute less than a quorum of the board, the directors may fill the vacancy by the affirmative vote of a majority of all the directors remaining in office. If elected by the directors, the director shall hold office until the next annual Members' meeting at which directors are elected. A replacement director elected by the board may remain on the board if, at the next meeting, the members vote to keep each such replacement board member on the board. Such a board member term will be a maximum of three years after such a member vote.

Section 3. Regular Meetings. A regular meeting of the board of directors shall be held with notice approximately every sixty (60) days or sooner, as deemed necessary by the president. All regular meetings and special meetings shall be held at any reasonable time and place the president may fix within the Trails West Village subdivision

Section 4. Special Meetings. Special meetings of the board of directors may be called by or at the request of the president or any two (2) directors.

Section 5. Notice. Notice of the date, time and place of any special meeting shall be given to each director at least two (2) days prior to the meeting by written notice either personally delivered or mailed to each director at his business address, or by notice transmitted by e-mail, private courier, telephone, electronically transmitted facsimile or other form of wire or wireless communication.

Section 6. Quorum. A majority of the number of directors (present or by proxy) shall constitute a quorum for the transaction of business at any meeting of the board of directors.

Section 7. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors.

Section 8. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 9. Informal Action by Directors. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if a written consent is given by writing or e-mail by a majority of the directors entitled to vote with respect to the action taken. Such consent shall have the same force and effect as a unanimous vote of the directors or committee members and may be stated as such in any document.

Section 10. Telephonic Meetings. The board of directors may permit any director (or any member of a committee designated by the board) to participate in a regular or special meeting of the board of directors or a committee thereof through the use of any means of communication by which all directors participating in the meeting can hear each other during the meeting. A director participating in a meeting in this manner is deemed to be present in person at the meeting.

Section 11. Standard of Care. A director shall perform his duties as a director, including without limitation his duties as a member of any committee of the board, in good faith, in a manner he reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In performing his duties, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by the persons herein designated. However, he shall not be considered to be acting in good faith if he has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A director shall not be liable to the Association or its Members for any action he takes or omits to take as a director if, in connection with such action or omission, he performs his duties in compliance with this Section 11.

The designated persons on whom a director is entitled to rely are (i) one or more officers or employees of the Association whom the director reasonably believes to be reliable and competent in the matters presented, (ii) legal counsel, public accountant, or other person as to matters which the director reasonably believes to be within such person's professional or expert competence, or (iii) a committee of the board of directors on which the director does not serve if the director reasonably believes the committee merits confidence.

Section 12. Powers. The Board of Directors shall have the power to:

- a. adopt and publish rules and regulations governing the use of the Property, or any portion thereof, and any 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 of any Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;
- c. enter into, make, perform or enforce contracts, licenses and agreements of every kind and description, including without limitation those certain contracts, agreements,

licenses, leases, easements and/or rights-of-way as more fully provided in the Declaration;

- d. reduce levels of assessments for on-time, early or lump-sum payment of assessments, or portions thereof; and assess late charges or default interest charges of up to eighteen percent for delinquent assessments, provided Members whose payment of assessment is delinquent, received thirty (30) days written notice of the late charge or default interest charges, before such additional assessment;
- e. exercise for the Association all the powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;
- f. declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) regular meetings of the Board during any one year period; and
- g. employ a manager or independent contractor or such other agents or employees as the Board deems necessary, and prescribe the duties of same.
- h. enforce the rules and regulations of the HOA by notifying those who would violate such rules and regulations, with: (i) first, a verbal warning, then, (ii) a written formal notice and only then, if not corrected after a minimum of 30 days from the written notice (iii) the board may levy a monthly fine until such violation is corrected. Such action shall be approved by at least a two thirds agreement of the board members. The amount of the fine shall be reasonable in connection with the offense, as deemed necessary by the board.

Section 13. Duties of the Board of Directors. It shall be the duty of the Board of Directors to:

- a. cause to be kept a complete record of all its acts and corporate affairs and, if requested, present a summary thereof to the Members at the annual meeting of the Members, or at any special meeting when such summary is requested in writing by one-fourth (1/4) of the Members entitled to vote thereat;
- 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:
 - i. determine the amount of the maximum annual assessment against each Lot prior to the commencement of each annual assessment period, and give written notice to each Owner of each change in the amount of the actual assessment against his Lot;

- ii. foreclose the lien against any Lot for which assessments are not paid within ninety (90) days after the due date, or take such further action as the Board deems necessary, including but not limited to, bringing legal action against the Owner(s) personally obligated to pay the same;
- d. issue or cause an appropriate officer or authorized agent to issue, upon demand by any person, a letter setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of such letters. If a letter states that an assessment has been paid, such letter 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 Article VI of the Declaration;
- f. provide for the maintenance and repair of the Common Areas and maintain the landscaping, where practicable, on the Common Area.
- g. notify in writing the First Lien Holder of any Lot, upon written request, when the Owner thereof is in default in the payment of any assessment, or otherwise in default of any obligation under the Declaration, Articles of Incorporation or these Bylaws and Board has actual knowledge of such default, and said default has not been corrected within ninety (90) days;
- h. establish and supervise a Design Control Committee as more fully provided in Article V of the Declaration.

ARTICLE IV

Rights of the Association

This Association may exercise any and all rights or privileges given to it under the Declaration, the Articles of Incorporation or these Bylaws, or as may otherwise be given to it by law, and every other right or privilege reasonably to be implied therefrom or reasonably necessary to effectuate any such right or privilege.

ARTICLE V

Officers and Agents

Section 1. General. The officers of the Association shall be a president, one or more vice presidents, a secretary and a treasurer, each of whom shall be members of the Board of Directors and such other officers as the Board of Directors may from time to time by resolution create.

Section 2. Appointment and Term of Office. The officers of the Association to be appointed by the board of directors shall be appointed at the next meeting of the board held after each annual

meeting of the Members. If the appointment of officers is not made at such meeting or if an officer or officers are to be appointed by another officer or officers of the corporation, such appointments shall be made as determined by the board of directors or the appointing person or persons. Each officer shall hold office until the first of the following occurs: his successor shall have been duly appointed and qualified, his death, his resignation, or his removal in the manner provided in Section 3.

Section 3. Resignation and Removal. An officer may resign at any time by giving written notice of resignation to the president, secretary or other person who appoints such officer. The resignation is effective when the notice is received by the Association unless the notice specifies a later effective date.

Any officer or agent may be removed at any time with or without cause by the board of directors or an officer or officers authorized by the board.

Section 4. Vacancies. A vacancy in any office, however occurring, may be filled by the board of directors, or by the officer or officers authorized by the board, for the unexpired portion of the officer's term. If an officer resigns and his resignation is made effective at a later date, the board of directors, or officer or officers authorized by the board, may permit the officer to remain in office until the effective date and may fill the pending vacancy before the effective date if the board of directors or officer or officers authorized by the board provide that the successor shall not take office until the effective date. In the alternative, the board of directors, or officer or officers authorized by the board of directors, may remove the officer at any time before the effective date and may fill the resulting vacancy.

Section 5. President. The president shall preside at all meetings of Members and all meetings of the board of directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign or authorize a designated agent to co-sign promissory notes and checks of the Association.

Section 6. Vice President. The vice president shall assist the president and shall perform such duties as may be assigned to him by the president or by the board of directors. In the absence of the president, the vice president, if any (or, if more than one, the vice presidents in the order designated by the board of directors, or if the board makes no such designation, then the vice president designated by the president, or if neither the board nor the president makes any such designation, the senior vice president as determined by first election to that office), shall have the powers and perform the duties of the president.

Section 7. Secretary. The secretary or a designated agent shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members; shall keep appropriate current records showing the Members together with their addresses; and shall perform such other duties as required by the Board.

Section 8. Treasurer. The treasurer shall be the principal financial officer of the Association, shall have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Association and shall deposit the same in accordance with the instructions

of the board of directors. Subject to the limits imposed by the board of directors, he shall receive and give receipts and acquittances for money paid in on account of the Association, and shall pay out of the corporation's funds on hand all bills, payrolls and other just debts of the Association of whatever nature upon maturity. He shall perform all other duties incident to the office of the treasurer and, upon request of the board, shall make such reports to it as may be required at any time.

The treasurer shall also be the principal accounting officer of the corporation. By March 1 of each year the Treasurer shall submit a summary report of the revenues and expenses to the Board of Directors. The Board of Directors, as a minimum, shall direct the treasurer to submit the checkbook register, the December bank statement along with the Treasurer's summary financial statement to another Member of the Association so appointed by the Board. No further action is required if this review is accepted by the independent Member and the Board. The Board, at its sole option, may require a more formal review or audit by, for example, a Certified Public Accountant, at the completion of each fiscal year, or sooner.

The treasurer shall prepare an annual budget to be presented to the membership at its regular annual meeting, and make available a copy to each of the Members, as requested.

ARTICLE VI Committees

Section 1. Design Control Committee. The Board of Directors shall appoint a Design Control Committee which shall consist of not less than one (1) or more than three (3) members. All members of the Design Control Committee shall be Members of the Association, and may include any officer or director of the Association.

Section 2. Other Committees. The Board of Directors may create such other committees as it deems appropriate in carrying out the purpose and responsibilities of the Association.

ARTICLE VII Books and Records

The Association shall make available to Members, First Mortgagees and insurers or guarantors of any First Mortgage, current copies of the Declaration, Articles of Incorporation and these Bylaws, the rules and regulations, books, records and financial statements of the Association. "Available" shall mean for inspection, upon request, during normal weekday business hours or under other reasonable circumstances.

ARTICLE VIII Assessments

As more fully provided in the Declaration, each Member is obligated to pay assessments to the Association, which assessments are secured by a continuing lien upon the property against which the assessment is made. Any assessment or portion thereof which is not paid when due shall be delinquent. Any assessment or portion thereof which is delinquent after ten (10) days from the

due date, shall bear interest at the rate of eighteen (18%) percent per annum, or at such lesser rate as may be set by the Board of Directors, and the Association may assess a monthly late charge thereon. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided, attorney's fees, together with the costs of the action and may include late charges. No Owner may waive or otherwise escape liability for the assessments or fines provided for in the Declaration by non-use of the Common Area, the irrigation system or abandonment of his Lot.

ARTICLE IX
Amendments

Subject to any restrictions set forth in the Declarations, these Bylaws may be amended at a regular or special meeting of the members, by a vote of a majority of a quorum of the Members present in person or in proxy.

ARTICLE X
Conflict of Provisions

In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; and in the case of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

ARTICLE XI
Indemnification

The Association shall indemnify every director, officer, agent and employee, and any former director, officer, agent and employee against all loss, costs and expenses, including attorney's fees, reasonably incurred in connection with any action, suit or proceeding to which such person may be a party by reason of being or having been such a director, officer, agent or employee of the Association, except for matters in which such person shall be finally adjudged to be liable for gross negligence or fraud. Any such indemnity shall be limited to and may only be paid out of the insurance proceeds provided by an insurer furnishing officers and directors errors and omissions insurance coverage and any other insurance protecting the Association from liability because of the negligent acts of its servants, including insurance covering motor vehicles or public liability, property damage, medical and other similar coverage, it being the intent and purpose of this provision to limit all payments or settlements in indemnification to the actual proceeds of insurance policies. No indemnification shall be provided for acts constituting gross negligence, nor for fraud, nor for reprehensible conduct. In the event of a settlement, the settlement shall be approved by the insurance carrier and paid for by insurance carrier out of the insurance proceeds. The foregoing rights shall not be exclusive of other rights to which such director, officer, agent or employee may be entitled.

ARTICLE XII
Fiscal Year

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the last day of the following December.

IN WITNESS WHEREOF, we, being all of the Directors of the Trails West Village Homeowner's Association have hereunto set our hand this ___ day of _____, 2003.

KNOW ALL MEN BY THESE PRESENTS, that I, the undersigned secretary, do hereby certify that the above and foregoing Bylaws were duly adopted and ratified by a majority of the Members as the Bylaws of Trails West Village Homeowners Association at an annual meeting of the Members held April ___, 2004, and the same do now constitute the Bylaws of the Association.

Secretary