

**THE
BYLAWS
OF
NIWOT HILLS HOMEOWNERS ASSOCIATION**

DRAFT 5/10/04

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BYLAWS
OF
NIWOT HILLS HOMEOWNERS ASSOCIATION
(A Nonprofit Colorado Corporation)

ARTICLE ONE: OBJECT

1.1 Association. NIWOT HILLS HOMEOWNERS ASSOCIATION (the "Association") is a nonprofit corporation, organized under the Colorado Revised Nonprofit Corporation Act (the "Nonprofit Act") to operate in accordance with the Colorado Common Interest Ownership Act (the "Act"). These Bylaws are adopted for the administration, regulation and management of the affairs of the Association.

1.2 Purposes. The purposes for which the Association is formed are: (a) to promote the interests and the welfare, and to be for the common benefit of the Owners of the residential community known as NIWOT HILLS ("Community"), Members of the Association and their Guests; (b) to be and to constitute the Association to which reference is made in DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF NIWOT HILLS ("Declaration") recorded or to be recorded against the Community in the County of Boulder, Colorado records; (c) to govern the Community located in the County of Boulder, Colorado, in accordance with the Colorado Common Interest Ownership Act, the Colorado Revised Nonprofit Corporation Act, the Declaration, and the Articles of Incorporation, Bylaws and Rules and Regulations of the Association; and (d) to provide for the administration, maintenance, repair and reconstruction of the Common Elements in the Community as provided for in the Declaration.

1.3 Terms Defined in Declaration. Terms used in these Bylaws which are defined in the Declaration shall have the same meaning and definition in these Bylaws as such terms have in the Declaration.

ARTICLE TWO: OFFICES

2.1 Principal Office. The principal office and place of business of the Association shall be designated from time to time by the Board of Directors.

2.2 Registered Office and Agent. The initial registered office and the initial registered agent are specified in the Articles of Incorporation of the Association.

ARTICLE THREE: MEMBERSHIP

3.1 General. The Association shall have Members. There shall be one class of membership who shall be every record Owner of a Lot subject to the Declaration. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Ownership of the Lot shall be the sole qualification for membership. Where more than one person holds interest in any Lot, all such persons shall be Members.

Membership in the Association at all times shall consist exclusively of all Lot Owners or, following termination of the Community, of all former Lot Owners entitled to distribution of the proceeds under § 38-33.3-218 of the Act, or their heirs, personal representatives, successors or assigns.

3.2 Dissolution. The Association may be dissolved with the consent of Members to which at least 67% of the votes in the Association are allocated and with the consent of 67% of the Eligible Mortgagee's.

Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that the dedication is refused acceptance, the assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization devoted to similar purposes.

ARTICLE FOUR: VOTING

4.1 Voting Entitlement. The Association shall have one class of voting membership. Owners shall be entitled to one vote for each Lot owned in the Community; provided, however, in any election of Directors, each Owner shall have the number of votes equal to the number of Directors to be elected, one vote to be cast for each Director.

The vote for a Lot, the ownership of which is held by more than one Owner, may be exercised by any one of them, unless an objection or protest by any other holder of an interest of the Lot is made prior to the completion of the vote. If an objection is made, the vote for that Lot shall be exercised as the persons holding the interest in the Lot to be determined between themselves. Should the joint Owners of a Lot be unable, within a reasonable time, to agree on how they will vote any issue, they shall be passed over and their right to vote on the issue shall be lost. In no event shall more than one vote be cast with respect to any Lot.

In the absence of express notice to the Board of Directors of the designation of a specific person to cast a vote, the vote of an association may be cast by any officer of that association, the vote of a partnership may be cast by any general partner of that partnership, the vote of a limited liability company may be cast by any manager of that limited liability company, and the vote of a trust may be cast by any trustee of that trust.

4.2 Voting Lists. After a record date is fixed for a membership meeting or for determining the Members entitled to vote by written ballot, the Secretary may, at the sole

discretion of the Board of Directors, make, at the earlier of ten (10) days before such meeting or two (2) business days after notice of the meeting has been given, a complete list of the Members entitled to be given notice of the meeting or any adjournment thereof. The list shall be arranged in alphabetical order and shall show the name, address of each Member and number of votes that each Member is entitled.

For the period beginning the earlier of ten (10) days prior to the meeting or two (2) business days after notice of the meeting is given and continuing through the meeting and any adjournment thereof, this list shall be kept on file at the office of the Association. The list shall be available for inspection on written demand by any Member or the Member's agent or attorney during regular business hours and during the period available for inspection.

If the list is prepared in connection with a written ballot, the list shall be available for inspection beginning on the date the first written ballot is delivered and continuing through the time when the written ballots must be received by the Association in order to be counted.

Any Member or the Member's agent may copy the list during regular business hours, at its own expense, and during the period it is available for inspection, provided: (a) the Member has been a Member for at least three months immediately preceding the demand; (b) the demand is made in good faith and for a purpose reasonably related to the demanding Member's interest; (c) the Member describes with reasonable particularity the purpose and the records the Member desires to inspect; (d) the records are directly connected with the described purpose, and (e) the Member pays a reasonable charge covering the costs of labor and material for such copies, not to exceed the estimated cost of production and reproduction.

4.3 Limitations on Use of Voting Lists. Unless the Board of Directors gives its prior consent, the Association's voting lists or any part thereof may not be: (a) obtained or used by any person for any purpose unrelated to a Member's interest as a Member; (b) used to solicit money or property unless the money or property will be used solely to solicit the votes of the Members in an election by the Association; (c) used for any commercial purpose; or (d) sold to or purchased by any person.

4.4 Quorum and Manner of Voting. The presence at a meeting of Members of the Association and Members' proxies to which at least 20% of the votes in the Association are allocated shall constitute a quorum for any action, unless a greater number is required by law or the Project Documents.

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

Except for Budget Meetings, action on any matter, other than the election of Directors, is approved if there has been cast a greater number of affirmative votes in favor than negative votes in opposition by Members who are entitled to vote thereon at a meeting at which a quorum is present, unless a greater number is required by law or the Project Documents.

4.5 Proxies. At all meetings of the Association, each Member may vote by proxy by signing an appointment form appointing another Member of the Association. A Member may also appoint a proxy by transmitting or authorizing the transmission of a telegram, teletype, facsimile or electronic mail transmission providing a written statement of the appointment to the proxy. The proxy shall be filed with the Secretary of the Association before or at the time of the meeting. The appointment of a proxy is effective when received by the Association and is valid for eleven months unless a different period is expressly provided in the proxy.

An appointment of a proxy is revocable by the appointing Member and may be revoked by attending any meeting and voting in person or signing and delivering to the Secretary either a writing stating that the proxy is revoked or a subsequent appointment form.

The death or incapacity of the Member appointing a proxy does not affect the right of the Association to accept the proxy's authority unless notice of the death or incapacity is received by the Secretary or another person authorized to tabulate votes before the proxy exercises its authority under the appointment.

The Association is entitled to reject a vote, consent, waiver, proxy appointment or proxy appointment revocation if the Secretary or other Officer 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 Member.

Neither the Association nor its Officers nor any agent who accepts or rejects a vote, consent, waiver, proxy appointment or proxy appointment revocation in good faith and in accordance with the standards of this Paragraph is liable in damages for the consequences of the acceptance or rejection.

Any proxy given in accordance with the above includes the right of the proxy to substitute a successor proxy.

4.6 Action by Written Ballot. Any action that may be taken at any Annual or Special Meeting of Members may be taken without a meeting if the Association delivers a written ballot to every Member entitled to vote on the matter.

The written ballot shall: (a) set forth each proposed action; and (b) provide an opportunity to vote for or against the proposed action. Approval by written ballot shall only be valid when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. (See Paragraph 4.4 hereof)

All solicitations for votes by written ballot shall: (a) indicate the number of responses necessary to meet the quorum requirements; (b) state the percentage of approvals necessary to approve each matter other than the election of Directors; and (c) specify the time by which the ballot must be received by the Association in order to be counted.

ARTICLE FIVE: MEETINGS OF THE ASSOCIATION

5.1 Place of Meetings. Meetings of the Association shall be held at such place as the Board of Directors may determine.

5.2 Annual Meeting. The annual meeting of the Association shall be held at a time, date and place established by the Board of Directors each year for the purpose of electing Members of the Board of Directors of the Association to replace Members whose terms are expiring and for transaction of such other business as may come before the meeting.

A Member may apply to Boulder County District Court to seek an order that an annual meeting be held: (a) if an annual meeting was not held within six months after the close of the Association's most recently ended fiscal year or fifteen months after its last annual meeting, whichever is earlier, or (b) if the Member participated in a proper demand for an annual meeting and notice of the annual meeting was not given within thirty (30) days after the date of the demand necessary was received by the Association, or (c) if the annual meeting was not held in accordance with the notice.

5.3 Special Meetings. Special meetings of the Association may be called at any time by the Board of Directors, or by written demand of the Members stating the purpose or purposes for calling the meeting signed by Members to which at least 20% of the votes in the Association are allocated.

Special meetings shall be held at such reasonable time and place as may be designated by the authority calling such meeting. The purpose of any special meeting of the Members shall be stated in such notice. Only business within the purpose or purposes described in the notice may be conducted at a special meeting.

5.4 Notice of Meetings. Notice shall be given to each Member entitled to vote at a meeting in a fair and reasonable manner. Notice may be given as set forth below. Written notice sent by first class or registered mail of any annual or special meeting stating the place, date and hour of the meeting shall be given not less than fourteen (14) and no more than sixty (60) days before the date of the meeting.

Notice of a special meeting shall include a description of the purpose or purposes of the meeting. Notice of an annual meeting need not include a description of the purpose or purposes except the purpose or purposes shall be stated with respect to (a) an amendment to the Articles or Bylaws of the Association; (b) merger; (c) a sale, lease or exchange of all or substantially all of the property of the Association; (d) dissolution of the Association; (e) restatement of the Articles or Bylaws of the Association; (f) any proposal to remove an Officer or Director from office; (g) any other purpose for which a statement of purpose is required by law or the Project Documents.

When giving notice of an annual or special meeting of the Association, the Association shall give notice of a matter a Member intends to raise at the meeting if a person entitled to call a special meeting submits a request, in writing, and it is received by the Secretary or President at least ten (10) days before the Association gives notice of the meeting.

5.5 Methods of Notice. Notice shall be given personally or by mail, personal service, telegraph, teletype, electronic mail, facsimile or other form of wire or wireless communication by or at the direction of the President, the Secretary, or the Officer or persons calling the meeting, to each Member entitled to vote at such meeting.

If mailed, such notice shall be deemed to be given and effective at the earliest of: (a) the date received; (b) five (5) days after deposit in the United States mail properly addressed to the Member at the Member's address as it appears in the Association's current record of Members, with first class postage prepaid; or (c) the date shown on the return receipt, if mailed by registered or certified mail, return receipt requested, and the receipt is signed by or on behalf of the addressee or on the date of its rejection.

If notice is given by facsimile, electronic mail or other similar form of wire or wireless communication, such notice shall be deemed to be given and to be effective when sent, and with respect to a telegram, such notice shall be deemed to be given and effective when the telegram is delivered to the telegraph company.

No notice need be sent to any Member if three successive notices mailed to the last known address of such Member have been returned as undeliverable until such time as another address for such Member is made known to the Association by the Member. In order to be entitled to receive notice of any meeting, a member shall advise the Association in writing of any change in the Member's mailing address as shown on the Association's books and records.

5.6 Adjournment of Meeting. When a meeting is adjourned to another date, time or place, notice need not be given of the new date, time or place if the new date, time or place of such meeting is announced before adjournment of the meeting at which the adjournment is taken. At the adjourned meeting the Association may transact any business that may have been transacted at the original meeting.

5.7 Meetings by Telecommunication. Any or all of the Members may participate in an annual or special meeting, or the meeting may be conducted through the use of any means of communication by which all Members participating in the meeting can hear each other during the meeting. A Member participating in a meeting in this manner is deemed to be present in person at the meeting.

5.8 Fixing of Record Date. The Board of Directors shall fix a record date for determining which of the Members are entitled to notice of any meeting of the Members and to vote or otherwise take action at any such meeting. If the Board of Directors fails to do so, then the record date for purposes of determining the Members entitled to notice of and to vote or otherwise take action at such meeting shall be the close of business on the 30th calendar day preceding the date notice is to be given.

5.9 Budget Meetings:

(a) Annual Budget Meetings. Notwithstanding the above, in accordance with § 38-33.3-303 of the Colorado Common Interest Ownership Act, the Board of Directors shall cause to be prepared, at least sixty (60) days prior to the commencement of each calendar year, the Budget for such calendar year. Within thirty (30) days after the adoption of any Budget by the Board, the Board shall mail, by ordinary first-class mail, or otherwise deliver, a summary of the Budget to each Owner and shall set a date for a meeting of the Owners to consider ratification of the Budget not less than fourteen (14) days and no more than sixty (60) days after delivery of the summary.

Unless at that meeting Owners to which at least 67% of the votes in the Association are allocated reject the Budget, the Budget shall be deemed ratified whether or not a quorum is present. In the event the Budget is rejected, the Budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget adopted by the Board of Directors.

(b) Amended Budget Meetings. If the Board of Directors deems it necessary or advisable to amend a Budget that has been ratified by the Owners pursuant to Paragraph 5.9(a) above, the Board may adopt a proposed amendment to the Budget, deliver a summary of the proposed amendment to all Owners and set a date for a meeting of the Owners to consider ratification of the proposed amendment. The date of such meeting shall not be less than fourteen (14) days and no more than sixty (60) days, after the delivery of the summary of the proposed amendment.

Unless at that meeting Owners to which at least 67% of the votes in the Association are allocated reject the amended Budget, the amended Budget shall be deemed ratified whether or not a quorum is present.

ARTICLE SIX: THE BOARD OF DIRECTORS

6.1 Number. The affairs of the Association shall be governed by a Board of Directors composed of three (3) Members.

6.2 Board of Directors During the Period of Declarant Control. Subject to the provisions of Paragraph 6.3 below, there is a "Period of Declarant Control" during which Period the Declarant shall appoint and may remove any Officer of the Association or any Member of the Board of Directors.

The Period of Declarant Control is the length of time commencing with the recording of the Declaration and terminating twenty (20) years thereafter; provided, however, the Period of Declarant Control in any event terminates no later than (a) sixty (60) days after conveyance of 75% of the Lots That May Be Created to owners other than the Declarant, (b) two (2) years after the last conveyance of a Lot by the Declarant in the ordinary course of business, or (c) two (2) years after any right to add new Lots was last exercised.

The Declarant may voluntarily surrender the right to appoint and remove Officers and Members of the Board of Directors before termination of the Period of Declarant Control. In that event, the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or Board of Directors, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

6.3 Election by Owners:

(a) Not later than sixty (60) days after conveyance of 25% of Lots That May Be Created to Owners other than the Declarant, at least one (1) Member and not less than 25% of the Members of the Board of Directors shall be elected by Members other than the Declarant.

(b) Not later than sixty (60) days after conveyance of 50% of Lots That May Be Created to Owners other than the Declarant, not less than 33 1/3% of the Members of the Board of Directors must be elected by Members other than the Declarant.

Not later than the termination of the Period of Declarant Control, as set forth in Paragraph 6.2 above, the Board shall call a Special Meeting of the Association, at which meeting the Members shall elect three (3) persons (a majority of whom must be Members other than the Declarant), to serve on the Board of Directors until the next Annual Meeting of the Association. Upon such election, the Directors then serving in office shall submit their resignations.

6.4 The Board of Directors After the Period of Declarant Control. At the first annual meeting of the Association after the termination of the Period of Declarant Control and at each annual meeting thereafter, Directors shall be elected.

The initial terms of the elected Directors shall be fixed at the time of their election as they among themselves determine. The term of one Director shall be fixed at one (1) year, the term of one Director shall be fixed at two (2) years, and the term of one Director shall be fixed at three (3) years. At the expiration of the term of office of each respective Member of the Board of Directors, a successor shall be elected to serve for a term of three (3) years.

Directors shall continue in office until their successors have been duly elected and qualified, unless a Director resigns, is removed or becomes disqualified to be a Director. A Director may be re-elected, and there shall be no limit as to the number of terms a Director may serve. The number of Directors and their terms may be changed by amendment to these Bylaws.

6.5 Qualifications. An elected Director must be an Owner of a Lot within the Community or be an officer of a corporate owner of a Lot, or a partner in a partnership owning a Lot, or a trustee of a trust owning a Lot, or a manager of a limited liability company owning a Lot within the Community. If a Director ceases to be an Owner of a Lot, or a corporate officer, partner, trustee or manager of an entity which owns a Lot, such Director's term as Director shall immediately terminate, and a new Director shall be selected as promptly as possible to take such Director's place. Directors appointed by the Declarant need not be Owners.

6.6 Cumulative Voting. Cumulative voting shall not be allowed in the election of Directors.

6.7 Resignation of Directors. Any Director may resign at any time by giving written notice to the Secretary of the Association, stating the effective date of such resignation. Acceptance of such resignation shall not be necessary to make the resignation effective.

6.8 Removal. Any Member of the Board of Directors other than a Director appointed by the Declarant may be removed by the Members with or without cause at a meeting duly called for and stating that purpose at which a quorum is present.

6.9 Vacancy on the Board. Any vacancy in the Board of Directors shall be filled as soon as possible. A Director appointed to fill a vacancy shall be appointed for the unexpired term of such person's predecessor in office and until such person's successor is duly elected and shall have qualified. Any position on the Board of Directors to be filled by reason of an increase in the number of Directors shall be filled by a vote of the Members as soon as practicable after the time such increase is authorized.

Vacancies of Directors whom the Declarant appointed shall be appointed by the Declarant.

6.10 Committees. The Board may establish one or more committees. The committees may provide the advice, service and assistance as requested, but may not exercise any power or authority reserved to the Board of Directors.

ARTICLE SEVEN: MEETINGS OF THE BOARD OF DIRECTORS

7.1 Regular Meetings. Regular meetings of the Board of Directors shall be held as the needs of the Association dictate, but at least quarterly, at a place and hour as may be fixed from time to time by the Board.

7.2 Annual Meetings. The annual meeting of the Board of Directors shall be held immediately following and in the same place as the annual meeting of the Association in each calendar year, or on another date and time and place as the President may determine. The annual meeting of the Board of Directors shall be for the purpose of electing Officers and for the transaction of such other business as may come before the meeting.

7.3 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.

7.4 Purpose of Meetings. The business to be transacted at, or the purpose of any meeting of the Board of Directors does not need to be specified in the notice or waiver of notice of the meeting.

7.5 Quorum; Voting. A quorum at all meetings of the Board of Directors shall consist of a majority of the Directors holding office. Less than a quorum may adjourn from time to time without further notice until a quorum is secured. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

For purposes of determining a quorum and for purposes of casting a vote, a Director may be deemed to be present and to vote if the Director grants a signed, written proxy to another Director. The proxy must direct a vote to be cast with respect to a particular proposal that is described with reasonable specificity in the proxy. No other proxies are allowed.

7.6 Action Without a Meeting. Any action required by law to be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of Directors, may be taken without a meeting if every Member of the Board in writing either: (a) votes for such action or (b) votes against such action or abstains from voting and waives the right to demand that a meeting be held. Action is taken only if the affirmative votes for the action equals or exceeds the minimum number of votes that would be necessary to take such action at a meeting at which all of the Directors then in office were present and voted.

The action shall only be effective if there are writings that describe the action, signed by all Directors, received by the Association and filed with the minutes. Any such writings may be received by electronically transmitted facsimile or other form of wire or wireless communication providing the Association with a complete copy of the document including a copy of the signature. Actions taken shall be effective when the last writing necessary to effect the action is received by the Association unless the writings set forth a different date.

Any Director who has signed a writing may revoke it by a writing signed, dated and stating the prior vote is revoked. However, the writing must be received by the Association before the last writing necessary to effect the action is received. All such actions shall have the same effect as action taken at a meeting.

7.7 Compensation. The Board of Directors may authorize and fix the reasonable compensation of Directors and may reimburse any Member of the Board of Directors for reasonable expenses incurred in connection with service on the Board.

7.8 Notice. Notice of the date, time and place of any special meeting of the Board shall be given to each Director at least five (5) days prior to the meeting by written notice either personally delivered or mailed to each Director at the Director's business address or home address, or by notice transmitted by private courier, telegraph, electronic mail, facsimile transmission or other form of wire or wireless communication.

If mailed, the notice shall be deemed to be given and to be effective on the earlier of: (a) five (5) days after the notice is deposited in the United States mail, properly addressed, with first class postage prepaid; or (b) the date shown on the return receipt, if mailed by registered or certified mail return receipt requested, provided that the return receipt is signed by the Director to whom the notice is addressed, or date of rejection.

If notice is given by facsimile, electronic mail or other similar form of wire or wireless communication, such notice shall be deemed to be given and to be effective when sent, and with respect to a telegram, such notice shall be deemed to be given and effective when the telegram is delivered to the telegraph company.

7.9 Waiver of Notice. A Director may waive notice of a meeting before or after the time and date of the meeting by a writing signed by the Director. The waiver shall be delivered to the Secretary for filing with the Association records, but delivery and filing shall not be conditions to the effectiveness of the waiver.

A Director's attendance at or participation in a meeting waives any required notice to the Director of the meeting unless at the beginning of the meeting, or promptly upon the Director's later arrival, the Director objects to holding the meeting or transacting business at the meeting because of lack of notice or defective notice and does not thereafter vote for or assent to action taken at the meeting. The business to be transacted at, or the purpose of any annual or special meeting of the Board of Directors does not need be specified in the notice or waiver of notice of such meeting.

7.10 Telephonic Meetings. The Board of Directors may permit any Director to participate in an annual or special meeting of the Board of Directors through the use of any means of communication by which all Directors participating in the meeting can hear each other during the meeting. A Director participating in a meeting in this manner is deemed to be present in person at the meeting.

7.11 Standard of Conduct for Directors and Officers. Each Director and Officer shall perform their duties as a Director or Officer in good faith, in a manner the Director or Officer reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

In the performance of their duties, a Director or Officer shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case, prepared or presented by the persons designated below.

A Director or Officer shall not be considered to be acting in good faith if the Director or Officer has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A Director or Officer shall not be liable to the Association or its Members for any action the Director or Officer takes or fails to take as a Director or Officer if, in connection with such action or omission, the Director or Officer performs their duties in compliance with this Paragraph. A Director or Officer, regardless of title, shall not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association.

The designated persons on whom a Director or Officer are entitled to rely are: (a) one or more Officers or employees of the Association whom the Director or Officer reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, professional property manager, public accountant, or other persons as to matters which the Director or Officer

reasonably believes to be within such person's professional or expert competence; or (c) a committee of the Board of Directors on which the Director or Officer does not serve if the Director reasonably believes the committee merits confidence.

ARTICLE EIGHT: POWERS AND DUTIES

8.1 Powers and Duties. The Board of Directors shall have the powers and duties necessary, desirable or appropriate for the administration of the affairs of the Association and for the operation and maintenance of the Planned Community. The Board of Directors may do all such acts and things in the best interest of the Association including acts not specifically required to be done by the Members by the Colorado Nonprofit Corporation Act, the Colorado Common Interest Ownership Act, the Declaration, the Articles, these Bylaws or be otherwise required by law.

8.2 Managing Agent. The Board may employ for the Association a managing agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize; provided, however, that the Board in delegating such duties shall not be relieved of its responsibility under the Declaration.

Should the Board delegate to any managing agent or other person the powers relating to collection, deposit, transfer or disbursement of Association funds:

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

(b) the other person or managing agent shall maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the other person or managing agent and maintain all reserve accounts of each association separate from operational accounts of the Association; and

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

ARTICLE NINE: OFFICERS AND THEIR DUTIES

9.1 Enumeration of Officers. The Officers of the Association shall be a President, Vice President, Secretary and Treasurer, and such other Officers as the Board of Directors may from time to time by resolution create. The President and Secretary must be Owners and Members of the Board of Directors.

9.2 Election of Officers. The election of Officers shall take place at the first meeting of the Board of Directors and thereafter at the first meeting of the Board of Directors following each annual meeting of the Association.

9.3 Term. The Officers shall be elected annually by the Board of Directors and each shall hold office for one (1) year unless such Officer shall sooner die, resign or shall be removed or otherwise disqualified to serve.

9.4 Special Appointments. The Board of Directors 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 of Directors may from time to time determine.

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

9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board of Directors. The Officer appointed to such vacancy shall serve for the remainder of the term of the Officer he or she replaces.

9.7 Multiple Offices. Any two or more offices may be held by the same person.

9.8 Duties. The duties of the Officers are as follows:

(a) President. The President shall preside at all meetings of the Association and the Board of Directors; shall see that orders and resolutions of the Board of Directors are carried out; shall sign on behalf of the Association all leases, mortgages, deeds, notes and other written instruments; and shall exercise and discharge such other duties as may be required of the President by the Board of Directors.

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

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Association; serve notice of meetings of the Board of Directors and of the Association; keep appropriate current records showing the Members together with their addresses; and shall perform such other duties as required by the Board of Directors.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by the Board of Directors; sign all checks of the Association unless the Board of Directors specifically directs otherwise; keep proper books of account; prepare an annual budget and a statement of income and expenditures to be presented to the Members at the regular annual meeting of the Association. The Treasurer shall cause an audit of the Association's books to be made by an

accountant if directed by the Board of Directors, or on the written request of Members to which at least 25% of the votes in the Association are allocated.

ARTICLE TEN: ASSOCIATION DOCUMENTS

10.1 Execution of Instruments. All agreements, contracts, deeds, leases, checks, notes and other instruments of the Association may be executed by any Officer as designated by resolution of the Board of Directors. In the absence of such designation, the President shall have such authority. Any Officer may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

10.2 Statements of Unpaid Assessments/Transfer Fees. Any Officer having access to the books and records of the Association or managing agent may prepare, certify and execute statements of unpaid assessments, in accordance with § 38-33.3-316 of the Act.

The Association may charge a reasonable fee for preparing these statements of unpaid assessments and for transferring a membership on the books and records of the Association. Any unpaid fees may be assessed as an Individual Assessment against the Lot for which the certificate or statement is furnished.

10.3 Inspection and Copying of Association Records. On written demand delivered at least five (5) business days before the date on which a Member wishes to inspect and copy any of the records identified in these Bylaws, a Member or its agent is entitled to inspect and copy the records during regular business hours at the Association's office. The Association may impose a reasonable charge, covering the costs of labor and material, for copies of the documents provided.

The charge may not exceed the estimated cost of production and reproduction of the records. Members entitled to inspect these records must also meet the following requirements: (a) the demand must be made in good faith and for a proper purpose; (b) the Member must describe with reasonable particularity the purpose and the records the Member desires to inspect; and (c) the records must be directly connected with the described purpose. The rights set forth herein may not be abolished or limited by the Articles of Incorporation or the Bylaws of the Association.

ARTICLE ELEVEN: NOTICE AND HEARING PROCEDURE

11.1 Procedure. The Board shall not impose a Fine, Individual Assessment, suspend voting rights, or infringe upon any other rights of a Member or other occupant for violations of Rules of the Association or of the Declaration unless and until the following procedure is followed:

(a) Demand for Abatement. Written demand to cease and desist from the alleged violation shall be personally served upon the alleged violator specifying:

(i) the alleged violation:

- (ii) the action required to abate the violation; and
- (iii) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if the violation is a continuing one. If the violation is not a continuing one, a statement that any additional similar violation could result in the imposition of a sanction after notice and hearing.

(b) Notice. If the violation continues past the time period allowed in the demand for abatement or if the same violation subsequently occurs, the Board or its agent shall serve the violator with written notice of a hearing to be held by the Board. The notice shall contain:

- (i) the alleged violation;
- (ii) the time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;
- (ii) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and
- (iv) the proposed sanction to be imposed.

(c) Hearing. The hearing shall be held pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the hearing. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the Officer, Director, or agent who delivered the notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the hearing.

Failure by the Owner to attend the hearing after due notice shall be considered a default and shall be subject to the sanctions set forth above.

In no event shall the Board suspend a Member's right to use the Planned Community amenities, or his or her voting rights for infraction of the Association's Project Documents for a period in excess of sixty (60) days from the date the infraction ceases.

11.2 Minutes. The minutes of the hearing shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The decision of the Board shall be final.

11.3 Nonpayment of Assessments. These procedures shall not be necessary in order to impose any sanction or penalty for nonpayment of Assessments.

ARTICLE TWELVE: AMENDMENTS

These Bylaws may be amended by the Board of Directors. These Bylaws may also be amended at any annual meeting of the Association or at any special meeting called for the purpose of amending the Bylaws, by a vote of the Members.

Any amendment adopted at an annual or special meeting of the Association may thereafter only be amended at an annual or special meeting of the Association.

If the Planned Community has been or is to receive Veterans Administration and/or Federal Housing Administration approval, then at any time during the Period of Declarant Control, such agencies shall have the right to veto amendments.

During the Period of Declarant Control, any proposed amendment of any provisions of these Bylaws shall not be effective unless Declarant has given its written consent to such amendment.

ARTICLE THIRTEEN: INDEMNIFICATION

13.1 Liability of Directors. No Director shall be personally liable to the Association for monetary damages for any breach of fiduciary duty as a Director, except that no Director's liability to the Association for monetary damages shall be eliminated or limited on account of any of the following: (a) any breach of the Director's duty of loyalty to the Association or its Members, (b) any acts or omissions of the Director not in good faith or that involve intentional misconduct or a knowing violation of law, or (c) any transaction in which the Director received improper personal benefit.

Nothing herein will be construed to deprive any Director of the right to all defenses ordinarily available to a Director nor will anything herein be constructed to deprive any Director of any right for contribution from any other Director or other person.

13.2 General Provisions. The Association shall indemnify any person who is or was a party or is threatened to be made a party to any proceeding by reason of the fact that the person is or was a Director or Officer of the Association, against expenses including attorney's fees, liability, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the proceeding if the person: (a) acted in good faith; (b) reasonably believed, in the case of conduct in an official capacity with the Association, that the conduct was in the best interests of the Association, and, in all other cases, that the conduct was at least not opposed to the best interests of the Association; and (c) with respect to any criminal proceeding, had no reasonable cause to believe that the conduct was unlawful.

However, no person shall be entitled to indemnification under this Paragraph 13.2 if: (a) in connection with a proceeding brought by or in the right of the Association in which the Director or Officer was adjudged liable to the Association; or (b) in connection with any other proceeding charging improper personal benefit to the Director or Officer, whether or not

involving action in that person's official capacity, in which the Officer or Director is ultimately adjudged liable on the basis that the Director or Officer improperly received personal benefit.

Indemnification under this Paragraph 13.2 in connection with a proceeding brought by or in the right of the Association shall be limited to reasonable expenses incurred in connection with the proceeding. The termination of any action, suit or proceeding by judgment, order, settlement or conviction or on a plea of nolo contendere or its equivalent shall not of itself be determinative that the person did not meet the standard of conduct set forth in this Paragraph 13.2.

13.3 Successful Defense on the Merits: Expenses. To the extent that a Director or Officer of the Association has been wholly successful on the merits in defense of any proceeding to which he or she was a party, that person shall be indemnified against reasonable expenses, including attorney's fees actually and reasonably incurred in connection with such proceeding.

13.4 Determination of Right to Indemnification. Any indemnification under Paragraph 13.2 (unless ordered by a court) shall be made by the Association only as authorized in each specific case on a determination that indemnification of the Director or Officer is permissible under the circumstances because that person met the applicable standard of conduct set forth in Paragraph 13.2.

The determination shall be made: (a) by the Board of Directors by a majority vote of a quorum of disinterested Directors who at the time of the vote are not, were not, and are not threatened to be made parties to the proceeding; or (b) if a quorum of the Board of Directors cannot be obtained by independent legal counsel selected by the Board of Directors. Authorization of indemnification and evaluation as to the reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that, if the determination that indemnification is permissible is made by independent legal counsel, authorization of indemnification and evaluation of legal expenses shall be made by the body that selected such counsel.

13.5 Advance Payment of Expenses: Undertaking to Repay. The Association shall pay for or reimburse the reasonable expenses including attorney's fees incurred by a Director or Officer who is a party to a proceeding in advance of the final disposition of the proceeding if: (a) the Director or Officer furnishes the Association a written affirmation of the Director's or Officer's good faith belief that the person has met the standard of conduct set forth in Paragraph 13.2; (b) the Director or Officer furnishes the Association with a written undertaking, executed personally or on the Director's or Officer's behalf, to repay the advance if it is determined that the person did not meet the standard of conduct set forth in Paragraph 13.2.

The undertaking shall be an unlimited general obligation of the Director or Officer but it does not need to be secured. It may be accepted without reference to financial ability to make repayment; and a determination by the body authorizing indemnification that the facts then known to such body would not preclude indemnification.

13.6 Other Employees and Agents. The Association shall indemnify other employees and agents of the Association to the same extent and in the same manner as is provided in Paragraph 13.2 with respect to Directors and Officers, by adopting a resolution by a majority of the Members of the Board of Directors specifically identifying by name or by position the employees or agents entitled to indemnification.

13.7 Nonexclusively of Paragraph. The indemnification provided by this Paragraph shall not be deemed exclusive of any other rights and procedures that a party may be entitled under the Articles, Bylaws, agreements, resolution of disinterested Directors, or otherwise. This includes actions in the person's official capacity and actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a Director or Officer, and shall inure to the benefit of that person's heirs, executors and administrators.

ARTICLE FOURTEEN: MISCELLANEOUS

14.1 Financial Statements. Any First Mortgagee shall be entitled, on written request, to an audited financial statement for the immediately preceding fiscal year at the mortgagee's own expense. Any requested financial statements shall be furnished within a reasonable time following the request.

14.2 Robert's Rules of Order. All meetings of the Association and all meetings of the Board of Directors shall be held in accordance with Robert's Rules of Order.

14.3 Minutes. At all meetings of the Association and at all meetings of the Board of Directors, minutes shall be taken and kept in a permanent file and be available for review by the Members in accordance with Paragraph 10.3 hereof.

14.4 Corporate Seal. The Board of Directors shall adopt a seal that shall have inscribed thereon the name of the Association and the words "Seal" and "Colorado."

14.5 Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, unless changed by the Board of Directors. The first year shall begin on the date of incorporation.

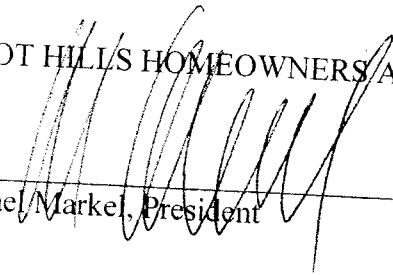
14.6 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

14.7 Interpretation. The provisions of these Bylaws shall be liberally construed to effect the purpose of ensuring that the Planned Community shall at all times be operated and maintained in a manner so as to optimize and maximize its enjoyment and utilization by each Owner.

IN WITNESS WHEREOF, the undersigned have hereto set their hands this 9th day of September, 2004.

NIWOT HILLS HOMEOWNERS ASSOCIATION

By:




Michael Markel, President

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting Secretary of NIWOT HILLS HOMEOWNERS ASSOCIATION, a Colorado nonprofit corporation.

THAT the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by the unanimous written consent of the Board of Directors thereof, dated the ___ day of _____, 2004.



Cynthia Henry, Secretary