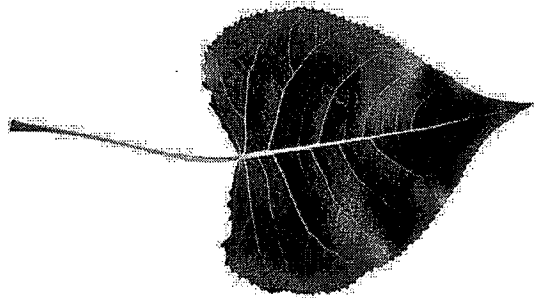


BY-LAWS
OF THE
CARRIAGE HOMES AT STAPLETON ASSOCIATION
(AMENDED AND RESTATED 8/10/05)

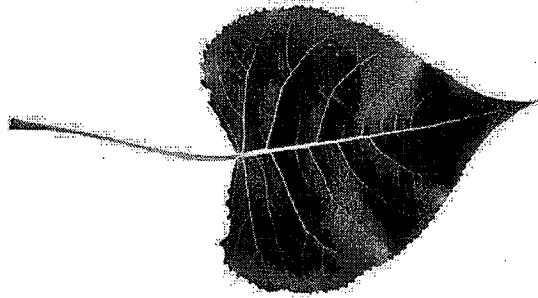


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NEIGHBORHOODS

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Article I

Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is the Carriage Homes at Stapleton Association (the "**Association**").

1.2. Principal Office.

The Association's initial principal office shall be located in the City of Louisville, Boulder County, Colorado, or such other location as the Board shall direct. The Association may have such other offices as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the meaning ascribed to them in the Neighborhood Charter for the Homes at Crescent Ridge at Lowry, recorded by McStain Enterprises, Inc., a Colorado corporation, in the public records of the City and County of Denver, Colorado, as it may be amended (the "**Charter**"). The term "**majority**," as used in these By-Laws, means those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

Article 2

Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have one class of membership as more fully set forth in the Charter. Provisions of the Charter pertaining to membership are incorporated by this reference. Transfers of a membership shall be made on the books of the Association only upon the presentation of evidence, satisfactory to the Association's Secretary, of the transfer of ownership of the Home to which the membership is appurtenant. Prior to presentation of such evidence, the Association may treat the previous Owner as the holder of the membership entitled to all rights in connection therewith, including the rights to vote and to receive notice.

If an Owner is a corporation, a partnership, or other legal entity, its membership rights may be exercised by any officer, director, partner, or trustee, or by an individual the Owner designates from time to time in writing to the Association's Secretary.

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

2.2. Place of Meetings.

The Association shall hold meetings at the Association's principal office or at such other suitable place the Board may designate.

2.3. Association Meetings.

(a) General. Association meetings shall be of all Members of the Association, as well as tenants and other occupants of Homes. The first Association meeting, whether a regular or special meeting, shall be held within one year after the Association's incorporation.

(b) Annual Meetings of the Association. The Board shall schedule regular annual meetings to occur within 90 days before or after the close of the Association's fiscal year, on such date and at such time and place as the Board shall determine.

(c) Special Meeting of the Association. The President may call special meetings. In addition, the President or the Secretary shall call a special meeting if so directed by Board resolution, upon the request of the Founder during the Development and Sale Period, or upon a written petition of Owners representing at least 10% of the total votes in the Association.

2.4. Notice of Meetings.

The President, the Secretary, the officers or other persons calling a meeting of the Members shall deliver to each Owner a written notice stating the place, day, and hour of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Charter or these Bylaws, any budget changes, and any proposal to remove an officer or a member of the Board. No business shall be transacted at a special meeting except as stated in the notice.

Such notice shall be delivered by such means as permitted under Section 9.5, at least 10 but not more than 50 days before the date of such meeting. The notice shall also be physically posted in a conspicuous place, to the extent that such posting is feasible and practicable.

2.5. Electronic Notice.

If the Association maintains a website, the meeting notice described in Section 2.4 above notice shall also be posted on the website. The Association shall also provide notice of all regular and special meetings of Owners by electronic mail to all Owners who so request and who furnish the Association with their electronic mail addresses. Electronic notice of a special meeting shall be given as soon as possible but least 24 hours before the meeting.

2.6. Waiver of Notice of the Association Meetings.

Waiver of notice of an Association meeting shall be deemed the equivalent of proper notice. Any Owner may waive, in writing, notice of any Association meeting, either before or after such meeting. By attending a meeting, an Owner shall be deemed to have waived notice of the time, date, and place of the meeting, unless the Owner specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.7. Adjournment of Meetings of the Association.

If any Association meeting cannot be held because a quorum is not present, the Owners representing a majority of the votes present at such meeting may adjourn the meeting to a time at least 5 but not more than 30 days from the scheduled date of the original meeting. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for reconvening the meeting after adjournment, the Board shall provide notice to the Owners of the time and place for reconvening the meeting in the manner prescribed for regular meetings.

Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of enough Owners to leave less than a quorum, provided at least a majority of the votes required to constitute a quorum must approve any action taken.

2.8. Voting at Meetings of the Association.

Owners shall have such voting rights as are set forth in the Charter, which provisions are specifically incorporated by this reference. Owners are entitled personally to cast the votes attributable to their respective Homes.

There is only one vote per Home. In any situation where there is more than one Owner of a Home, the vote for that Home shall be exercised as the co-Owners determine among themselves; provided, if more than one Person casts a vote for a Home, and the votes cast are inconsistent, the vote for the Home shall not be counted.

2.9. Proxies for Meetings of the Association.

Owners may vote in person or by proxy, subject to the limitations of Colorado law and subject to any specific provision to the contrary in the Charter or these By-Laws.

Every proxy shall be in writing, shall identify the Home for which it is given, shall be signed by the member or the member's duly authorized attorney-in-fact, and shall be dated and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover all votes which the member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

A proxy is effective only for the specific meeting for which it was originally given, as such meeting lawfully may be adjourned and reconvened, and automatically expires 90 days after the date of the meeting for which it was originally given. Every proxy is revocable at any time at the pleasure of the member who executes the proxy. The Association is entitled to reject a proxy if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the Owner.

2.10. Quorum at Meetings of the Association.

Except as these By-Laws or the Charter otherwise provides, the presence of Owners representing 10% of the total votes in the Association shall constitute a quorum at all Association meetings and the vote of Owners representing a majority of the total eligible votes cast shall constitute the action of the Owners.

2.11. Telephonic Participation in Meetings of the Association.

The Owners may participate in an annual, regular or special meeting of the Association by, or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting may hear each other during the meeting. An Owner participating by this means is deemed to be present in person at the meeting.

2.12. Conduct of Meetings of the Association.

The President or a Board-approved designee shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are kept with the Association's books. All meetings of the Association shall be open to every Owner, every resident of the Neighborhood, and to any person designated in writing by an Owner to be an Owner's representative. All such persons shall be permitted to attend, listen and speak at an appropriate time during the meeting. The President or other person presiding over the meeting may place reasonable time restrictions on those persons speaking during the meeting.

2.13. Action Without a Meeting of the Association.

Any action required by the Charter, the Articles, or Colorado law to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote if approved by Owners representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, if all Owners entitled to vote were present and voted. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by Owners holding the requisite votes.

The Association need not give prior notice before soliciting such consent; however, the Association must send written consent forms to all Members for action authorized pursuant to this section to be valid. Owners shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary, within ten days after receiving such consents, shall give written notice to all Members entitled to vote who did not give their written consent, fairly describing or summarizing the material features of the authorized action including any other information required by Colorado law. The Association's Secretary shall file, or caused to be filed, the written consents with the Association's minutes and the consents shall have the same force and effect as a vote of the Members at a meeting.

2.14. Action by Written Ballot.

Any action that may be taken at any annual, regular or special meeting of Owners may be taken without a meeting if the Association delivers a written ballot to every Owner entitled to vote on the matter. The written ballot shall state each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and if the number of affirmative votes equals or exceeds the number that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the total number of votes cast by ballot.

All solicitations for votes by written ballot shall (a) indicate the number of responses need to meet the quorum requirements, (b) state the percentage of approvals necessary to approve each mater other than election of directors, (c) state the time by which a ballot must be received by the Association in order to be counted, and (d) be accompanied by written information sufficient to permit each person casting such ballot to reach an informed decision on the matter. A written ballot may not be revoked once received by the Association. Actions taken by written ballot have the same effect as actions taken at a meeting of the Owners and may be described as such in any document.

Article 3

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Qualifications.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors shall be Owners, except with respect to directors appointed by the Founder. However, no Owner and resident representing the same Home may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Home within the Neighborhood.

If an Owner is not an individual, any officer, director, partner, manager, member, or any trust officer of such Owner shall be eligible to serve as a director unless a written notice to the Association signed by the Owner specifies otherwise. However, no Owner may have more than one such representative on the Board at a time except in the case of directors the Founder appoints.

3.2. Number of Directors.

The Board shall consist of three to five directors, as provided in Section 3.3.

3.3. Selection of Directors; Term of Office.

(a) Initial Board. The initial Board shall consist of three directors appointed by the Founder, who shall serve until their successors are appointed or elected as provided in this section.

(b) Directors During Founder Transition Period. Except as otherwise provided in this subsection, the Founder may appoint, remove, and replace Board members until termination of the Founder Transition Period. During such period, the Owners other than the Founder shall

be entitled to elect a minority of the total number of directors according to the following schedule (directors elected by the Owners are referred to as "**Owner Directors**"):

(i) Within 60 days after the time that Owners other than the Founder own 25% of the maximum number of Homes permitted under the Charter, or whenever the Founder earlier determines, the Board shall be increased to four directors and the President shall call for an election by which the Owners shall be entitled to elect one of the four directors. The Founder shall appoint the remaining three directors. The Owner Director shall be elected for a term of two years or until the happening of the event described in Section 3.3(b)(ii), whichever is shorter. If such director's term expires prior to the happening of the event described in Section 3.3(b)(ii), a successor shall be elected for a like term.

(ii) Within 60 days after the time that Owners other than the Founder own 50% of the maximum number of Homes permitted under the Charter, or whenever the Founder earlier determines, the Board shall be increased to five directors and the President shall call for an election by which the Owners shall be entitled to elect a second director (or if an Owner Director is not already on the Board, two directors). The Founder shall appoint the remaining three directors. The Owner Directors shall be elected for a term of two years or until the happening of the event described in Section 3.3(c)(i), whichever is shorter. If such directors' terms expire prior to the happening of the event described in Section 3.3(c)(i), successors shall be elected for a like term.

(c) Directors After the Founder Transition Period.

(i) Not later than termination of the Founder Transition Period, the President shall call for an election by which the Owners shall be entitled to elect all five directors. Three directors shall be elected to serve until the second annual meeting following their election and two directors shall be elected to serve until the third annual meeting following their election, as such directors determine among themselves. If the directors are unable to agree as to which directors shall serve until the second annual meeting and which directors shall serve until the third annual meeting, the names of the directors shall be drawn at random from a hat. The first three names being drawn shall be the directors who shall serve until the second annual meeting and the remaining directors shall serve until the third annual meeting.

(ii) Upon expiration of the term of office of each director elected under Section 3.3(c)(i), a successor shall be elected to serve a term of two years. Directors shall hold office until their respective successors have been elected. Directors may serve any number of consecutive terms.

The diagram below illustrates the concept of transition the Board during and after the Founder Transition Period.

TRANSITION OF CONTROL OF BOARD OF DIRECTORS			
Initial Board	Conveyance of 25% of maximum number of Homes permitted under the Charter	Conveyance of 50% of maximum number of Homes permitted under the Charter	Termination of Founder Transition Period
Founder	Owner Director	Owner Director	Owner Director
Founder	Founder	Owner Director	Owner Director
Founder	Founder	Founder	Owner Director
	Founder	Founder	Owner Director
		Founder	Owner Director

(d) Founder Advisory Seat. For a period of ten years following the termination of the Founder Transition Period, the Founder may appoint one person to serve on the Board in an *ex officio* capacity. The Founder's representative serving in this capacity shall serve in an advisory role and shall not be entitled to vote on Board matters. Otherwise, the Founder's representative shall be entitled to notice of Board meetings and shall be entitled to participate in Board meetings in the same manner as any other director.

3.4. Nomination and Election Procedures.

(a) Nomination of Candidates. Prior to any election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled. Nominations shall also be permitted from the floor at the meeting at which any election is held. All candidates shall have a reasonable opportunity to communicate their qualifications and to solicit votes.

(b) Election Procedures. At each election, voting shall be by secret ballot. Each Owner may cast the vote assigned to his or her Home for each position to be filled from any slate of candidates on which such Owner is entitled to vote. The ballots shall be counted by a neutral third party or by an Owner attending the meeting who is not a candidate and is selected at random from a pool of two or more such Owners. The results of the voting shall be reported without reference to the name, address or other information identifying the voter. In the event that the number of candidates is equal to or less than the number of board positions to be filled, the vote may instead be taken by voice if no Owner present objects to such procedure.

In the event of a tie vote on any slate, the Owners shall be informed of the tie vote and given the opportunity to discuss the candidates among themselves in an effort to resolve the tie before another vote is taken. If the second vote of the Owners results in a tie, a name shall be drawn at random from a hat, with the candidate whose name is drawn being selected as director.

3.5. Removal of Directors and Vacancies.

Any Owner Director may be removed, with or without cause, by the vote of Owners representing 67% of the votes entitled to be cast for the election of such director at any meeting of the Association at which a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director by the Owners, the Owners shall elect a successor for the remainder of the term of such director.

At any meeting of the Board at which a quorum is present, a majority of the directors may remove any Owner Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due the Association. The Board may appoint a successor to fill the vacancy for the remainder of the term.

In the event of the death, disability, or resignation of an Owner Director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Owners shall elect a successor for the remainder of the term.

This section shall not apply to directors the Founder appoints. The Founder may appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by the Founder.

B. Meetings of the Board of Directors.

3.6. Organizational Meetings of the Board of Directors.

The Board shall hold an organizational meeting within 60 days following each annual Association meeting at such time and place as the Board shall fix.

3.7. Regular Meetings of the Board of Directors.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall meet at least four times during each fiscal year with at least one meeting per quarter.

3.8. Special Meetings of the Board of Directors.

The President, Vice President, or any two directors may call a special meeting of the Board.

3.9. Notice; Waiver of Notice of the Board of Directors.

(a) Notices of Board meetings shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Board shall notify each director of meetings by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or home who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at or sent to the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. The Board shall deposit notices sent by first class mail into a United States mailbox at least five business days before the day of the meeting. The Board shall give notices by personal delivery, telephone, or electronic communication at least 72 hours before the time set for the meeting.

(b) Transactions at any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if: (i) a quorum is present; and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings of the Board of Directors.

Members of the Board or any committee the Board designates may participate in a Board or committee meeting by conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence at such meeting.

3.11. Quorum at Board of Directors Meetings.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless Colorado law, these By-Laws, or the Charter specifically provides otherwise. Directors shall not vote by proxy nor shall a director's proxy be considered for the purpose of establishing a quorum. A meeting at which a quo-

rum is initially present may continue to transact business, notwithstanding the departure of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting. At the reconvened meeting, if a quorum is present the Board may transact, without further notice, any business it might have transacted at the original meeting.

3.12. Conduct of Board of Director Meetings.

The President or any designee the Board approves by resolution shall preside over all Board meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions and all transactions occurring at such meetings are included in the Association's records.

3.13. Open Meetings of the Board of Directors; Executive Session.

(a) Subject to the provisions of Section 3.13(b) and Section 3.14, all Board meetings shall be open to all Owners, residents of the Neighborhood and any person designated by an Owner in writing as the Owner's representative. All such persons shall be permitted to attend and listen, but only directors may participate in any discussion or deliberation unless a director requests that attendees be granted permission to speak. In such case, the President may place reasonable limitations on those persons speaking and the number of persons entitled to speak on each side of an issue. Before the Board takes formal action on any sanction, penalty or other matter specific to a particular Owner, that Owner or such Owner's designated representative shall be permitted to speak.

(b) Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors and other persons the Board permits, to discuss the following matters:

(i) Matters pertaining to Association employees or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association;

(ii) Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;

(iii) Investigative proceedings concerning possible or actual criminal misconduct;

(iv) Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting proceedings or matters from public disclosure; or

(v) Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy.

Prior to the time the Board convenes in executive session, the President shall announce the general matter of the discussion as enumerated above. No Board rule or regulation shall be adopted during an executive session. A rule or regulation may be validly adopted only during a regular or special meeting or after the Board goes back into regular session following an executive session. The minutes of all meetings at which an executive session was held shall indicate that an executive session was held and the general subject matter of the executive session.

The above requirements with respect to executive sessions shall also apply to meetings of any Board committee. In such case, the chair of the committee shall perform the role of the President, as described above.

3.14. Action Without a Formal Meeting of the Board of Directors.

Any action required or permitted at a meeting of the Board of Directors may be taken without a meeting if each and every director, in writing, votes (or abstains from voting) on such action and no director demands that the vote only occur at a meeting of the directors. Any action taken without a meeting must receive the affirmative votes equal to or greater than the number of affirmative votes that would be necessary to approve such action at a meeting at which all of the directors then in office were present and voting. To be effective, the action taken without a meeting must be described in a writing signed by all directors, which can be done in counterparts. Such writing(s) may be received by the Association by electronically transmitted facsimile or other form of wire or wireless communication that provides the Association with a complete copy of the document, including a copy of the signature on the document. Action so taken shall be effective when the last writing necessary to effect the action has been received by the Association, unless the writings specify a different effective date.

C. Powers and Duties of the Board of Directors.

3.15. Powers.

The Board shall have the power to administer the Association's affairs, perform the Association's responsibilities, and exercise the Association's rights as set forth in the Governing Documents and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Colorado law require to be done and exercised exclusively by the Owners or the membership generally.

3.16. Duties and Responsibilities of the Board of Directors.

The Board's duties and responsibilities shall include, without limitation:

(a) preparing and adopting, in accordance with the Charter, an annual budget establishing each Owner's share of the Common Expenses;

(b) levying and collecting assessments from the Owners;

(c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;

(d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) opening bank accounts on the Association's behalf and designating the signatories required;

(f) depositing all funds received on the Association's behalf in a bank depository which it shall approve and using such funds to operate the Association; however, in the Board's business judgment any reserve funds may be deposited in depositories other than banks;

(g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;

(h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; however, the Association's obligation in this regard shall be conditioned and limited in the manner provided in the Governing Documents;

(i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Charter, paying the cost thereof, and filing and adjusting claims, as appropriate;

(j) paying the cost of all services rendered to the Association;

(k) keeping a detailed accounting of the Association's receipts and expenditures;

(l) making available to any prospective purchaser of a Home, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Home, current copies of the Governing

Documents and all other books, records, and financial statements of the Association as provided in Section 9.4;

(m) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent such indemnity is permitted by Colorado law, the Articles, or these By-Laws;

(n) understanding the Association's governing documents and becoming educated with respect to applicable state and local laws, and managing the Association accordingly;

(o) attending training, workshops, seminars, conferences, and reading newsletters for further education on Association matters;

(p) being prepared, attending and participating in meetings of the Association and the Board;

(q) representing the residents of the Neighborhood in good faith, with the best interests of the Association, by being informed before acting and by exercising sound judgment;

(r) communicating with fellow board members and Owners;

(s) welcoming and educating new residents of the Neighborhood, Owners and non-Owner residents alike;

(t) encouraging events that foster neighborliness and a sense of neighborhood;

(u) seeking appropriate professional advice;

(v) hiring qualified professional;

(w) fulfilling their fiduciary duties to the Association and exercising discretion in a matter they reasonably believe to be in the best interest of the Neighborhood; and

(x) adopting and following responsible governance policies.

3.17. Conflicts of Interest.

Unless otherwise approved by a majority of the other directors, no Owner Director may transact business with the Association or any Association contractor during his or her term as director or within two years after the term expires. In addition, if any contract, decision or other action taken by or on behalf of the Board would financially benefit any member of the Board or any person who is a parent, grandparent, spouse, child or sibling of a member of the Board, that Board member shall promptly declare a conflict of interest for that issue, in an open

meeting and prior to any discussion or action on the issue. Such member may thereafter participate in the discussion, but shall not vote on that issue. Any contract entered into in violation of this provision is void and unenforceable.

Notwithstanding the above, directors appointed by the Founder may be employed by or otherwise transact business with the Founder or its affiliate, and the Founder may transact business with the Association or its contractors.

Article 4

Officers

4.1. Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not, be Board members. The Board may appoint such other officers, including additional Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each annual meeting of the Association, to serve until their successors are elected.

4.3. Removal and Vacancies of Officers.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

4.4. Powers and Duties of Officers.

The Association's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Vice President shall assist the President and shall perform such duties as may be assigned to the Vice President by the President or the Board. In the absence of the President, the Vice President shall have the powers and perform the duties of the Presidents. The Treasurer shall have primary responsibility for preparing the Association's budgets as provided for in the Charter, and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or

both. The Secretary shall keep the minutes of meetings, maintain the Association's corporate book, and prepare, execute, certify, and record amendments to the Charter and may delegate all or part of the preparation and notification duties to a management agent.

4.5. Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at a later time specified therein. Unless the resignation specifies, acceptance of such resignation shall not be necessary to make it effective.

Article 5 Committees

5.1. General.

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. In the conduct of its duties and responsibilities, each committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Except as otherwise provided by Board resolution or the Governing Documents, members of a committee may act by unanimous written consent in lieu of a meeting.

Article 6 Standards of Conduct; Liability and Indemnification

6.1. Standards for Directors and Officers

In performing their duties, directors and officers shall act as fiduciaries and shall be insulated from liability as provided for directors of corporations under Colorado law and as otherwise provided by the Governing Documents. Directors and officers shall discharge their respective duties in a manner that they believe in good faith to be in the best interest of the Association and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A director and officer is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under Colorado law.

6.2. Liability.

(a) A director, officer, or committee member shall not be personally liable to the Association, any member, or any other Person for any action taken or not taken as a director or officer if he or she has acted in accordance with Section 6.1.

(b) Pursuant to the business judgment rule, a director, officer, or committee member also shall not be personally liable for any action taken or not taken in such capacity if such person:

(i) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires*;

(ii) affirmatively undertakes to make decisions which he or she reasonably believes are necessary or appropriate for the Association's continued and successful operation and, when decisions are made, makes them on an informed basis;

(iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Home); and

(iv) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

(c) The Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, willful malfeasance, willful misconduct, or bad faith. The officers, directors, and committee members shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such officers, directors, or committee members may also be members).

6.3. Indemnification.

To the fullest extent permitted by Colorado law, the Association shall indemnify every officer, director, and committee member against any and all liability, damages and expenses arising from any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, to which he or she may be a party by reason of being or having been an officer, director, or committee member. Such indemnification shall include, without limitation, counsel fees and expenses reasonably incurred in connection with any such action, suit, or other proceeding, and any obligation to pay a judgment, settlement, penalty or fine (including settlement of any suit or proceeding, if approved by

the then Board). Notwithstanding the foregoing, the Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

(a) brought by or in the name of the Association, and the individual is adjudged liable to the Association; or

(b) to the extent that the individual is adjudged liable for conduct that constitutes:

(i) appropriation, in violation of his or her duties, of any business opportunity of the Association;

(ii) intentional misconduct or knowing violation of the law;

(iii) an unlawful distribution to members, directors or officers; or

(iv) receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance, if such insurance is reasonably available.

6.4. Advancement or Reimbursement of Expenses.

In accordance with the procedures and subject to the conditions and limitations set forth in the Colorado Revised Nonprofit Corporation Act, the Board may authorize the Association to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director, or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association.

6.5. Board and Officer Training.

The Board may conduct or provide for seminars and continuing educational opportunities designed to educate and inform its officers and directors and committee members of their respective responsibilities to the Association and the membership. Such programs may include instruction on applicable Colorado corporate and fiduciary law principles, other issues relating to administering community affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose. Each newly elected officer and director shall be encouraged to complete a training seminar within the first six months of assuming such position. The seminar may be live, video or audiotape, or in other format. The

nature and the cost of such seminar shall be subject to approval by the Board and, if approved, the cost shall be a Common Expense.

The Board also may provide, or provide for, Owner and resident education designed to foster a better understanding of the Crescent Ridge Townhomes at Lowry Neighborhood's governance and operations, and leadership training classes designed to educate Owners of the nomination, election, and voting processes and the duties and responsibilities of directors and officers.

Article 7

Management and Accounting

7.1. Compensation of Directors, Officers, and Committee Members.

The Association shall not compensate directors, officers, and committee members for acting as such unless Owners representing a majority of the total votes in the Association approve such compensation at an Association meeting. The Association may reimburse any director or officer for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Association. However, such director must make known his or her interest to the Board prior to entering into such contract, and a majority of the Board, excluding any interested director, must approve such contract.

7.2. Right of Founder to Disapprove Actions.

During the Development and Sale Period, the Founder shall have a right to disapprove any action, policy, or program of the Association, the Board and any committee which, in the Founder's sole and absolute judgment, might tend to impair rights of the Founder under the Charter or these By-Laws, interfere with development or construction of any portion of the Crescent Ridge at Lowry Association or diminish the level of services the Association provides. The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this section have been met.

(a) Notice. The Association shall give the Founder written notice of all meetings of the membership, the Board, and committees and any actions which any of them propose to take by written consent in lieu of a meeting. The Association shall give such notice by certified mail, return receipt requested, or by personal delivery at the address the Founder has registered with the Association. Such notice shall comply as to Board meetings with Section 3.9, and shall,

except in the case of regular Board meetings pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. At any such meeting, the Association shall give the Founder the opportunity to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

The Founder, its representatives, or its agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Founder, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following Founder's receipt of written notice of the proposed action.

The Founder may use this right to disapprove to block proposed actions but shall not use it to require any action of any committee, the Board, or the Association. The Founder shall not use its right to disapprove to reduce the level of services the Association is obligated to provide in the absence of the proposed action or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

7.3. Managing Agent.

The Board may employ for the Association professional management agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or ultimate responsibility for those duties set forth in Section 3.16. The Board may employ the Founder or its affiliate as managing agent or manager.

In the event the Board delegates its duties to a management agent with regard to collection, deposit, transfer or disbursement of Association funds, such agent shall:

(a) maintain fidelity insurance coverage or a bond in an amount not less than \$50,000, or such higher amount as the Board may require;

(b) maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by such agent and all reserve accounts of the Association separate from operational accounts of the Association; and

(c) prepare a financial statement and an accounting of the Association funds on an annual basis to be presented to the Association by the managing agent, a public accountant, or a certified public accountant.

The Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the managing agent or manager which might arise between Board meetings.

After termination of the Founder Transition Period, the Association shall not be bound, either directly or indirectly, by any management contract executed during the Founder Transition Period unless such contract contains a right of termination which may be exercised by the Association, with or without cause and without penalty, at any time after termination of the Founder Transition Period upon not more than 90 days' written notice.

The managing agent shall not accept remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association. The managing agent shall promptly disclose to the Board any financial or other interest that it may have in any firm providing goods or services to the Association.

7.4. Accounts and Reports.

The Board and Association shall maintain books and records and prepare financial reports in accordance with the Governance Policies attached to these Bylaws as Exhibit A (the "Governance Policies"). Any amendment of or modification to the Governance Policies shall be considered an amendment of these Bylaws and subject to the requirements of Section 9.6 below.

7.5. Borrowing and Lending.

The Association shall have the power to borrow money for any legal purpose. However, the Board shall obtain Owner approval in the same manner provided in the Charter for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 20% of the Association's budgeted gross expenses for that fiscal year.

Under no circumstances is the Association authorized to make loans to its members, directors or officers. Any director, officer or member who assents to, or participates in, the making of any such loan shall be liable to the Association for the amount of such loan until the repayment thereof.

7.6. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, and other owners or residents associations within and outside the Crescent Ridge Townhomes at Lowry Neighborhood.

7.7. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All Association agreements, contracts, deeds, leases, checks, and other instruments shall be executed by at least two officers or by such other person or persons as the Board may designate. Following termination of the Founder Transition Period the Association shall have the right, but not the obligation, to terminate certain agreements entered into during the Founder Transition Period without penalty, provided, the Association gives no less than 90 day's notice of its intent to terminate the agreement. Such agreements shall include:

(a) any management agreement, employment contract, or lease of recreational or parking area facilities, to the extent provided by the Act;

(b) any other contract or lease between the Association and the Founder or an affiliate of the Founder; or

(c) any contract or lease that is not bona fide or was unconscionable to the Owners at the time entered into under the circumstances then prevailing.

Article 8 Enforcement Procedures

The Association shall have the power, as provided in the Charter, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Charter, the Board shall comply with the following procedures prior to imposition of sanctions.

8.1. Notice and Response for Enforcement.

Any alleged violation shall be verified by a member of the Board of Directors, the Association's Managing Agent, or another party or committee designated by the Board. After a violation has been verified, the Board or the Managing Agent will send a cordial letter to the Owner involved to insure that the Owner is aware of the situation. If the violation still exists after seven (7) days, then a formal notification letter shall be sent to the Owner involved, including a

copy of the specific portion of the Governing Documents that are being violated, and requiring the Owner to contact the Managing Agent within seven (7) days. If the Owner does not make such contact within such seven (7) days and resolve the situation, then a second letter shall be sent to the Owner informing such Owner that if the violation is not remedied and contact made with the Managing Agent within seven (7) days of the such second letter, a hearing will be scheduled and that fines may be levied or other enforcement actions taken by the Board.

8.2. Hearing.

If an alleged violation has not been corrected pursuant to the provisions of Section 8.1 above, the Board shall set a day, time and place for a hearing before the Board or a committee that the Board appoints for such purpose. By state statute, a hearing must be held before fines are levied. The Owner shall be sent a certified letter stating the day, time and place of the hearing, which date may not be sooner than 14 days from the date that such letter is mailed. The alleged violator shall be afforded a reasonable opportunity to be heard. The Board may adopt rules for the conduct of such hearings that may include, without limitation, rules that govern the presentation of evidence and witnesses and the ability of an alleged violator to question adverse witnesses.

If the Owner and Board agree upon a resolution at the hearing, a letter setting forth the agreed terms of resolution shall be prepared by the Managing Agent and sent to the Owner. If the Owner does not appear, or appears but does not agree to a resolution acceptable to the Board, or appears but does not comply with the terms of any resolution agreed to at the hearing, then the Board may take any enforcement actions and impose any sanctions deemed appropriate by the Board, including, but not limited to, the levying of a fine. Such fine shall constitute a lien on the Home involved. In that event, a certified letter shall be sent to the Owner setting forth the fine, enforcement action and/or sanctions approved by the Board.

Proof of all required notices shall be placed in the minutes of the Board. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is included. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

8.3. Appeal.

Following a hearing before a committee the Board appoints for such purpose, the violator shall have the right to appeal the decision to the Board. To exercise this right, the violator must deliver a written notice of appeal to the Association's manager, President, or Secretary within 10 days after the hearing date. The Board shall have the discretion to adopt any policies or procedures it deems appropriate for considering and determining appeals. The decision of the Board with regard to an appeal shall be final and binding.

Article 9

Miscellaneous

9.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

9.2. Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Colorado law or the Governing Documents.

9.3. Conflicts.

If there are conflicts among the provisions of Colorado law, the Articles of Incorporation, the Charter, and these By-Laws, the provisions of Colorado law, the Charter, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

9.4. Books and Records.

(a) Turnover of Books and Records. Within 60 days after termination of the Founder Transition Period, the Founder shall deliver to the Association (directly or constructively through the Managing Agent) all property, books and records of the Association.

(b) Inspection by Members and Mortgagees. The Board shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Home, any member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Home: the Governing Documents, the membership register, books of account, the minutes of meetings of the Owners, the Board, and committees, and any other records as required by Colorado law. The Board shall provide for such inspection to take place within 10 business days after receipt of a written request for access at the Association's office or at such other place within the Lowry community as the Board shall designate.

(c) Rules for Inspection. The Board shall establish rules with respect to:

- (i) the frequency and manner of inspection;
- (ii) hours and days of the week when such an inspection may be made; and

- (iii) payment of the cost of reproducing documents requested.

(d) Inspection by Directors. Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties owned or controlled by the Association. A director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

9.5. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Charter or these By-Laws or by Colorado law, all notices, demands, bills, statements, or other communications under the Charter or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, or if the intended recipient has given its prior written authorization to use such method of delivery, by facsimile or electronic mail with printed confirmation of transmission.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

- (i) if to a Member or Owner, at the address, telephone facsimile number, or e-mail address which the Member or Owner has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Home of such Owner;

- (ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the members pursuant to this section; or

- (iii) if to the Founder, at the Founder's principal address as it appears on the Secretary of State's records, or at such other address as the Founder shall designate by notice in writing to the Association pursuant to this section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

- (i) if sent by United States mail, when deposited with the U.S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

- (ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(iii) if sent by telephone facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

9.6. Amendment.

(a) By Founder and Board. Prior to termination of the Founder Transition Period, the Founder may unilaterally amend these By-Laws. Thereafter, the Founder or the Board may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary: (i) to correct typographical errors, incorrect cross-references, improper designation of sections and subsections, or mistakes in punctuation; (ii) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (iii) to enable any reputable title insurance company to issue title insurance coverage on the Homes; or (iv) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Homes. During the Development and Sale Period, the Founder may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any substantive right of any Owner.

(b) By Members Generally. Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing a majority of the total votes in the Association, and the consent of the Founder during the Development and Sale Period. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon approval in accordance with Section 9.6(a) or (b) above, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its adoption, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

No amendment may remove, revoke, or modify any right or privilege of Founder without the written consent of Founder or the assignee of such right or privilege.

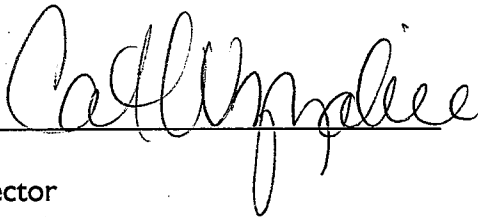
9.7. Minutes.

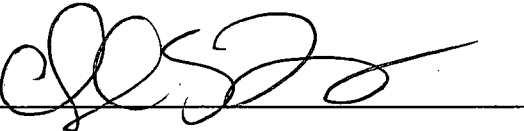
Minutes or any similar record of the meetings of the members or of the Board, when signed by the Secretary or acting secretary of the meeting, shall be presumed to truthfully evidence

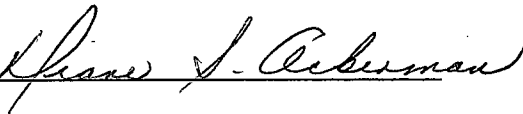
the matters set forth therein. A recitation in any such minutes that notice of the meeting was properly given shall be prima facie evidence that the notice was given.

APPROVED AND ADOPTED THIS 10th DAY OF AUGUST, 2005. THESE BYLAWS AMEND, RESTATE AND SUPERCEDE IN THEIR ENTIRETY THE PREVIOUS BYLAWS DATED DECEMBER 21, 2004.

CARRIAGE HOMES AT STAPLETON ASSOCIATION

By: 
Director

By: 
Director

By: 
Director

APPROVED BY THE FOUNDER:

McSTAIN ENTERPRISES, INC.


By: 

EXHIBIT A

GOVERNANCE POLICIES

1. **Books and Records.** The Association shall keep as permanent records the following documents:

- (a) minutes of all meetings of Owners and the Board;
- (b) a record of all actions taken by the Owners or Board by written ballot or written consent in lieu of a meeting;
- (c) a record of all actions taken by a committee of the Board in place of the Board on behalf of the Association;
- (d) a record of all waivers of notices of meetings of Owners and of the Board or any committee of the Board;
- (e) a record of all Owners in a form that permits preparation of a list of the names and addresses of all Owners, showing the number of votes each Owner is entitled to vote;
- (f) the Charter and Bylaws;
- (g) all resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Owners or any class of Owners;
- (h) the minutes of all Owners meeting, and records of all action taken by the Owners without a meeting, for at least the past three years;
- (i) all written communications within at least the past three years to Owners generally as Owners;
- (j) a list of the names and business or home addresses of the Association's directors and officers;
- (k) the Association's most recent annual report, if any; and
- (l) all financial audits or reviews conducted during at least the immediately preceding three years.

2. **Annual Notice to Owners.** At least once a year, the Association shall provide all Owners a written notice stating the following:

- (a) the name of the Association;
- (b) the name of the Association's designated agent or management company, if any;
- (c) a valid physical address and telephone number for both the Association and its designated agent or management company, if any;
- (d) the name of the common interest community; and
- (e) the initial date of recording and recording information for the Charter.

If the Association's or management company's address changes, or the designated agent or management company changes, the Association shall provide all Owners an amended notice within ninety days of the change.

3. **Annual Disclosures.** Within ninety days after the expiration of the Founder Transition Period, and within ninety days after the end of each fiscal year thereafter, the Association shall make the following information available to Owners upon reasonable notice as set forth in Section 4 below:

- (a) the date on which the Association's fiscal year commences;
- (b) the Association's operating budget for the current fiscal year;
- (c) a list, by unit type, of the Association's current assessments, including both regular and special assessments;
- (d) the Association's financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure;
- (e) the results of any financial audit or review for the fiscal year immediately preceding the current the current annual disclosure;
- (f) a list of all Association insurance policies, including but not limited to, property, general liability, director and officer professional liability, and fidelity policies. Such list shall include the company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies listed;
- (g) the Association's Bylaws, Charter and rules and regulations;
- (h) the minutes of the Board and Members meetings for the fiscal year immediately preceding the current annual disclosure; and

- (i) these Governance Policies.

4. **Means of Annual Disclosures.** The annual disclosures described in Section 2 above shall be accomplished by one or more of the following means:

- (a) posting on an internet web page with accompanying notice of the web address via first class mail or e-mail to all Owners;
- (b) the maintenance of a literature table or binder at the Association's principal place of business;
- (c) mail to each Owner;
- (d) personal delivery to each Owner.

The cost of preparing and making the annual disclosure shall be treated as a Common Expense.

5. **Seller's Disclosures.** The Association shall provide to an Owner any documents concerning the Association required by law to be provided by an Owner to a purchaser of such Owner's Home, such as the following:

- (a) the Charter, Bylaws and Rules and Regulations of the Association;
- (b) any party wall agreements affecting such Owner's Home;
- (c) the minutes of the most recent annual Owner's meeting and of any Board meeting that occurred within the prior six months;
- (d) the Association's current operating budget, annual income and expenditures statement, and balance sheet.

The Association may charge the Owner requesting such documents a fee, not to exceed the Association's actual cost per page, for copies of such documents.

6. **Accounting Principles.** The Association shall follow the following accounting standards unless the Board by resolution specifically determines otherwise:

- (a) accounting and controls should conform to generally accepted accounting principles; and
- (b) the Association's cash accounts shall not be commingled with any other accounts and operating accounts shall not be commingled with reserve accounts.

7. **Financial Reports.** Commencing at the end of the quarter in which the first Home is sold and closed, the following financial reports shall be prepared for the Association within 60 days after the end of each quarter:

- (a) an income statement reflecting all income and expense activity for the preceding period;
- (b) a statement reflecting all cash receipts and disbursements for the preceding period;
- (c) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- (d) a balance sheet as of the last day of the preceding period; and
- (e) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution). A copy of the quarterly financial report shall be made available at no charge to any Owner requesting a copy.

An annual report consisting of at least the following shall be made available for Owner's review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines.

8. Investment Policy. The Board shall adopt from time to time a written policy regarding the investment of its assets, including reserve funds. Such funds shall only be deposited in a federal insured institution.

9. Owners Right to Inspect and Copy. The Association shall maintain its records in written form or another form capable of conversion into written form within a reasonable time. All financial and other records of the Association shall be made reasonably available for examination and copying by any Owner and such Owner's authorized agents. The Association may charge a fee, not to exceed the Association's actual cost per page, for copies of the Association's records. As used in this Section, "reasonably available" means available during normal business hours, upon notice of five business day, to the extent that:

- (a) the request is made in good faith and for a proper purpose;
- (b) the request describes with reasonable particularity the records sought and the purpose of the request; and
- (c) the records are relevant to the purpose of the request.