

BYLAWS
OF
TOWNE SQUARE LOFTS HOMEOWNER'S ASSOCIATION

These Bylaws are adopted by and for Towne Square Lofts Homeowner's Association, a Colorado nonprofit corporation, (the "Association") established by the Articles of Incorporation of Towne Square Lofts Homeowner's Association filed with the Colorado Secretary of State on July 31, 2001 (the "Articles").

ARTICLE 1. PURPOSES, ASSENT OF OWNERS, AND DEFINITIONS

Section 1.1. Purposes. The primary purposes for which the Association is formed are to provide for protecting the value and desirability of the Community and for the purpose of furthering a plan for the improvement, sale and ownership of the Community more fully described in the Declaration of Covenants, Conditions, and Restrictions of Towne Square Lofts, recorded in the office of the Clerk and Recorder of Denver County, Colorado, as amended or supplemented from time to time (the "Declaration"); and to promote the health, safety, convenience and general welfare of the Owners.

Section 1.2. Assent. All present or future Owners, Occupants, or any other persons using the facilities of the Community in any manner are subject to these Bylaws and any Rules and Regulations adopted by the Board of Directors pursuant to these Bylaws. Acquisition or rental of any of the Units in the Community or the mere act of occupancy of any Units shall constitute an acceptance and ratification of these Bylaws and an agreement to comply with said Rules and Regulations.

Section 1.3. Definitions. Unless otherwise specified, capitalized terms used in these Bylaws shall have the same meaning in these Bylaws as such terms have in the Declaration.

ARTICLE 2. MEMBERSHIP

Section 2.1. Membership. Ownership of a Unit is required in order to qualify for membership in the Association.

Section 2.2. Responsibilities of Owners. Any person or entity, including Declarant, on becoming an owner, shall automatically become a member of the Association and be subject to these Bylaws. Such membership shall terminate without any formal Association action whenever such person ceases to own a Unit but such termination shall not relieve or release any such former Owner from any liability or obligation incurred under, or in any way connected with, the Association during the period of such ownership, or impair any rights or remedies which the Board or others may have against such former Owner arising out of ownership of the Unit and membership in the Association and the covenants and obligations incident thereto.

Section 2.3. Entity Representation. If title to a Unit is held by any entity and not by a natural person or persons, such entity may appoint, in a written instrument furnished to the secretary of the Association, a partner, shareholder, director, officer, member or manager (or similar ownership or management representative) to exercise the rights of such Owner as a member of the Association, including the right to cast votes as a member and the right, if elected, to serve on the Board.

Section 2.4. Voting Rights. To the fullest extent permitted under the Act, all matters of the Association which otherwise normally would be voted on by members, shall be voted upon by the Board of Directors in accordance with the Declaration. Any matter requiring by law a vote of the owners will entitle each Owner to a vote equal to the number of Units owned by such Owner. The Association shall not have a vote with respect to any Unit which may be owned by it. Declarant shall be entitled to vote with respect to any Unit owned by it. Members of the Association may exercise voting rights subject to and in accordance with the provisions of these Bylaws and the Declaration.

ARTICLE 3. MEETINGS OF ASSOCIATION

Section 3.1. Place of Meeting. Meetings of the Association shall be held at such place, within or without the State of Colorado, as the Board may determine.

Section 3.2. Annual Meeting. The first annual meeting of the Association shall be held within one (1) year after the date of the adoption of these Bylaws. Thereafter, the annual meetings of the Association shall be held on a date and at a time selected by the Board in each succeeding year. The purpose of the annual meetings is for the election of the members of the Board and the transaction of such other business of the Association as may properly come before the meeting.

Section 3.3. Special Meetings. Special meetings of the Association may be called by the president of the Association, by a majority of the Board, or by Owners entitled to cast at least twenty-five percent (25%) of the votes.

Section 3.4. Notice of Meetings. Written notice given in accordance with the Declaration and stating the place, day, and hour of each meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered and effective not less than fourteen (14) nor more than fifty (50) days before the date of the meeting, by or at the direction of the president or the secretary or the persons calling the meeting as provided under these Bylaws, to the registered address for notice (as provided in the Declaration) of each Unit entitled to be represented by a vote at such meeting.

Section 3.5. Adjourned Meetings. If any meeting of the Association cannot be organized because a quorum, as defined below, has not attended, the persons who are present, either in person or by proxy, and entitled to vote at the meeting may adjourn the meeting from time to time until a quorum is obtained.

Section 3.6. Proxies. votes may be cast in person or by proxy, but no proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Proxies shall be filed with the secretary of the Association at or before the appointed time of each meeting.

Section 3.7. Designation of Voting Representative--Proxy. If title to a Unit is held by more than one (1) individual, by a firm, corporation, partnership, association or other legal entity, or any combination thereof, such individuals, entity, or entities shall by written instrument executed by all such parties and delivered to the Association, appoint and authorize one (1) person or an alternate person to attend meetings involving members of the Association and to cast the vote allocated to that Unit. Such representative shall be a natural person who is an owner, or a designated representative of an entity as provided for in Section 2.3 above. Such proxy shall be effective and remain in force unless voluntarily revoked, amended or sooner terminated by its terms or by operation of law. In the absence of a proxy, the vote allocation to a Unit shall be suspended in the event more than one person or entity seeks to exercise the right to vote on any matter. In the event that a vote is cast by a member on behalf of such member's Unit without objection by any other owner of such Unit, then such person shall be deemed for all purposes under the Declaration and these Bylaws to be the duly and validly appointed representative for all owners of the Unit, the Association and the Board shall be entitled to rely on the authority of such Owner to vote with respect to the Unit, and the vote cast by such person shall be the validly cast vote of all of the Owners of such Unit and shall bind such other Owners.

Section 3.8. Quorum and Voting. Except as otherwise provided in these Bylaws, the presence in person or by proxy of the persons possessing sufficient votes to constitute twenty percent (20%) of the total votes entitled to be cast at the meeting shall constitute a quorum, and such persons present in person or by proxy shall constitute the persons entitled to vote upon any issue presented at a meeting at which a quorum is present. Unless a different percentage is required by law, the Declaration, the Articles of Incorporation or these Bylaws, the affirmative vote of Directors sufficient to elect more than fifty percent (50%) of the Directors or, if required, of members representing more than fifty percent (50%) of the votes represented at a meeting duly called and convened at which a quorum is present, shall be sufficient to make decisions binding on all Members.

Section 3.9. Waiver of Meeting and Consent to Action. Whenever a vote at a meeting of the Association is required or permitted by any provision of these Bylaws to be taken in connection with any action of the Association, the meeting and vote may be dispensed with and the action in question may be approved if all the persons eligible to vote concerning such matter consent in writing to dispense with the meeting and consent in writing to the action in question.

ARTICLE 4. DECLARANT CONTROL OF ASSOCIATION

Section 4.1. Period of Declarant Control. There shall be a Period of Declarant Control of the Association, during which the Declarant, or persons designated by the Declarant, may appoint and remove the members of the Board, who need not be Owners. During the Period of Declarant Control, the provisions of this Article 4 shall prevail over any inconsistent provisions of these Bylaws concerning the election or removal of members of the Board. The Period of Declarant Control shall commence upon filing of the Articles of Incorporation of the Association and shall expire seven (7) years after initial recording of this Declaration in the City and County of Denver, Colorado; provided, that the Period of Declarant Control shall terminate no later than either sixty days after conveyance of seventy five percent (75%) of the Units that May Be Created to Owners other than a Declarant, two (2) years after the last conveyance of a Unit by the Declarant in the ordinary course of business, or two (2) years after any right to add new Units to the Declaration was last exercised, whichever is later.

The Declarant may voluntarily surrender the right to appoint and remove members of the Board before termination of that period, but in that event the Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Association or Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

Section 4.2. Vacancies. If a member of the Board appointed by Declarant during the Period of Declarant Control dies or resigns, Declarant shall appoint a new member of the Board to replace such deceased or resigned member. If a member of the Board elected by Directors elected by owners other than Declarant dies or resigns during the period of Declarant Control, the Directors elected by owners other than Declarant shall elect a new member of the Board to replace such deceased or resigned member.

ARTICLE 5. BOARD

Section 5.1. Number and Qualification. The affairs of the Association shall be governed by a Board of Directors, composed of from three (3) to five (5) persons. The number of members of the Board shall be as provided for in the Declaration. The members of the Board may be nonresidents of Colorado, but all members of the Board elected by the Directors (as opposed to any members of the Board of Owners appointed by Declarant) must be Owners or designated representatives as provided for in Section 2.3 above.

Section 5.2. Term of Office. Terms of office of Directors not appointed by Declarant shall be two (2) years - Directors shall hold office until their successors have been elected and qualified.

Section 5.3. Board Elections. Upon any event requiring that certain member(s) of the Board be elected by the Directors elected by owners other than Declarant, a special meeting of the Association shall be called to hold elections of such member(s).

Section 5.4. Removal of Members of the Board and Vacancies. Directors may be removed and vacancies on the Board may be filled as follows:

A. By the Directors. Any Director may be removed, with or without cause, at any regular or special meeting by a vote of the Directors who elected such Director and who are entitled to elect a successor. A successor to any Director removed may be elected at such meeting to fill the vacancy created by the removal of the Director. A Director whose removal is proposed shall be given notice of the proposed removal at least ten (10) days prior to the date of such meeting and shall be given an opportunity to be heard at such meeting.

B. By the Board. Any Director who has three (3) consecutive absences from Board meetings not excused by the Board or who is delinquent in the payment of any assessment for more than thirty (30) days may be removed by a majority vote of the Directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Directors who originally appointed such removed Director. In the event of the death, disability, resignation or removal by the Board, as set forth in this Subsection B, of a Director, a vacancy may be declared by the Board, and the applicable Directors may appoint a successor. Any successor so appointed shall serve for the remainder of the term of the Director replaced.

Section 5.5. General Powers and Duties. The Board shall have the powers and duties necessary, desirable, or appropriate for the administration of the affairs of the Association and for the operation, maintenance and repair of the Common Elements and Limited Common Elements, along with the power to enforce the Rules and Regulations applicable to use of the Lake (as further defined in the Declaration). The Board may do all such acts and things which are not specifically required to be done by the Owners by the Colorado Nonprofit Corporation Act or the Act or otherwise by law, the Declaration, the Articles, or these Bylaws.

Section 5.6. Enumerated Powers and Duties. Without limiting the generality of the powers and duties set forth in the foregoing Section 5.5, the Board shall have the following powers and duties:

A. To administer and enforce the covenants, conditions, restrictions, easements, uses, limitation, obligations and all other provisions set forth in the Declaration.

B. To adopt and amend from time to time Rules and Regulations governing the use and operation of the Common Elements and Limited Common Elements as provided for and subject to the restrictions in the Declaration.

C. To keep in good order, condition and repair all the Common Elements and Limited Common Elements and all items of personal property, if any, used in the enjoyment thereof. No approval of the Directors or Owners, other than the budget ratifications procedures set forth in the Declaration, is required for expenditures for these purposes.

D. To administer and enforce the provisions of the Declaration to the extent permitted thereunder and to collect assessments and perform other duties on behalf of the Association as permitted under the Association documents.

E. To designate and remove personnel necessary for the operation, maintenance, repair and replacement of the Common Elements and Limited Common Elements.

F. In accordance with the terms of the Declaration, to obtain and maintain in effect the insurance coverage specified therein.

G. Subject to the budgeting procedures provided for in the Declaration, to fix, determine, levy and collect the prorated annual Assessments to be paid by each of the Owners for the total expenses of the Association with respect to the Common Elements and Limited Common Elements, and to make adjustments to and credits for the amount of the Assessments as provided for in the Declaration.

H. To levy and collect special Assessments whenever in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs or additional capital expenses, or because of emergencies, subject to any limitations and requirements set forth in the Declaration, and further subject to the requirements that all special Assessments shall be supported by detailing of the various expenses for which such Assessments are being made.

I. To collect delinquent Assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and to collect all Costs of Enforcement as provided for in the Declaration.

J. To protect and defend the Common Elements and Limited Common Elements from loss or damage by suit or otherwise.

K. Subject to such restrictions as may be set forth in the Declaration and the Act, to borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration and the Bylaws and to authorize the appropriate officers to execute all such instruments evidencing such indebtedness as the several obligations of all of the owners in proportion to each such Owner's Percentage Assessment Obligation for Common Elements, Limited Common Elements or Limited Common Elements as the case may be; provided, however, that the Board may not borrow more than Twenty-Five Thousand Dollars (\$25,000.00) or

cause the Association to be indebted for more than Twenty-Five Thousand Dollars (\$25,000.00) at any one time without prior approval of the Directors.

L. To dedicate, sell or transfer all or any part of the Common Elements to any public, governmental or quasi-governmental agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners; and subject to such additional limitations as may be set forth in the Declaration and the Act, which currently restricts the conveyance or encumbrance of the Common Elements as provided for in Section 38-33-312 of the Act.

M. To enter into contracts within the scope of the Board's powers and duties.

N. To establish a bank account for the treasury of the Association and separate bank accounts for any funds which are required or deemed advisable by the Board to keep separate.

O. To keep and maintain full and accurate books and records showing all the receipts, expenses or disbursements of the Association and to permit examination thereof by Owners and their Mortgagees during convenient weekday business hours.

P. To collect an initial contribution of working capital equal to no less than one quarterly installment of annual Assessments from each Owner upon the purchase of a Unit from Declarant to be used as working capital for the Association and not to be returned or refunded to any Owner.

Section 5.7. Managing Agent. The Board may employ for the Association a Managing Agent, at a compensation established by the Board, to perform such duties and services as the Board shall authorize; provided, however, that the Board in delegating such duties shall not be relieved of its responsibility under the Declaration. The Managing Agent shall be required to maintain fidelity insurance coverage or a bond for the benefit of the Association in an amount not less than Fifty Thousand Dollars (\$50,000.00) or such higher amount as the Board may require. The Managing Agent shall maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Managing Agent and shall maintain all reserve accounts for the Association separate from operational accounts of the Association. The Managing Agent shall provide an annual accounting for Association funds and a financial statement to the Board.

Section 5.8. Compensation of Directors; Insurance. Except as provided in this Section 5.8, members of the Board shall not be paid any compensation for their services performed as members of the Board unless a resolution authorizing such remuneration shall have been adopted by the Association. Each member of the Board may receive reimbursement for reasonable transportation, meals, and lodging expenses for attendance at any regular or special meeting of the Board or for other actual expenses incurred in connection with the performance of his or her duties of office as a member of the Board. The Association may purchase insurance to protect Association

officers, directors, and agents from actions taken by such individuals on behalf of the Association. The Association shall not indemnify any person or purchase any insurance in a manner or to any extent that would jeopardize or be inconsistent with the qualification of the Association as a not-for-profit organization, or otherwise result in the imposition of any liability under Section 4941 the Internal Revenue Code.

ARTICLE 6. OFFICERS AND THEIR DUTIES

Section 6.1. Enumeration of Officers. The officers of the Association shall be a president, vice president, secretary, and treasurer, and such other officers as the Board may from time to time by resolution create. The president must be a member of the Board.

Section 6.2. Election of Officers. The election of officers shall take place at the first meeting of the Board and thereafter at the first meeting of the Board following each annual meeting of the owners.

Section 6.3. Term. The officers shall be elected annually by the Board and each shall hold office for one (1) year unless such officer shall sooner die, resign, or shall be removed or otherwise disqualified to serve.

Section 6.4. 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.

Section 6.5. 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.

Section 6.6. 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 or she replaces.

Section 6.7. Multiple Offices. Any two (2) or more offices may be held by the same person, except the offices of president and secretary.

Section 6.8. Duties. The duties of the officers are as follows:

A. President. The president shall preside at all meetings of the Association and the Board; shall see that orders and resolutions of the Board are carried out; shall sign on behalf of the Association all contracts, leases, mortgages, deeds, notes, and

other written instruments; and shall exercise and discharge such other duties as may be required of the president by the Board of Directors.

B. Vice President. The vice president shall act in the place and stead of the president in the event of his or her absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of the vice president 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 stamp or seal of the Association, if any, and place it on all papers requiring said stamp or seal, if necessary; serve notice of meetings of the Board and of the Association; keep appropriate current records showing the Owners 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 all monies of the Association and shall disburse such funds as directed by resolution of the Board; sign all checks of the Association unless the Board specifically directs otherwise; keep proper books of account; at the direction of the Board, cause an audit of the Association books to be made; and prepare an annual budget and a statement of income and expenditures to be presented at the regular annual meeting of Association.

Section 6.9. Execution of Instruments. All agreements, contracts, deeds, leases, checks, notes, and other instruments of the Association may be executed by any person or persons as may be designated by resolution of the Board, including the Managing Agent.

ARTICLE 7. INDEMNIFICATION OF MEMBERS OF THE DIRECTORS AND OFFICERS

To the extent permitted by law and consistent with the Articles of Incorporation of the Association, the Association shall indemnify every Director, officer, employee, fiduciary and agent of the Association against any liability or expense, including judgments, amounts paid in compromise and settlements, and amounts paid for attorneys' fees and related expenses asserted against or incurred by such person in any such capacity or arising out of that person's capacity as such. The indemnification permitted under this Article 7 shall not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of such person's duties for the Association in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such member of the Director or officer or other person may be entitled. All liability, loss, damage, cost, and expense arising out of or in connection with the

foregoing indemnification provisions shall be treated and handled by the Association as a Common Expense.

ARTICLE 8. COMMITTEES

The Board may appoint such committees as deemed appropriate which, to the extent provided for in the resolution appointing a committee and allowed by law, shall have the powers of the Board in the management and affairs and business of the Association.

ARTICLE 9. BOOKS AND RECORDS

The records of receipts and expenditures of the Board, including records of receipts and expenditures affecting Common Elements and Limited Common Elements, and other books, records, and papers of the Association, including the Declaration, the Articles and these Bylaws as well as any Management Agreement and any Rules and Regulations of the Association shall be available for inspection, after reasonable prior notice, during convenient weekday business hours by the Owners and Mortgagee at the principal office of the Association, where copies may be purchased at reasonable cost. The Board may impose restrictions on the commercial use or any other use of any list of owners obtained pursuant to this Article 9 that is not directly related to Association business.

ARTICLE 10. CORPORATE SEAL

The Association may have a seal or stamp in circular form having within its form the words: "TOWNE SQUARE LOFTS HOMEOWNER'S ASSOCIATION."

ARTICLE 11. FISCAL YEAR

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 the Declaration is filed in the Records. The Board may by amendment to the Bylaws establish a different fiscal year for the Association.

ARTICLE 12. RULES AND REGULATIONS

The Board shall have the right to establish, amend, and enforce, from time to time, such Rules and Regulations as the Board may deem necessary and appropriate for the management, preservation, safety, control, and orderly operation of the Common Elements, Limited Common Elements and the Lake for the benefit of all Owners and Occupants, and for facilitating the greatest and most convenient availability and use of the Units, Common Elements and Limited Common Elements by Owners and Occupants and guests. Such Rules and Regulations may include a system of late charges and/or interest for untimely payment of Assessments, fees for review by the Association of matters required under the Declaration, and fees and fines for

noncompliance with the Rules and Regulations and other obligations set forth in the Declaration and these Bylaws. The Board shall provide notice of the adoption or amendment of any Rules and Regulations and make such amended Rules and Regulations available for inspection by all Owners, Occupants, and Mortgagees during convenient weekday business hours at the principal office of the Association. Such Rules and Regulations may, to the extent not in conflict with the provisions of the Declaration, the Articles and these Bylaws, impose reasonable restrictions upon the use and occupancy of any portion of the Common Elements or Limited Common Elements as the Board, in its sole and absolute discretion, deems necessary and appropriate approval of a majority of the Directors representing the Units. Each Owner agrees that all his or her ownership rights shall be in all respects subject to the Rules and Regulations, and each owner agrees to obey such Rules and Regulations as the same may lawfully be amended from time to time, and to ensure that the same are faithfully observed by occupants of his or her Unit. Each person who comes within the Community shall be subject to the Rules and Regulations for the duration of his presence therein. A copy of the Rules and Regulations, as amended from time to time, shall be made available to Owners, Purchasers, and Mortgagees upon request and payment of a reasonable fee.

ARTICLE 13. AMENDMENTS

These Bylaws may be amended by a vote of a majority of a quorum of the Board at a regular or special meeting of the Board. These Bylaws may be amended at any regular meeting of the Association or at any special meeting called for the purpose of amending the Bylaws, by the affirmative vote of a majority of a quorum of Directors present at the meeting in person or represented by proxy and eligible to vote. Any amendment shall be binding upon every Owner. Any amendment adopted at a regular or special meeting of the Association may thereafter only be amended at a regular or special meeting of the Association. Neither the Directors, nor the Owners shall have the power to amend the Bylaws in such a manner as to materially change the configuration or size of any Unit, to materially alter or modify the appurtenances to any Unit, or to change the proportion or percentage of any Owner's interest in the Common Elements, without the unanimous consent of all Owners directly affected thereby. No amendment shall serve to shorten the term of any Director, or conflict with the Declaration or the Act or delete any provision which must be contained in these Bylaws under the terms of the Act, or conflict with the Articles or the Declaration.

ARTICLE 14. INTERPRETATION

Section 14.1. Generally. The provisions of these Bylaws shall be liberally construed to effect the purpose of ensuring that the Community shall at all times be operated and maintained in a manner so as to optimize and maximize its enjoyment and utilization by each Owner and Occupant.

Section 14.2. Compliance with the Act. These Bylaws are intended to comply with the requirements of the Act. If any of these Bylaws conflict with the provisions of the Act, the provisions of the Act will govern the Association.

Section 14.3. Conflict between Documents. In the case of any conflict between the Rules and Regulations and the Articles, Bylaws, or Declaration, the Articles, these Bylaws or the Declaration shall control. In the case of any conflict between the Articles and these Bylaws, the Articles shall control. In the case of any conflict between the Declaration and these Bylaws or the Articles, the Declaration shall control.

The undersigned, being the members of the initial Board of Directors of TOWNE SQUARE LOFTS HOMEOWNER'S ASSOCIATION has approved and executed these Bylaws as of the 31st day of July, 2001.

Member of the
Board of Directors

Member of the
Board of Directors

Member of the
Board of Directors

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of TOWNE SQUARE LOFTS HOMEOWNER'S ASSOCIATION, a Colorado nonprofit corporation (the " Association"); and

That the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted by the Unanimous Written Consent in Lieu of First Meeting of the Board of Directors of the Association, dated as of the 15th day of June, 2001.

Dated: July 31, 2001.

Secretary