

BY-LAWS
OF
HILLCREST AT HOMESTEAD HOMEOWNERS ASSOCIATION

ARTICLE I
NAME AND LOCATION

The name of the corporation is Hillcrest at Homestead Homeowners Association, hereinafter referred to as the "Association." The principal office of the corporation shall be located at 6851 South Holly Circle, Englewood, Colorado 80112, but meetings of members and directors may be held at such places within the County of Arapahoe in the State of Colorado as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to Hillcrest at Homestead Homeowners Association, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the subdivision plat for

Lots 1 to 9, and Tracts Y and Z, Homestead Farm Filing 7, First Amended Final Plat, being a resubdivision of a portion of Homestead Farm Filing 7; and Tracts B, C, D, E, G, H, J, K, L, M, N, P, Q, R and S of Homestead Farm Filing 7, according to the recorded plat thereof;

and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Lot" shall mean any numbered plat of land shown upon any recorded subdivision plat of The Properties with the exception of the Common Area.

Section 4. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 5. "Owner" shall mean the record owner, including contract sellers, whether one or more persons or entities, of fee simple title to any Lot which is part of the Properties, but excluding those having such interest merely as security for performance of an obligation.

Section 6. "Declarant" shall mean and refer to Sanford Homes, Inc., a Colorado corporation, its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Properties recorded in the Office of the Clerk and Recorder of Arapahoe County, Colorado on _____ in Book _____ at Page _____.

Section 8. "Member" shall mean and refer to those persons entitled to membership, as provided in the Declaration.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the members shall be held in January of 1987 on such day and at such time as is fixed by the Board of Directors of the Association and each subsequent regular annual meeting of the members shall be held in the same month of each year thereafter, the specific date, time and location of the meetings to be designated by the Board of Directors from time to time.

Section 2. Special Meetings. Special meetings of the members may be called at any time by the president or by the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the Class A membership.

Section 3. Notice of Meetings. Written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, not less than fifteen (15) days nor more than fifty (50) days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting. The Board of Directors may fix a record date for determination of members entitled to notice which shall be not more than 50 days prior to the meeting of Members.

Section 4. Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however,

such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his Lot.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of three (3) directors until the Class B membership terminates, after which the Board shall have five (5) directors elected as provided in Section 2. Directors shall be members which, in the case of Declarant, may include any officer, director or employee of Declarant, and in the case of other corporate members may include any officer or director of each such corporate member.

Section 2. Term of Office. The initial Directors named in the Articles of Incorporation shall hold office until the first annual meeting of Members. At the annual meeting of Members next following the termination of the Class B membership, five directors shall be elected and at each annual meeting thereafter, five directors shall be elected. Directors shall continue in office until the next annual meeting of Members or until their successors have been elected, whichever is later, unless a Director resigns, is removed or his term of office terminates because he is no longer qualified to be a Director.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. 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 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of members to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

Section 2. Election. Election to the Board of Directors 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. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days notice to each director.

Section 3. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities, 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 right to use of the recreational facilities of a member during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;

(d) 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) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties, subject to the conditions of Article III, Section 5 of the Declaration.

Section 2. Duties. 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 to 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 one-fourth (1/4) of the Class A members who are entitled to vote;

(b) supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within a reasonable period after due date or to bring an action at law against the owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer 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 an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association and hazard insurance on the Living Units, as provided in the Declaration;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area and facilities and the Living Units to be maintained as provided in the Declaration.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period; have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President: (a) The president shall preside at 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 all checks and promissory notes.

Vice-President: (b) The vice-president shall act in the place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary: (c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer: (d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be

presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE IX

COMMITTEES

When the Class B membership terminates, the Board of Directors shall act as the Design Review Committee, or may appoint three or more representatives to act as the Committee on its behalf, as provided in the Declaration. In addition, the Board of Directors shall appoint other committees as it deems appropriate.

ARTICLE X

BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessments is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, and interest, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having

within its circumference the words: Hillcrest at Homestead Homeowners Association, Colorado.

ARTICLE XIII

AMENDMENTS

Section 1. These Bylaws may be amended at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while there is a Class B membership.

Section 2. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE XIV

INDEMNIFICATION

Each officer and directors of the Association shall be and are hereby indemnified by the Owners and the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed upon him in any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been an officer or director of the Association, or any settlements thereof, whether or not he is an officer or director of the Association at the time such expenses are incurred, except in such cases wherein such officer or director is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement, the indemnification shall apply only when the Board of Directors approves such settlement and reimbursements as being for the best interests of the Association.

ARTICLE XV

NOTICE AND HEARING PROCEDURE

Section 1. Association's Enforcement Rights. In the event of an alleged violation by a Member ("Respondent") of the Declaration, these Bylaws or the Rules and Regulations, the Board of Directors shall have the right, after notice and hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, to take any one or more of the following actions: (a) levy a Reimbursement Assessment as provided in the Declaration; (b) suspend or condition the right of said Member and anyone claiming through such Member to the use and enjoyment of any

recreational facilities operated or maintained by the Association (to the extent any such Person is otherwise entitled to such use); (c) suspend said Member's voting privileges as a Member, as provided in the Declaration; or (d) record a Notice of Noncompliance against the Lot of the Respondent. Any such suspension shall be for a period of not more than 30 days for any non-continuing infraction, but in the case of a continuing infraction (such as nonpayment of any Assessment after the same becomes delinquent) such suspension may be imposed for so long as the violation continues. The failure of the Board or the Design Review Committee to enforce the Rules and Regulations, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided in the Declaration or these Bylaws shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these Bylaws and the Rules and Regulations, before that Member may resort to a court of law for relief with respect to any alleged violation by another Member of the Declaration, these Bylaws or the Rules and Regulations, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of Common Assessments, Special Assessments, or Insurance Assessments.

2. Written Complaint. A hearing to determine whether enforcement action under the Declaration or these Bylaws should be taken shall be initiated by the filing of a written Complaint by any Member or by any officer or member of the Board of Directors or the Design Review Committee with the President of the Association or other presiding member of the Board. The Complaint shall contain a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the Respondent is charged and a reference to the specific provisions of the Declaration, these Bylaws or the Rules and Regulations which the Respondent is alleged to have violated.

3. Notice of Complaint and Notice of Defense. A copy of the complaint shall be delivered to the Respondent in accordance with the notice provisions set forth in the Declaration, together with a statement which shall be substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as Respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within 15 days after the Complaint was served upon you, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address: _____

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact

The Respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board of Directors. The Respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

Section 4. Tribunal. The President shall appoint a Hearing Committee ("Tribunal") of three natural Persons upon receipt of a written Complaint as provided in Section 2 of this Article XV. In appointing the members of the Tribunal, the President should make a good faith effort to avoid appointing next-door neighbors of the Respondent or any Members of the Association 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 Tribunal 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 of Directors 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 Tribunal. All decisions of the Board of Directors in this regard shall be final. The Tribunal shall elect a Chairman and appoint a hearing officer who shall take evidence and ensure that a proper record of all proceedings is maintained.

Section 5. Notice of Hearing. The Tribunal shall serve a Notice of Hearing, as provided herein, on all parties at least 10 days prior to the hearing, if such hearing is requested by the Respondent. The hearing shall be held no sooner than 30 days after the Complaint is mailed or delivered to the Respondent as provided in Section 3 of this Article XV. The Notice of Hearing to the Respondent shall be substantially in the following form but may include other information:

"You are hereby notified that a hearing will be held before a Tribunal appointed by the President of Hillcrest at Homestead Homeowners Association at _____

on the _____ day of _____, 19____ at the hours of _____ o'clock ____ .m., upon the charges made in the

Complaint served upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to compel the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association."

Section 6. Hearing.

(a) Oral evidence shall be taken only on oath or affirmation administered by an officer of the Association. The use of affidavits and written interrogatories in lieu of oral testimony shall be encouraged by the Tribunal.

(b) Each party shall have these rights: to call and examine witnesses; to introduce exhibits; to cross-examine witnesses on any matter relevant to the issues; to impeach any witness; and to rebut the evidence against him. If respondent does not testify in his own behalf, he may be called and examined as if under cross-examination.

(c) The hearing need not be conducted according to technical rules relating to evidence and witnesses. Any relevant evidence shall be admitted if it is the sort of evidence on which responsible Persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil action. Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions. The rules of privilege shall be effective to the extent that they are otherwise required by statute to be recognized at the hearing, and irrelevant and unduly repetitive evidence shall be excluded.

(d) Neither the accusing Member or the Respondent must be in attendance at the hearing. The hearing shall be open to attendance by all Members of the Association to the extent of the permissible capacity of the hearing room.

(e) In rendering a decision, official notice may be taken at any time of any generally accepted matter within the Declaration, these Bylaws, the Rules and Regulations, or the working of the Association. Persons present at the hearing shall be informed of the matters to be noticed by the Tribunal, and these matters shall be made a part of the record of proceedings.

(f) The Tribunal may grant continuances on a showing of good cause.

(g) Whenever the Tribunal has commenced to hear the matter and a member of the Tribunal is forced to withdraw prior to a final determination by the Tribunal, the remaining members shall continue to hear the case and the hearing officer shall replace the withdrawing member.

7. Decision. If the Respondent fails to file a Notice of Defense as provided in Section 3 of this Article XV, or fails to appear at a hearing, the Tribunal may take action based upon the evidence presented to it without notice to the Respondent. However, the Respondent may make any showing by way of mitigation. The Tribunal will prepare written findings of fact and recommendations for consideration by the Board of Directors. The Tribunal shall make its determination only in accordance with these Bylaws. After all testimony and documentary evidence has been presented by the Tribunal, the Tribunal shall vote by secret written ballot upon the matter, with a majority of the entire Tribunal controlling. A copy of the findings and recommendations of the Tribunal shall be posted by the Board of Directors at a conspicuous place on the Association Common Area, and a copy shall be served by the President on each Person involved in the matter and his attorney, if any. Disciplinary action and levy of a Reimbursement Assessment under the Declaration, these Bylaws or the Rules and Regulations shall be imposed only by the Board of Directors and in accordance with the findings and recommendations of the Tribunal. The Board of Directors may adopt the recommendations of the Tribunal in their entirety or the Board may reduce the proposed penalty and adopt the balance of the recommendations. In no event shall the Board impose more stringent enforcement action than recommended by the Tribunal. The decision of the Board shall be in writing and shall be served and posted in the same manner as the findings and recommendations of the Tribunal. The decision of the Board shall become effective 10 days after it is served upon the Respondent, unless otherwise ordered in writing by the Board of Directors. The Board may order a reconsideration at any time within 15 days following service of its decision on the involved persons, on its own motion or on petition by any party. However, no action against the Member arising from the alleged violation shall take effect prior to the expiration of the later of (a) 25 days after the Member's receipt of the Notice of Hearing; or (b) five days after the hearing required herein.

ARTICLE XVI

MISCELLANEOUS

The fiscal year of the Association shall begin on the first day of November and end on the 31st day of October of every year, except that the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, we, being all of the directors of the Hillcrest at Homestead Homeowners Association, have hereunto set our hands as of this 3rd day of February, 1986.

Bruce W. Marten

David G. Howard

Joan C. Sundberg

STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

The foregoing Bylaws were acknowledged before me this 3rd day of February, 1986, by BRUCE W. MARTEN, DAVID G. HOWARD and JOAN C. SUNDBERG as directors of HILLCREST AT HOMESTEAD HOMEOWNERS ASSOCIATION.

WITNESS my hand and official seal.

My commission expires: June 16, 1989

Notary Public

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of HILLCREST AT HOMESTEAD HOMEOWNERS ASSOCIATION, a Colorado corporation; and the foregoing Bylaws constitute the original bylaws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 3rd day of February, 1986.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 3rd day of February, 1986.

Secretary