

**THE TRAILS AT SHEEP DRAW HOMEOWNERS ASSOCIATION, INC.
ACTION OF EXECUTIVE BOARD BY UNANIMOUS CONSENT**

We, Larry S. Buckendorf, Joseph Schumacher and Morgan Kidder, being all of the members of the Executive Board named in the Articles of Incorporation of The Trails at Sheep Draw Homeowners Association, Inc. a corporation formed under the Colorado Revised Nonprofit Corporation Act, hereby waive notice of and the holding of the organizational meeting of the Executive Board and unanimously consent to the adoption of the following resolutions and recording thereof among the minutes of proceedings of the Association:

RESOLVED, that the Articles of Incorporation of the Association filed with the Secretary of State of the State of Colorado on March 9, 2018, a copy of which is annexed to these resolutions, be, and the same hereby are, approved and accepted.

RESOLVED, that the Bylaws, a copy of which is annexed to these resolutions, are hereby adopted and declared to be the Bylaws of the Association.

RESOLVED, that the following persons are elected officers of the Association in the respective capacities set before their names to serve until the first annual meeting of the Executive Board and until their respective successors are elected and qualified:

President	Larry S. Buckendorf
Vice President	Joseph Schumacher
Secretary/Treasurer	Morgan Kidder

RESOLVED, that the Secretary of the Association be instructed to procure a well-bound book in which to preserve the minutes of the meetings of the Executive Board and Members of the Association, and in which shall be kept the duplicate original of the Articles of Incorporation filed with the Secretary of State of Colorado containing the filing information thereon and the original copy of the Bylaws of the Corporation.

RESOLVED, that the officers of the Association cause to be prepared, appropriate books and records in which shall be recorded, among other things, the names and addresses of the members of the Association.


RESOLVED, that the principal office of the Association be established and maintained at 4631 20th Street Road, #100, Greeley, Colorado 80634 until said location is changed by further resolution of the Executive Board.



CERTIFICATION

I hereby certify that the foregoing Action of Executive Board by Unanimous Consent was filed among the minutes of the Executive Board of The Trails at Sheep Draw Homeowners Association, Inc.


Secretary


Date



BYLAWS

OF

THE TRAILS AT SHEEP DRAW HOMEOWNERS ASSOCIATION, INC.

ARTICLE 1 - INTRODUCTION

These are the Bylaws of THE TRAILS AT SHEEP DRAW HOMEOWNERS ASSOCIATION, INC., ("Association"), which shall operate under the Colorado Revised Nonprofit Corporation Act, as amended ("CRNCA") and the applicable portions of the Colorado Common Interest Ownership Act, as amended ("Act"), which relate to limited expense planned communities. Terms used herein shall have the meaning set forth in the Declaration of Covenants, Conditions and Restrictions for The Trails at Sheep Draw Subdivision ("Declaration") and, to the extent applicable, in the Act.

ARTICLE 2 - EXECUTIVE BOARD

Section 2.1 Number and Qualification. The affairs of the Common Interest Community and the Association shall be governed by an Executive Board. The initial Executive Board shall consist of three (3) members, whose names and addresses are as set forth in the Articles of Incorporation. Only Owners, eligible to vote and otherwise in good standing, may be elected or appointed to fill a vacancy on the Executive Board; provided, however, Declarant shall have the right to appoint members to the Executive Board as provided in the Declaration and to have members remain on the Executive Board until all Development Rights and Special Declarant Rights have expired. In the case where, through removal or resignation, the total number of the members of the Executive Board is less than three, the Executive Board will be considered properly constituted until such vacancies are filled. The number of members of the Executive Board may be increased or decreased by amendment of these Bylaws; provided, however the number is always an odd number.

(a) Until the first annual meeting after the Period of Declarant control, the terms of members of the Executive Board not appointed by the Declarant shall expire at the annual meeting which occurs not less than one year, nor more than two years, eleven months after election to the Executive Board.

(b) At the first annual meeting of the Association after the Period of Declarant control, the terms of the initial members of the Executive Board elected by the Owners shall be staggered so that one member shall be elected to serve a one (1) year term, and the remainder shall be elected to serve two (2) year terms. At the expiration of the initial term of office for each respective member of the Executive Board, his successor shall be elected to serve a term of two (2) years.

(c) The Declaration shall govern appointment of members of the Executive Board during the Period of Declarant control.

(d) At any time after Owners, other than the Declarant, are entitled to elect a member of the Executive Board, the Association may call a meeting and shall give not less than ten (10) nor more than fifty (50) days' notice to the Owners for this purpose. This meeting may be called and the notice given by any Owner if the Association fails to do so.

(e) Each member of the Executive Board shall hold office until the election and qualification of his successor. At any meeting at which the Executive Board is to be elected, the Owners may, by



resolution, adopt specific procedures which are not inconsistent with these Bylaws or the CRNCA for conducting the elections.

Section 2.2 Powers and Duties. The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration and these Bylaws. The Executive Board shall have, subject to the limitations contained in the Declaration, the powers and duties necessary for the administration of the affairs of the Association and of the Common Interest Community, including the following powers and duties:

(a) The Board shall promulgate policies, procedures and rules at its regular Board meetings, taking into account any comments from members at the meetings. The policies, procedures and rules shall then be published to Members with a designated effective date. Any Member who believes a policy, procedure or rule to be unwise, unworkable or otherwise improper, may address the Board with their concerns at any regular Board meeting or may put their concerns in writing to the Board. The Board will then consider the concerns of the Member and if it deems the concerns valid will amend policy, procedure or rule with publication to Member. The Board welcomes comment from Members.

(b) Adopt and amend budgets for revenues, expenditures and reserves.

(c) Collect assessments, including, but not limited to, assessments made by the Association, from Owners.

(d) Suspend the voting interests allocated to a Lot, and the right of an Owner to cast such votes, or by proxy the votes of another, during any period in which such Owner is in default in the payment of any Assessment, or, after notice and a hearing, during any time in which an Owner is in violation of any other provision of the Documents. The suspension of voting rights allowed herein for a violation of the Association's Rules and Regulations shall not exceed sixty (60) days for any one occurrence.

(e) Hire and discharge managing agents.

(f) Hire and discharge independent contractors, employees and agents, other than managing agents.

(g) Institute, defend or intervene in litigation or administration proceedings or seek injunctive relief for violation of the Documents in the Association's name, on behalf of the Association, or two (2) or more Owners on any matters affecting the Common Interest Community.

(h) Make contracts and incur liabilities.

(i) Regulate the use, maintenance, repair, replacement and modification of the Common Elements.

(j) Cause additional improvements to be made as a part of the Common Elements.

(k) Acquire, hold, encumber and convey in the Association's name, any right, title or interest to real estate or personal property, but the Common Elements may be conveyed or subjected to a Security Interest only pursuant to the Declaration and applicable law. Notwithstanding the foregoing, the Common Elements may be conveyed to a Metro District by the Declarant or the Executive Board without approval of the Owners or Eligible Mortgagees.



(l) Grant easements for any period of time, including permanent easements, leases, licenses and concessions through or over the Common Elements.

(m) Impose and receive a fee or charge for the use, rental or operations of the Common Elements and for services provided to Owners.

(n) Impose a reasonable charge for late payment of assessments and levy a fine for violation of the Declaration, these Bylaws and the Rules and Regulations of the Association.

(o) Impose a reasonable charge for the preparation and recordation of supplements or amendments to the Declaration and for statements of unpaid assessments.

(p) Provide for the indemnification of the Association's officers and the Executive Board and maintain Directors' and Officers' liability insurance.

(q) Declare the office of a member of the Executive Board to be vacant in the event such member shall fail to participate in three (3) regular meetings of the Executive Board during any one year period.

(r) Enforce the Declaration and the Residential Improvement Guidelines and Site Restrictions of the Association.

(s) Assign the Association's right to future income, including the right to receive Common Expense Assessments, only upon the affirmative vote of the Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated, at a meeting called for that purpose.

(t) Exercise any other powers conferred by the Documents.

(u) Exercise any other power that may be exercised in the State of Colorado by a legal entity of the same type as the Association.

(v) Exercise any other power necessary and proper for the governance and operation of the Association.

(w) By resolution, establish permanent and standing committees of Directors to perform any of the above functions under specifically delegated administrative standards as designated in the resolution establishing the committee. All committees must maintain and publish notice of their actions to Owners and the Executive Board. However, actions taken by a committee may be appealed to the Executive Board by any Owner within forty-five (45) days of publication of a notice. If an appeal is made, the committee's action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

(x) Nothing in these Bylaws shall be construed as to require the Executive Board to take any of the actions for which it is authorized. The Executive Board shall conduct its obligations pursuant to Colorado law, but absent a showing of bad faith or intentional misconduct, any actions taken by the Executive Board shall be fully indemnified by the Association under the following circumstances and in the manner and to the extent indicated:

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1. In any threatened, pending or completed action, suit or proceeding to which the Executive Board was or is a party or is threatened to be made a party by reason of the fact that it is or was the Executive Board of the Association (other than an action by or in the right of the Association) involving an alleged cause of action for damages arising from the performance of its activities on behalf of the Association, the Association shall indemnify the Executive Board against expenses, including attorneys' fees, judgments and amounts paid in settlement, actually and reasonably incurred by it in connection with such action, suit or proceeding if the Executive Board acted in good faith and in a manner it reasonably believed to be in or not opposed to the best interests of the Association, and provided that its conduct has not been found by a nonappealable court judgment, order, decree or decision to constitute fraud, deceit, willful or wanton misconduct, or a wrongful taking. The termination of any action, suit or proceeding by judgment, order, or settlement shall not, of itself, create a presumption that the Executive Board did not act in good faith and in a manner which it reasonably believed to be in or not opposed to the best interests of the Association.

(y) Executive board members have no exclusive duty to the Association. The Executive Board members shall not be required to manage the Association as its sole and exclusive function and it may have other competing business interests and may engage in other activities in addition to those relating to the Association. Further, the Executive Board members may reside in a state other than Colorado. Neither the Association nor any member of the Executive Board shall have any right, by virtue of these Bylaws, to share or participate in such other investments or activities of a member of the Executive Board or to the income or proceeds derived therefrom.

Section 2.3 Manager. The Executive Board may employ a manager for the Common Interest Community, at a compensation established by the Executive Board, to perform duties and services authorized by the Executive Board; provided, however:

(a) The Executive Board may delegate to the manager only the powers granted to the Executive Board by these Bylaws under Section 2.2, (c), (d) (f), (g), (h), (i), (j), (m), (n), (o) and (r).

(b) Licenses, concessions and contracts may be executed by the manager pursuant to specific resolutions of the Executive Board and to fulfill the requirements of the budget.

(c) The Executive Board may require: (i) that the manager maintain fidelity insurance coverage or a bond in an amount not less than fifty thousand dollars (\$50,000) or such higher amount as the Executive Board may require; (ii) that the manager maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the manager and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and (iii) that an annual accounting for Association funds and a financial statement be prepared and presented to the Association by the managing agent, a public accountant, or a certified public accountant and that a review or an audit be completed by a certified public accountant at least every three years.

(d) Any agreement for professional management of the Association's business shall have a maximum term of three (3) years and shall provide for termination by either party thereto, with or without cause, and without payment of a termination fee, upon thirty (30) days' prior written notice. Any contracts, licenses or leases entered into by the Association while there is Declarant control of the Association shall provide for termination by either party thereto, with or without cause and without payment of a termination fee, at any time after termination of Declarant control of the Association, upon thirty (30) days' prior written notice; provided, however, that any contract entered into at any time by the Association providing for services of the Declarant shall provide for termination at any time by either

party thereto without cause and without payment of a termination fee upon sixty (60) days' prior written notice. In addition, any management agreements entered into by the Association with a manager or managing agent prior to the termination of the period of Declarant control shall be subject to review and approval by HUD or VA if, at the time such agreement is entered into, HUD has insurance or VA has a guarantee(s) on one (1) or more First Security Interests.

(e) The Executive Board shall not be responsible or liable for any actions taken by the Manager in the management of the Association and/or Common Interest Community. Should the Association and/or Common Interest Community assert any claims regarding the Manager or the management company in the operation of the Association and/or Common Interest Community, the Association and/or Common Interest Community members hereby waive any such contract or tort claims against the Executive Board and shall be prohibited from naming the Executive Board absent a showing of intentional wrongful conduct on behalf of the Executive Board. In addition, nothing in these By-laws shall be construed to create a *respondeat superior* relationship between the Executive Board and any Manager or management company engaged by the Executive Board.

Section 2.4 Removal of Member of Executive Board. The Owners, by a two-thirds vote of all persons present and entitled to vote, at any meeting of the Owners at which a quorum is present, may remove any member of the Executive Board, with or without cause, other than one appointed by the Declarant. Any member of the Executive Board appointed by the Declarant during the period of Declarant control may only be removed by the Declarant. Vacancies created by removal according to this Section 2.4 shall be filled as follows:

(a) As to vacancies of members of the Executive Board whom Owners other than the Declarant elected, by a majority of the remaining Executive Board; provided, however, if the entire Executive Board is removed at once, an election shall be held immediately thereafter at the same meeting; and

(b) As to vacancies of members of the Executive Board whom the Declarant has the right to appoint, by the Declarant.

Each person so elected or appointed shall serve on the Executive Board for the remainder of the term of the member so replaced.

Section 2.5 Vacancies. Except in the case of removal of a member of the Executive Board pursuant to Section 2.4 above, vacancies may be filled at a special meeting of the Executive Board held for that purpose at any time after the occurrence of the vacancy, even though the members of the Executive Board present at that meeting may constitute less than a quorum. These appointments shall be made, as to vacancies of members of the Executive Board, and each person so elected or appointed shall serve on the Executive Board for the remainder of the term of the member so replaced.

Section 2.6 Regular Meetings. The first regular meeting of the Executive Board following each annual meeting of the Owners shall be held within sixty (60) days after the annual meeting at a time and place to be set by the Executive Board at the meeting at which the Executive Board shall have been elected. No notice shall be necessary to the newly elected Executive Board in order to legally constitute such meeting, provided a majority of the members of the Executive Board are present. The Executive Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

Section 2.7 Special Meetings. Special meetings of the Executive Board may be called by the President or by a majority of its members on at least three (3) business days' notice to each member.

Section 2.8 Quorum: Actions of the Executive Board. A majority of the members present in person or by proxy shall constitute a quorum for all meetings and consents. Unless otherwise determined by a vote of the Executive Board as to a particular issue, a majority vote of those present in person or by proxy, or a majority of those consenting in writing, constitutes a valid corporate action. For purposes of this Article 2, the term “present” shall include attendance in person, by proxy (to the fullest extent provided by the CRNCA), via telephonic or other electronic means, via “real time” e-mail or, in the case of written consents, by providing written response on or before the date responses are due as set forth in the written consent.

Section 2.9 Location of Meetings. All meetings of the Executive Board shall be held either (i) within the State of Colorado, unless all members thereof consent in writing to another location, or (ii) in such a manner as to permit discussions and deliberations via telephonic means or communication via “real time” e-mail.

Section 2.10 Waiver of Notice. Any member of the Executive Board may waive notice of any meeting in writing. Attendance by a member of the Executive Board at any meeting of the Executive Board shall constitute a waiver of notice. If all the members of the Executive Board are present at any meeting (participating in a meeting through any means authorized by these Bylaws), no notice shall be required, and any business may be transacted at such meeting.

Section 2.11 Consent to Corporate Action. If a majority of the Executive Board or members of a committee established for such purpose, as the case may be, severally or collectively consent in writing to any action taken or to be taken by the Association, and the number of members of the Executive Board or of the committee constitutes a quorum, that action shall be valid corporate action as though it had been authorized at a meeting of the Executive Board or the committee, as the case may be. The Secretary shall file these consents with the minutes of the meetings of the Executive Board.

Section 2.12 Types of Communication in Lieu of Attendance. Any member of the Executive Board may attend a meeting of the Executive Board by: (i) using an electronic or telephonic communication method whereby the member may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Executive Board; or (ii) by participating in “real time” e-mail communication when all Board members are participating in this form of communication. The vote of such member shall be counted and the presence noted as if that member was present in person on that particular matter.

Section 2.13 Compensation. No member of the Executive Board shall receive any compensation from the Association for acting as such, however members of the Executive Board may be reimbursed for expenses incurred on behalf of the Association upon approval of a majority of the other members of the Executive Board. Nothing herein shall prohibit the Association from compensating a member of the Executive Board, or any entity with which a member of the Executive Board is affiliated, for services or supplies furnished to the Association in a capacity other than as a member of the Executive Board pursuant to a contract or agreement with the Association, provided that such Board member’s interest was made known to the Executive Board prior to entering into such contract and such contract was approved by a majority of the Executive Board, excluding the interested member of the Executive Board.

ARTICLE 3 - OWNERS

Section 3.1 Meetings of the Owners. The following types of “meetings” (as that term is used in the CRNCA) shall be or may be held, as provided below.

(a) Annual Meetings. Annual meetings of Owners shall be held at least once a year in the State of Colorado, at such date set forth in the notice. At these meetings, the Executive Board shall be elected by ballot of the Owners, in accordance with the provisions of Article 2 of these Bylaws. The Owners may transact other business as may properly come before them at these meetings.

(b) Special Meetings. Request that a special meeting of the Association be called may be made by the President, by a majority of the members of the Executive Board or by a written instrument signed by Owners comprising twenty percent (20%) of the votes in the Association.

(c) Meeting to Approve Annual Budget. At the annual meeting of the Association or at a special meeting of the Association called for such purpose, the Owners shall be afforded the opportunity to ratify a budget of the projected revenues, expenditures and reserves for the Association's next fiscal year as proposed by the Executive Board. A summary of the proposed budget approved by the Executive Board shall be mailed to the Owners within thirty (30) days after its adoption along with a notice of a meeting of the Association to be held not less than fourteen (14) nor more than fifty (50) days after mailing of the summary to the Owners (or, in the alternative, together with a ballot and information sufficient to satisfy the provisions of Section 109 of the CRNCA). Unless eighty percent (80%) of the total votes in the Association reject the proposed budget, the budget is ratified. There are no quorum requirements for this meeting. In the event the proposed budget is rejected, the budget last ratified by the Owners continues until such time as the Owners ratify a subsequent budget proposed by the Executive Board as provided above.

Section 3.2 Place of Meetings. Meetings of the Owners shall be held within the State of Colorado and may be adjourned to a suitable place convenient to the Owners, as may be designated by the Executive Board or the President.

Section 3.3 Notice of Meetings. Except as otherwise set forth in Subsection 3.1(c), the Secretary shall cause notice of all meetings of the Owners set forth in Section 3.1 to be hand-delivered, sent via nationally recognized over-night or express delivery service, or sent prepaid by United States mail to the mailing address of each Lot or to the mailing address designated in writing by the Owner, or sent by telefax transmittal to the fax number designated in writing by the Owner with a written confirmation of receipt, not less than ten (10) nor more than fifty (50) days in advance of a meeting. The date notice sent shall be the date received by the recipient or three days after placing the notice in the United States mail. No action shall be adopted at a special meeting except as stated in the notice.

Section 3.4 Adjournment of Meeting. At any meeting of Owners, a Majority Vote may adjourn the meeting to another time.

Section 3.5 Order of Business. The order of business at all meetings of the Owners shall be as set forth in the written meeting agenda available at the beginning of each meeting.

Section 3.6 Voting.

(a) If only one of several Owners of a Lot is present at a meeting of the Association, the Owner present is entitled to cast the vote allocated to that Lot. If more than one of the Owners is present, the vote allocated to the Lot may be cast only in accordance with the agreement of a majority of the Owners of that Lot and no vote may be split. Majority agreement exists if any one of the Owners casts the vote allocated to the Lot without protest being made promptly to the person presiding over the meeting by another Owner of the Lot.

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(b) The vote allocated to a Lot may be cast under a proxy duly executed by an Owner. If a Lot is owned by more than one person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owners of the Lot through a duly executed proxy. An Owner may revoke a proxy given under this section only by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates eleven (11) months after its date, unless it specifies a shorter term.

(c) The vote of a corporation or limited liability company may be cast by an officer of that corporation or by the manager of the limited liability company in the absence of express notice of the designation of a specific person by such Owner's governing body, members, manager, operating agreement or bylaws. The vote of a limited liability limited partnership or a limited partnership may be cast by the general partner (or any general partner if there is more than one general partner). The vote of a general partnership may be cast by any general partner of the owning partnership in the absence of express notice of the designation of a specific person by the owning partnership. The moderator of the meeting may require reasonable evidence that a person voting on behalf of an Owner who is a corporation, limited liability company, limited liability limited partnership, limited partnership, general partnership or any other type of entity recognized by Colorado law is qualified to vote.

Section 3.7. Quorum. Except as otherwise provided in these Bylaws, the Owners present in person or by proxy at any meeting of Owners, representing twenty percent (20%) of the votes in the Association, shall constitute a quorum at that meeting.

Section 3.8. Majority Vote. The term "Majority Vote" shall mean the vote of a majority of the Owners (casting one vote per Lot) present in person or by proxy at a meeting at which a quorum shall be present and shall be binding upon all Owners for all purposes except where a higher percentage vote is required in the Declaration or these Bylaws. Reference to a "majority of all Owners" in the Declaration or these Bylaws shall mean a vote cast by Owners representing one more than one-half of all Lots in the Common Interest Community.

Section 3.9 Voting by Mail. The Executive Board may decide that voting of the Owners on any matter required or permitted by the statutes of Colorado, the Declaration, the Articles of Incorporation, or these Bylaws shall be by written ballot. Pursuant to the CRNCA, any action that may be taken at any annual, regular, or special meeting of Owners may be taken without a meeting if the Secretary delivers a written ballot to every member entitled to vote on the matter. "Delivery" to the Owner of the ballot, and the Owner's return of the completed ballot shall be made by the same methods available for providing notice to a member set forth in Section 3.3 above.

(a) A written ballot shall: (i) set forth each proposed action; and (ii) provide an opportunity to vote for or against each proposed action.

(b) 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 the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(c) All solicitations for votes by written ballot shall: (i) indicate the number of responses needed to meet the quorum requirements; (ii) state the percentage of approvals necessary to approve each matter other than the election of members of the Executive Board; (iii) specify the time by which a ballot must

be received by the Association in order to be counted; and (iv) be accompanied by written information sufficient to permit each person casting such ballot to reach an informed decision on the matter.

(d) A written ballot, once received by the Association, may not be revoked, unless the Owner casting the written ballot appears in person at a meeting convened to consider any one or more of the matters on the ballot.

ARTICLE 4 - OFFICERS

Section 4.1 Designation. The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an assistant Treasurer, an assistant Secretary and other officers as it finds necessary. Any two offices may be held by the same person, except the offices of President and Secretary. The office of Vice President may be vacant. All officers must be members of the Executive Board.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Executive Board.

Section 4.3 Resignation and Removal of Officers. Upon the affirmative vote of a majority of the Executive Board, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Executive Board or at any special meeting of the Executive Board called for that purpose. Any officer may resign at any time by giving written notice to the President or Secretary.

Section 4.4 President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Owners and of the Executive Board. The President shall have all of the general powers and duties which are incident to the office of President of a nonprofit corporation organized under the laws of the State of Colorado, including but not limited to the power to appoint committees from among the Owners from time to time as the President may decide is appropriate to assist in the conduct of the affairs of the Association. The President may fulfill the role of Treasurer in the absence of the Treasurer. The President may cause to be prepared and may execute amendments, attested by the Secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.5 Vice President. The Vice President shall take the place of the President and perform the President's duties whenever the President is absent or unable to act. If neither the President nor the Vice President is able to act, the Executive Board shall appoint another of its members to act in the place of the President on an interim basis. The Vice President shall also perform other duties imposed by the Executive Board or by the President.

Section 4.6 Secretary. The Secretary shall keep the minutes of all meetings of the Owners and Executive Board. The Secretary shall have charge of the Association's books and papers as the Executive Board may direct and shall perform all the duties incident to the office of Secretary of a nonprofit corporation organized under the laws of the State of Colorado. The Secretary may cause to be prepared and may attest to execution by the President of amendments to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

Section 4.7 Treasurer. The Treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and

disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Executive Board and shall perform all the duties incident to the office of Treasurer of a nonprofit corporation organized under the laws of the State of Colorado. The Treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Executive Board. Except for reserve funds described below, the Treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Executive Board decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the Treasurer, and executed by two members of the Executive Board, one of whom may be the Treasurer.

Section 4.8 Execution of Instruments. Except as provided in Sections 4.4, 4.6, 4.7 and 4.9 of these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any officer of the Association or by any other person or persons designated by the Executive Board.

Section 4.9 Statements of Unpaid Assessments. The Treasurer, assistant Treasurer, a manager employed by the Association or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid Assessments.

The amount of the fee for preparing statements of unpaid Assessments and the time of payment shall be established by resolution of the Executive Board. Any unpaid fees may be assessed as a Common Expense Assessment against the Lot for which the certificate or statement is furnished.

ARTICLE 5 – DIRECTOR AND OFFICER CONDUCT

Section 5.1 Standards of Conduct. Directors and Officers shall discharge their duties in good faith, with the care that an ordinary prudent person would exercise in a like position and under similar circumstances, and in a manner that he/she reasonably believes to be in the best interests of the Association. The duty of care includes the following:

(a) Knowledge of the provisions in the Association’s Articles of Incorporation, Bylaws, Declaration of Covenants and rules, regulations and policies.

(b) Directors act through the Board of Directors (“Board”) as a governing body and have no authority to make decisions or authorize action without having been given express authority to do so by the Board.

(c) Directors should attend Board and membership meetings and diligently pursue any duties or tasks they are directed or volunteer to complete.

(d) Officers are designated certain duties by the Association bylaws and should fulfill those duties and other duties normally associated with that office. Where an Officer is uncertain as to authority to act in that capacity, he should seek guidance from the Board.

Section 5.2 Standards of Behavior. Directors and Officers are acting in a professional capacity and must understand that they are managing a business. Their behavior should be professional.

Professional behavior includes courtesy towards Association Members, Association managers and Association vendors. Professional behavior includes the avoidance of profanity or other inappropriate language or conduct, whether at meetings or in other places.

Section 5.3 Conflicts of Interest.

“Conflicting Interest Transaction” means any relationship, whether contractual, financial, familial, or ownership, between a Director/Officer and the Association, between a person related to a Director/Officer and the Association or between an entity in which the Director/Officer has an interest and the Association.

“Conflict of Interest” shall mean a Conflicting Interest Transaction or other interest in a matter that could result in a Director or Officer violating their Duty of Care as set forth in the Colorado Revised Nonprofit Corporation Act.

(a) The Association shall not make any loans to any Director or Officer.

(b) Where the Association is considering entering into a transaction that would constitute a Conflicting Interest Transaction or that involves a Conflict of Interest, any Director or Officer who has the relationship that creates the Conflicting Interest Transaction or who has a Conflict of Interest shall disclose to the Board the material facts as to that relationship or conflict. Where a Director or Officer is uncertain as to whether they have a conflict, they should disclose material facts regarding the relationship.

(c) The Association shall enter into Conflicting Interest Transactions only if the following are met:

(i) The Conflicting Interest Transaction is fair to the Association; and

(ii) The material facts of the relationship giving rise to the Conflicting Interest Transaction have been made known to the Board; and.

(iii) The Board, acting in good faith and by majority vote without the participation of the conflicted Director, approves the Conflicting Interest Transaction.

(d) Where a Director or Officer has a Conflict of Interest, they shall abstain from any discussion, vote or decision related to the matter involving the Conflict of Interest.

ARTCILE 6 – CONDUCT OF MEETINGS

Section 6.1 Meetings of Members.

(a) Annual meetings of Members are held primarily for the purpose of the election of Members to the Board of Directors (“Board”) but may include such other matters as may properly come before membership pursuant to the Declaration or Bylaws.

(b) Special meetings of Members may be called pursuant to the Bylaws.

Section 6.2 Notice.



(a) Notice of membership meetings shall be given pursuant to the Bylaws by first class prepaid postage in the U.S. mail, mailed to the Member's address of record with the Association. **It is critical that if Members change their address, they update the address of record by notifying the Association manager or secretary.**

(b) Notice of membership meetings may also be posted on the web page.

(c) If a Member desires to receive notice by electronic mail, the Member must request to receive notice by electronic mail and must provide the Association with their e-mail address. The request should be in writing and notice to cease e-mail notification should likewise be in writing.

6.3 Procedures.

(a) Colorado law requires that the election of the Board be by secret written ballot where their positions are contested. Any other matter may be conducted by secret ballot upon the request of twenty percent (20%) of Owners who are present in person or by proxy at the meeting.

(b) Votes are to be counted by a neutral third party or by a committee of volunteers. Such volunteers shall be Owners, but not Board members or candidates for Board positions, who are selected in a fair manner by the presiding officer.

(c) Members may vote at meetings without attending by appointing a proxy to vote for them. Proxy forms will be included with the notice of meeting. While other forms can be used, it is recommended that the Association form be used to avoid the possibility of the proxy being determined invalid.

(d) The Association will use a simplified form of Robert's Rules of Order in the conduct of meetings. Members shall have the opportunity to speak on any topic during the discussion period prior to voting. The Board may place limitations on the length of time Members are allowed to speak.

(e) Members shall conduct themselves appropriately. Speaking out when not recognized or interruption of proceedings shall not be permitted. If a Member cannot properly conduct themselves, law enforcement shall be contacted to remove the Member and/or the meeting may be postponed.

Section 6.4 Meetings of the Board of Directors.

(a) Meetings of the Board are open for attendance by Members or their properly designated representatives.

(b) At the beginning of each meeting, Members in attendance will be given agendas for the meeting. After the meeting is called to order and after the routine matters such as Officer reports has been taken care of, Members shall have an opportunity during a "Members' Forum" period to make comments or voice concerns on any matter on the agenda or other matters of concern to them. The Board may limit the length of time any particular Member may speak on a topic. If the number of Members in attendance is large, the Board may limit the number of Members entitled to speak on any one topic.

(c) Other than comments during the Member's Forum, Members may not participate in deliberation or discussion of matters before the Board unless expressly authorized to do so by a majority of the Board. If a matter not on the agenda comes up for formal action by the Board and was not

previously addressed by Members in attendance, the Board will allow Members to comment on the topic before the Board takes any action.

(d) Members in attendance at Board meetings shall conduct themselves appropriately. Speaking out when not recognized or interruption of the Board deliberations shall not be permitted. If a Member cannot properly conduct themselves, law enforcement will be contacted to remove the Member and/or the meeting may be postponed.

ARTICLE 7 - ENFORCEMENT

Section 7.1 Abatement and Enjoinment of Violations by Owners. The violation of any provision of the Governing Documents shall give the Executive Board the right, in addition to any other rights set forth in the Governing Documents, after notice and an opportunity to be heard (except in case of an emergency when no notice is required):

(a) To enter the Lot or Limited Common Element in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Lot) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Governing Documents. The Executive Board shall not be deemed liable for any manner of trespass or damage by this action; or

(b) To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

(c) The association manager and Board are not available on the property 24 hours a day and therefore must rely on Members to report incidents of covenant or rule violation. When any person (including Board members or management) observe a covenant violation and desires to report it, the report must be in writing and given to the Association manager. At a minimum, the report must contain the following information:

- (i) Name of violator if known or address if known.
- (ii) Date and time incident was observed.
- (iii) Description of the incident; photographs are encouraged.
- (iv) Name of the person reporting the incident.

(d) If a Member is not willing to put the report in writing, the Board will take the position that the violation was not sufficiently severe to warrant enforcement. In taking enforcement action on any violation, the Board must be able to prove that the violation occurred. Whether it can prove the violation will in most cases depend on the person observing the incident and their willingness to report. The Board will keep the name of the person reporting the violation confidential until and unless it becomes necessary as part of enforcement proceedings for that person to be identified.

(e) When a violation is reported, the Association will take the following actions:

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(i) **First Notice of Violation-Courtesy Notice.** Owner will receive a Courtesy Notice by regular mail, stating they are in violation of the covenants, rules and regulations or other governing documents of the Association.

(ii) **Second Notice of Violation.** If the Owner has not complied by ceasing and correcting the violation within thirty (30) days of mailing of the first notice of violation, the Owner shall be sent a second notice ("Second Notice") by regular mail, certified mail or personal delivery, again giving the nature of the violation. This Second Notice shall inform the Owner that they must, within thirty (30) days of mailing of the Second Notice, cease committing the violation and must take corrective action to remedy the violation. If the violation involves a failure to submit plans for approval by the Architectural Review Committee as required by the Residential Improvement Guidelines and Site Restrictions ("Guidelines"), Section 1.1 within said time, the Owner shall cease further violation and shall submit the required plans.

(iii) **Third Notice of Violation-sent 30 days after 2nd Notice of Violation.** If the Owner has failed to cease the violation, take corrective action or submit plans within thirty (30) days of the Second Notice, fines shall be imposed described as follows.

Section 7.2.3 Fine Schedule.

(a) **First Fine.** Any fine imposed pursuant to the provisions set forth in this policy shall be imposed at the rate of \$50.00 for the first thirty (30) days after the Second Notice.

(b) **Second Fine.** \$100.00 for the second fine thirty (30) days after the First Fine.

(c) **Third Fine and Subsequent Fines:** \$150.00 for the third and subsequent fines beginning to accrue no earlier than ten (10) days following the Second Fine Notice. Beginning with the third fine of \$150, the Owner may be advised that the Association may take whatever action it deems necessary, including alternate dispute resolution or legal action to reach compliance, and that the Owner shall be responsible for payment of any court costs, attorney fees, and other association fees, any or all of which would be levied as an assessment.

(d) If the Owner is still not in compliance within thirty (30) days subsequent to the Third Fine, additional fees will accrue at the rate of \$150.00 per month until final resolution is reached.

(e) When fines accrue against an owner to the amount of \$500.00, the Board shall take the position that the imposition of fines is ineffective in accomplishing compliance and shall then determine what further enforcement action is necessary.

(f) Nothing in this policy requires the Board to assess fines before taking other forms of enforcement.

(g) Any fines assessed shall be added to amounts due by the Owner and shall be a lien against the unit and enforceable as a lien pursuant to the Declaration and Colorado Law.

(h) Additional forms of enforcement include the Association taking corrective action at the expense of the Owner, the filing of a covenant enforcement action in court, and foreclosure on the Owner's unit. If legal action is necessary, the owner shall be responsible for all attorney's fees and costs.

Section 7.3 Policy on Collection of Unpaid Assessments

Section 7.3.1 Due date, delinquency and charges for delinquent accounts. Pursuant to the Declaration Association, Assessments are due on the 1st day of January each year. Any assessment not received by the Association by the 10th of the month it is due is considered delinquent. Any delinquent assessment will result in a late fee of \$25 which will be assessed against the Owner and added to the Owner's account balance. Late fees will be assessed for each billing quarter that the account remains in arrears. Any assessment not paid within thirty (30) days after the due date shall bear interest at the rate of 18% per annum, compounded monthly. Payments that are dishonored for insufficient funds or are otherwise non-negotiable shall result in a fee of \$25 which will be added to the Owner's account balance. Payments received from an owner will be applied first to late fees, then interest, then to returned check fees, then to expenses incurred by the Association including legal and administrative fees, then to fines, and last to the assessments, from oldest to the most recent.

Section 7.3.2 Notice concerning delinquent accounts. Before an account is turned over for collections, the Association will send the owner a notice specifying requirements of House Bill 1276. The notice will include the following:

- (a) The amount due.
- (b) A breakdown of the Owner's account reflecting how the amount due was determined and permitting the Owner to verify the amount due.
- (c) The name and contact information for the person the Owner can contact to obtain a copy of the Owner's ledger.
- (d) Whether a payment plan is available to the Owner.
- (e) A statement informing the Owner that the delinquency must be cured and that a failure to cure the delinquency within thirty (30) days may result in the account being turned over for collection, to include the filing of a lien, a lawsuit being filed, the lien being foreclosed or any other remedies available to the Association to collect the debt.
- (f) That no further reminder notices will be sent.

Section 7.3.3 Actions to collect on a delinquent account.

- (a) Where an Owner's account becomes delinquent, the Owner will be sent a first notice advising the Owner that the account is delinquent. This notice may result in an administrative fee being charged to the Owner account.
- (b) If an Owner's account remains delinquent thirty (30) days after the first notice was sent, then a second notice will be sent advising the Owner that the account remains delinquent. This notice may result in an administrative fee being charged to the Owner account and will specify the requirements of HB 1276 as listed above.
- (c) If an Owner's account remains delinquent thirty (30) days after the second was sent, then a demand letter will be sent advising the Owner that the account remains delinquent. This notice may result in an administrative fee being charged to the Owner account.

(d) If an Owner's account remains delinquent thirty (30) days after the demand letter was sent, then a statement of lien will be filed. A copy of the lien statement will be sent to the Owner to advise the Owner of that action being taken. All costs and fees associated with the filing of the lien will be assessed against the Owner and added to the Owner account.

(e) When the delinquency of an Owner's account equals or exceeds six (6) months of assessments, the Board of Directors will vote on what further legal action is required. The Board may determine to have the Association's attorney file a personal suit against the Owner, foreclosure on the lien to have the property sold or the appointment of a Receiver to take over the property to generate income. All costs and fees incurred by the Association in any collection action will be assessed against the Owner. The Board may also take such other action as is authorized by the governing documents to include suspending voting rights or use of common areas.

Section 7.3.4 Payment Plans.

(a) Any Owner experiencing financial difficulties is encouraged to contact the Association rather than let the account become more and more delinquent. The Association has some latitude in working with Owners to bring accounts current to include payment plans.

(b) Any Owner desiring to set up payment plan to bring their account current must send a written request to the Association through its Management Company and/or Board of Directors. Any payment plan entered into between the Association and an Owner will provide for minimum equal payment over no less than a six month period unless the Owner agrees to a shorter period of time. In the event a payment plan is entered and the Owner fails to make any payment or fails to pay their regular assessments as they become due, the Owner shall be in default under the plan and the Association will be entitled to immediately pursue all legal remedies available to it to collect.

(c) Payment plans are not available in the following circumstances:

(i) The Owner is not living in the property and acquired the property as a result of a default in a security interest on the property (in most cases this would be foreclosure by the mortgage company) or as a result of foreclosure of the Association's lien.

(ii) If the Association has already previously entered into a payment plan with the Owners, it is not required to enter into another payment plan.

ARTICLE 8 – NOTICE AND HEARING PROCEDURES

Section 8.1 Complaint. Action concerning a violation of the Declaration, Guidelines, and other governing documents shall be initiated by a complaint from a Member, the Board ("Board, or the Manager. Complaints from Members must be in writing addressed to the Manager and must provide all relevant details of alleged violation. The Manager shall make reasonable efforts to verify the alleged violation as soon as reasonably practicable following receipt of the complaint.

Section 8.2 Notice of Alleged Violation. The Manager or the Board shall send notice of an alleged violation of any provision of the Declaration, Bylaws, Guidelines or other governing document to the applicable Member as soon as reasonably practicable following review of the complaint. The Manager or the Board may also, at its option, provide a copy of such notice to any non-owner violator. The notice shall describe the nature of the violation, a date by which the violation shall be cured, the

potential fine, the right to a hearing, and that the Board may seek to protect the Association's right as specified in the governing documents.

Section 8.3 Service of Notices. Service of all notices required or permitted to be given hereunder shall be made as follows:

(a) If to Member and/or Lessee: By personal deliver to the Member and/or Lessee, or by U.S. Mail, postage prepaid addressed to the last registered address of the Member and/or Lessee as contained in the Association's records.

(b) If to the Association: By Manager or personal delivery or U.S. Mail, postage prepaid, addressed to the Association in care of its registered agent and office, as maintained with the Colorado Secretary of State or such other address as the parties may be advised of in writing.

Section 8.4 Request for Hearing. If a Member desires a hearing to challenge or contest any alleged violation and possible fine, said Member shall request such hearing in writing, and shall describe the basis for challenging the alleged violation. In the event a proper and timely request for a hearing is not made within thirty (30) days from the date of the notice, the right to a hearing shall be deemed forever waived. If a hearing is not requested within the thirty (30) day period, the Board shall determine if a violation has occurred, and if so, assess a reasonable fine as provided herein. The Board may also proceed with any further action it deems necessary to compel compliance. The fine shall be collectable as an assessment in the manner provided in Article VIII of the Declaration. The Manager shall give notice of said assessment to the applicable Member as provided herein.

Section 8.5 Board to Conduct Hearing. The Board shall hear and decide cases set for hearing pursuant to these Procedures and Guidelines. The Board may appoint an officer or other Member to act as the presiding officer in any of the hearings.

Section 8.6 Conflicts. Any Board member who is incapable of objective and disinterested consideration at any hearing shall disclose such to the President of the Board prior to the hearing, if possible, or, if advance notice is not possible, then such disclosure shall be made at the hearing, and the Board member shall be disqualified from all proceedings with regard to the hearing. If disqualification of any Board member(s) results in an even number of remaining Board members eligible to hear a case, the presiding officer of the hearing may appoint a Member, in good standing, to serve as a voting member of the hearing board.

Section 8.7 Hearing. The Board shall inform the Member of the scheduled time, place and date of the hearing, provided that the presiding officer may grant continuances for good cause. Unless otherwise determined by the Board, all hearings shall be open to attendance by all Members. The Board will provide the Member written notice of its decision.

Section 8.8 Miscellaneous.

(a) Failure by the Association, the Board, or any person to enforce any provision of these Procedures and Guidelines shall in no event be deemed to be a waiver of the right to do so thereafter.

(b) The provisions of these Procedures and Guidelines shall be deemed to be independent and severable, and the invalidity of any one or more of the provisions hereof, or any segment thereof, by judgment or decree of any court of competent jurisdiction, shall in no way affect the validity or enforceability of the remaining provisions, which provisions shall remain in full force and effect.

(c) Unless the context provides or requires to the contrary, the use of the singular herein shall include the plural, the use of the plural shall include singular, and the use of any gender shall include all genders.

(d) The captions to the sections are inserted herein only as a matter of convenience and for reference, and are in no way to be constructed so as to define, limit, or otherwise describe the scope of these Procedures and Guidelines or the intent of any provision thereof.

ARTICLE 9 – ALTERNATIVE DISPUTE RESOLUTION

Alternative dispute resolution, as opposed to strict covenant enforcement, is one of the means for accomplishing community. The Board has adopted policies on collections and covenant enforcement. Both policies give Members adequate notice of problems and numerous opportunities to contact the Association's management company or the Board to work out a resolution. The Board encourages Members to contact either the management company or the Board prior to enforcement action being taken to explain any circumstances that the Member believes should mitigate enforcement action.

The Board further understands that other types of disputes arise between Members and the Association, primarily disagreements with Board decisions or challenges to procedures implemented by the Board. Again, the Board encourages Members to contact either the management company or the Board to communicate the concerns. Time is allocated at Board meetings for such a purpose. The Board will strive to address the concerns raised.

ARTICLE 10 - INDEMNIFICATION

Section 10.1 Actions Other Than By Or In The Right of The Association. The Association shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a member of the Executive Board or officer of the Association, who is or was serving at the request of the Association in such capacity, against expenses (including expert witness fees, attorneys' fees and costs) judgments, fines, amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner which such individual reasonably believed to be in the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Determination of any action, suit or proceeding by judgment, order, settlement or conviction, or upon a plea of *nolo contendere* or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner he or she reasonably believed to be in the best interests of the Association and, with respect to any criminal action or proceeding, had reasonable cause to believe his or her conduct was unlawful.

Section 10.2 Actions By Or In The Right of The Association. The Association shall indemnify any person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure judgment in its favor by reason of the fact that such person is or was a member of the Executive Board or officer of the Association or is or was serving at the request of the Association in such capacity, against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner which he or she reasonably believed to be in the best interests of the Association; but no indemnification shall be

made in respect of any claim, issue or matter as to which such person has been adjudged to be liable for willful misconduct in the performance of his or her duty in the Association unless, and to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses if such court deems proper.

Section 10.3 Successful on the Merits. To the extent that a member of the Executive Board or any manager, officer, project manager, employee, fiduciary or agent of the Association has been successful on the merits in defense of any action, suit or proceeding referred to in Sections 10.1 or 10.2 of this Article 10, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably incurred by him or her in connection therewith without need for further determination.

Section 10.4 Determination Required. Any indemnification under Sections 10.1 or 10.2 of this Article 10 (unless ordered by a court) and as distinguished from Section 10.3 of this Article 10, shall be made by the Association only as authorized by the specific case upon a determination that indemnification of the member of the Executive Board or officer is proper in the circumstances because such individual has met the applicable standard of conduct set forth in Sections 10.1 or 10.2 above. Such determination shall be made by the Executive Board by majority vote of a quorum consisting of those members of the Executive Board who were not parties to such action, suit or proceeding or, if a majority of disinterested members of the Executive Board so directs, by independent legal counsel or by members entitled to vote thereon. Such determination shall be reasonable, based on substantial evidence of record, and supported by a written opinion. The Executive Board shall provide a copy of its written opinion to the officer or Executive Board member seeking indemnification upon request.

Section 10.5 Payment in Advance of Final Disposition. The Association shall pay for or reimburse the reasonable expenses incurred by a former or current member of the Executive Board or officer who is a party to a proceeding in advance of final disposition of the proceeding if (i) the member of the Executive Board or officer furnishes to the Association a written affirmation of the Executive Board member's good faith belief that he or she has met the standard of conduct described in Sections 10.1 or 10.2 of this Article 10; (ii) the Executive Board member or officer furnishes to the Association a written understanding, executed personally or on the Executive Board member's or officer's behalf to repay the advance if it is ultimately determined that the Executive Board member or officer did not meet the standard of conduct; and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article. The undertaking required in this Section 10.5 shall be an unlimited general obligation of the Executive Board but need not be accepted by the Executive Board member or officer or may be accepted without reference to financial ability to make repayment.

Section 10.6 No Limitation of Rights. The indemnification provided by this Article 10 shall not be deemed exclusive of nor a limitation upon any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of the members or disinterested members of the Executive Board, or otherwise, nor by any rights which are granted pursuant to the Act and the CRNCA. Upon a vote of the Executive Board, the Association may also indemnify a member appointed by the Executive Board to serve on a committee (when such committee member is not also a member of the Executive Board) upon such terms and conditions as the Executive Board shall deem just and reasonable.

ARTICLE 11 - RECORDS

Section 11.1 Records and Audits. The Association shall maintain financial records. The cost of any audit or review shall be a Common Expense unless otherwise provided in the Declaration. An audit or review shall be done no less often than every three years, unless otherwise provided for in the Declaration.

Section 11.2 Examination. All records maintained by the Association or the Manager shall be available for examination and copying by any Owner or by any of their duly authorized representatives, at the expense of the person examining the records, during normal business hours and after reasonable notice in accordance with the CRNCA.

Section 11.3 The following information must be disclosed to members, available in a binder at the management office of the Association and available for inspection upon reasonable notice:

(a) The name of the Association, name of the Association's designated agent or management company and valid physical address and telephone number for both the Association and the designated agent or management company.

(b) The name of the common interest community.

(c) The initial date of recording of the Declaration and reception number or book and page for the main document that constitutes the declaration.

(d) The date on which the Association's fiscal year commences.

(e) The Association's operating budget for the current fiscal year.

(f) A list of the Association's current assessments, including both regular and special assessments.

(g) The Association's annual financial statements, including any amounts held in reserve for the year immediately preceding the current annual disclosure (the year preceding a new fiscal year).

(h) Results of the most recent financial audit or review.

(i) List of all the Association's insurance policies, including but not limited to, property, general liability, Association director and officer professional liability, and fidelity policies. The list will include company names, policy limits, policy deductibles, additional names insureds and expiration dates for the policies listed.

(j) The Association's bylaws, articles, rules and regulations and governance policies.

(k) Minutes of the Executive Board and member meetings for the fiscal year immediately preceding the current annual disclosure (the year preceding a new fiscal year).

Section 11.4 Documents that are maintained by the Association. The following documents are retained by the Association and are available for production to members, if any:

(a) Detailed records of receipts and expenditures affecting the operation and administration of the Association.

(b) Records of claims for construction defects and amounts received pursuant to settlement of those claims.

(c) Minutes of all meetings of the Association's member and Executive Board. A record of all actions taken by the members of the Executive Board without a meeting, and a record of all actions taken by any committee of the Executive Board.

(d) Written communications among and the votes cast by, Executive Board members that are:

(i) Directly related to an action taken by the Executive Board without a meeting pursuant to section C.R.S. 70128-202 (sets forth the procedure for taking action without a meeting).

(ii) Directly related to an action taken by the Executive Board without a meeting pursuant to the Association's bylaws.

(e) The names of members in a form that permits preparation of a list of the names of all members and the physical mailing address at which the Association communicates with them, showing the number of votes each member is entitled to vote.

(f) The Association's current Declaration, Guidelines, Bylaws, Articles of Incorporation rules and regulations responsible governance policies adopted by the Executive Board.

(g) Financial statements showing the Association's assets and liabilities and results of its operations for the past three years and tax returns of the Association for the past seven years.

(h) A list of the names, electronic mail addresses, and physical mailing addresses of the Association's current Executive Board members and officers.

(i) The Association's most recent annual report delivered to the secretary of state.

(j) Financial records sufficiently detailed to permit the Association to comply with requests for a statement setting forth the amount of unpaid assessments levied against a member's unit.

(k) The Association's most recent reserve study, if required.

(l) Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two years.

(m) Records of Executive Board or committee actions to approve or deny any requests for design or architectural approval from members.

(n) Ballots, proxies and other records related to voting by members for one year after the election, action or vote to which they relate.

(o) Resolutions adopted by the Association's Executive Board relating to the characteristics, qualifications, rights, limitations and obligations of members or any class or category of members.

(p) All general written communications within the past three years to all members.

Section 11.5 Examination and Copying of Records by Members.

(a) Procedure for examination and copying:

(i) Subject to the limitations set forth below, all records maintained by the Association are available for examination and copying by a member or the member's authorized agent. In order to examine or copy records, a member must submit to the management company, if there is one, or to the Board a written request, describing the records sought. The request must be submitted ten (10) days prior to the date of inspection. Examination and copying must be done during normal business hours.

(ii) A member requesting examination and copying of records will be charged a reasonable amount, to be paid in advance to cover the costs of labor and material for the copies. The cost will be based on an estimate of the cost to produce and copy records.

(iii) Copies requested by a member may be produced by photocopying or other means, including copies sent electronically.

(iv) The Association is not obligated to compile or synthesize information for the member.

(b) Use of membership lists:

(i) Membership lists or any part of a membership list may not be obtained or used by any person for any purpose unrelated to a member's interest as a member without consent of the Board.

(ii) Membership lists or any part of a membership list may not be used to solicit money or property unless the money or property will be used solely to solicit the votes of the members in an election to be held by the Association.

(iii) Membership lists or any part of a membership list may not be used for any commercial purpose.

(iv) Membership lists or any part of a membership list may not be sold or purchased by any person.

Section 11.6 Limitations on Examination and Copying of Records.

(a) The following records will not be made available for inspection or copying:

(i) Architectural drawings, plans and designs, unless the legal owner of the drawings, plans and designs consents.

(ii) Contracts, leases, bids or records related to transactions to purchase or provide goods or services that are currently in or under negotiation.

(iii) Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine.

- (iv) If disclosure would be in violation of law.
- (v) Records of an executive session of the Executive Board.
- (vi) Records concerning units other than those of the requesting members.
- (vii) Personnel, salary, or medical records relating to specific members.

(viii) Personal identification and account information of members, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers and social security numbers.

The Association reserves the right to pursue any individual for damages or injunctive relief or both, including reasonable attorney fees, for violation of this policy.

ARTICLE 12 - MISCELLANEOUS

Section 12.1 Notices. All notices to the Association or the Executive Board shall be delivered to the office of the Manager, or, if there is no Manager, to the office of the Association, or to such other address as the Executive Board may designate by written notice to all Owners. Except as otherwise provided, all notices to any Owner shall be sent to the Owner's address as it appears in the records of the Association. All notices shall be deemed to have been given when deposited into the United States mail, first class postage prepaid, except notices of changes of address, which shall be deemed to have been given when received.

Section 12.2 Fiscal Year. The Executive Board shall establish the fiscal year of the Association.

Section 12.3 Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 12.4 Reserves. The board of directors may conduct a reserve study at such times as in its sole discretion it determines is necessary while meeting the requirements of the Act to determine the necessity and amount of reserves required to maintain, repair, replace and restore the association properties. The board may cause a reserve study to be conducted on behalf of the Association by engaging a third party professional or an association property manager (other than the current property manager employed by the Association) who has experience in conducting reserve studies. The reserve study should be based on a physical analysis and financial analysis. Once the reserve study is completed and presented to the board, the board shall, at its discretion, have the authority to and may make any adjustments being necessary to the reserve study. The board may then elect to put into place a mechanism to create reserves in accordance with the study and shall notify all Members of the Association either in writing or by e-mail that reserves are being created by the Executive Board of the association as suggested in the reserve study or any modifications thereof made by the Board. The reserve study shall be reviewed annually by the Executive Board to determine if any modifications are required. Should reserves be established by the Board, the treasurer of

the board shall report on the status of the reserves at the annual meeting of the Association.

(a) Fund Designation: Reserve Funds for the community association properties shall be maintained in a reserve fund and shall be used for major capital repairs, replacements, maintenance, care,

(b) Funding Plan and Sources: The reserve fund will be created from assessment mechanisms available to the board as set forth in the declaration and the generation of investment income from the reserve fund in accordance with the decisions made by the board.

(c) Reserve Fund investments: The reserve fund assets will be invested in accordance with the association's policy for investment of reserve funds.

Section 12.6 Conflict of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control; in the case of any conflict between the Articles of Incorporation and the Declaration, the Declaration shall control.

ARTICLE 13 - AMENDMENT OF BYLAWS

Section 13.1 Vote. These Bylaws may be amended only by vote of the Executive Board.

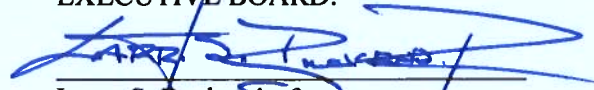
Section 13.2 Rights of Mortgages. No amendment of these Bylaws of the Association shall be adopted which would affect or impair the validity or priority of any mortgage or deed of trust encumbering any Lot or which would change the provisions of these Bylaws with respect to institutional mortgagees of record.

Section 13.3 HUD/VA Approval. HUD/VA has the right to veto amendments of these Bylaws during the period of Declarant control.

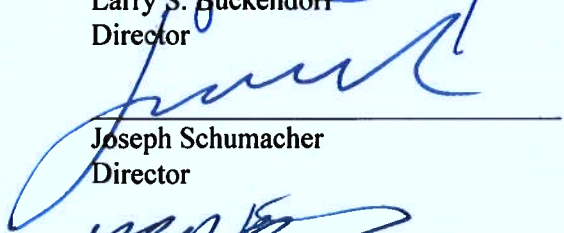


IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 9th day of March, 2018.

EXECUTIVE BOARD:



Larry S. Buckendorf
Director



Joseph Schumacher
Director



Morgan Kidder
Director

KNOW ALL MEN BY THESE PRESENTS: That the undersigned Secretary of The Trails at Sheep Draw Homeowners Association, Inc. does hereby certify that the above and foregoing Bylaws were duly adopted by the members of the Executive Board of said Association as the Bylaws of said Association on the 9th day of March, 2018 and that they do now constitute the Bylaws of said Association.


Secretary