

**BYLAWS
OF
THE PEREGRINE MASTER ASSOCIATION, INC.
(Not for Profit)**

These Bylaws have been adopted by the Board of Directors of The Peregrine Master Association, Inc. (the "Association"), a corporation organized under the Colorado Nonprofit Corporation Act of the Colorado Revised Statutes, as amended.

ARTICLE I

Members

Section 1.1 Eligibility. Each Owner of a Lot in Peregrine shall, by virtue of his ownership of a Lot, be a Member of the Association with following voting rights:

- (a) one vote per detached single-family Lot;
- (b) one vote per condominium or Townhome unit;
- (c) one vote per three dwelling units in any Apartment;
- (c) one vote per each one-half acre (or fraction thereof) of any Commercial Land.

When there is more than one Owner of a Lot, they shall determine which of them is to act as Member and exercise the privileges of membership for that Lot. No Member may cast a vote with respect to a Lot until he has commenced paying assessments for that Lot in accordance with the Declaration. Declarant, may, for the period of Declarant Control, choose to appoint all officers and directors of the Association, direct its business and veto any proposed amendments to the Declaration. After the period of Declarant Control expires, Declarant will be entitled to vote as a Member with respect to the Lots owned by it in accordance with the provisions set forth above as to each Owner of a Lot. The period of Declarant Control is set forth in the Declaration.

Section 1.2 Proxies. A Member may vote in person or by written proxy executed by the Member or his duly authorized attorney-in-fact. No proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise provided in the proxy.

Section 1.3 Quorum. Except as otherwise specified in the Declaration, holders of at least five percent (5%) 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, Declaration or these Bylaws. If a quorum is not present, a majority of those present at the meeting may vote to reschedule the meeting to a date not less than 30 nor more than 60 days in the future. Notice of the rescheduled meeting will then be given to all Members in the manner specified by section 2.4 of these Bylaws.

Holders of at least two percent (2%) of all the votes of the Members shall constitute a quorum at any such rescheduled meeting. For the period of Declarant Control, Declarant's approval will also be required.

ARTICLE II

Meetings of Members

Section 2.1 Annual Meeting. The annual meeting of the Members shall be held during the month of November of each year, or such other time as designated by the Board.

Section 2.2 Special Meetings. Special meetings of the Members may be called by the President or by the Board of Directors or by Members having at least one-fourth or more of the total number of votes of the Members of the Association.

Section 2.3 Place and Hour of Meetings. Members' meetings shall be held at 4:30 o'clock p.m. or such time designated by the Board at Declarant's offices, or other location designated by the Board within 25 miles of Peregrine.

Section 2.4 Notice of Meetings. Written notice of any meeting of the Members, stating the place, date and hour of the meeting, and the purposes for which the meeting is called, shall be delivered personally or by mail to each Member not less than 30 nor more than 60 days before the date of the meeting.

ARTICLE III

Directors

Section 3.1 Number of Directors. The number of directors of the Association shall be not less than three nor more than seven, with the exact number to be determined by resolution of the Board of Directors. Directors shall be elected at the annual meeting of the Members, and shall, except for the initial directors, serve for a term of three years from the date of the annual meeting of the Members at which they were elected. Election and removal of directors shall be by a majority vote, or such extra majority as may be required by statute or by these Bylaws. One of the initial directors will serve a term of one year, one will serve for two years, and the remaining initial director will serve for three years.

Section 3.2 Holding Over. A director shall continue in office after the expiration of his term until his removal or until his successor is elected.

Section 3.3 Meetings of the Board of Directors. A regular annual meeting of the Board of Directors shall be held without call or notice immediately following the annual meeting of the Members and at the same place. Special meetings of the Board of Directors may be held at any place agreeable to the directors. Special meetings may be called by the President, or by any two directors. At least three calendar days prior notice of the time and place of a special meeting shall be given to each director by telephone or telegraph or by leaving notice with him or at his residence. Notices need not state the purposes of the meeting. No notice of any adjourned meeting of the directors shall be required.

Section 3.4 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 3.5 Powers of the Board. The Board of Directors shall manage and exercise general supervision over the affairs of the Association.

Section 3.6 Personnel Manager and Managing Agent. The Board of Directors may designate and remove personnel necessary for the operation, maintenance, repair and replacement of the Common Area. The Board of Directors may engage the services of a manager or a managing agent or both and may delegate to the manager or the managing agent any or all of the powers and duties granted to the Board of Directors except the Board's responsibilities to exercise a general supervision over the affairs of the Association.

Section 3.7 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 Common Area, which rules, regulations and amendments shall be effective upon delivery of a copy to each Owner of the Lots in Peregrine.

Section 3.8 Penalties for Infractions. The rules and regulations established by the Board of Directors may provide for the suspension of rights of membership, while assessments remain delinquent or while Members or residents are in violation of the Declaration for Peregrine, these Bylaws or the Association's rules or regulations. However, such a suspension shall not exceed a period of sixty days.

Section 3.9 Executive Committee. The Executive Committee of the Board of Directors shall consist of two or more directors. During the intervals between meetings of the Board of Directors, the Executive Committee shall have and may exercise all of the authority of the Board of Directors in the management of the Association. The Executive Committee shall keep minutes and shall submit the minutes to the next meeting of the Board of Directors for approval. Failure to submit or lack of approval shall not invalidate action taken by the Association upon authorization of the Executive Committee before the time when the action was submitted to the Board and approval denied. The Executive Committee shall establish its own rules for notice and holding of meetings. A majority of the Executive Committee shall constitute a quorum.

Section 3.10 Duties of Directors. It shall be the duty of the Board of Directors to:

- (a) cause the Common Area to be operated and maintained as provided in the Declaration;
- (b) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting to the Members, or at any special meeting when such statement is requested in writing by one-fourth of all the Members who are entitled to vote;
- (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 Declaration, to:

(i) fix the amount of the annual assessment against each Lot at the beginning of each fiscal year, and each Member will be notified by the first day of January of each year;

(ii) send written notice of each assessment to every owner subject thereto by the first day of January of each year; and

(iii) foreclose the lien against any property for which assessments are not paid within thirty days after due date or to bring an action at law against the owner personally obligated to pay the same;

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

(f) procure and maintain adequate liability and hazard insurance on property owned by the Association and, if the Board determines, officers and directors insurance for Association employees, officers and directors;

(g) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate; and

(h) exercise all other duties and responsibilities of the Board of Directors as set forth in the Declaration.

ARTICLE IV

Officers

Section 4.1 The Officers. The officers of the Association shall be a President, Vice President and a Secretary/Treasurer, all of whom shall be elected from the Board of Directors. The Board may also appoint an assistant to the Secretary/Treasurer.

Section 4.2 President. The President shall preside over meetings of the Board of Directors and of the Members. The President shall have general supervision over the officers, employees and agents of the Association. He is empowered to sign deeds, conveyances and reports. He shall perform all other acts incident to the office of President or that may be required of him by any Bylaw or by the Board of Directors. He may delegate and sub delegate his management functions as from time to time to him seems appropriate.

Section 4.3 Vice President. The Vice President shall have the power and may perform the duties of the President in his 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 4.4 Secretary and Treasurer. The offices of Secretary and of Treasurer shall be held by the same person who shall perform the duties of both and may style himself Secretary, Treasurer or Secretary/Treasurer. He may not hold the office of President or Vice President. The Secretary shall keep the minutes of meetings of the Board of Directors and of the Members, shall be custodian of the corporate seal, shall attest the corporate-seal and shall perform all duties incident to the office of Secretary and as prescribed by the Board of Directors. The Treasurer shall keep the financial records and books of account and may act through such delegates as he selects, including, but not limited to, any manager or managing agent designated by the Board of Directors. The Assistant Secretary/Treasurer shall assist the Secretary/Treasurer as directed.

Section 4.5 Election. The Board of Directors shall elect the officers at the regular annual meeting of the Board or at a special meeting if the regular annual meeting is omitted. The Board of Directors may remove an officer and may fill a vacancy caused by the resignation or removal of-an officer.

Section 4.6 Holding Over. An officer shall continue in office after the expiration of his term until his successor is elected or until his removal.

ARTICLE V

Action by Members, Directors or Officers

Section 5.1 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 a consent in writing setting forth the action so taken is signed by all of the Members or of the directors entitled to vote with respect to the subject matter of the action.

Section 5.2 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 5.3 Resignation. A director or an officer may resign his office by written resignation, which shall become effective without acceptance upon delivery to any officer of the Association.

ARTICLE VI

Records and Accounts

Section 6.1 Receipts and Expenditures. The Board of Directors or its delegate shall keep detailed, accurate records of receipts and expenditures affecting the Common Area and other operations of the Association.

Section 6.2 Inspection of Records of Receipts and Expenditures. Members and those mortgagees who have filed with the Association notice of their interest may inspect at convenient weekly business hours the records of receipts and expenditures described in section 6.1.

Section 6.3 Statement of Accounts. Upon payment of a reasonable fee sufficient to compensate for the work involved and on ten days' notice to the Board of Directors or its delegate, an Owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such owner.

Section 6.4 Other Accounts and Records. The Association shall keep a record of the names and addresses of the Members entitled to vote and shall keep complete books and records of all accounts and minutes of the proceedings of its Members, Board of Directors and Executive Committee and all annual and special assessments, all of which may be inspected by any Member at any reasonable time.

Section 6.5 Mortgagees. The Association shall maintain a record of each mortgagee of any Lot who has filed with the Association a notice of its lien including the name and address of the mortgagee and conformed copies of the note evidencing the mortgage indebtedness and of the instrument constituting the mortgage security.

Section 6.6 Annual Financial Statement. The Association shall provide each Member annually an audited financial statement in reasonable detail of the Association's receipts and disbursements since the last statement, and its cash, bank accounts and indebtedness as of the date of the statement.

ARTICLE VII

Association Activities

Section 7.1 Services. The Association will, either itself or through a manager, managing agent, employees or contractors, provide for operation, maintenance, repair, replacement and improvement of the Common Area. The Association may also procure hazard and other insurance as provided in the Declaration and will, if such additional services are approved as required by the Declaration, provide landscaping, trash and snow removal and similar or dissimilar services and perform other functions.

Section 7.2 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: (a) at least sixty percent of the gross income of the Association for each taxable year consists solely of amounts received as membership dues, fees or assessments from owners or residences or residential lots; and (b) at least ninety percent of the expenditures of the Association for each taxable year are expenditures for the acquisition, construction, management, maintenance and care of the Common Area.

Section 7.3 Limitation on Expenses. Except for restoration and replacement required by these Bylaws in case of damage or destruction to the Common Area, no project which will increase the annual budget by an amount which requires the vote of the Members pursuant to the Declaration shall be undertaken without prior approval of the Board of Directors and Members as required by the Declaration.

Section 7.4 Source of Funds. The Association shall obtain the funds required for its activities by assessments against the Lots and their owners, as provided by the Declaration and by such other sources as provided in the Declaration and Articles of Incorporation.

ARTICLE VIII

Budget and Assessments

Section 8.1 Preparation of Budget. At least one month before the annual meeting of the Members, the Board of Directors or the officers shall prepare and mail to each Member a proposed budget of anticipated financial requirements, expenses and other expenditures of the Association for the coming calendar year and the annual assessments proposed to be made with respect to each Lot. The amounts of the various items of expenditure shall be estimated from the costs already incurred by the Association and those incurred by Declarant in Peregrine and in comparable projects and from available information and forecasts of future costs and needs.

Section 8.2 Adoption of Budget: Assessments. At the organization meeting and at the first meeting of the directors following the regular date for the Members' annual meeting, the Board of Directors shall adopt a budget and, within the limit set by the Declaration, shall fix the amount of the annual assessments for the coming year for each Lot and its Owner. Annual assessments shall be payable in advance monthly or at other intervals as set by the Board. The Board may adjust the annual assessment as it deems advisable from time to time.

Section 8.3 Special and Emergency Assessments. The Board shall levy special assessments so as to charge the respective owners for maintenance work on Common Areas adjacent to their Lots necessitated by the owner's negligence or neglect. Subject to the restrictions in the Declaration, the Board may also levy emergency assessments during the Association's fiscal year if regular annual assessment is inadequate and the Board deems an emergency assessment advisable to meet increased costs, to provide the maintenance and other work or outlays required of the Association or to remove or prevent a deficit. Emergency assessments shall require the affirmative vote of two-thirds of the votes of the Members of the Association. Special and emergency assessments shall be payable in advance in one sum or in installments as the Board determines but not sooner than thirty days after the first billing.

Section 8.4 Apportionment of Assessments to the Owners and Lots. Expenditures and financial requirements shall be prorated and assessed among all Lots and their owners in accordance with the number of votes they hold as provided in the Declaration, except that the Board of Directors may reasonably determine that, because of special or unequal costs or benefits caused by actions or neglect of specific Owners, another basis is more equitable for special or emergency assessments.

Section 8.5 Billing. The Association will cause each Member to be sent a statement of his assessment.

ARTICLE IX

Protective Covenants

The Association is one party having the right of enforcement of the protective covenants and other provisions of the Declaration. The Association's expenses of such enforcement are a proper item for annual or special assessments.

ARTICLE X

Protection and Restriction of Officers and Directors

Section 10.1 Indemnity. The Association shall indemnify any director or officer against expenses actually and necessarily incurred by him in connection with the defense of any action, suit or proceeding in which he is made a party by reason of being or having been such director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for gross negligence or misconduct in the performance of 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 gross negligence or misconduct. Such rights of indemnification and reimbursement shall not be deemed exclusive of any rights to which such director or officer may be entitled under any Bylaw, agreement, vote of Members or otherwise.

Section 10.2 Conflicts of Interest. An officer or director may act for the Association although he is associated with or interested in another party which is involved in the transaction provided, however, that he has disclosed that interest to the Association and no other officer or director has made known any objection. Contracts and other transactions of the Association with Declarant shall be valid for all purposes although all or some of the officers or directors acting for the Association are also officers, directors or other agents of Declarant or are also acting for Declarant.

Section 10.3 Loans. The Association shall not make any loan to any of its directors or officers.

Section 10.4 Compensation. The Association shall not pay any compensation to the officers or the directors for their services as such, but may reimburse them for their actual out-of-pocket expenses incurred on behalf of the Association.

ARTICLE XI

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 XII

Insurance Provisions

Section 12.1 Insurance. The Association may obtain and maintain in effect policies of insurance adequate, in the opinion of the Board, in kind and amount. Without limiting the generality of the preceding sentence, such policies of insurance shall include:

- (a) Fire and extended coverage insurance on all improvements owned by or leased to the Association, the amount of such insurance to be not less than ninety percent of the aggregate full insurable value, meaning actual replacement cost exclusive of the costs of excavations, foundations and footings. Such insurance shall insure the Association and its mortgagees, as their interests may appear.

As to each such policy which will not be thereby voided or impaired, the Association hereby waives and releases all claims against the Board and Declarant, and the officers, agents and employees of each thereof, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss. If the foregoing exculpatory clause is held to be invalid, then the liability of the Board, Declarant, and the officers, agents and employees of the Board and of Declarant shall be secondary.

(b) Bodily injury liability insurance, with limits of not less than \$500,000.00 per person and \$1,000,000.00 per occurrence and property damage liability insurance of not less than \$50,000.00 per occurrence, insuring against liability for death, bodily injury or property damage arising from activities of the Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The liability insurance policies referred to above shall name as separately protected insureds Declarant, the Association, the Board and each of its members, the Architectural Review Committee and each of its members, and such policies may also name some or all of the respective officers, employees and agents of the foregoing.

(c) Such other insurance, including indemnity and other bonds, as the Board shall deem necessary or expedient to carrying out the Association's functions. The Association shall be deemed trustee of the interests of all owners in all insurance proceeds, and shall have full power to receive and to deal with such proceeds.

Section 12.2 Damage to Common Area.

(a) **Repair and Reconstruction.** The phrase "repair and reconstruction" of improvements as used in this section 12.2 means restoring any improvements owned by the Association or located on the Common Area to substantially the same condition in which they existed immediately prior to the damage, with each improvement having the same boundaries as before.

(b) **Damage to the Common Area.** As soon as practicable after an event causing damage to or destruction of any part of the Common Area, the Association shall obtain reliable and complete estimates of the costs for repair and reconstruction of that part of the Common Area damaged or destroyed.

(i) **Sufficient Insurance Proceeds.** Subject to the provisions of subsection (iii) below, if the insurance proceeds with respect to the Common Area damaged or destroyed are sufficient to pay the costs of repair and reconstruction thereof, the Association shall, as soon as practicable, diligently pursue to completion the repair and reconstruction of that part of the Common Area damaged or destroyed. The Association may take all appropriate action to effect repair or reconstruction and no consent or other action by any owner shall be necessary in connection therewith. Such repair and reconstruction shall be substantially in accordance with the original plans and specifications.

If there is a balance of insurance proceeds after payment of all costs of repair and reconstruction of the damaged or destroyed Common Area, such balance shall be apportioned among the Owners equally, and distribution of said apportioned amounts by the Association shall be by checks payable jointly to owners and the First Mortgagee of their respective Lots, if any.

(ii) **Insufficient Insurance Proceeds.** Subject to the provisions of subsection (iii) below, if the insurance proceeds with respect to the Common Area damaged or destroyed are insufficient to pay the costs of repair and reconstruction thereof, the Association shall present to the Members a notice of special assessment for approval by the membership in accordance with the Declaration, which special assessment shall be in an amount sufficient to provide funds to pay the costs of repair and reconstruction of that portion of the Common Area damaged or destroyed. If this special assessment is approved by the Owners, the Association shall levy and collect the special assessment as provided in the Declaration and thereafter shall diligently pursue to completion the repair and reconstruction of that part of the Common Area damaged or destroyed. Such repair and reconstruction shall be substantially in accordance with the original plans and specifications. If there is a balance from the special assessment after payment of all costs of such repair and reconstruction, such balance shall be distributed by the Association to the owners in proportion to the contributions each Owner made. If the aforesaid special assessment is not approved by the owners, the insurance proceeds may be applied in accordance with the wishes of the membership as expressed by a vote of fifty-one percent of the votes of the Members present, either in person or by proxy, at a meeting duly called for this purpose, which meeting shall comply with the general notice and quorum requirements of the Declaration, except that, at a minimum, the damaged structures on the Common Area shall be demolished and the Common Area cleaned up and that any insurance proceeds remaining shall not be distributed to the owners unless made jointly payable to Owners and the First Mortgagees of their respective Lots, if any. However, this subsection will not apply to drainage structures and facilities. Because of their importance for the health and safety of the owners, as well as property downstream, any damage to drainage structures and facilities must be repaired by the Association, and all Owners will be subject to mandatory special assessments to pay any shortfall if insurance proceeds are not sufficient to pay for the cost of repair or restoration of these structures and facilities.

(iii) **Decision Not to Rebuild.** If the Board determines not to rebuild any Common Area so damaged or destroyed, or to rebuild facilities substantially different from those which were damaged or destroyed, it shall call a special meeting of the Owners to consider such decision. Any such special meeting shall comply with the general notice and quorum requirements of the Declaration. If the Owners, by two-thirds of the total number of votes cast at such meeting, elect to ratify such decision, the Board shall act accordingly, but if the Owners do not by such percentage elect to ratify such decision, the Association shall proceed to repair and reconstruct the Common Area damaged or destroyed pursuant to subsection (i) or (ii) above, as the case may be.

Notwithstanding the foregoing, if the damage or destruction to all or a portion of the Common Area is caused by the negligent, willful or tortuous act of an Owner, member of his family, his agents, employees, invitees, licensees or lessees, the Association shall, as soon as practicable, diligently pursue to completion the repair and reconstruction of the Common Area damaged or destroyed and the costs of such repair and reconstruction shall be assessed to such Owner by the Association pursuant to the Declaration and shall be added to and become part of the assessments to which such owner's Lot is subject and shall be an addition to any annual or special assessments to which such Owner's Lot is subject.

ARTICLE XIII

Corporate Seal

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

ARTICLE XIV

Definitions

Capitalized terms in these Bylaws have the same meanings as in the Declaration.

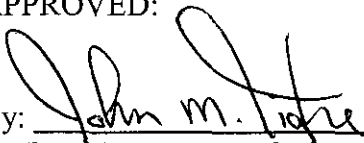
ARTICLE XV

Amendment; Conflicts

Section 15.1 Amendment. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of two thirds of a quorum of all the Members present in person or by proxy, except that, if Peregrine has been approved by the Federal Housing Administration or the Veterans Administration for purposes of making federally insured mortgage loans, then the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments during the period of Declarant Control.

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

APPROVED:

By: 

President, Board of Directors

By: 

Secretary, Board of Directors

By: 

Treasurer, Board of Directors