

BYLAWS
OF
FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC.

The following Bylaws correctly set forth the provisions of the Bylaws, of FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC., and were duly adopted pursuant to the Colorado Non-Profit Corporation Act:

NAME AND LOCATION

The name of the corporation is FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC. (hereinafter referred to as the "Association"). The principal office of the corporation shall be located at 3 Widefield Blvd., Colorado Springs, Colorado 80911, but meetings of members and Directors may be held at such places within the County of El Paso as may be designated by the Board of Directors, which shall also be known and referred to sometimes herein as the "Board".

I

DEFINITIONS

All terms which are defined in the Declaration of Covenants, Conditions and Restrictions of Fountain Valley Ranch Filing No. 7 Homeowners Association, Inc. (hereinafter called the "Declaration" and incorporated herein by this reference) shall have the same meaning herein.

II

MEETING OF MEMBERS

2.1 Membership and Voting Rights. The requirements and conditions of membership and of voting rights shall be as provided in the Declaration and the Articles of Incorporation.

2.2 Annual Meetings. The first annual meeting of the Members shall be held within one year of the date of incorporation, and each subsequent annual meeting of the Members shall be held during the same month of each year thereafter at a place, date and time, within the State of Colorado, as the Board of Directors may determine.

2.3 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of Owners of Lots to which at least twenty percent (20%) of the votes in the Association are attached.

2.4 Notice of Meetings. Not less than ten (10) nor more than fifty (50) days in advance of any meeting, the secretary shall cause notice to be hand delivered or sent prepaid by United States mail to the mailing address of each Unit or to any other mailing address designated in writing by the Unit Owner. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board.

2.5 Action Taken Without Meeting. Notwithstanding any provision to the contrary, any action required or permitted to be taken at any meeting of Members may be taken without a meeting, prior notice or a vote, if a consent in writing, setting forth the action so taken is signed by all of the Members.

2.6 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, thirty percent (30%) of the votes in the Association shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

2.7 Proxies.

(a) If only one of the multiple Owners of a Lot is present at a meeting of the Association, such Owner is entitled to cast all the votes allocated to that Lot. If more than one of the multiple Owners are present, the votes allocated to that Lot may be cast only in accordance with the agreement of a majority in interest of the Owners, unless the Declaration expressly provides otherwise. There is majority agreement if any one of the multiple Owners casts the votes allocated to that Lot without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Lot.

(b) Votes allocated to a Lot may be cast pursuant to a proxy duly executed by a Lot Owner. If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. A Lot Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates eleven months after its date, unless it provides otherwise.

2.8 Majority of Members. As used in these Bylaws, the term "majority of Members" shall mean Owners of Lots to which at least fifty-one percent (51%) of the votes in the Association are attached, present at a meeting containing a quorum. Unless otherwise provided herein, an affirmative vote of a majority of the Members present, in person or by proxy, shall be required to transact the business of the meeting and shall be valid and binding upon all Members.

2.9 Order of Business. The order of business at all meetings of the Members shall be as determined by the Board.

III

BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE

3.1 Number. The property, business and affairs of the Association shall be managed by a Board of Directors. The initial Board of Directors shall be composed of three (3) directors, who shall be appointed by the Declarant. Notwithstanding any contrary provision of these Bylaws or the Association's Declaration or Articles of Incorporation, the Declarant may, until the Declarant has conveyed a majority of the Lots to residential purchasers or December 31, 1998, whichever occurs earlier, appoint or remove any officer of the Association or any member of the Board of Directors of the Association. Following the relinquishment of control by Declarant, the Owners shall elect the Board as provided in the Declaration, the Articles of Incorporation and the Bylaws. At each annual meeting after the Declarant relinquishes control, the number of directors and their terms of office may be increased or decreased by an affirmative vote of a majority of members at any annual meeting, but such changes shall not be effective until the next annual meeting.

3.2 Term of Office. At the first annual meeting after the relinquishment of control by Declarant, the Members shall elect at least one-third (1/3) of the directors for one-year terms, one-third (1/3) of the directors for two-year terms, and one-third (1/3) of the directors for three-year terms, and at each annual meeting thereafter, the Members shall elect the same number of directors as there are directors whose terms are then expiring, for terms of three years.

3.3 Resignation. Any Director may resign at any time by giving written notice of such resignation to the President or the Secretary. Unless otherwise specified in such written notice, such resignation shall take effect upon receipt thereof by such officer. In the event of death or resignation of a director, his successor shall be selected by a majority of the remaining directors and shall serve for the unexpired term of his predecessor.

3.4 Removal. Notwithstanding any provision of the Declaration or Bylaws to the contrary, the Owners, by a sixty-seven percent (67%) vote of all persons present and entitled to vote at any meeting of the Owners at which a ^{30%}quorum is present, may remove any member of the Board with or without cause, other than a member appointed by the Declarant. In the event of removal of a director, his successor shall be elected by a majority of the members present at such meeting and shall serve for the unexpired term of his predecessor.

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

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

IV

NOMINATION AND ELECTION OF DIRECTORS

4.1 Nomination. After the relinquishment of control by the Declarant, nomination for election to the Board of Directors shall be made by a Nominating Committee. Nomination may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more Members of the Association. The Nominating committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall, in its discretion, determine but not less than the number of vacancies that are to be filled.

4.2 Election. After the relinquishment of control by the Declarant, election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

V

MEETINGS OF DIRECTORS

5.1 Regular Meetings. Regular meetings of the Board of Directors shall be held with such frequency and at such times and places as shall be determined by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given to each director personally or by mail, telephone or telegraph, at least seven (7) days prior to the day named for such meeting.

5.2 Organizational Meeting. The first meeting of a newly elected Board of Directors following the annual meeting of the Members shall be held within ten (10) days thereafter at such place as shall be fixed by the directors at the meeting at which such directors were elected and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

5.3 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association, or by any two or more directors, upon three days notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, the place and the purpose of the meeting.

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

5.5 Quorum. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board, there is less than a quorum present, those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.1 Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations and to establish penalties for the infraction thereof. A rule or regulation shall not be in conflict with the Declaration or these Bylaws. A copy of such rules and regulations may be delivered by hand to each Lot or mailed to each Member upon the adoption thereof or may be recorded in the real property records of El Paso County;

(b) suspend any Member's right to vote and the right to receive Association services and privileges and to use of any recreational facilities during any period in which such Member shall be in default under the Declaration, including, without limitation, the non-payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for each infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to the Board or the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration, and as are necessary for the administration of the affairs of the Association and for the operation and maintenance of the Project;

(d) incur such costs and expenses as may be necessary to perform the Association's duties under the Declaration and to keep in good order, condition and repair all of the Common Area and facilities and all items of common personal property;

(e) declare the office of a director of the Board of Directors to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(f) employ a property manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fifth (1/5) of the Members who are entitled to vote;

(b) provide such supervision of all officers, agents and employees of this Association as the Board deems reasonably necessary and appropriate;

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

(i) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; such annual assessment may be collected on a monthly basis;

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

(iii) foreclose the lien against any property for which assessments are not paid within a time set by the Board after due date or to bring an action at law against the owner personally obligated to pay the same, or both.

(d) issue, or to cause an appropriate officer to issue a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on the property owned by the Association, insure and keep insured all of the insurable common property or facilities and procure and maintain all other insurance required by the Declaration or deemed advisable by the Board of Directors;

(f) cause all officers or employees having fiscal responsibilities to furnish adequate fidelity insurance or bonds as required by the Declaration. The premiums on such insurance or bonds shall be a common expense as may be deemed appropriate by the Board;

(g) establish a bank account or accounts for the common treasury and for all separate funds which are required or may be deemed advisable and to keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Lot Owners, and to cause an annual accounting for association funds and a financial statement to be prepared and presented to the Association by the managing agent, a public accountant, or a certified public accountant. All persons 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 persons or Managing Agent and shall maintain all reserve accounts of each association so managed separate from operational accounts of such Association.

(h) meet as often as the Board deems reasonable and appropriate.

6.3 No Waiver of Rights. The omission or failure of the Association or any Member to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provisions of the Declaration, the Bylaws or rules and regulations adopted pursuant thereto, shall not

constitute or be deemed a waiver, modification or release thereof, and the Board of Directors, the Association or any Member shall have the right to enforce the same thereafter.

VII

OFFICERS AND THEIR DUTIES

7.1 Enumeration of Offices. The officers of the Association shall be a President and a Vice-President, both of whom shall at all times be Members of the Board of Directors, and a Secretary and a Treasurer, and such other officers as the Board of Directors shall, from time to time, elect. The office of Treasurer and Secretary may be held by the same person. The offices of Secretary and Treasurer need not be held by Members of the Board of Directors.

7.2 Election of Officers. The initial officers shall serve until the Period of Declarant relinquishes control; thereafter, the election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

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

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

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

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

7.7 Duties. The duties of the officers are as follows:

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign on behalf of the Association all leases, mortgages, deed and other written instruments and shall co-sign all checks and promissory notes. Further, he shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint committees from among the owners from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meetings.

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

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

(d) Except to the extent performed by any managing agent, the Treasurer shall receive and deposit in appropriate governmentally insured accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; keep proper books of account; cause an annual accounting to be made as set forth in Section ____ above; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members. In the event a managing agent has the responsibility of collecting and disbursing funds, the Treasurer shall review the accounts of the managing agent not less often than once each calendar quarter.

(e) The President and the Secretary may prepare, execute, certify and record amendments to the Declaration on behalf of the Association following their adoption as provided therein.

VIII

OFFICERS AND DIRECTORS AS AGENTS OF ASSOCIATION

Contracts or other commitments made by the Board of Directors or officers shall be made as agent for the Association, and they shall have no personal responsibility on any such contract or commitment.

IX

INDEMNITY

The Corporation shall indemnify and defend its directors, officers and committee volunteers (whether serving now or in the past or future) from any claims, lawsuits, expenses, or liabilities arising from such persons' acts or omissions in performing their rights or duties on behalf of the Association. Such indemnification and defense shall include the fullest protection allowed by the law and statute, including without limitation, the most protective provisions, which shall apply to all such persons, of C.R.S. 7-22-101.5, 7-108-402, 7-109-101 et. seq., 13-21-115, 13-21-116, and 38-33.3-311(1), provided however, nothing in this indemnification and defense shall affect or impair any insurance coverage applicable to such persons, including without limitation the insurance company's duty to defend and to pay any claim.

X

COMMITTEES

The Board of Directors may appoint such committees as deemed appropriate in carrying out its purpose, including, without limitation, an architectural control committee.

XI

BOOKS AND RECORDS

The Association shall make available to Owners and Mortgagees, current copies of the Declaration, Bylaws, other rules concerning the Project, and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances. If the Project contains fifty (50) or more Lots, the Association shall provide an audited, annual financial statement to any First Mortgagee making a written request for it and without expense to such First Mortgagee. If the Project contains less than fifty (50) Lots, the holders of fifty-one percent (51%) or more of First Mortgagees shall be entitled to have an audited financial statement prepared at their expense if one is not otherwise available; said financial statement shall be furnished within a reasonable time following such request.

XII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If any assessment is not paid when due, the Association may impose an administrative fee not to fifteen (\$15.00) dollars per month. If any assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eighteen percent (18%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, and/or may foreclose the lien against the property, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided, and a reasonable attorney's fee to be fixed by the court, together with the expenses and costs of the action.

XIII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words:
FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION.

XIV

FHA/VA APPROVAL

As long as there is a Class B membership, and there is approval of the Project by the Federal Housing Administration or the Department of Veterans Affairs, the following action will require the prior approval of either of these agencies: annexation of additional properties, mergers and consolidations, mortgaging of Common Area, dissolution and amendment of these Articles.

XV

AMENDMENTS

15.1 The Association's Articles of Incorporation or these Bylaws, or both, may be amended, at a regular or special meeting of the Members, with a quorum present, by a vote of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are attached, present in person or by proxy. The Declarant reserves the right, until control by the Declarant is relinquished but without the vote of the Owners, to make amendments to the Association's Articles of Incorporation or these Bylaws, or both, as may be necessary to correct typographical errors or make clarifications in these Bylaws or as may be approved in writing by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration or Veterans Administration so as to induce any of such organizations to make, purchase, sell, issue, or guarantee First Mortgages in the Project, and each Owner, by accepting a deed, mortgage or other instrument affecting a Lot appoints Declarant as his attorney-in-fact for purposes of executing in said Owner's name and recording any such amendments to these Bylaws, the Articles of Incorporation and the Declaration, and each deed, mortgage, trust deed, other evidence of obligation or other instrument affecting a Lot and the acceptance thereof shall be deemed to be a grant and acknowledgment of and a consent to the reservation of the power to the Declarant to make, execute and record any such amendments.

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

XVI

MISCELLANEOUS

16.1 Unless the Board otherwise determines, the fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

16.2 The Directors and officers shall have all exemptions and rights provided by law and statute, and the Association shall indemnify them from any and all claims, demands, liabilities and

expenses, which are related to their official rights and duties, to the fullest extent provided by law and statute, except and excluding any sums covered or paid by insurance.

IN WITNESS WHEREOF, we, being all of the Directors of FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC., have hereunto set our hands this 20th day of July, 1998.

[Signature]
[Signature]
[Signature]

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC., a Colorado non-profit corporation, and,

That the foregoing Bylaws constitute the original Bylaws of said Corporation, as duly adopted at a meeting of the Board of Directors thereof, held on the 20th day of July, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 20th day of July, 1998.

[Signature]
Secretary

BYLAWS

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V

MEETINGS OF DIRECTORS

5.1 Regular Meetings. Regular meetings of the Board of Directors shall be held with such frequency and at such times and places as shall be determined by a majority of the directors. Notice of regular meetings of the Board of Directors shall be given to each director personally or by mail, telephone or telegraph, at least seven (7) days prior to the day named for such meeting.

5.2 Organizational Meeting. The first meeting of a newly elected Board of Directors following the annual meeting of the Members shall be held within ten (10) days thereafter at such place as shall be fixed by the directors at the meeting at which such directors were elected and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

5.3 Special Meetings. Special meetings of the Board of Directors may be called by the President of the Association, or by any two or more directors, upon three days notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, the place and the purpose of the meeting.

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

5.5 Quorum. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board, there is less than a quorum present, those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

VI

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

6.1 Powers. The Board of Directors shall have power to:

(a) adopt and publish rules and regulations and to establish penalties for the infraction thereof. A rule or regulation shall not be in conflict with the Declaration or these Bylaws. A copy of such rules and regulations may be delivered by hand to each Lot or mailed to each Member upon the adoption thereof or may be recorded in the real property records of El Paso County;

(b) suspend any Member's right to vote and the right to receive Association services and privileges and to use of any recreational facilities during any period in which such Member shall be in default under the Declaration, including, without limitation, the non-payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for each infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to the Board or the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration, and as are necessary for the administration of the affairs of the Association and for the operation and maintenance of the Project;

(d) incur such costs and expenses as may be necessary to perform the Association's duties under the Declaration and to keep in good order, condition and repair all of the Common Area and facilities and all items of common personal property;

(e) declare the office of a director of the Board of Directors to be vacant in the event such director shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(f) employ a property manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested in writing by one-fifth (1/5) of the Members who are entitled to vote;

(b) provide such supervision of all officers, agents and employees of this Association as the Board deems reasonably necessary and appropriate;

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

(i) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; such annual assessment may be collected on a monthly basis;

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

(iii) foreclose the lien against any property for which assessments are not paid within a time set by the Board after due date or to bring an action at law against the owner personally obligated to pay the same, or both.

(d) issue, or to cause an appropriate officer to issue a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on the property owned by the Association, insure and keep insured all of the insurable common property or facilities and procure and maintain all other insurance required by the Declaration or deemed advisable by the Board of Directors;

(f) cause all officers or employees having fiscal responsibilities to furnish adequate fidelity insurance or bonds as required by the Declaration. The premiums on such insurance or bonds shall be a common expense as may be deemed appropriate by the Board;

(g) establish a bank account or accounts for the common treasury and for all separate funds which are required or may be deemed advisable and to keep and maintain full and accurate books and records showing all of the receipts, expenses or disbursements and to permit examination thereof at any reasonable time by each of the Lot Owners, and to cause an annual accounting for association funds and a financial statement to be prepared and presented to the Association by the managing agent, a public accountant, or a certified public accountant. All persons 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 persons or Managing Agent and shall maintain all reserve accounts of each association so managed separate from operational accounts of such Association.

(h) meet as often as the Board deems reasonable and appropriate.

6.3 No Waiver of Rights. The omission or failure of the Association or any Member to enforce the covenants, conditions, restrictions, easements, uses, limitations, obligations or other provisions of the Declaration, the Bylaws or rules and regulations adopted pursuant thereto, shall not

constitute or be deemed a waiver, modification or release thereof, and the Board of Directors, the Association or any Member shall have the right to enforce the same thereafter.

VII

OFFICERS AND THEIR DUTIES

7.1 Enumeration of Offices. The officers of the Association shall be a President and a Vice-President, both of whom shall at all times be Members of the Board of Directors, and a Secretary and a Treasurer, and such other officers as the Board of Directors shall, from time to time, elect. The office of Treasurer and Secretary may be held by the same person. The offices of Secretary and Treasurer need not be held by Members of the Board of Directors.

7.2 Election of Officers. The initial officers shall serve until the Period of Declarant relinquishes control; thereafter, the election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

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

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

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

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

7.7 Duties. The duties of the officers are as follows:

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign on behalf of the Association all leases, mortgages, deed and other written instruments and shall co-sign all checks and promissory notes. Further, he shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, but not limited to, the power to appoint committees from among the owners from time to time as he may, in his discretion, decide is appropriate to assist in the conduct of the affairs of the Association or as may be established by the Board or by the Members of the Association at any regular or special meetings.

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

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

(d) Except to the extent performed by any managing agent, the Treasurer shall receive and deposit in appropriate governmentally insured accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; keep proper books of account; cause an annual accounting to be made as set forth in Section ____ above; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the Members. In the event a managing agent has the responsibility of collecting and disbursing funds, the Treasurer shall review the accounts of the managing agent not less often than once each calendar quarter.

(e) The President and the Secretary may prepare, execute, certify and record amendments to the Declaration on behalf of the Association following their adoption as provided therein.

VIII

OFFICERS AND DIRECTORS AS AGENTS OF ASSOCIATION

Contracts or other commitments made by the Board of Directors or officers shall be made as agent for the Association, and they shall have no personal responsibility on any such contract or commitment.

IX

INDEMNITY

The Corporation shall indemnify and defend its directors, officers and committee volunteers (whether serving now or in the past or future) from any claims, lawsuits, expenses, or liabilities arising from such persons' acts or omissions in performing their rights or duties on behalf of the Association. Such indemnification and defense shall include the fullest protection allowed by the law and statute, including without limitation, the most protective provisions, which shall apply to all such persons, of C.R.S. 7-22-101.5, 7-108-402, 7-109-101 et. seq., 13-21-115, 13-21-116, and 38-33.3-311(1), provided however, nothing in this indemnification and defense shall affect or impair any insurance coverage applicable to such persons, including without limitation the insurance company's duty to defend and to pay any claim.

X

COMMITTEES

The Board of Directors may appoint such committees as deemed appropriate in carrying out its purpose, including, without limitation, an architectural control committee.

XI

BOOKS AND RECORDS

The Association shall make available to Owners and Mortgagees, current copies of the Declaration, Bylaws, other rules concerning the Project, and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances. If the Project contains fifty (50) or more Lots, the Association shall provide an audited, annual financial statement to any First Mortgagee making a written request for it and without expense to such First Mortgagee. If the Project contains less than fifty (50) Lots, the holders of fifty-one percent (51%) or more of First Mortgagees shall be entitled to have an audited financial statement prepared at their expense if one is not otherwise available; said financial statement shall be furnished within a reasonable time following such request.

XII

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If any assessment is not paid when due, the Association may impose an administrative fee not to fifteen (\$15.00) dollars per month. If any assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of eighteen percent (18%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, and/or may foreclose the lien against the property, and in the event a judgment is obtained, such judgment shall include interest on the assessment as above provided, and a reasonable attorney's fee to be fixed by the court, together with the expenses and costs of the action.

XIII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION.

XIV

FHA/VA APPROVAL

As long as there is a Class B membership, and there is approval of the Project by the Federal Housing Administration or the Department of Veterans Affairs, the following action will require the prior approval of either of these agencies: annexation of additional properties, mergers and consolidations, mortgaging of Common Area, dissolution and amendment of these Articles.

XV

AMENDMENTS

15.1 The Association's Articles of Incorporation or these Bylaws, or both, may be amended, at a regular or special meeting of the Members, with a quorum present, by a vote of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are attached, present in person or by proxy. The Declarant reserves the right, until control by the Declarant is relinquished but without the vote of the Owners, to make amendments to the Association's Articles of Incorporation or these Bylaws, or both, as may be necessary to correct typographical errors or make clarifications in these Bylaws or as may be approved in writing by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration or Veterans Administration so as to induce any of such organizations to make, purchase, sell, issue, or guarantee First Mortgages in the Project, and each Owner, by accepting a deed, mortgage or other instrument affecting a Lot appoints Declarant as his attorney-in-fact for purposes of executing in said Owner's name and recording any such amendments to these Bylaws, the Articles of Incorporation and the Declaration, and each deed, mortgage, trust deed, other evidence of obligation or other instrument affecting a Lot and the acceptance thereof shall be deemed to be a grant and acknowledgment of and a consent to the reservation of the power to the Declarant to make, execute and record any such amendments.

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

XVI

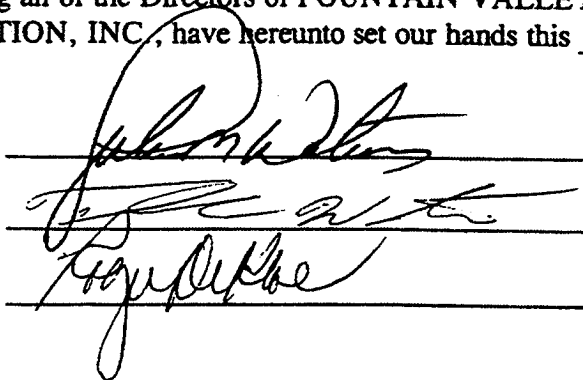
MISCELLANEOUS

16.1 Unless the Board otherwise determines, the fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

16.2 The Directors and officers shall have all exemptions and rights provided by law and statute, and the Association shall indemnify them from any and all claims, demands, liabilities and

expenses, which are related to their official rights and duties, to the fullest extent provided by law and ~~shall~~, except and excluding any sums covered or paid by insurance.

IN WITNESS WHEREOF, we, being all of the Directors of FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC., have hereunto set our hands this 20th day of July, 1998.



CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of FOUNTAIN VALLEY RANCH FILING NO. 7 HOMEOWNERS ASSOCIATION, INC., a Colorado non-profit corporation, and,

That the foregoing Bylaws constitute the original Bylaws of said Corporation, as duly adopted at a meeting of the Board of Directors thereof, held on the 20th day of July, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 20th day of July, 1998.



Secretary