

BYLAWS

FOR

The Cascades At Eagle Ridge

TOWNHOME ASSOCIATION, INC.

March , 1996



TABLE OF CONTENTS

ARTICLE I -- Purpose 1

 1. Purpose. 1

 2. Acceptance. 1

 3. Defined Terms. 1

ARTICLE II -- Membership, Voting, and Quorum 1

 1. Membership. 1

 2. Voting. 2

 3. Quorum. 2

 4. Proxies. 2

 5. Suspension Or Voting Rights. 2

 6. Determination of Member Voting Percentage. 2

ARTICLE III -- Administration 2

 1. Place of Meeting. 2

 2. Annual Meetings. 2

 3. Special Meetings. 3

 4. Notice of Meetings. 3

 5. Adjourned Meetings. 3

 6. Order of Business. 3

 7. Action by Townhome Lot Owners or Directors Without a Meeting. 3

ARTICLE IV -- Executive Board 3

 1. Number. 3

 2. Executive Board Election. 3

 3. Powers and Duties. 4

 4. No Waiver of Rights. 6

 5. Election and Term of Office. 7

 6. Vacancies. 7

 7. Removal of Members. 7

 8. Organizational Meetings. 7

 9. Regular Meetings. 7

 10. Special Meetings. 7

 11. Waiver of Notice. 7

 12. Board of Directors' Quorum. 7

 13. Compensation. 8

ARTICLE V -- Officers 8

 1. Designation. 8

 2. Election of Officers. 8

 3. Removal of Officers. 8

 4. President. 8

 5. Vice-President. 8

 6. Secretary. 8

7. Treasurer.	9
ARTICLE VI -- Committees	9
1. Establishment or Committees.	9
2. Term of Office.	9
3. Chairperson.	9
4. Vacancies.	9
5. Quorum.	9
6. Rules.	9
ARTICLE VII -- Fiscal Management	9
1. Accounts.	10
2. Inspection of Accounts.	10
3. Financial Statement Requests.	10
ARTICLE VIII -- Indemnification of Board Members and Officers	10
1. Indemnification.	10
2. Contract Liability.	11
ARTICLE IX -- Amendments	11
ARTICLE X -- Mortgages	11
1. Notice to Association.	11
2. Notice of Default.	12
ARTICLE XI -- Evidence Or Ownership, Registration of Representative,	12
1. Proof Or Ownership.	12
2. Registration of Representative and Mailing Addresses.	12
3. Designation of Voting Representative.	12
4. Good Standing.	12
ARTICLE XII -- Obligations of the Owners	12
1. Assessments.	13
2. Maintenance and Repair.	13
3. General.	13
4. Use of Common Elements.	13
5. Rules and Regulations.	13
ARTICLE XIII -- Abatement of Violations by Townhome Lot Owners	14
ARTICLE XIV -- Association--Not for Profit	14
EXHIBIT A - RULES AND REGULATIONS	15
EXHIBIT B -- Procedures and Enforcement	17

BYLAWS

FOR

The Cascades At Eagle Ridge

TOWNHOME ASSOCIATION, INC.

(A COLORADO NONPROFIT CORPORATION)

ARTICLE I

Purpose

1. **Purpose.** The purpose for which this nonprofit Association is formed is to govern the Property which has been or will be submitted to the provisions of the **DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE CASCADES AT EAGLERIDGE** recorded or to be recorded in the records of the Clerk and Recorder of Routt County, Colorado.

2. **Acceptance.** All present or future owners, tenants, future tenants, or any other person that might use the facilities of the Property in any manner are subject to the regulations set forth in these Bylaws. The mere acquisition or rental of any of the Townhome Lots or the mere act of occupancy of any of said Townhome Lots will signify that these Bylaws are accepted, ratified, and will be complied with.

3. **Defined Terms.** For convenience of reference, defined terms used herein shall conform to those defined terms used in the Articles of Incorporation of the Association and in the **DECLARATION FOR THE CASCADES AT EAGLERIDGE** ("Declaration").

ARTICLE II

Membership, Voting, and Quorum

1. **Membership.** Except as otherwise provided in these Bylaws, ownership of a Townhome Lot is required in order to qualify for membership in this Association. Any person on becoming a Townhome Lot Owner shall automatically become a member of this Association ("Townhome Lot Owner") in accordance with the Declaration and shall be subject to these Bylaws. Townhome Lot Owners shall hold and share such membership in the same proportionate interest and by the same type of tenancy in which title to the Townhome Lot is held. Such membership shall terminate without any formal Association action whenever such person ceases to own a Townhome Lot, but such termination shall not relieve or release any such former Owner from any

liabilities or obligations incurred under or in any way connected with the Association during the period of such ownership and membership in the Association, or impair any rights or remedies which the Association or the Townhome Lot Owners have, either through the Executive Board of the Association or directly, against such former Townhome Lot Owner arising out of, or in any way connected with, the ownership and membership of a Townhome Lot and the covenants and obligations incident thereto.

2. Voting. Each member, or group of members, owning a Townhome Lot shall be entitled to one vote for each Townhome Lot owned. Except as otherwise specifically provided in the Declaration, an affirmative vote of the members representing a majority of the total votes present, and constituting a quorum, either in person or by proxy, shall be required to transact business or to adopt decisions binding on all Owners. The requirements herein contained in these Bylaws shall be first met before an owner shall be deemed in good standing and entitled to vote at any annual or special meeting of members.

3. Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Townhome Lot Owners holding one-half (1/2) of the votes entitled to be cast shall constitute a quorum.

4. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Association before the appointed time of each meeting. All proxies must be in writing and may be either general or for a particular meeting. A proxy need not be an Owner.

5. Suspension of Voting Rights. The Executive Board may suspend, upon five (5) days written notice, the voting rights of a Townhome Lot Owner during any period of breach by such Townhome Lot Owner of any provision of the Declaration or of any Rule or Regulation adopted by the Association including, but not limited to, the failure to pay any Assessment levied pursuant to the Declaration, including penalties, fines, interest, and Special Assessments. Said suspension shall last for a period of 10 days following the cure of any such breach by such Townhome Lot Owner provided, however, that no notice shall be required where a Townhome Lot Owner has failed to pay any of the preceding levied in accordance with the provisions of the Declaration and Rules and Regulations.

6. Determination of Member Voting Percentage. Notwithstanding anything to the contrary contained herein, only Townhome Lot Owners whose voting rights are in good standing shall be entitled to vote on Association matters. Each member shall have one vote. Any and all provisions contained herein requiring the approval of a requisite percentage of Townhome Lot Owners of the Association shall be deemed satisfied when the requisite percentage of Townhome Lot Owners entitled to vote, after eliminating suspended Townhome Lot Owners, if any, has been met.

ARTICLE III

Administration

1. Place of Meeting. Meetings of the Association shall be held at the office of the Association or at such other place as the Executive Board may determine.

2. Annual Meetings. The annual meeting of the Association will be held sometime during the last 60 days of the 4th quarter, except as may otherwise be provided in (approved Article IV hereof. At such meetings there shall be elected, by ballot of the Townhome 6/9/98) Lot Owners, an Executive Board, in accordance with the requirements of Article IV

hereof. The Townhome Lot Owners may also transact such other business of the Association as may properly come before them.

3. Special Meetings. The President may call a special meeting of the Townhome Lot Owners upon his own initiative, or as directed by resolution of the Board or upon receipt of a petition signed by at least twenty percent (20%) of the Townhome Lot Owners entitled to vote. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business except as stated in the notice shall be transacted at a special meeting unless by consent of two-thirds (2/3) of the Townhome Lot Owners present at such meeting entitled to vote, or unless otherwise required by law or these Bylaws. Any such meetings shall be held at such place and time as the President determines within thirty (30) days after receipt by the President of such resolution, petition, or request.

4. Notice of Meetings. The Secretary shall cause to be mailed or delivered, to each Owner of record, at the registered address of each Owner (or his registered representative), a notice of each a annual or special meeting, at least fourteen (14), but not more than sixty (60) days prior to such meeting, stating the purpose thereof and the time and place it is to be held. The mailing of a notice in the manner provided in this section or the delivery of such notice shall be considered notice served, and the Certificate of the Secretary that notice was duly given shall be *prima facie* evidence thereof. Notice may be waived in writing at any time before, at, or after any meeting.

5. Adjourned Meetings. If any meeting of Townhome Lot Owners cannot be organized because a quorum has not attended, the Townhome Lot Owners who are present and entitled to vote, either in person or by proxy, may adjourn the meeting until a quorum is obtained.

6. Order of Business. The order of business at all meetings of the Townhome Lot Owners shall be set by the Executive Board, but shall include provision for new business.

7. Action by Townhome Lot Owners or Board Members Without a Meeting. Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Townhome Lot Owners or Board Members may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all the Townhome Lot Owners or Board Members, as the case may be, and the consent is filed with the minutes of the Association.

ARTICLE IV

Executive Board

1. Number. The Executive Board shall consist of three (3) persons. After the Declarant's right to nominate and elect or appoint Board Members is terminated, the Townhome Lot Owners shall have the right and obligation to nominate and elect the Members.

2. Executive Board Election. The Executive Board shall consist of three members who shall be selected from the Owners after the Declarant Control period. Members of the Executive Board shall be elected in the following manner:

- a. Declarant shall be entitled to select or appoint, in its sole and absolute discretion, all members of the Executive Board from the day the Association is created until sixty days from the date which Declarant has conveyed twenty-five percent (25%) of the Townhomes, which may be created within the Property, to Owners other than Declarant.
- b. Sixty days after the date which Declarant has conveyed twenty-five percent (25%) of the Townhome Lots, which may be created within the Property, to Owners other than Declarant, Declarant shall be entitled to select and appoint, in its sole and absolute discretion, two (2) members of the Executive Board until sixty days from the date which Declarant has conveyed fifty percent (50%) of the Townhome Lots, which may be created within the Property, to Owners other than Declarant. The other member of the Executive Board shall be nominated and elected by the Owners other than the Declarant.
- c. Sixty days after the date which Declarant has conveyed fifty percent (50%) of the Townhome Lots, which may be created within the Property, to Owners other than Declarant, Declarant shall be entitled to select and appoint, in its sole and absolute discretion, two (2) members of the Executive Board until sixty days from the date which Declarant has conveyed seventy-five percent (75%) of the Townhome Lots, which may be created within the Property, to Owners other than Declarant. The other member of the Executive Board shall be elected by the Owners other than the Declarant.
- d. During that period of time which is: (a) sixty days after the date which Declarant has conveyed seventy-five percent (75%) of the Townhome Lots which may be created within the Property to Owners other than Declarant; (b) two years after the last conveyance of a Townhome Lot by the Declarant in the ordinary course of business; (c) two years after any right to annex real property and create new Townhome Lots was last exercised; or (d) such other time as the Declarant may, in its sole discretion determine, whichever occurs earlier, all members of the Executive Board shall have been or will be nominated and elected by the Owners.
- e. Any vacancies in the Executive Board, occurring before the first election of board members by Owners, shall be filled by the remaining Board Members or the Declarant.

3. Powers and Duties. The Executive Board shall have the powers and duties necessary for the administration of the affairs of the Association and for the operation and maintenance of the Property as a first-class residential property. Such powers and duties of the Board shall include, but shall not be limited to, the following, all of which shall be done for and on behalf of the Townhome Lot Owners:

- a. to administer and enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations and all other provisions set forth in the Declaration and the Bylaws of the Association and supplements and amendments thereto;

b. to establish, make and enforce compliance with such rules and regulations ("Rules and Regulations") as may be necessary or desirable for the operation, rental, use and occupancy of all of the Townhome Lots with the right to amend the same from time to time. A copy of such Rules and Regulations shall be delivered or mailed to each Townhome Lot Owner upon the adoption thereof. Any such Rules and Regulations may also be made, modified or abolished by Townhome Lot Owners in accordance with the provisions governing amendments of Bylaws;

c. to incur such costs and expenses as may necessary to keep in good order condition and repair the Common Elements, and all items of common personal property;

d. to insure and keep insured all of the insurable Common Elements and Townhomes is an amount equal to the maximum replacement value; to insure and keep insured all of the common fixtures, common equipment and common personal property for the benefit of all Townhome Lot Owners and, if requested, their Mortgagees; to obtain and maintain comprehensive liability insurance covering the entire Property; and, while not required, to obtain and maintain, if desired, fidelity coverage on behalf of the Association and Board Members errors and omissions liability insurance on behalf of the Executive Board;

e. to prepare a budget for the Association at least annually, in accordance with the provisions of the Declaration in order to determine the amount of the assessments payable by the Townhome Lot Owners to meet the Common Expenses;

f. to levy and collect special assessments whenever in the opinion of the Board it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies;

g. to cause notice of such periodic assessments to be mailed to the Townhome Lot Owners or their registered representatives;

h. to collect delinquent assessments by suit or otherwise and to enjoin or seek damages from Townhome Lot Owners if necessary, as provided in the Declaration and these Bylaws; to enforce and to collect late charges, penalties, fines, and interest at the rate of eighteen percent (18 %) per annum (or such other rate as may legally be determined by the Board) in connection with assessments remaining unpaid more than ten (10) days from due date for payment thereof, together with all expenses, including attorney's fees incurred;

i. to protect and defend in the name of the Association and any part or all of the Property from loss and damage by suit or otherwise;

j. to borrow funds in order to pay for any expenditures or outlays required pursuant to the authority granted by the provisions of the Declaration and Bylaws, and to execute all such instruments evidencing such indebtedness as the Board may deem necessary and to give security therefor;

k. to enter into contracts to carry out its duties and powers;

l. to establish bank accounts and savings accounts at banks or regulated brokerage firms for the common treasury and for all separate funds which are required or may be deemed advisable;

m. to make repairs, additions, alterations and improvements to Common Elements and other common areas consistent with managing the Property in a first-class manner and consistent with the quality of the Property and the best interests of the Townhome Lot Owners and to hire such personnel as are necessary to accomplish the foregoing without the prior approval of Townhome Lot Owners being required for the work or the hiring;

n. to keep and maintain, or delegate to a Managing Agent the duties to keep and maintain, full and accurate books and records showing all of the receipts, expenses, and disbursements and to permit examination upon five (5) days notice thereof at any reasonable time by any Townhome Lot Owner and/or any Townhome Lot Owner's Mortgagee;

o. to prepare and deliver annually to each Townhome Lot Owner a consolidated statement showing receipts, expenses and disbursements since the last such statement;

p. to control and manage the use of all open spaces, landscape areas, driveways and other common property of the Association;

q. to employ for the Association, as the Board in its discretion shall determine, a Managing Agent who shall have and exercise those duties and powers granted to it by the Board but not those powers which the Board, by law, may not delegate provided that the Board is not released of its responsibilities under the Declaration notwithstanding such delegation to a Managing Agent. Any such management agreement shall provide for termination, by either party, due to non-performance of said management agreement, and without payment of a termination fee, upon ninety (90) days advance written notice to the other party listing the non-performance with specificity (the "Notice of Termination"); provided, however, that the other party shall have the right to remedy such party's non-performance within thirty (30) days of receipt of the Notice of Termination (the "Cure Period"). If the non-performance is remedied within the Cure Period the management agreement shall continue in full force and effect. If the non-performance is not remedied within the Cure period the management agreement shall be terminated ninety (90) days after receipt of the Notice of Termination. In the event the Board delegates any power of the Board relating to the collection, deposit, transfer, or disbursement of Association funds to a Managing Agent, the Board: (i) may require that the Managing Agent maintain fidelity insurance coverage in an amount determined by the Board; (ii) shall require that the Managing Agent maintain all Association funds and accounts of the Association separate from the funds and accounts of other associations managed by the Managing Agent; and (iii) shall require an annual accounting for Association funds and a financial statement be prepared and presented to the Association by the Managing Agent, public accountant, or a certified public accountant; and

(Approved
8/9/99)

r. in general, to carry on the administration of the Association and to do all things necessary and reasonable in order to carry out the governing and the operation of the Property.

4. No Waiver of Rights. The omission or failure of the Association, the Board, or any Townhome Lot Owner to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provisions of the Declaration, the Bylaws, or the Rules and Regulations shall not constitute or be deemed a waiver, modification or release thereof, and the Board or the Managing Agent shall have the

right to enforce the same thereafter even in the event of an indulgence on any occasion.

5. Election and Term of Office. All elections of members of the Board by the Townhome Lot Owners shall initially be structured in one (1) and two (2) year terms, or such time periods, so that approximately one-half (1/2) of the Member positions are up for reelection in each subsequent year. Except as is otherwise provided by these Bylaws, the Board Members shall hold office until their successors have been elected and hold their first meeting. At the expiration of the initial term of office of each respective Member, his or her successor shall be elected to serve a two (2) year term.

6. Vacancies. Except for Board members appointed by Declarant, vacancies in the Board, caused by any reason other than the removal of a Member by a vote of the Association, shall be filled by vote of the majority of the remaining Board Members. Each person so elected shall be a Member until his successor is elected at the next annual meeting of the Association at which an election may be held under these Bylaws.

7. Removal of Board Members. Except for Board Members appointed by Declarant, at any duly called regular or special meeting, any one or more of the Board Members may be removed, with or without cause, by a majority of the Owners entitled to vote, and a successor may then be elected to fill the vacancy thus created. During the period of Declarant's control of the Board, the Declarant may remove a Member from the Board in its sole and absolute discretion.

8. Organizational Meetings. The first meeting of a newly elected Board following each annual or special meeting of the Townhome Lot Owners shall be held within thirty (30) days thereafter at such place as shall be fixed by the Board Members at the meeting at which such Board Members were elected, and no notice shall be necessary to the newly elected Board Members in order to constitute such meeting, provided a majority of the whole Board shall be present.

9. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board Members, but at least two such meetings shall be held during each calendar year. Notice of regular meetings of the Board shall be given to each Member, personally or by mail, telephone or telegraph, at least seven (7) days prior to the day named for such meeting. Regular Board meetings may be attended by telephone.

10. Special Meetings. Special meetings of the Board may be called by the President on three (3) days notice to each Member, given personally or by mail, telephone, facsimile or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in this manner and on like notice on the written request of two or more Board Members. Special Board meetings may be attended by telephone.

11. Waiver of Notice. Before, at, or after any meeting of the Board, any Member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Member at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Board Members are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

12. Board Quorum. At all meetings of the Board dealing with general matters, a majority of the Board shall constitute a quorum for the transaction of any business.

If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice, provided that a quorum is present at the reconvened meeting. Meetings may be attended by telephone.

13. Compensation. Board members shall receive no compensation in connection with the performance of their duties, but may be reimbursed for reasonable out-of-pocket expenses incurred by them.

ARTICLE V

Officers

1. Designation. The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be elected by the Board, and such assistant officers as the Board shall, from time to time elect. Such officers, other than the President, need not be members of the Board and need not be Townhome Lot Owners.

2. Election of Officers. The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Board. One person may hold more than one office provided, however, that the offices of President and Secretary shall not be held by the same person.

3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of president of an association.

5. Vice-President. The Vice-President shall have all the powers and authority and perform all the functions and duties of the President, in the absence of the President, or his inability for any reason to exercise such powers and functions or perform such duties.

6. Secretary. The Secretary shall keep the minutes of the meetings of the Board and the minutes of all meetings of the Association; have charge of such books and papers as the Board may direct; and, in general, perform all the duties incident to the office of Secretary. The Secretary shall compile and keep up to date at the principal office of the Association a complete list of Townhome Lot Owners and their Registered Representatives and addresses as shown on the records of the Association. Such list shall also show opposite each Townhome Lot Owner's name the number or other appropriate designation of the Townhome Lot owned by such Townhome Lot Owner. Such list shall be open to inspection by Townhome Lot Owners and other persons lawfully entitled to inspect the same at reasonable times during regular business hours. The records referred to in this subsection may be maintained by the Managing Agent.

7. Treasurer. The Treasurer shall have the responsibility for Association funds and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association provided, however, that when a Managing Agent has been delegated the responsibility of collecting and disbursing funds, the Treasurer's responsibility shall be to review the accounts of the Managing Agent not less often than quarter-annually.

ARTICLE VI

Committees

1. Establishment or Committees. Committees not having or exercising the authority of the Board in the management of the Association may be appointed in such a manner as may be designated by a resolution adopted by a majority of the Board, in addition, pursuant to the Declaration, one or more such committees may be established for the purposes of architectural review and covenant enforcement. Such committees shall include at least one Member and may include one or more paid professionals who are not Townhome Lot Owners of the Association. Any committee member may be removed by the person or persons authorized to appoint such member whenever in their judgment the best interests of the Association shall be served by such removals.

2. Term of Office. Each member of any committee shall continue as such until the next organizational meeting of a newly elected Board and until his successor is appointed unless the committee shall be: terminated sooner; such member shall be removed from such committee; or such member shall cease to qualify as a member of the committee.

3. Chairperson. One member of each committee shall be appointed Chairperson by the person or persons authorized to appoint the members thereof.

4. Vacancies. Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

5. Quorum. Unless otherwise provided in the resolution of the Board designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

6. Rules. Any committee may adopt rules for its own government not inconsistent with these Bylaws or with rules adopted by the Board.

ARTICLE VII

Fiscal Management

The provisions for fiscal management of the Property set forth in the Declaration may be supplemented by the following provisions:

1. Accounts. The funds and expenditures of the Townhome Lot Owners by and through the Association shall be credited and charged to accounts under the following classifications or as shall be appropriate:

(a) Current expense, which shall include all funds and expenditures within the year for which the funds are budgeted, including a reasonable allowance for contingencies and working funds, except expenditures chargeable to reserves or to capital improvements. For the purposes of these Bylaws, capital improvements shall have the same meaning provided for under Generally Accepted Accounting Principles;

(b) Reserve for deferred maintenance, shall include funds for maintenance items which occur less frequently than annually;

(c) Reserve for replacement, shall include funds for repair or replacement required because of damage, wear or obsolescence; and

(d) Capital improvements.

2. Inspection of Accounts. Townhome Lot Owners, their agents, and their Mortgagees may inspect the records of receipts and disbursements during convenient weekday business hours, and upon five (5) days notice to the Managing Agent, if any, or to the Board of Board Members.

3. Financial Statement Requests. Upon written request for a statement of accounts by a Townhome Lot Owner his agent, his Mortgagee, an authorized prospective Mortgagee, or an authorized prospective grantee of a Townhome Lot, the Association, or its Managing Agent, shall furnish: a copy of the most recent financial statement of the Association; a written statement of the amount of any unpaid Assessments or other amounts due against the Townhome Lot in question; the amount of the current Assessments and the dates that Assessments are due; the amount of any advanced payments made, prepaid items such as insurance premiums and reserves therefor; and accumulated deposits or deficiencies in any reserve accounts. Said statements shall be conclusive upon the Association in favor of all persons who rely on them in good faith. Any such statement shall be delivered within fourteen (14) days after the receipt of the request and shall be binding on the Association, the Board, and all Townhome Lot Owners. In the event no such statement is furnished as requested the Association shall have no right to assert a priority lien upon the Townhome Lot for unpaid Assessments which were due as of the date of the request. The holder of a first lien Mortgage encumbering a Townhome Lot shall, upon written request, be entitled to have an audited financial statement for the preceding fiscal year for the Association at the sole cost and expense of such Mortgagee or the Townhome Lot Owner.

ARTICLE VIII

Indemnification of Board Members and Officers

1. Indemnification. The Association shall, to the fullest extent provided by law, indemnify and hold harmless every Board Member and officer of the Association, and their respective successors, personal representatives and heirs, against all losses,

costs and expenses, including attorneys' fees, reasonably incurred by him in connection with any action suit or proceeding to which he may be made a party by reason of his being or having been a Board Member or an officer of the Association. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified may be indemnified for pursuant to Colorado law. The foregoing rights shall not be exclusive of other rights to which such Member or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a common expense provided, however, that nothing contained in this Article VIII shall be deemed to obligate the Association to indemnify any Board Member or Townhome Lot Owner who is or has been a Board Member or an officer of the Association with respect to obligations or liabilities incurred by such Board Member or officer in his or her capacity as a Townhome Lot Owner.

2. Contract Liability. Contracts or other commitments shall be made in the name of the Association by the Board, officers, or the Managing Agent. No Board Member or officer shall have any personal liability on any such contract or commitment except as a Townhome Lot Owner.

ARTICLE IX

Amendments

1. The Articles of Incorporation may be amended in the manner provided by law.
2. These Bylaws may be amended by a majority of the voting interests present at a duly constituted meeting of the Townhome Lot Owners for such purpose or by the Board, provided, however, that no amendment shall conflict with or minimize the intended effect of the provisions of the Articles of Incorporation or the Declaration.
3. Amendments to the Declaration shall be made as more particularly provided therein. Amendments to the Declaration shall be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose, or in the absence of such designation, the President of the Association.

ARTICLE X

Mortgages

1. **Notice to Association.** Any Townhome Lot Owner who mortgages his Townhome Lot shall notify the Association through its Managing Agent, if any, or the Association Secretary, giving the name and address of his Mortgagee. Any holder of a Mortgage shall notify the Association of such encumbrance by delivering a copy of such recorded encumbrance along with such Mortgagee's mailing address to the Association. The Association shall maintain such information in a book entitled "Mortgagees of Townhome Lots".

2. Notice of Default. When giving notice to a Townhome Lot Owner of a default in paying common assessments or other defaults, the Board shall send a copy of such notice to each Mortgagee of such Townhome Lot who has registered with the Association in accordance with this Article.

ARTICLE XI

Evidence of Ownership, Registration of Representative, Mailing Addresses, and Designation of Voting Representative

1. Proof Or Ownership. Except for those Townhome Lot Owners who initially purchase a Townhome Lot from Declarant, any person on becoming a Townhome Lot Owner shall furnish to the Managing Agent or to the Board, a copy of the recorded instrument vesting that person with an interest or ownership in the Townhome Lot, which copy shall remain in the files of the Association. A Townhome Lot Owner shall not be entitled to vote at any regular or special meeting nor shall he be deemed to be in good standing until this requirement is met.

2. Registration of Representative and Mailing Addresses. All Townhome Lot Owners shall designate one representative and shall register such representative's mailing address with the Association ("Registered Representative). The Registered Representative shall receive all statements, notices, demands and all other communications. Such registered address shall be the only mailing address of a person or persons, firm, corporation, partnership, association or other legal entity or any combination thereof to be used by the Association. Such registered address for the Registered Representative shall be furnished by such Townhome Lot Owners to the Association within fifteen (15) days after transfer of title, change of representative, or after a change of address, and such registration shall be in written form signed by all of the Townhome Lot Owners or by such persons as are authorized by law to represent the interest of all of the Townhome Lot Owners thereof.

3. Designation of Voting Representative. If a Townhome Lot is owned by one person, his right to vote shall be established by the record title thereto. If title to a Townhome Lot is held by more than one person or by a firm, corporation, partnership, association, or other legal entity, or any combination thereof, then such person or entity shall appoint one of its constituent persons as a proxy and with power of attorney to exercise the rights and obligations of membership in the Association. Any proxy to be exercised hereunder shall be filed with the Board prior to the time the proxy is to be exercised and no such proxy shall be recognized until and unless the proxy holder presents evidence reasonably sufficient to the Board that such proxy holder is the person named in the proxy and that the proxy is valid.

4. Good Standing. The requirements herein contained in this Article XI shall be first met before a Townhome Lot Owner shall be deemed to be in good standing and entitled to vote at any annual or special meeting.

ARTICLE XII

Obligations of the Owners

1. Assessments. All Townhome Lot Owners shall be obligated to pay the Assessments imposed by the Association to meet Common Expenses. As applicable, the Assessments shall be made pro rata according to the terms of the Declaration. Assessments shall be due in advance and Assessments shall include payments to a general operating reserve and a reserve fund for replacements. Any surplus funds of the Association remaining after payment of, or provision for, common expenses and any prepayment of, or provision for, reserves for capital improvements may be retained by the Association and need not be credited to the Townhome Lot Owners.

2. Maintenance and Repair.

(a) Every Townhome Lot Owner must perform promptly, at his own expense, all maintenance and repair work within his own Townhome Lot which, if omitted, would affect the appearance of or the aesthetic integrity of part of all of the Property.

(b) All repairs of internal installations of the Townhome Lot such as water, light, gas, power, sewage, telephone, sanitary installations, doors, windows, electrical fixtures, and all other accessories, equipment and fixtures shall be at the individual Townhome Lot Owner's expense.

(c) A Townhome Lot Owner shall be obligated to reimburse the Association promptly upon receipt of its statement for any expenditures incurred by the Association in repairing or replacing any common element damaged by his negligence or by the negligence of his tenants, agents, or guests.

3. General.

(a) Each Townhome Lot Owner shall comply strictly with the provisions of the recorded Declaration, the Articles of Incorporation of the Association, and these Bylaws, and all amendments and supplements thereto.

(b) Each Owner shall always endeavor to observe and promote the cooperative purposes for which the Property was built.

4. Use of Common Elements. Each Owner may use Common Elements and any other common areas in accordance with the purposes for which they were intended without hindering or encroaching upon the lawful rights of the other Townhome Lot Owners, and subject to the Rules and Regulations contained in these Bylaws and established by the Board.

5. Rules and Regulations.

(a) The initial rules and regulations, which shall be effective until amended or supplemented by the Board, are annexed hereto and made a part hereof as Exhibit A.

(b) The Board reserves the power to establish, make and enforce compliance with such additional rules and regulations as may be necessary or desirable for the operation, use and occupancy of the Property, with the right to amend the same from time to time by resolution duly proposed and approved at any Board meeting. Copies of such rules and regulations shall be furnished to each Townhome Lot Owner prior to the date when the same shall become effective.

ARTICLE XIII

Abatement of Violations by Townhome Lot Owners

The violation of any rule or regulation adopted by the Board, or the breach of any Bylaw, or the breach of any provision of the Declaration, shall give the Board or the Managing Agent the right to enter a Townhome Lot and abate such violation, using such force as may be necessary in so doing, without being liable to prosecution or damages therefor, and the Board or Managing Agent shall not be deemed guilty in any manner of trespass in so doing. The Board or Managing Agent shall also have the right to enjoin, abate, or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach. No failure by the Association to insist upon the strict performance of any term or provision contained in these Bylaws shall constitute a waiver of any such term or provision unless such waiver is made in writing by the Association. Any waiver of a breach of a term or provision of these Bylaws shall not prevent a subsequent act, which would have originally constituted a violation under these Bylaws, from having all the force and effect of a violation or prevent the Association from exercising all of its rights and remedies hereunder.

ARTICLE XIV

Association--Not for Profit

This Association is not organized for profit. No Townhome Lot Owner, Board member, or officer shall receive any compensation for services rendered in effecting one or more purposes of the Association, provided, however, that any Townhome Lot Owner, Member, or officer may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association. The provisions herein are not applicable to the Managing Agent who shall perform its managerial duties and functions according to written agreement for the compensation stated therein.

Adopted this _____ day of _____, 1996 by the Executive Board of **THE CASCADES AT EAGLERIDGE TOWNHOME ASSOCIATION, INC.**

By: _____, Secretary

EXHIBIT A

The Cascades At Eagleridge

RULES AND REGULATIONS

As of _____, 1996

The following are Rules and Regulations, pertaining to the conduct of persons and the use of the Common Elements and any other common areas, within **THE CASCADES AT EAGLERIDGE**, have been duly adopted by the Executive Board of **THE CASCADES AT EAGLERIDGE TOWNHOME ASSOCIATION, INC.** pursuant to the Declaration and Bylaws therefor. All words and phrases defined in the Declaration and Bylaws shall have the same meaning when used herein.

a. All Townhome Lot Owners shall obtain, read, and become familiar with the Declaration, the Bylaws, the Articles of Incorporation, and the Rules and Regulations.

b. All Townhome Lot Owners shall apply to the Executive Board for approval of any Improvements or alterations to any Townhome Lots including landscaping.

c. Common sidewalks, driveways, entrances, passageways, utilities, shall not be obstructed or used by any Townhome Lot Owners for any other purpose than intended.

d. No articles or vehicles of any kind shall be stored or placed on or in the Common Elements except on a temporary basis in driveways appurtenant to Townhomes.

e. Except as otherwise provided in the Declaration, no signs shall be placed or permitted within the Property. Except as provided below, so long as any Townhome Lot is owned by Declarant, no Owner shall be permitted to place any sign on the Property or on his Townhome Lot advertising his Townhome Lot for sale or lease.

f. Except as otherwise approved by the Board or as permitted by the Declaration, no Townhome Lot Owners, resident, or lessee of a Townhome Lot shall install exterior wiring for any purpose, nor shall any television or radio antenna, satellite dishes, machines or air conditioning units be installed on the exterior of the Property or protrude through the walls or the roof of any Townhome.

g. Townhome Lot Owners and occupants shall exercise reasonable care to avoid making or permitting to be made loud, disturbing or objectionable noises and offensive odors, and in using or playing or permitting to be used or played

musical instruments, radios, phonographs, television sets, amplifiers and any other instruments or devices in such manner as may disturb or tend to disturb owners, tenants or occupants of other Townhome Lots.

h. Decks and patios, if any, shall be used only for the purposes intended and shall not be used for hanging garments or other articles or for cleaning rugs, household articles or other items. No rugs or other materials shall be dusted from windows, courts, decks, or patios. No exterior window coverings of any kind are permitted and only appropriate permanent window coverings may be used on the interior; no temporary coverings such as newspapers, towels, sheets, blankets, etc. may be used.

i. All Owners shall maintain strict control of and over any cat, dog or other animal owned by such Owner at all times, and shall be responsible for all damage done by such animal. Any damage to the Common Elements or other common areas caused by a Townhome Lot Owner's animal shall be repaired at the expense of that Townhome Lot Owner. No pets may be kept on the premises that are not owned by a Townhome Lot Owner. Lessees, renters and any other occupants other than Townhome Lot Owners are not permitted to keep pets on the Property. Townhome Lot Owners shall be responsible for keeping their pets quiet at all times.

j. No sweepings, trash, rubbish, rags, papers, ashes, or other substances shall be deposited in the sanitary sewer system from any Townhome Lot, which may tend to impede the flow of liquid through such system.

k. Any damage to the Common Elements or common personal property caused by an Owner, a member of his family, guests, customers, or invitees shall be repaired at the expense of that Townhome Lot Owner.

l. The moving of furniture and fixtures in and out of Townhome Lots and Townhomes and the maintenance and repairs to any Townhome or Townhome Lot shall be accomplished only between the hours of 8:00 AM and 8:00 PM or in accordance with the then current Association Rules and Regulations.

EXHIBIT B

The Cascades At Eagleridge
Procedures and Enforcement

Reasonable procedures, including notice of alleged violations and opportunity to be heard, shall be implemented by the Association for enforcement of the Declaration, the Articles of Incorporation, the Bylaws, and these Rules and Regulations (collectively the "Documents"). All fees, fines and charges imposed by the Association and all costs incurred by the Association in enforcement of the Documents, including, but not limited to, the cost of any corrective actions and collection proceedings shall constitute enforceable assessments against Townhome Lot Owners pursuant to the provisions of the Documents. For each day any violation continues after notice, it shall be considered a separate violation. The Association shall have the authority to take any remedial action it deems appropriate in the event of a violation of the Documents.

No failure by the Association to insist upon the strict performance of any term or provision contained in the Documents shall constitute a waiver of any such term or provision unless such waiver is made in writing by the Association. Any waiver or indulgence of a breach of a term or provision of these Rules and Regulations shall not prevent a subsequent act, which would have originally constituted a violation under the Documents, from having all of the force and effect of a violation or prevent the Association from exercising all of its rights and remedial actions. Fines for various violations will be assessed and paid according to the following schedule. Each day an offense continues it will be considered a separate violation.

1st Offense -	Written warning
2nd Offense -	\$25.00 fine
3rd Offense -	\$50.00 fine
4th Offense -	\$100.00 fine
5th Offense and each following offense -	\$150.00 fine

Penalties for Assessments Not Paid on Time

All assessments, dues, and other payments not received by the 10th day after they are due will be subject to a late fee of \$10.00. If not received by the 10th of the month following the month in which they were due another \$10.00 late fee is due. For example, if on the 11th of February neither the January dues or the February dues have been received, the late fee due will be \$30.00; \$20.00 for the January dues and \$10.00 for the February dues. Any uncollected dues after 90 days may be pursued in small claims court with all costs charged to the homeowner who is in arrears. The Association also reserves the right to file a lien against a Townhome Lot Owner's Townhome Lot for any and all dues and other payments owed to the Association.

The Rules and Regulations are subject to amendment and to the promulgation of further regulations from time to time at the discretion of the Board.