

BYLAWS
OF
THE GROVE HOMEOWNERS ASSOCIATION

A Non-Profit Corporation

ARTICLE I

Offices and Purpose

1.1 Name and Location. The name of the Corporation is The Grove Homeowners Association, Inc., hereinafter known as the "ASSOCIATION". The principal office of the Association shall be located at 75 Manhattan Drive, Boulder, Colorado 80303. The Association may have such other offices, either within or outside Colorado, as the Board of Directors may designate or as the business of the Association may require from time to time.

1.2 Registered Office and Agent. The registered agent and office of the Association required by the Colorado Non-profit Corporation Act to be maintained in Colorado shall be Thomas R. Hoyt, located at 75 Manhattan Drive, Boulder, Colorado 80303. The registered office and the registered agent may be changed from time to time by the Board of Directors.

1.3 Purpose. In addition to the purposes set forth in the Articles of Incorporation for the Association, the Association shall have the following purposes: to advance, represent and aid the interests of the members of the Association and to establish a manner in which to govern the lots and owners of lots within The Grove Subdivision.

ARTICLE II

Definitions

2.1 "Association" shall mean and refer to The Grove Homeowners Association, its successors and assigns.

2.2 "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions and such additions thereto as may hereafter be brought within the jurisdiction of the Association and as recorded in the County of Boulder, State of Colorado.

2.3 "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners and as described in the Declaration of Covenants, Conditions and Restrictions.

2.4 "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision plat of the Properties with the exception of the Common Areas and shall include a dwelling unit or structure thereon.

2.5 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

2.6 "Declarant" shall mean and refer to McStain Enterprises, Inc., its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purposes of development and be designated by the Declarant or successor Declarant as a Declarant by a duly recorded instrument.

2.7 "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions of The Grove Subdivision recorded in the County of Boulder.

ARTICLE III

Membership and Voting Rights

3.1 Membership. Every Owner of a Lot within the Properties, including the Declarant as defined in the Declaration, so long as it shall be an Owner, shall automatically be a member of the Association, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member. Any and all rights and regulations concerning members shall be as set forth in the Declaration.

3.2 Annual Meetings. The first Annual Meeting of the Members of the Association shall be held within one year from the date of incorporation of the Association, and each subsequent regular Annual Meeting of the Association shall be held on the same day of the same month of each year thereafter, at the hour of 7:30 P.M. or at a different time established by the Board of Directors upon written notice given to all Members.

3.3 Special Meeting. Special meetings of the Members of the Association may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth of all the votes of the Class A Membership.

3.4 Notice of Meetings. Written notice of each meeting of the Members of the Association shall be given by, or at the direction of, the President, Secretary or the person authorized to call the meeting by hand delivery or mailing a copy of such notice, postage prepaid, or a combination thereof, at least fifteen days before such meeting to each Member entitled to vote at such meeting, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to

the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

3.5 Quorum. The presence at a meeting of the Association entitled to cast, or of proxies entitled to cast, ten percent (10%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. An affirmative vote of a majority of the votes present where a quorum is in attendance in person or by proxies shall be necessary to transact business and to adopt decisions binding on all Members of the Association. If such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

3.6 Proxies. At all meetings of members of the Association, each Member may vote in person or by proxy. All proxies shall be in a writing and filed with the Secretary of the Association at or before the time of such meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE IV

Board of Directors

4.1 Number and Establishment. The Board of Directors shall consist of three members, who need not be members of the Association. The initial Board shall serve at the pleasure of the Declarant until such time as the Class B membership is converted to Class A membership as set forth under the Declaration. After such conversion occurs, at the next Annual Meeting of the members, three Directors shall be elected to replace the previous Directors.

4.2 Term of Office. The initial members of the Board of Directors shall serve until they are replaced. The Directors elected at the first annual meeting of members after conversion from Class B membership to Class A membership shall serve as follows: one Director shall be elected for a period of one year; one Director shall be elected for a period of two years; one Director shall be elected for a period of three years. Thereafter at each annual meeting of members, one Director shall be elected for a period of three years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association. The number of Directors and their terms may be changed by amendment to these Bylaws. Elected Directors must be an Owner of a Lot within the Properties or be an officer of any corporate Owner of a Lot, or a partner in any partnership owning a Lot, or a Trustee of any

Trust owning a Lot within the Properties. Election to the Board of Directors shall be by 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.

4.3 Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, his or her successor shall be selected by the remaining Members of the Board to serve for the unexpired term of his or her predecessor.

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

4.5 Nomination. After the initial Board of Directors has been replaced, nomination for election to the Board of Directors shall be made by a nominating committee. Nominations may also be made from the floor at the Annual Meeting for purposes of election to the Board. The nominating committee shall be appointed by the Board of Directors and shall consist of one member of the Board and two or more Members of the Association. The members of the nominating committee shall serve a term as designated by the Board and 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.

ARTICLE V

Meetings of Directors

5.1 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly or as the needs of the Association dictate, at such place and hour as may be fixed from time to time by resolution of the Board.

5.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two Directors, after not less than three days notice to each Director.

5.3 Quorum. A majority of the number of Directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

5.4 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.

ARTICLE VI

Powers and Duties of the Board of Directors

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

a) adopt, make, publish and amend such reasonable rules and regulations to govern the use of the Common Areas and facilities located thereon and the personal conduct of the Members and guests thereon, and establish penalties for the violation of said rules and regulations;

b) suspend the voting rights and right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

c) exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

d) declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from three consecutive regular meetings of the Board of Directors;

e) employ and terminate a manager, an independent contractor or such other employees as they deem necessary, and to prescribe their duties. Duties and powers of the Board may be delegated to said manager as deemed appropriate by the Board.

f) administer and enforce the Declaration of Covenants, Conditions and Restrictions, and all provisions set forth therein;

g) to enter into, make, perform or enforce contracts, and agreements of every kind and description.

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 therefore to

the Members at the Annual Meeting of the membership of the Association or at any Special Meeting when such statement is requested in writing by one-fourth of the Class A members;

b) supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;

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

- (1) establish the amount of the Annual Assessment;
- (2) establish the amount of the Individual Assessments and establish fines; and
- (3) send written notice of such assessments as required in the Declaration;
- (4) establish the annual budget for the Association.

d) prepare, record and foreclose the lien against any Lot for which assessments are not paid or bring an action at law against the Owner personally obligated to pay the same; and

e) issue or cause an appropriate officer to issue, upon demand by an Owner or First Mortgagee, a certificate setting forth whether or not an assessment has been paid. A reasonable charge may be established by the Board for the issuance of these certificates and any certificate stating an assessment has been paid, shall be conclusive evidence of such payment.

f) establish a reasonable late fee for nonpayment of assessments in accordance with the Declaration.

g) procure and maintain adequate liability, hazard insurance and other types of insurance on Common Areas and property owned by the Association in accordance with the Declaration and other insurance as the board deems advisable;

h) keep in good order and maintain all of the Common Areas;

i) cause all officers or employees having fiscal responsibilities to be bonded, as it deems appropriate and in accordance with the Declaration;

j) exercise any other powers conferred by the Declaration, Articles or Bylaws and exercise all other powers necessary for the proper governing and operation of the Association.

ARTICLE VII

Officers and Their Duties

7.1 Enumeration of Officers. The officers of this Association shall be a President, who shall be a member of the Board of Directors and a Vice-president, Secretary and Treasurer,

and such other officers as the Board of Directors may from time to time by resolution create.

7.2 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each Annual Meeting of the members of the Association.

7.3 Term. The officers for the Association shall be elected annually by the Board and each shall hold office for one year unless he shall sooner resign, be removed, or be 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 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 being replaced.

7.7 Multiple Offices. The offices of Secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 7.4 of this Article.

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

a) President. The President shall preside at all meetings of the Board of Directors and the meetings of the members of the Association; shall see the orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments as designated by the Board.

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

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

d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by the Board of Directors in payment of the Association's obligations, shall sign checks and other documents as designated by the Board; keep proper books of account; cause an annual audit of the Association's books to be made by a public accountant at the completion of each fiscal year, if so directed by the Board of Directors and shall prepare an annual budget and a statement of income and expenditures to be presented at the Association's regular annual meeting.

7.9 Committees. The Association shall appoint committees as provided in the Declaration and as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

ARTICLE VIII

Assessments

As more fully provided in the Declaration, each Member is obligated to pay to the Association certain assessments which are personal obligations of such Member and 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 the assessment is not paid by its due date, as determined by the Board of Directors, the Association may bring an action at law against the Member personally obligated to pay the same or foreclose the lien against the property and interest, late fees, costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessment. No Member may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Areas of abandonment of his Lot.

ARTICLE IX

Miscellaneous

9.1 Amendments. These Bylaws may be amended, at an annual or special meeting of the members of the Association, by a vote of a majority of a quorum of Members present in person or by proxy. If the approval of First Mortgagees, the Federal Housing Administration, Veterans Administration or similar agency is required with respect to an amendment of the Bylaws, then such

approval shall be also necessary.

9.2 Voting Rights. The Board of Directors may require reasonable evidence of ownership be provided in determining eligibility of a member to vote at the annual meeting of the Association.

9.3 Nonprofit Association. The Association is not organized for profit and no Member, member of the Board of Directors, or Officer shall receive any pecuniary profit from the operation thereof, and no part of the funds or assets of the Association be distributed to, or inure to the benefit of, any Director, Officers or Member, except upon dissolution of the Association, as provided in the Declaration or Articles of Incorporation, except for reimbursement for reasonable expenses incurred by such person in the performance of their duties.

9.4 Indemnification. The Association shall indemnify every director, officer, agent, or employee or any former director, officer, agent, or employee against loss, costs, and expenses, including attorney fees reasonably incurred in connection with any action, suit or proceeding in which such person may be made a party by reason of being, or having been such director, officer, agent or employee of the Association, except as to matters concerning which such person shall be liable for gross negligence or fraud. Any such indemnification shall be limited to and may only be paid out of the insurance proceeds provided by an insurer and as allowed in the Declaration.

9.5 Corporate Seal. The Association shall have a seal in circular form having within its circumference, the words: THE GROVE HOMEOWNERS ASSOCIATION.

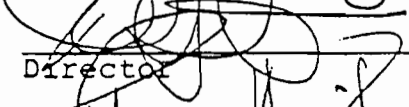
9.6 Fiscal Year. The fiscal year of the Association shall begin on the 1st day of January and end on the 31st day of December of every year, unless altered by the Board of Directors and the first fiscal year shall begin on the date of incorporation.

IN WITNESS WHEREOF, the undersigned being all the Directors of The Grove Homeowners Association, have hereunto set their hands this 20th day of June, 1988.

THE GROVE HOMEOWNERS
ASSOCIATION



Director



Director



Director