

BY-LAWS
OF
HILLCREST PROPERTY OWNERS, LTD.

ARTICLE I.

Office, Corporate Seal and Definitions

1. Principal Office: The principal office of the Corporation shall be at _____, Durango, Colorado 81301.

2. Other Offices: The Corporation may have such other offices within the State of Colorado as the Board of Directors may, from time to time, establish.

3. Registered Office: The registered office of the Corporation, required by the Colorado Corporation Code to be maintained in the State of Colorado, may be, but need not be, identical with the principal office; and the address of the registered office may be changed from time to time by the Board of Directors as provided by law.

4. Registered Agent: The registered agent may be changed from time to time at the pleasure of the Board of Directors.

5. Corporate Seal: The corporate seal of the Corporation shall consist of two concentric circles, between which shall appear the name of the Corporation with the name "Colorado", and if deemed desirable, the year of the establishment of the Corporation. The word "Seal" shall appear in the center of the said concentric circles.

6. Definitions:

By-Laws refer to these By-Laws of Hillcrest Property Owners, Ltd.

Articles of Incorporation refer to the Articles of Incorporation of Hillcrest Property Owners, Ltd. filed in the offices of the Secretary of State of the State of Colorado on April 12, 1985.

Association or Corporation refers to Hillcrest Property Owners, Ltd.

Board refers to the Board of Directors of Hillcrest Property Owners, Ltd.

ARTICLE II.

Members and Membership

1. Class and Voting: There shall be one class of membership only. Each membership, unless otherwise provided in these By-Laws, shall be entitled to one vote at all membership meetings of the Corporation.

2. Qualification of Members: Members shall be limited pursuant to the Articles of Incorporation to owners of a fee interest in property within the Hillcrest Estates Subdivision or individuals who are contract purchasers of lots within Hillcrest Estates Subdivision. Each single family lot within the Hillcrest Estates Subdivision shall be entitled to a single membership and a single vote. Condominiums or townhouse associations which have been formed within the Hillcrest Estates Subdivision shall be entitled to membership; provided, however, a condominium association or association of property owners owning townhomes shall be considered as a single member for purposes of these By-Laws, and such association shall be entitled to one (1) vote. Members shall be limited to natural persons, and the multiple owners of individual lots shall only be entitled to one (1) vote for each single family lot within the Hillcrest Estates Subdivision.

3. Membership Not Severable From Land: Each membership shall be an incident of ownership of a single family lot within the Hillcrest Estates Subdivision or of ownership of common property within a condominium association or an association of townhomes as hereinabove defined. Memberships shall not be severable from the real property interest which qualifies individuals as members of the Corporation. Membership certificates shall be issued by the Corporation to each owner of record and shall be transferrable only upon the books of the Corporation upon proper application and such evidence as the Secretary of the Corporation may require for purposes of verifying ownership and qualification for membership.

4. It shall be the duty of each member to abide by the Articles of Incorporation, the By-Laws and such rules and regulations as may be established by the Board of Directors for the benefit of Hillcrest Property Owners, Ltd. and all members of the Corporation.

5. All memberships are subject to termination by proper action of the Board of Directors of the Corporation in the event necessary initiation fees and annual membership fees have not been paid by the person or persons who otherwise would qualify for membership within the Corporation. The Board of Directors is hereby vested with complete authority to establish such initiation fees and annual membership fees as may be determined prudent or necessary for purposes of completing the Corporation's business. Such fees shall be submitted for approval to a meeting of the membership to be held in accordance with the provisions of Article III of these By-Laws and, upon approval, shall be due and payable from all members in accordance with the authorization obtained from the membership approval. Entitlement to vote as a member of the Corporation shall be conditioned upon payment of all dues which have been duly approved by the members, and any member failing to pay dues on or before the due date shall be precluded from voting on any matters coming before the membership of the Corporation.

ARTICLE III.

Meetings of Members

1. Annual Meeting: The annual meeting of the members, for the election of Directors and the transaction of such other business as may

properly come before the meeting, shall be held at the principal office of the Corporation, or at such other place as shall be determined by the Board, on the Month ~~day~~ of May of each year.

2. Special Meetings: Special meetings of the members may be called by the Board or by not less than one-tenth (1/10) of all the members. Such call shall specify the time and place for the meeting as the person or persons calling the same shall specify.

3. Notice of Meetings: Written or printed notice stating the place and date of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than fifty (50) days before the date of the meeting, either personally or by mail, by or at the direction of the President, Secretary or the officer or persons calling the meeting, to each member. If mailed, such notices shall be deemed to be delivered when deposited in the United States Mails, addressed to the member at his address as it appears on the membership record book of the Corporation, with postage thereon prepaid.

4. Voting: The right to vote shall be as set forth in the Articles of Incorporation and as further specified in Article II of these By-Laws. A membership entitled to vote may be voted in person or by a proxy executed in writing by the holder of the membership or his duly authorized attorney-in-fact. Any proxy shall be dated at execution and no proxy shall be valid after fifty (50) days from the date of its execution. No voting shall be allowed or authorized by mail. Cumulative voting shall not be allowed.

5. Quorum: A quorum at any meeting of the members shall consist of 51 per cent of the membership entitled to vote being present in person or by proxy. A quorum is necessary to have a meeting. If less than a quorum is represented at a meeting, a majority of the members present may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at a meeting as originally notified. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum. A majority of the members present, including proxies, shall decide any question that may come before the meeting unless otherwise specified by law, the Articles of Incorporation or these By-Laws.

6. Chairman: The President of the Corporation shall be chairman of all meetings of members. In his absence, the Vice President of the Corporation shall act as chairman. In the absence of both, a chairman may be elected by the members present.

7. Oral Vote: Voting shall be oral, but shall be by written ballot if such vote is demanded by any member present or in person or by proxy and entitled to vote.

8. Action by Members Without a Meeting: Any action required to be taken at a meeting of the members, or any action which may be taken at

a meeting of the members, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by a majority of the members entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as approval of the membership at a meeting duly called pursuant to these By-Laws.

ARTICLE IV.

Purposes of Corporation

To the extent not inconsistent with the Articles of Incorporation previously filed on behalf of the Corporation, the purposes of the Corporation are as follows:

1. To foster compliance with the intent of the Covenants, Conditions and Restrictions of Hillcrest Estates and to uphold the quality of the subdivision.

2. To interact with governmental agencies (police, fire, city, county, school district, parks, postal authorities, street maintenance, etc.) to promote the best interest of the subdivision.

3. To encourage residents to develop community spirit of friendliness, helpfulness and respect for the rights of residents, to assist in the maintenance of property values, and to encourage peaceful enjoyment of the property interests of all members.

4. To enhance the security of the subdivision by providing a neighborhood watch to safeguard others' property, children and pets.

ARTICLE V.

Directors, Powers and Meetings

1. General Powers: The business and affairs of the Corporation shall be managed by a Board of Directors who shall exercise all powers of the Corporation, except as otherwise provided by the Colorado Non-Profit Corporation Code or the Articles of Incorporation.

In addition to the powers set forth above, the Board shall have the power to make and enforce rules and regulations concerning the use of property owned or administered by the Corporation.

2. Number, Tenure and Qualifications: The number of Directors of the Corporation shall be not less than five (5), but may be increased to no more than seven (7) from time to time by amendment to the By-Laws. The total number of Directors shall always be an odd number. Directors shall be elected from the voting membership at each annual meeting of members, or at a special meeting called for that purpose.

Each Director shall hold office for a term of three (3) years, or for the unexpired term to which he is elected, and until his successor is duly elected and qualified. The three-year term of all Directors shall be

staggered so that approximately one-third (1/3) of the terms are elected each year. If one or more three-year terms are being elected together with an unexpired term or terms, the candidates receiving the greatest number of votes from the membership shall fill the three-year terms, and those receiving the next greatest number of votes shall fill the unexpired terms. Directors shall be removable in the manner provided by the statutes of Colorado.

3. Resignations: Any Director may resign at any time by mailing or delivering written notice of his resignation to the Board or the Secretary of the Corporation; and any such resignation shall take effect at the time specified therein, or if no time is specified, then at the next meeting of the Board of Directors.

4. Vacancies: Any vacancy occurring on the Board may be filled by the affirmative vote of a majority of the remaining Directors, even if there is less than a quorum of Directors remaining on the Board. A Director elected by the Board to fill a vacancy shall hold office until the next annual meeting of the membership, or a special meeting called for the purposes of such election, and then the unexpired term shall be filled by election of the membership.

Any directorship to be filled by reason of an increase in the number of Directors shall be elected in the same manner and for the same period of time as is defined for electing Directors to fill a vacancy.

5. Special Meetings and Regular Meetings: Special meetings of the Board of Directors may be called at any time and at any place, within or without the State of Colorado, by the President or by any two of the Directors. Notice of such meeting shall be delivered to each Director or mailed to the last known address of each Director at least seven (7) days prior to the date fixed for the meeting. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the purpose nor the business to be transacted at any regular or special meeting of the Board need be specified in the notice or waiver of notice of such meeting.

Regular meetings of the Board shall be held at such intervals as the Board may determine in its discretion. All requirements for special meetings shall apply for regular meetings except that notice of such meetings may be verbal.

6. Quorum and Voting: A majority of the total number of Directors shall constitute a quorum for the transaction of business, and a majority of the total number of Directors is required to pass any vote. The acts of the Directors at a meeting shall be the acts of the Board of Directors.

7. Compensation: Members of the Board shall not receive any stated salary or additional compensation for their services as Directors. Nothing herein contained shall be construed to preclude any Director from

serving the Corporation in any other capacity as an employee, agent or otherwise and receiving compensation therefor.

8. Presumption of Assent: A Director of the Corporation who is present at a meeting of the Board at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting, or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before adjournment thereof, or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of any action.

9. Committees: The Board, by resolution adopted by a majority of the number of Directors fixed by these By-Laws, may designate committees. Any such committee, to the extent provided in such resolution, shall have and may exercise all of the authority granted by the Board; but the designation of such committee, and the delegation of authority thereto, shall not operate to relieve the Board, or any member thereof, of any responsibility imposed upon it by law.

10. Action by Directors Without Meeting: Any action required to be taken at a meeting of the Directors of the Corporation, or any action which may be taken at such meeting, may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors, and may be stated as such in any articles or documents filed with the Secretary of State under the State of Colorado Non-Profit Corporation Code.

11. Chairman of the Board: The President of the Corporation is automatically Chairman of the Board. In his absence, the Vice President shall act as Chairman of all meetings of the Board.

12. Bank Accounts: Anything herein to the contrary notwithstanding, the Board may, except as may otherwise be required by law, authorize any officer or officers, agent or agents, in the name of and on behalf of the Corporation, to sign checks, drafts or other orders for the payment of money or notes or other evidences of indebtedness, to endorse for deposit, deposit to the credit of the Corporation at any bank or trust company or banking institution in which the Corporation may maintain an account, and cash checks, notes, drafts or other bankable securities or instruments; and the Board may also borrow funds as necessary for the benefit of the Corporation pursuant to resolution duly authorized by the Board of Directors. Such authority may be general or confined to specific instances, as the Board may elect. Unless authorized by the Board, no officer or agent or employee shall have the power or authority to bind the Corporation by any contract or engagement, or to pledge the Corporation's credit or render it monetarily liable for any purpose or any amount.

13. Legal or Other Counsel: The Board may retain legal counsel or other counsel as it may determine necessary to protect and advance the interests of the Corporation. The retainer of counsel and the payment of

fees for services rendered must have the approval of a majority of the total members of the Board.

14. Service on Committees: Members of the Board may serve on any committee if appointed by the Board and may serve in any function that the Board may direct.

ARTICLE VI.

Officers and Agents

1. Officers: The officers of the Corporation shall consist of a President, Vice President, Secretary and Treasurer, each of whom shall be elected by the Board, and each of whom shall be presently serving as duly elected members of the Board. The Board may elect or appoint such other officers and assistant officers and agents as may be deemed necessary or appropriate. The Board shall fix the authority, duties and terms of office of all of the officers of the Corporation. Any two or more offices may be held by the same person except the offices of President and Secretary shall be held by separate individuals. The officers shall be elected at the first meeting of the Board after each annual meeting of the members, and each officer shall hold office until his successor shall be chosen and shall be qualified, unless he shall sooner resign or be removed.

2. Removal of Officers: Any officer or agent may be removed by the Board whenever, in its judgment, the best interests of the Corporation will be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not, of itself, create contract rights.

3. President: The President shall be the chief executive officer of the Corporation; he shall preside at any meetings of the members at which he is present, and shall preside at any meeting of the Board at which he is present. He shall have general and active management of the Corporation and shall see that all orders and resolutions of the Board are carried into effect.

4. Vice President: The Vice President shall, in the absence or disability of the President, perform the duties and exercise the power of the President, and shall perform such other duties as may, from time to time, be prescribed by the Board of Directors.

5. Secretary: The Secretary or, in his absence, an appointed substitute, shall attend all sessions of the Board and all meetings of the members and shall record all votes and the minutes of all proceedings in a book to be kept for the purpose. He shall cause to be given due notice of all meetings of the members and special meetings of the Board. He shall keep in safe custody the corporate records and the seal of the Corporation and, when authorized by the Board, shall affix the seal to any instrument requiring it, and when so affixed it shall be attested by his signature or by the signature of the assistant Secretary. He shall keep at the registered office or the principal place of business of the Corporation a record of the members, giving names and addresses of each. He shall, in general,

perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President or by the Board.

6. Treasurer: The Treasurer shall have custody of the corporate funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation, and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board. He shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and the Directors at the regular meetings of the Board, or whenever they require it, an account of all his transactions and of the financial conditions of the Corporation. He shall, if required by the Board, give the Corporation a bond in such sums and with such sureties as shall be satisfactory to the Board, conditioned upon the faithful performance of the duties assigned to him. He shall be responsible for the restoration to the Corporation of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Assistant Treasurers, if any, shall have the same powers and duties, subject to the supervision of the Treasurer.

The Treasurer may be the same person as the Secretary.

ARTICLE VII.

Indemnification of Officers and Directors

Each Director and officer of this Corporation and each person who shall serve at its request as a member of a committee or in any other capacity shall be indemnified by the Corporation against all costs and expenses actually and necessarily incurred by him in connection with the defense of any action, suit or proceedings to be liable for negligence or misconduct in the performance of duty. Such costs and expenses shall include amounts reasonably paid in settlement for the purpose of curtailing litigation, but only if the Corporation is advised in writing by its counsel that, in his opinion, the person indemnified did not commit such negligence or misconduct. The foregoing right of indemnification shall not be exclusive of other rights to which he may be entitled as a matter of law or by agreement.

ARTICLE VIII.

Miscellaneous

1. Fiscal Year: The fiscal year of the Corporation shall begin on August 1 of each year and end on July 31 of the following year.

2. Notices: Whenever notice is required to be given by these By-Laws, or under the Colorado Non-Profit Corporation Code, it shall be deemed to be sufficiently given by depositing the same in a postal box,

postage prepaid, addressed to the person entitled to it at his last known address shown by the books of the Corporation. Notice shall be deemed to have been given upon the date of such mailing.

3. Waiver of Notice: Whenever notice is required to be given to any member or Director of the Corporation under the provisions of the Colorado Non-Profit Corporation Code, or under the provisions of the Articles of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE IX.

Amendments and Additions - By-Laws

1. The By-Laws, in whole or in part, may be amended by the Board. New By-Laws may be enacted by the Board. However, all such actions shall conform to the restrictions and intent of the Articles of Incorporation. No amendment or addition to Article II of these By-Laws may be made without the approval of three-fourths (3/4) of the membership. No new By-Law may be made which will infringe on the rights of any member under Article II of the By-Laws.

All By-Laws are subject to and shall be consistent with the restrictions and limitations as set forth in the Articles of Incorporation. All By-Laws must adhere to these restrictions and limitations, as well as to the intent of the Articles of Incorporation.

2. Notification of any amendment to these By-Laws or addition to these By-Laws shall be mailed to the entire membership within thirty (30) days of such action.