

BY-LAWS
OF THE
LOST CREEK FARM
HOMEOWNERS ASSOCIATION

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ARTICLE 1
Name, Principal Office, and Definitions

1.1. Name.

The name of the corporation is the Lost Creek Farm Homeowners Association (the "Association"), which is organized as a Colorado nonprofit corporation.

1.2. Principal Office.

The Association's initial principal office shall be located at 7100 Broadway, Suite 5-H, Denver, CO 80221, or such other location as the Board shall direct. The Association may have such other offices as the Board may determine or as the Association's affairs require.

1.3. Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the meaning ascribed to them in the Declaration of Protective Covenants for Lost Creek Farm, recorded by LCF1, LLC, a Colorado limited liability company, in the public records of Boulder County, Colorado, as it may be amended (the "Declaration"). The term "majority," as used in these By-Laws, means those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

ARTICLE 2
Membership: Meetings, Quorum, Voting, Proxies

2.1. Membership.

The Association shall have one class of membership. Each Owner of a Residence shall automatically be a member of the Association. Transfers of a membership shall be made on the books of the Association only upon the presentation to the Association's Secretary of a copy of the recorded deed that transfers ownership of a Residence. Prior to presentation of such deed, the Association may treat the previous Owner as the holder of the membership entitled to all rights in connection therewith, including the rights to vote and to receive notices.

If an Owner is a corporation, a partnership, or other legal entity, its membership rights may be exercised by any officer, director, partner, or trustee, or by an individual the Owner designates from time to time in writing to the Association's Secretary.

For the purpose of determining members entitled to notice of, or to vote at, any meeting of the members or in order to make a determination of such members for any other proper purpose, the Board may fix, in advance, a date as the record date for any such determination of members. The record date shall be not more than 50 days prior to the meeting of the members or the event requiring a determination of the members.

2.2. Place of Meetings.

The Association shall hold meetings at such suitable place the Board may designate.

2.3. Meetings of the Members (Association Meetings).

(a) General. Association meetings shall be of all Members of the Association, as well as tenants and other occupants of Residences. The first Association meeting, whether a regular or special meeting, shall be held within one year after the first transfer of a Residence from the Declarant to a Person other than a Builder.

(b) Annual Meetings of the Association. The Board shall schedule regular annual meetings to occur within 90 days before the close of the Association's fiscal year, on such date and at such time and place as the Board shall determine.

(c) Special Meetings of the Association. Special Association meetings may be called by the President, by a majority of the Board, or by Owners having twenty percent of the total votes in the Association.

2.4. Notice of Meetings of the Members (Association Meetings).

Not less than ten nor more than fifty days in advance of any meeting of the Members, the Secretary shall cause notice of the meeting to be provided to each Owner in the manner set forth in Section 9.3 of these Bylaws. The notice of any meeting of the Members shall also be physically posted in a conspicuous place, to the extent that such posting is feasible and practicable. The notice shall state the place, day, and hour of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, and any proposal to remove an officer or a member of the Board.

2.5. Waiver of Notice of Meetings of the Members (Association Meetings).

Waiver of notice of meetings of the Members (Association Meetings) shall be deemed the equivalent of proper notice. Any Owner may waive, in writing, notice of any Association meeting, either before or after such meeting. In addition, by attending a meeting, an Owner shall be deemed to have waived notice of the time, date, and place of the meeting, unless the Owner specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at meetings of the Members (Association Meetings) also shall be deemed a waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.6. Quorum at Meetings of the Members (Association Meetings).

Except as these By-Laws may otherwise provide, a quorum shall be deemed present throughout any meeting of the Association if persons entitled to cast at least 10% of the total votes in the Association are present, in person or by proxy, at the beginning of the meeting.

2.7. Voting at Meetings of the Association

(a) One Vote Per Residence. Each Residence shall have one vote, except that the Association shall have no vote for any Residence owned by it. In any situation where there is more than one Owner of a Residence, the vote for that Residence shall be exercised as the co-Owners determine among themselves, or if only one such co-Owner is present, as the co-Owner that is present may determine. However, if more than one co-Owner casts a vote for a Residence, and the votes cast are inconsistent, the vote for the Residence shall not be counted.

(b) Secret Ballots. At the discretion of the Board or upon the request of twenty percent of the Owners who are present at the meeting or represented by proxy, if a quorum has been achieved, a vote on any matter affecting the Community on which all Owners are entitled to vote shall be by secret ballot. Ballots shall be counted by a neutral third party or by a committee of volunteers. Such volunteers shall be Owners who are selected or appointed at an open meeting, in a fair manner, by the chair of the Board or another person presiding during that portion of the meeting. The volunteers shall not be board members or candidates for the board. The results of a vote taken by secret ballot shall be reported without reference to the names, addresses, or other identifying information of Owners participating in such vote.

2.8. Proxies for Meetings of the Association

Votes allocated to a Residence may be cast pursuant to a written proxy duly executed by an Owner. The proxy must identify the Residence for which it is given, be dated, be signed by the Member or Member's duly authorized attorney-in-fact, and be filed with the Association's Secretary prior to the meeting at which it is sought to be exercised. An Owner may not revoke a proxy except by actual notice of revocation given to the person presiding over the meeting at which such proxy is sought to be utilized. A proxy is void if it purports to be revocable without notice. A proxy terminates eleven months after its date, unless it provides otherwise. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover all votes which the Owner giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

The Association is entitled to reject a proxy if the Secretary or other officer or agent authorized to tabulate votes, acting in good faith, has reasonable basis for doubt about the validity of the signature on it or about the signatory's authority to sign for the Owner.

2.9. Adjournment of Meetings of the Association.

If any Association Meeting cannot be held because a quorum is not present, the Owners representing a majority of the votes present at such meeting may adjourn the meeting to a time at least 5 but not more than 30 days from the scheduled date of the original meeting. At the reconvened meeting, if a quorum is present, any business may be transacted which might have been transacted at the meeting originally called. If those in attendance at the original meeting do not fix a time and place for reconvening the meeting, or if for any reason a new date is fixed for re-

convening the meeting after adjournment, the Board shall provide notice to the Owners of the time and place for reconvening the meeting in the manner prescribed for Association Meetings.

Owners present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the departure of enough Owners to leave less than a quorum, provided at least a majority of the votes required to constitute a quorum must approve any action taken.

2.10. Telephonic Participation in Meetings of the Members (Association Meetings).

The Owners may participate in Association Meetings or the meeting may be conducted through the use of, any means of communication by which all persons participating in the meeting may hear each other during the meeting. An Owner participating by this means is deemed to be present in person at the meeting.

2.11. Conduct of Meetings of the Members (Association Meetings).

The President or a Board-approved designee shall preside over all Association Meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are kept with the Association's books. All meetings of the Association shall be open to every Owner, every resident of the Community, and to any person designated in writing by an Owner to be an Owner's representative. All Association Meetings shall be conducted in accordance with the Association's "Policy Regarding Conduct of Meetings" as the same may be amended by the Board from time to time.

2.12. Action by Written Ballot (Association Meetings).

Any action that may be taken at any Association meeting may be taken without a meeting if the Association delivers a written ballot to every Owner entitled to vote on the matter. The written ballot shall state each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and if the number of affirmative votes equals or exceeds the number that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the total number of votes cast by ballot.

All solicitations for votes by written ballot shall (a) indicate the number of responses need to meet the quorum requirements, (b) state the percentage of approvals necessary to approve each matter other than election of directors, (c) state the time by which a ballot must be received by the Association in order to be counted, and (d) be accompanied by written information sufficient to permit each person casting such ballot to reach an informed decision on the matter. A written ballot may not be revoked once received by the Association. Actions taken by written ballot have the same effect as actions taken at a meeting of the Owners and may be described as such in any document.

ARTICLE 3
Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1. Governing Body; Qualifications.

The Board shall govern the Association's affairs. Each director shall have one vote. Directors shall be Owners, except with respect to directors appointed by the Declarant. However, no co-Owners representing the same Residence may serve on the Board at the same time. If an Owner is not an individual, any officer, director, partner, manager, member, or any trust officer of such Owner shall be eligible to serve as a director unless a written notice to the Association signed by the Owner specifies otherwise. However, no Owner may have more than one such representative on the Board at the same time except in the case of directors the Declarant appoints.

3.2. Number of Directors.

The Board shall consist of three to seven directors, as determined pursuant to Section 3.3 below.

3.3. Selection of Directors; Term of Office.

(a) Initial Board. The initial Board shall consist of three directors appointed by the Declarant, who shall serve until their successors are appointed or elected as provided in this Section.

(b) Directors During Declarant Control Period. Except as otherwise provided in this subsection, the Declarant may appoint, remove, and replace Board members until termination of the Declarant Control Period. During such period, the Owners other than the Declarant shall be entitled to elect directors according to the following schedule per the Act (directors elected by the Owners are referred to as "Owner Directors"):

(i) Within 60 days after the time that Owners other than the Declarant own 25% of the maximum number of Residences permitted under the Declaration, or whenever the Declarant earlier determines, the President shall call for an election by which the Owners shall be entitled to elect one of the three directors. The Declarant shall appoint the remaining two directors. The Owner Director shall be elected for a term of two years or until the happening of the event described in Section 3.3(b) (ii), whichever is shorter. If such director's term expires prior to the happening of the event described in Section 3.3(b) (ii), a successor shall be elected for a like term.

(ii) Within 60 days after the time that Owners other than the Declarant own 50% of the maximum number of Residences permitted under the Declaration, or whenever the Declarant earlier determines, the Board shall be increased to five directors and the President shall call for an election by which the Owners shall be entitled to elect a total of two directors. The Declarant

shall appoint the remaining three directors. The Owner Directors shall be elected for a term of two years or until the happening of the event described in Section 3.3(b) (iii), whichever is shorter. If such directors' terms expire prior to the happening of the event described in Section 3.3(b) (iii), successors shall be elected for a like term.

(iii) Not later than 60 days after the time that Owners other than the Declarant own 75% of the maximum number of Residences permitted under the Declaration (the “Declarant Control Period”), or whenever the Declarant earlier determines, the President shall call for an election by which the Owners shall be entitled to elect all of the directors. Three directors shall be elected to serve until the second annual meeting following their election and two directors shall be elected to serve until the third annual meeting following their election, as such directors determine among themselves. If the directors are unable to agree as to which directors shall serve until the second annual meeting and which directors shall serve until the third annual meeting, the names of the directors shall be drawn at random from a hat. The first three names being drawn shall be the directors who shall serve until the second annual meeting and the remaining directors shall serve until the third annual meeting.

(iv) Upon expiration of the term of office of each director elected under Section 3.3(b) (iii), a successor shall be elected to serve a term of two years. Directors shall hold office until their respective successors have been elected. Directors may serve any number of consecutive terms.

The diagram below illustrates the concept of transition of the Board during and after the Declarant Control Period.

| TRANSITION OF CONTROL OF BOARD OF DIRECTORS | | | |
|---|---|---|--|
| Initial Board | Conveyance of 25% of maximum number of Residences permitted under the Declaration | Conveyance of 50% of maximum number of Residences permitted under the Declaration | Conveyance of 75% of maximum number of Residences permitted under the Declaration Turnover of Declarant Board |
| Declarant | Owner Director | Owner Director | Owner Director |
| Declarant | Declarant | Owner Director | Owner Director |
| Declarant | Declarant | Declarant | Owner Director |
| | | Declarant | Owner Director |
| | | Declarant | Owner Director |

(c) Declarant Advisory Seat. For a period of ten years following the termination of the Declarant Control Period, the Declarant may appoint one person to serve on the Board in an ex officio capacity. The Declarant's representative serving in this capacity shall serve in an advisory role and shall not be entitled to vote on Board matters. Otherwise, the Declarant's representative shall be entitled to notice of Board meetings and shall be entitled to participate in Board meetings in the same manner as any other director.

(e) Expansion of Board. At any time following termination of the Declarant Control Period, the Board may elect to increase its size from five to seven members. If such increase is directed by the Board, the President shall call for meeting of the Members to elect the additional board members. At such election, the candidate receiving the most number of votes shall be elected for an initial term of three years and the candidate receiving the second most number of votes shall be elected for an initial term of two years, in order to stagger the terms. Thereafter, all directors shall all serve terms of two years.

3.4. Nomination and Election Procedures for Board of Directors.

(a) Nomination of Candidates. Prior to any election of directors, the Board shall prescribe the opening date and the closing date of a reasonable filing period in which every eligible person who has an interest in serving as a director may file as a candidate for any position to be filled. Nominations shall also be permitted from the floor at the meeting at which any election is held. All candidates shall have a reasonable opportunity to communicate their qualifications and to solicit votes.

(b) Election Procedures. Votes for contested board positions shall be taken by secret ballot in accordance with the secret ballot procedures set forth in Section 2.7(b) of these Bylaws. Each Owner may cast the vote assigned to his or her Residence for each position to be filled from any slate of candidates on which such Owner is entitled to vote. In the event of a tie vote on any slate, the Owners shall be informed of the tie vote and given the opportunity to discuss the candidates among themselves in an effort to resolve the tie before another vote is taken. If the second vote of the Owners results in a tie, a name shall be drawn at random from a hat, with the candidate whose name is drawn being selected as a director.

3.5. Removal of Directors and Vacancies.

At any meeting of the Owners at which a quorum is present, the Owners, by a vote of 67% of all Owners present in person or proxy and entitled to vote at such meeting, may remove any Owner Director with or without cause. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director by the Owners, the Owners shall elect a successor for the remainder of the term of such director.

At any meeting of the Board at which a quorum is present, a majority of the directors may remove any Owner Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent in the payment of any assessment or other charge due to the Association. The Board may appoint a successor to fill the vacancy until the next annual meeting, at which time the Owners shall elect a successor for the remainder of the term.

In the event of the death, disability, or resignation of an Owner Director, the Board may declare a vacancy and appoint a successor to fill the vacancy until the next annual meeting, at which time the Owners shall elect a successor for the remainder of the term.

This section shall not apply to directors the Declarant appoints. The Declarant may appoint a successor to fill any vacancy on the Board resulting from the death, disability, or resignation of a director appointed by the Declarant.

B. Meetings of the Board of Directors

3.6. Organizational Meetings of the Board of Directors.

The Board shall hold an organizational meeting within 60 days following each Annual Association meeting at such time and place as the President of the Board shall fix.

3.7. Regular Meetings of the Board of Directors.

The Board shall hold regular meetings at such time and place as a majority of the directors shall determine, but the Board shall meet at least four times during each fiscal year with at least one meeting per quarter.

3.8. Special Meetings of the Board of Directors.

The President, Vice President, or any two directors may call a special meeting of the Board.

3.9. Notice; Waiver of Notice of the Board of Directors Meetings.

(a) Notices of Board Meetings to Directors. Notices of Board meetings to directors shall specify the time and place of the meeting and, in the case of a special meeting, the nature of any special business to be considered. The Secretary shall notify each director of meetings by: (i) personal delivery; (ii) first class mail, postage prepaid; (iii) telephone communication, either directly to the director or to a person at the director's office or Residence who would reasonably be expected to communicate such notice promptly to the director; or (iv) facsimile, electronic mail, or other electronic communication device, with confirmation of transmission. All such notices shall be given at or sent to the director's telephone number, fax number, electronic mail address, or sent to the director's address as shown on the Association's records. The Board shall deposit notices sent by first class mail into a United States mailbox at least five business days before the day of the meeting. The Board shall give notices by personal delivery, telephone, or electronic communication at least 72 hours before the time set for the meeting, except in the case of emergencies.

(b) Notices of Board Meetings to the Members. If the Association maintains a website or newsletter, the meeting notice may be posted on the website or set forth in the newsletter in order to advise Members of upcoming Board meetings.

(c) Waiver of Notice. Transactions at any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if: (i) a quorum is present; and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of

a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10. Telephonic Participation in Meetings of the Board of Directors.

Members of the Board may participate in a Board Meeting by conference telephone or similar communications equipment through which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence at such meeting.

3.11. Quorum at Board of Directors Meetings.

(a) Quorum. At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the departure of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present may adjourn the meeting to a time not less than five nor more than 30 days from the date of the original meeting, or to the next regularly scheduled Board meeting. At the reconvened meeting, if a quorum is present the Board may transact, without further notice, any business it might have transacted at the original meeting.

(b) Use of Proxies. For purposes of determining a quorum with respect to a particular proposal and for purposes of casting a vote for or against a particular proposal, a director may be deemed to be present at a meeting and to vote if the director has granted a signed written proxy to another director who is present at the meeting, authorizing the other director to cast the vote that is directed to be cast by the written proxy with respect to the particular proposal that is described with reasonable specificity in the proxy. Except as provided in this Section 3.11(b) and Section 3.14, directors may not otherwise vote or act by proxy.

3.12. Conduct of Board of Director Meetings.

The President or any designee the Board approves shall preside over all Board meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions and all transactions occurring at such meetings are included in the Association's records. Meetings of the Board shall be subject to the Policy Regarding Conduct of Meetings adopted from time to time by the Board.

3.13. Open Meetings of the Board of Directors; Executive Session.

(a) Open Meetings. Subject to the provisions of Section 3.13(b) and Section 3.14, all Board meetings shall be open to all Owners, residents of the Community and any person designated by an Owner in writing as the Owner's representative. At an appropriate time determined by the Board, but before the Board votes on any issue under discussion, any Owner or their designated representatives shall be permitted to speak regarding that issue. The Board may place reasonable

time restrictions on persons speaking during the meeting. If more than one person desires to address an issue and there are opposing views, the Board shall provide for a reasonable number of persons to speak on each side of an issue.

(b) Executive Sessions. Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive or closed door session, and may exclude persons other than directors and other persons the Board permits, to discuss the following matters:

- (i) Matters pertaining to Association employees or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association;
- (ii) Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
- (iii) Investigative proceedings concerning possible or actual criminal misconduct;
- (iv) Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting proceedings or matters from public disclosure;
- (v) Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; or
- (vi) Review of or discussion relating to any written or oral communication from legal counsel.

Prior to the time the Board convenes in executive session, the President shall announce the general matter of the discussion as enumerated above. No Board rule or regulation shall be adopted during an executive session. A rule or regulation may be validly adopted only during a regular or special meeting or after the Board goes back into regular session following an executive session. The minutes of all meetings at which an executive session was held shall indicate that an executive session was held and the general subject matter of the executive session.

The above requirements with respect to executive sessions shall also apply to meetings of any Board committee. In such case, the chair of the committee shall perform the role of the President, as described above.

3.14. Action Without a Formal Meeting of the Board of Directors.

Any action required or permitted at a meeting of the Board of Directors may be taken without a meeting if each and every director, in writing, votes (or abstains from voting) on such action and no director demands that the vote only occur at a meeting of the directors. Any action taken without a meeting must receive the affirmative votes equal to or greater than the number of affirmative votes that would be necessary to approve such action at a meeting at which all of the directors then in office were present and voting. To be effective, the action taken without a meeting must be described in a writing signed by all directors, which can be done in counterparts. Such writing(s) may be received by the Association by electronically transmitted facsimile or

other form of wire or wireless communication that provides the Association with a complete copy of the document, including a copy of the signature on the document. Action so taken shall be effective when the last writing necessary to effect the action has been received by the Association, unless the writings specify a different effective date.

C. Powers and Duties of the Board of Directors.

3.15. Powers.

The Board shall have the power to administer the Association's affairs, perform the Association's responsibilities, and exercise the Association's rights as set forth below and in the Declaration and as provided by law. The Board may do or cause to be done on the Association's behalf all acts and things except those which the Governing Documents or Colorado law require to be done and exercised exclusively by the Owners or the membership generally.

3.16. Duties and Responsibilities of the Board of Directors.

The Board's duties and responsibilities shall include, without limitation:

(a) preparing and adopting, in accordance with the Declaration, an annual budget establishing each Owner's share of the Common and any Special Services Area Assessments;

(b) levying and collecting assessments from the Owners;

(c) providing for the operation, care, upkeep, and maintenance of the Area of Common Responsibility consistent with the Community-Wide Standard;

(d) designating, hiring, and dismissing personnel necessary to carry out the Association's rights and responsibilities and where appropriate, providing for compensation of such personnel and for the purchase of equipment, supplies, and materials to be used by such personnel in the performance of their duties;

(e) opening bank accounts on the Association's behalf and designating the signatories required;

(f) depositing all funds received on the Association's behalf in a bank depository which it shall approve and using such funds to operate the Association; however, in the Board's business judgment any reserve funds may be deposited in depositories other than banks, in accordance with the Investment Policy of the Association;

(g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Area of Common Responsibility;

(h) enforcing by legal means the provisions of the Declaration and any Rule and Regulations adopted by the Board and bringing any proceedings which may be instituted on behalf of or

against the Owners concerning the Association; however, the Association's obligation in this regard shall be conditioned and limited in the manner provided in the Declaration and Bylaws;

(i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Declaration, paying the cost thereof, and filing and adjusting claims, as appropriate;

(j) paying the cost of all services rendered to the Association;

(k) keeping a detailed accounting of the Association's receipts and expenditures in accordance with the Act and these By-Laws;

(l) making available to any prospective purchaser of a Residence, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Residence, current copies of the Declaration, Bylaws, Association Policies, and all other books, records, and financial statements of the Association as provided in the Association's Policy Regarding Books and Records;

(m) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association to the extent permitted by Colorado law, the Declaration, the Articles and these Bylaws (See Section 6.3);

(n) understanding the Association's governing documents and becoming educated with respect to applicable state and local laws, and managing the Association accordingly;

(o) being prepared, attending and participating in meetings of the Association and the Board;

(p) representing the residents of the Community in good faith, with the best interests of the Association, by being informed before acting and by exercising sound judgment;

(q) communicating with fellow Board members and Owners;

(r) encouraging events that foster neighborliness and a sense of neighborhood;

(s) obtaining appropriate professional advice as deemed necessary by the Board;

(t) hiring qualified professional;

(u) fulfilling their fiduciary duties to the Association and exercising discretion in a matter they reasonably believe to be in the best interest of the Community; and

(v) adopting and following responsible governance policies as required by Section 3.17 of these By-Laws.

3.17. Governance Policies.

The Board may adopt and amend from time to time, written policies that shall bind the Association and all Owners regarding various aspects of the operation of the Association (the “Policies”). The Board shall adopt at least the following Policies:

- (a) Delinquency Policy regarding the collection of unpaid assessments;
- (b) Policy Regarding the Conduct of Meetings concerning the conduct of meetings of the Board, Members and committees of the Association;
- (c) Compliance Policy regarding enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines;
- (d) Policy Regarding Books and Records regarding the inspection and copying of Association records by Owners;
- (e) Conflict of Interest Policy regarding procedures to identify and handle conflicts of interests between Board members and the Association;
- (f) Investment Policy regarding the investment of reserve funds;
- (g) Policy Regarding Amendment of Policies, Rules and Regulations.

The initial Policies of the Association shall be adopted at the initial organizational meeting of the Board. The Board may amend the Policies, and may adopt new or different Policies, at any time by the unanimous vote of the all members of the Board and in compliance with the Policy Regarding Amendment of Policies, Rules and Regulations.

ARTICLE 4 Officers

4.1. Officers.

To assist the Board in the day to day operation and management of the Association, the Association shall have the following officers: a President, a Vice President, a Secretary, and a Treasurer. The officers have the powers and duties set forth in Section 4.4 below, and such other powers and duties as may be delegated to them from time to time by the Board. The President and Secretary shall be elected from among the Board members; other officers may, but need not, be Board Members. The Board may appoint such other officers, including additional Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

4.2. Election and Term of Office.

The Board shall elect the Association's officers at the first Board meeting following each Annual Association Meeting, to serve until their successors are elected.

4.3. Removal and Vacancies of Officers.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term. The removal of person as officer does not affect such person's role as a director, if such person is also a director.

4.4. Powers and Duties of Officers.

The Association's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as the Board may specifically confer or impose. The President shall be the Association's chief executive officer. The Vice President shall assist the President and shall perform such duties as may be assigned to the Vice President by the President or the Board. In the absence of the President, the Vice President shall have the powers and perform the duties of the President. The Treasurer shall have primary responsibility for preparing the Association's budgets as provided for in the Declaration, and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both. The Secretary shall keep the minutes of meetings, maintain the Association's corporate books, and prepare, execute, certify, and record amendments to the Declaration and may delegate all or part of the preparation and notification duties to a management agent.

4.5. Resignation.

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 the receipt of such notice or at a later time specified therein. Unless the resignation specifies, acceptance of such resignation shall not be necessary to make it effective and shall not affect person's role as a director if the person is also a director.

ARTICLE 5 Committees

The Board may appoint such committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. In the conduct of its duties and responsibilities, each committee shall abide by the Association's Policy Regarding Conduct of Meetings Except as otherwise provided by Board resolution, members of a committee may act by unanimous written consent in lieu of a meeting.

ARTICLE 6

Standards of Conduct; Liability and Indemnification

6.1. Standards for Directors, Officers and Committee Members

In performing their duties, directors, officers and committee members shall act as fiduciaries and shall be insulated from liability as provided for directors of nonprofit corporations under Colorado law and as otherwise provided by the Governing Documents. Directors and officers shall discharge their respective duties in a manner that they believe in good faith to be in the best interest of the Association and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. A director and officer is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by others to the extent authorized under Colorado law.

6.2. Liability.

(a) A director, officer, or committee member shall not be personally liable to the Association, any member, or any other Person for any action taken or not taken as a director or officer if he or she has acted in accordance with Section 6.1.

(b) Pursuant to the business judgment rule, a director, officer, or committee member also shall not be personally liable for any action taken or not taken in such capacity if such person:

(i) acts within the expressed or implied scope of the Declaration, Policies or Rules and Regulations of the Association and his or her actions are not ultra vires;

(ii) affirmatively undertakes to make decisions which he or she reasonably believes are necessary or appropriate for the Association's continued and successful operation and, when decisions are made, makes them on an informed basis;

(iii) acts on a disinterested basis, promptly disclosing any real or potential conflict of interests (pecuniary or other), and avoiding participation in decisions and actions on matters as to which he has a conflict of interest (beyond that which all directors have by virtue of their ownership or occupancy of a Residence), all in accordance with the Association's Conflicts of Interest Policy; and

(iv) acts in a non-fraudulent manner and without reckless indifference to the Association's affairs.

(c) The Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, willful malfeasance, willful misconduct, or bad faith. The officers, directors, and committee members shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such officers, directors, or committee members may also be members).

6.3. Indemnification.

To the fullest extent permitted by Colorado law, the Association shall indemnify every officer, director, and committee member against any and all liability, damages and expenses arising from any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, to which he or she may be a party by reason of being or having been an officer, director, or committee member. Such indemnification shall include, without limitation, counsel fees and expenses reasonably incurred in connection with any such action, suit, or other proceeding, and any obligation to pay a judgment, settlement, penalty or fine (including settlement of any suit or proceeding, if approved by the then Board). Notwithstanding the foregoing, the Association shall have no obligation to indemnify any individual against liability or expenses incurred in connection with a proceeding:

(a) brought by or in the name of the Association, and the individual is adjudged liable to the Association; or

(b) to the extent that the individual is adjudged liable for conduct that constitutes:

(i) appropriation, in violation of his or her duties, of any business opportunity of the Association;

(ii) intentional misconduct or knowing violation of the law;

(iii) an unlawful distribution to members, directors or officers; or

(iv) receipt of an improper personal benefit.

This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance, if such insurance is reasonably available.

ARTICLE 7 Management and Accounting

7.1. Compensation of Directors, Officers, and Committee Members.

The Association shall not compensate directors, officers, and committee members for acting as such unless Owners representing a majority of the total votes in the Association approve such compensation at an Association Meeting. Nothing herein shall prohibit the Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Association, following compliance with the Association's Conflicts of Interest Policy.

7.2. Advancement or Reimbursement of Expenses.

In accordance with the procedures and subject to the conditions and limitations set forth in the Colorado Revised Nonprofit Corporation Act, the Board may authorize the Association to advance funds to pay for or reimburse the reasonable expenses incurred by a present or former officer, director, or committee member in any proceeding to which he or she may be a party by reason of being or having been an officer, director, or committee member of the Association upon approval of a majority of the other directors.

7.3. Right of Declarant to Disapprove Actions.

As long as the Declarant owns real property in the Community or has an unexpired option to expand the Community pursuant to the Declaration (the "Development and Sale Period"), the Declarant shall have a right to disapprove any action, policy, or program of the Association, the Board and any committee which, in the Declarant's sole and absolute judgment, might tend to impair rights of the Declarant under the Declaration or these By-Laws, interfere with development or construction of any portion of the Community or diminish the level of services the Association provides. The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this section have been met.

(a) Notice. During the Development and Sale period, the Association shall give the Declarant written notice of all meetings of the membership, the Board, and committees and any actions which any of them propose to take by written consent in lieu of a meeting. The Association shall give such notice by electronic mail to a person designated by the Declarant. Such notice shall comply as to Board Meetings with Section 3.9, and shall, except in the case of regular Board Meetings pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

(b) Opportunity to be Heard. At any such meeting, the Association shall give the Declarant the opportunity to join in or to have its representatives or agents join in discussion from the floor of any prospective action, policy, or program which would be subject to the right of disapproval set forth herein.

The Declarant, its representatives, or its agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Declarant, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 30 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 30 days following Declarant's receipt of written notice of the proposed action.

The Declarant may use this right to disapprove or block proposed actions but shall not use it to require any action of any committee, the Board, or the Association. The Declarant shall not use its right to disapprove to reduce the level of services the Association is obligated to provide

in the absence of the proposed action or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

7.4. Managing Agent.

The Board may employ for the Association professional management agents at such compensation as the Board may establish, to perform such duties and services as the Board shall authorize. The Board may delegate such powers as are necessary to perform the manager's assigned duties but shall not delegate policy-making authority or ultimate responsibility for those duties set forth in Section 3.16. The Board may employ the Declarant or its affiliate as managing agent or manager.

In the event the Board delegates its duties to a management agent with regard to collection, deposit, transfer or disbursement of Association funds, such agent shall:

(a) maintain fidelity insurance coverage or a bond in a form and with a company reasonably acceptable to the Association Board, in an amount at least equal to the greater of (i) the maximum amount of funds expected to be in the Manager's control at anytime during the term of this Agreement; (ii) an amount equal to two times the total current monthly assessments of the Association, plus reserves, as calculated from the then current budget of the Association; (iii) \$50,000, and (iv) the amount required by the Act or any federal lending agencies involved in the Community;

The management agent shall also maintain the following additional insurance: (i) Broad Form Commercial General Liability insurance on an occurrence basis in an amount of at least One Million Dollars; (ii) Worker's Compensation Insurance that provides statutory benefits and employers liability such that the Association and the Association Board will have no liability to Manager or Manager's personnel, employees or agents for work related injuries, and (iii) Automotive Liability Insurance covering all owned, non-owned and hired automobiles and vehicles used by Manager in connection with the Services, containing a per occurrence limit of no less than One Million Dollars.

A copy of all such insurance policies shall be provided to the Association Board and the Association shall be named as an additional insured. The cost of all such insurance shall be borne solely by Manager and not billed through to the Association.

(b) Establish and maintain all funds and accounts of the Association at an FDIC insured bank approved by the Association Board, separate from the funds and accounts of other associations; and separate accounts for general operating funds, reserve funds and any other accounts directed by the Board. Manager shall promptly deposit all receipts into the appropriate account and maintain and verify monthly the balances of each such account.

(c) Prepare a financial statement and an accounting of the Association funds on a monthly basis to be presented to the Association by the managing agent, a public accountant, or a certified public accountant.

The Board may delegate to one of its members the authority to act on its behalf on all matters relating to the duties of the managing agent which might arise between Board meetings.

The managing agent shall not accept remuneration from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association. The managing agent shall promptly disclose to the Board any financial or other interest that it may have in any firm providing goods or services to the Association.

7.5. Financial Accounts and Reports.

The Board and Association shall maintain books and records and prepare financial reports sufficient to fulfill its obligations under the Declaration, these By-Laws and the Act. The Association shall follow the following accounting standards unless the Board by resolution specifically determines otherwise:

- (a) maintain accurate and complete records;
- (b) the Association's cash accounts shall not be commingled with any other accounts and operating accounts shall not be commingled with reserve account;
- (c) accounting and controls should conform to generally accepted accounting principles; and
- (d) When the first Residence is sold and closed, the following financial reports shall be prepared for the Association within 30 days and every month thereafter:
 - (i) an income statement reflecting all income and expense activity for the preceding period;
 - (ii) a statement reflecting all cash receipts and disbursements for the preceding period;
 - (iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
 - (iv) a balance sheet as of the last day of the preceding period; and
 - (v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report. A copy of the financial report shall be made available at no charge to any Owner requesting a copy.

An annual report consisting of at least the following shall be made available for each Owner's review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines or as required by the Act.

7.6. Borrowing and Lending.

The Association shall have the power to borrow money for any legal purpose. However, the Board shall obtain Owner approval in the same manner provided in the Declaration for Special Assessments if the proposed borrowing is for the purpose of making discretionary capital improvements and the total amount of such borrowing, together with all other debt incurred within the previous 12-month period, exceeds or would exceed 20% of the Association's budgeted gross expenses for that fiscal year.

Under no circumstances is the Association authorized to make loans to its members, directors or officers. Any director, officer or member who assents to, or participates in, the making of any such loan shall be liable to the Association for the amount of such loan until the repayment thereof.

7.7. Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, cost sharing, operational, or other agreements with third parties, entities, or special districts.

7.8. Agreements, Contracts, Deeds, Leases, Checks, Etc.

All Association agreements, contracts, deeds, leases, checks, and other instruments shall be approved by at least two officers or by such other person or persons as the Board may designate. Following termination of the Declarant Control Period, the Association shall have the right, but not the obligation, to terminate certain agreements entered into during the Declarant Control Period without penalty, provided, the Association gives no less than 90 day's notice of its intent to terminate the agreement. Such agreements include:

(a) any management agreement, employment contract, or lease of recreational or parking area facilities, to the extent provided by the Act;

(b) any other contract or lease between the Association and the Declarant or an affiliate of the Declarant; or

(c) any contract or lease that is not bona fide or was unconscionable to the Owners at the time entered into under the circumstances then prevailing.

ARTICLE 8 Enforcement Procedures

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. The Board shall adopt, and may amend from time to time, a Compliance Policy dealing with compliance and enforcement issues. In addition, Article

X of the Declaration sets forth procedures governing the resolution of various disputes between the Owners, the Association and others.

ARTICLE 9

Miscellaneous

9.1. Fiscal Year.

The Association's fiscal year shall be the calendar year unless the Board establishes a different fiscal year by resolution.

9.2. Conflicts.

If there are conflicts among the provisions of Colorado law, the Articles of Incorporation, the Declaration, and these By-Laws, the provisions of Colorado law, the Declaration, the Articles of Incorporation, and the By-Laws (in that order) shall prevail.

9.3. Notices.

(a) Form of Notice and Method of Delivery. Except as otherwise provided in the Declaration or these By-Laws or by Colorado law, all notices, demands, bills, statements, or other communications under the Declaration or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, or if the intended recipient has given its prior written authorization to use such method of delivery, by facsimile or electronic mail.

(b) Delivery Address. Notices shall be delivered or sent to the intended recipient as follows:

(i) if to a Member or Owner, at the address, telephone facsimile number, or e-mail address which the Member or Owner has designated in writing and filed with the Secretary or, if no such address has been designated, at the address of the Residence of such Owner;

(ii) if to the Association, the Board, or a committee of either, at the address, facsimile number, or e-mail address of the principal office of the Association or its managing agent, or at such other address as the Association shall designate by notice in writing to the members pursuant to this section; or

(iii) if to the Declarant, at the Declarant's principal address as it appears on the Secretary of State's records, or at such other address as the Declarant shall designate by notice in writing to the Association pursuant to this section.

(c) Effective Date. Notice sent in accordance with subsections (a) and (b) shall be deemed to have been duly given and effective:

(i) if sent by United States mail, when deposited with the U.S. Postal Service, correctly addressed, with first class or higher priority postage prepaid;

(ii) if delivered personally or by private carrier, when actually delivered to the address of the intended recipient, as evidenced by the signature of the person at such address who accepts such delivery; or

(iii) if sent by telephone facsimile or electronic mail, upon transmission, upon transmission.

9.4. Minutes.

Minutes or any similar record of the meetings of the members or of the Board, when signed by the Secretary or acting secretary of the meeting, shall be presumed to truthfully evidence the matters set forth therein. A recitation in any such minutes that notice of the meeting was properly given shall be prima facie evidence that the notice was given.

ARTICLE 10 Amendment of Bylaws

(a) By Declarant and Board. Prior to termination of the Declarant Control Period, the Declarant may unilaterally amend these By-Laws. Thereafter, the Declarant or the Board may unilaterally amend these By-Laws at any time and from time to time if such amendment is necessary: (i) to correct typographical errors, incorrect cross-references, improper designation of sections and subsections, or mistakes in punctuation; (ii) to bring any provision into compliance with any applicable governmental statute, rule or regulation, or judicial determination; (iii) to enable any reputable title insurance company to issue title insurance coverage on the Residences; or (iv) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Residence Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Residences. During the Development and Sale Period, the Declarant may unilaterally amend these By-Laws for any other purpose, provided the amendment has no material adverse effect upon any substantive right of any Owner.

(b) By the Board. The Board may, by unanimous vote of all members, amend the By-Laws in any manner desired by the Board, provided that notice of the Board meeting at which such amendment is to be considered is given to all Members in the same manner as required under Section 2.4 of these By-Laws, which notice shall include a description of the proposed amendment.

(c) By Members. The By-Laws may also be amended by the affirmative vote or written consent, or any combination thereof, of two-thirds of Owners present in person or by proxy at an annual Meeting of the Members, provided that the notice of such meeting has been provided as required under Section 2.5 of these By-Laws and a description of the proposed amendment is included in such notice. No approval of the Members shall be required for the Board to amend or adopt Policies, as long as such Policies are not inconsistent with the Bylaws or the Declaration.


(d) Validity and Effective Date of Amendments. Amendments to these By-Laws shall become effective upon approval in accordance with Section 9.6(a) or (b) above, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its adoption, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

(e) Consent of Declarant. These By-Laws and the Policies may not be amended or modified during the Development and Sale Period without the written consent of the Declarant. Even after the Development and Sale Period, no amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege.

APPROVED AND ADOPTED THIS 26th DAY OF JULY, 2017.

By: 

David Ware, Director

By: 

Robert Edmonds, Director

By: 

Patrick Murphy, Director