

BYLAWS
OF
FOREST GATE HOMEOWNERS ASSOCIATION, INC.
a Colorado nonprofit corporation

These Bylaws have been adopted by the Board of Directors of Forest Gate Home Owners Association Inc. (the "Association"), a corporation duly organized under the Colorado Revised Nonprofit Corporation Act for the purpose of serving as the owners' association described in the Restrictions and Covenants for Forest Gate Subdivision, recorded in the records of El Paso County, Colorado, and any amendments thereto (the "Covenants"). Capitalized terms appearing herein that are not otherwise defined shall have the meaning given them in the Covenants.

ARTICLE I
MEMBERS

Section 1.1 Eligibility. Each Owner of a Lot, by virtue of the ownership of a Lot, shall be a Member of the Association. The Owner(s) of a Lot shall be entitled to vote on the basis of one vote for each Lot then existing in the Community Area. When there is more than one Owner of a Lot, the Owners shall determine which of them is to act as member of the Association and exercise the privileges of membership for that Lot in accordance with the Covenants.

Section 1.2 Proxies. A Member may vote in person or by written, revocable proxy executed by the Member or a duly authorized attorney-in-fact and submitted to the Association prior to the vote to which the proxy is given. Proxies may be revoked by giving notice to the Board or by the Member's physical presence at the meeting.

ARTICLE II
ASSOCIATION MEETINGS

Section 2.1 Annual Meeting. The Association shall hold at least one meeting of the Members annually for the transaction of Association business, to include approval of the budget for the following year and the appointment or election of directors, as applicable. The annual meeting will be held on or about the 1st day of December of each year, or on such other date as the Board of Directors may determine and as shall be specified in the notice of the meeting.

Section 2.2 Special Meetings. Special meetings of the Members may be called by the President, by a majority of the Board of Directors or by Members holding at least ten percent (10%) of the total number of votes of the Members.

Section 2.3 Notice of Meeting. Written notice of a meeting stating the place, day and hour of the meeting, and the agenda for the meeting, shall be delivered personally or by U. S. Mail, postage prepaid, to each Member not less than 10 nor more than 50 days before the date of the meeting.

Section 2.4 Quorum. Except as otherwise specified in the Covenants, holders of at least ten percent (10%) of all the votes of the Members shall constitute a quorum. If a quorum is present in person or by proxy, a majority of the votes entitled to be cast by the Members present or represented by proxy shall be the act of the Members, except as otherwise provided by the Articles of Incorporation, Covenants or these Bylaws.

ARTICLE III **BOARD OF DIRECTORS**

Section 3.1 Qualifications. A director shall be a Member.

Section 3.2 Number. Except for the initial board of directors, the number of directors of the Association shall be not less than three (3) nor more than seven (7), with the exact number to be set by the Board. Directors shall be elected, at a regular meeting of the Members and shall, except for the directors of the initial board, serve for a term of three years from the date of the meeting of the Members at which they were elected or appointed. The terms of the members of the initial elected board shall be staggered.

Section 3.3 Election and Removal. Election of a director, when applicable, shall be by a vote of a majority of the Members present and voting in person or by proxy at a meeting where a quorum is present. Removal of a director shall be by a vote of two thirds of the Members present and voting in person or by proxy at a meeting where a quorum is present. All votes shall be by secret ballot.

Section 3.4 Holding Over. A director will continue in office after the expiration of his or her term until a successor is elected or appointed in accordance with the Covenants and these Bylaws.

Section 3.5 Vacancy. If a vacancy occurs on the Board for any reason, the vacancy will be filled by special election of a new director to complete the unexpired term by a majority of the Members.

Section 3.6 Powers. The business and affairs of the Association shall be managed by its Board of Directors, which may exercise all powers of the Association and do all such acts as are not prohibited by law, the Covenants or these Bylaws.

Section 3.7 Delegation of Powers to Manager or Others. The Board of Directors may engage the services of managers, managing agents, consultants, employees and/or others, and may delegate to a manager, managing agent, employee or others any or all of the powers, duties and functions granted to the Board of Directors except the Board's responsibilities to exercise general supervision over the affairs of the Association.

Section 3.8. Delegation of Duties Related to Association Funds. The Board of Directors may delegate to a manager or other persons its powers relating to the collection, deposit, transfer and/or disbursement of Association funds. The person to whom such powers are delegated shall comply with the following: a) maintain fidelity insurance coverage or a bond in an amount established by the Board, if required by Colorado law and the board. b) maintain all Association funds and accounts separate from other funds, and maintain a reserve account separate from operational accounts of the Association; and c) provide the Association with an annual accounting and financial statement of Association funds.

Section 3.9 Method of Adopting Rules and Regulations. The Board of Directors may by resolution establish and amend administrative rules and regulations governing the operation and use of the private Trail Easement and other matters affecting the Forest Gate Subdivision, which rules and regulations and amendments thereto shall be effective upon delivery of a copy to each Member.

Section 3.10 Penalties for Infractions. The rules and regulations established by the Board of Directors may provide for the levying and collection of fines.

Section 3.11 Executive Committee. The Board of Directors may, from time to time, establish a Temporary Executive Committee(s) or Special Committee(s) to provide services in an advisory manner to the entire Board of Directors. Such Committee shall be appointed by a majority of Directors at a special or regular meeting with specified or limited duties and duration, and will provide research, data collection, or other duties as directed by the Board.

Section 3.12 Duties of Directors. It shall be the responsibility of the Board of Directors to:

- (a) cause the operation and maintenance of the Association and its activities as provided in the covenants;
- (b) cause to be kept a record of its material 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 called for the purpose of reviewing such statement;
- (c) supervise all officers, agents and employees of the Association, and to see that their duties are properly performed;
- (d) as more fully provided in the Covenants, cause the levy and collection of Assessments against Lots;
- (e) issue, or to cause an appropriate officer to issue, upon written request by any person authorized to receive such information, a certificate setting forth the status of any Assessment affecting a Lot. A reasonable charge may be made by

the Board for the issuance of such certificates;

- (f) procure and maintain insurance on behalf of the Association, as provided in the Covenants and, if the Board determines, officers and directors insurance and other insurance deemed prudent in the sole judgment of the Board;
- (g) cause officers or employees having fiscal responsibilities to be bonded or insured, as it may deem appropriate; and
- (h) exercise all other duties and responsibilities of the Board of Directors as set forth in the Covenants.

ARTICLE IV **BOARD OF DIRECTORS' MEETINGS**

Section 4.1 Regular Meetings. Regular meetings of the Board of Directors will be held at such regular times as set by Board resolution, but not less than once per year. Written notice of a meeting stating the place, day and hour of the meeting, and the agenda for the meeting, shall be delivered personally or by U. S. Mail, postage prepaid, or by email to each Member not less than 10 before the date of the meeting.

Section 4.2 Special Meetings. Special meetings of the Board of Directors will be held when called by the President or by any two directors, after not less than ten days' notice to each director and Members.

Section 4.3 Quorum. A majority of the directors constitutes a quorum. If there is a quorum, the act of the majority of the directors present at the meeting shall be the act of the directors.

Section 4.4 Actions Binding on Directors. Every action taken or decision made by a majority of directors present at a duly held meeting at which a quorum is present will be regarded as the act of the Board.

ARTICLE V **OFFICERS**

Section 5.1 Officers. The officers of the Association shall be a President, Vice President, Secretary and Treasurer, all of whom shall be elected by the Board of Directors. Officers shall be elected at the first meeting of the Board following the annual meeting of the Members and shall hold office until their respective successors have been elected and shall have qualified. Any two or more offices may be held by the same person.

Section 5.2 President. The President shall preside over meetings of the Board of Directors and meetings of the Members. The President shall have general supervisory authority over the officers, employees and agents of the Association. The President is empowered as authorized by the Board of Directors, to sign contracts, deeds,

conveyances, debt instruments, security instruments and reports, to execute, certify and record any amendments to the Covenants, and shall perform all other acts incident to the office of President or that may be required by the Bylaws or by the Board of Directors. The President may delegate and sub-delegate management functions from time to time.

Section 5.3 Vice President. The Vice President shall have the power and may perform the duties of the President in the event of the President's absence or disability, shall assist the President and shall perform such other duties as may be prescribed from time to time by the Board of Directors.

Section 5.4 Secretary. The Secretary shall keep the minutes of meetings of the Board of Directors and meetings of the Members, shall be custodian of the corporate seal, if any, shall attest the corporate seal and shall perform all other duties incident to the office of Secretary and as prescribed from time to time by the Board of Directors.

Section 5.5 Treasurer. The Treasurer shall keep the Association's financial records and books of account and may act through delegates including, but not limited to, any manager or managing agent designated by the Board of Directors. The Treasurer shall perform all other duties incident to the office of Treasurer and as prescribed from time to time by the Board of Directors.

Section 5.6 Removal; Vacancy. The Board of Directors may remove an officer, and fill the unexpired term of such officer, upon a majority vote of the directors then in office.

ARTICLE VI

ACTION BY MEMBERS, DIRECTORS, OR OFFICERS

Section 6.1 Action without a Meeting. Any action which may be taken at a meeting of the Members or the directors may be taken without a meeting if consent in writing setting forth the action so taken is signed by all of the Members or all of the directors entitled to vote with respect to the subject matter of the action.

Section 6.2 Waiver of Notice. A waiver of notice in writing signed by the person entitled to the notice whether before or after the time stated in the notice shall be equivalent to the giving of the notice. Attendance at a meeting shall constitute waiver of notice, unless solely for the express purpose of objecting to the transaction of business because the meeting is not properly called or convened.

Section 6.3 Resignation. A director or an officer may resign his or her office by written resignation, which shall become effective without acceptance upon delivery to any officer of the Association.

ARTICLE VII

RECORDS AND ACCOUNTS

Section 7.1 Receipts and Expenditures. The Board of Directors or its delegate shall keep detailed, accurate records of receipts and expenditures affecting the Association.

Section 7.2 Inspection of Records of Receipts and Expenditures. Members may inspect during reasonable business hours and upon reasonable advance notice the records of receipts and expenditures described in Section 6.1.

Section 7.3 Statement of Accounts. Upon payment of a reasonable fee sufficient to compensate the Association for the work involved and on advance written notice to the Board of Directors or its delegate, a Member shall be furnished a statement of account setting forth the amount of any unpaid assessments or other charges due and owing from such Member.

Section 7.4 Other Accounts and Records. The Association shall keep a record of the names and addresses of the Members entitled to vote, and shall keep books and records of all accounts and minutes of the proceedings of its Members, Board of Directors and Executive Committee and all Assessments, all of which may be inspected by any Member at any reasonable time upon prior notice.

Section 7.5 First Mortgagees. DELETED

Section 7.6 Annual Accounting and Financial Statement. The Association will prepare an accounting and financial statement annually, showing in reasonable detail the Association's receipts and disbursements since the last statement, and its cash, bank accounts and indebtedness as of the date of the statement. Such statement will be made available to Members.

ARTICLE VIII ASSOCIATION ACTIVITIES

Section 8.1 Services. As directed by the Board, the Association will, either itself or through a manager, managing agent, employees or contractors, provide the services described in or allowed by the Covenants. The Association may provide other services and perform other functions for the individual benefit of Members and charge fees for such individual services and functions, as determined from time to time by the Board of Directors.

Section 8.2 Income Tax Election. The Board of Directors, on behalf of the Association, may elect to have Section 528 of the Internal Revenue Code apply for each taxable year of the Association and in connection therewith, if the election is made, shall see to it that all conditions to filing under Section 528 have been satisfied including, by way of example, that:

- (a) at least sixty percent of the gross income of the Association for each taxable year consists solely of amounts received from membership dues, fees or Assessments

from Owners of Lots; and

- (b) at least ninety percent of the expenditures of the Association for each taxable year are expenditures for the construction, management, maintenance and care of properties owned or maintained by the Association

Section 8.3 Source of Funds. The Association shall obtain the funds required for its activities by Assessments against the Lots and their Owners, as provided in the Covenants; from fees charged for services and functions; and from such other sources as may be provided for in the Covenants, Articles of Incorporation or these Bylaws.

Section 8.4 Enforcement of Augmentation Plan One specific purpose of the Association shall be to operate, maintain, and enforce, to the extent applicable, all the requirements of that plan for augmentation decreed in the Consolidated Case Nos. O3-CW-302 and O3-CW-078 by the Water Court, Water Division No. 2, State of Colorado, on March 3, 2004. The responsibility to operate, maintain, and enforce the Water Decree cannot be abrogated by the Association. The Obligations of the Association regarding the operation of, and compliance with, the Water Decree may not be altered except by Order of the Water Court, which may amend, modify or change the provisions by judicial order.

ARTICLE IX BUDGET AND ASSESSMENTS

Section 9.1 Preparation and Adoption of Budget. At least thirty (30) days prior to a meeting of the Members at which a proposed budget for the next fiscal year may be approved by the Members, the Board of Directors or the officers shall prepare and mail to each Member the proposed budget showing anticipated financial requirements, expenses and other expenditures of the Association and the Assessments proposed to be made with respect to each Lot Unless a majority of Members present and voting in person, by proxy, or by a mailed ballot submitted prior to the meeting reject the budget, the budget shall be approved, whether or not a quorum of the Members is present at the meeting. If the proposed budget is rejected, the budget last in effect shall continue until such time as the Members approve a subsequent budget.

Section 9.2 Annual Assessments. Upon approval of the budget, the Board of Directors shall fix the amount of the Annual Assessment for the coming year for each Lot. Annual Assessments shall be payable in advance annually on January 1 of each year, or at other intervals and due dates set by the Board. The Board may adjust the Annual Assessment as it deems advisable from time to time. Owners of Lots that enjoy benefits not enjoyed by all Lots, or that impose additional costs on the Association, may be obligated to pay, as an Annual Assessment, higher amounts than are paid by the Owners of other Lots.

Section 9.3 Special Assessments. The Board, in accordance with the Covenants, may levy Special Assessments on the Lots for the purpose of funding maintenance, repairs, additions, services, loan repayments or cost overruns of the Association. The

Board shall determine the amount and manner of payment of any Special Assessments. A Special Assessment must be approved by a majority of Members.

Section 9.4 Apportionment of Assessments to the Owners and Lots. Expenditures and financial requirements shall be assessed among all Lots as provided in the Covenants. Fines or fees due to the actions or neglect of specific Owners may also be imposed and enforced as provided in the Covenants.

Section 9.5 Billing. The Association will cause each Owner to be sent a statement of any Assessment owing from such Owner.

ARTICLE X PROTECTIVE COVENANTS

The Association is one party having a right (but not an obligation) to enforce the restrictions and other provisions of the Covenants. The Association's expenses of such enforcement shall be a proper item for Annual or Special Assessments, and/or fines or fees imposed solely on an Owner in Violation of the Covenants, the Articles of Incorporation, the rules and regulations or these Bylaws.

ARTICLE XI PROTECTION AND RESTRICTION OF OFFICERS AND DIRECTORS

Section 11.1 Indemnity. The Association shall indemnify any director or officer against expenses actually and necessarily incurred by such director or officer in connection with the defense of any action, suit or proceeding in which the director or officer is made a party by reason of being or having been such director or officer, except in relation to matters as to which the director or officer shall be adjudged in such action, suit or proceeding to be liable for willful and wanton acts or omissions in the performance of a duty. The Association may also reimburse any director or officer for the reasonable costs of settlement of any such action, suit or proceeding, if it shall be found by a majority of the directors not involved in the controversy (whether or not a quorum) that it was in the best interest of the Association that such settlement be made and that such director or officer was not guilty of a willful and wanton act or omission. Such rights of indemnification and reimbursement shall not be deemed exclusive of any other right which such director or officer may have under applicable law. In the discretion of the Board, the Association may carry officers and directors liability insurance and the cost thereof shall be a proper item for Common or Special Assessments.

Section 11.2 Conflicts of Interest. An officer or director may act for the Association although associated with or interested in another party which is involved in the transaction; provided, however, that such officer or director has disclosed such interest to the Association and no other officer or director has made known any objection.

Section 11.3 Loans. The Association shall not make any loan to any director or officer.

Section 11.4 Compensation. The Association shall not pay any compensation to the officers or directors for their services, but may reimburse them for their actual out-of-pocket expenses incurred on behalf of the Association.

ARTICLE XII
FISCAL YEAR

The Association's fiscal year shall be the calendar year, beginning on January 1 and ending on the following December 31, except that the first fiscal year will begin on the date of incorporation.

ARTICLE XIII
INSURANCE PROVISIONS

The Association may obtain and maintain in effect policies of insurance deemed sufficient by the Board to adequately protect the Association. Such policies of insurance may include, without limitation, casualty insurance on the association properties, if any, general public liability insurance and officers and directors liability insurance. The Association shall be deemed to be the trustee of the interests of all Owners in all insurance proceeds received by it, and shall have full power as an attorney-in-fact for the Owners to receive and to deal with such proceeds.

ARTICLE XIV
CORPORATE SEAL

The Association may have a corporate seal which will be circular in form and will contain the name of the Association, the year of its organization and the words "Corporate Seal" and "Colorado."

ARTICLE XV
AMENDMENT: CONFLICTS

Section 15.1 Amendment. These Bylaws may be amended by a vote of a majority of the directors then in office.

Section 15.2 Conflicts. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control. In the case of any conflict between the Covenants, the Articles of Incorporation and these Bylaws, the Covenants shall control.

Approved by the Board of Directors of Forest Gate Home Owners Association, Inc.,
on _____

Signature: _____

Name: _____

Officer Title: _____

Signature: _____

Name: _____

Officer Title: _____