

**BYLAWS
OF
SOLTERRA PATIO HOMEOWNERS ASSOCIATION, INC.**

**ARTICLE I
INTRODUCTION**

These are the Bylaws of Solterra Patio Homeowners Association, Inc. ("Association") that shall operate under the Colorado Revised Nonprofit Corporation Act, as amended, and the Colorado Common Interest Ownership Act, as amended ("Act"). Except as otherwise provided herein, the definitions of capitalized terms herein shall be the same as provided in the Declaration of Covenants, Conditions and Restrictions of Solterra Patio Homes.

**ARTICLE II
BOARD OF DIRECTORS**

A. Number and Qualification; Termination of Declarant Control.

1. The affairs of the Solterra Patio Homes community and the Association shall be governed by a Board of Directors ("Board") that shall consist of three (3) persons. The majority of directors, excepting the directors appointed by Declarant, shall be Owners. Directors shall be elected by the Owners, except for those appointed by Declarant. At any meeting at which directors are to be elected, the Owners may, by resolution, adopt specific procedures that are not inconsistent with these Bylaws or the Colorado Revised Nonprofit Corporation Act for conducting the elections.

2. The Declaration shall govern the appointment of directors of the Board during the Period of Declarant Control.

3. The Board shall elect the officers. The directors and officers shall take office upon election.

4. The Board shall serve without compensation.

5. At any time after the Owners, other than Declarant, are entitled to elect a director, the Association shall call a meeting and give not less than ten (10) nor more than sixty (60) 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.

B. Powers and Duties.

The Board shall have, in addition to those rights and powers established in the Declaration and subject to the limitations contained in the Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Solterra Patio Homes community, including, but not limited to, the following powers and duties:

1. Adopt and amend Bylaws and Rules; and

2. Adopt and amend budgets for revenues, expenditures and reserves; and
3. Levy and collect Assessments for Common Expenses from Owners; and
4. Hire and discharge Managing Agents; and
5. Hire and discharge employees, independent contractors and agents other than Managing Agents; and
6. Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Declaration, Bylaws or Rules (collectively, "Association Documents") in the Association's name, or on behalf of the Association or two (2) or more Owners, on matters affecting the Solterra Patio Homes community; and
7. Make contracts and incur liabilities; and
8. Regulate the use, maintenance, repair, replacement and modification of the Common Areas; and
9. Cause additional improvements to be made as a part of the Common Areas; and
10. Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property; but the Common Areas may be conveyed or subjected to a security interest pursuant only to §312 of the Act; and
11. Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions through or over the Common Areas; and
12. Impose and receive a payment, fee or charge for services provided to Owners and for the use, rental or operation of the Common Areas, other than Limited Common Areas described in §202(1)(b) and §202(1)(d) of the Act; and
13. Impose a reasonable charge for the late payment of Assessments and, after Notice and Hearing, levy a reasonable fine for a violation of the Association Documents; and
14. Impose a reasonable charge for the preparation and recording of amendments to the Declaration or for statements of unpaid Assessments; and
15. Provide for the indemnification of the Association's officers, directors and the Board and maintain directors' and officers' liability insurance; and
16. Exercise any other powers conferred by the Declaration or these Bylaws; and
17. Exercise any other power that may be exercised in the State of Colorado by a legal entity of the same type as the Association; and

18. Exercise any other power necessary and proper for the governance and operation of the Association; and

19. By resolution, establish committees of directors, permanent and standing, 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 the Owners and the Board. However, actions taken by a committee may be appealed to the Board by any Owner within forty-five (45) days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Board at its next regular meeting.

C. Manager.

The Board may employ a Managing Agent for the Solterra Patio Homes community, at a compensation established by the Board, to perform duties and services authorized by the Board. The Board may delegate to the Managing Agent only the powers granted to the Board by these Bylaws under Article II, Section B, Subsections 3, 5 and 8. Licenses, concessions and contracts may be executed by the Managing Agent and the Managing Agent may disburse funds of the Association pursuant to specific resolutions of the Board and to fulfill the requirements of the budget.

If the Board delegates powers relating to the collection, deposit, transfer or disbursement of Association funds to a Managing Agent or other person, that Managing Agent or other person shall:

1. Maintain fidelity insurance coverage or a bond in an amount not less than the amount required pursuant to the Declaration;

2. Maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Managing Agent or other person, and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and

3. Cause to be prepared, by the Managing Agent, a public accountant or a certified public accountant, and present to the Association an annual accounting for Association funds and a financial statement.

D. Removal of Directors.

The Owners, by a vote of sixty-seven percent (67%) of the vote of the Owners at any meeting at which a quorum is present, may remove any director of the Board, other than a director appointed by Declarant, with or without cause. Declarant may, at any time and for any or no reason, remove any director it has appointed without Owner consent.

E. Vacancies.

Vacancies in the Board, caused by any reason other than the removal of a director by a vote of the Owners, may be filled at a special meeting of the Board held for that purpose at any time after the occurrence of the vacancy, even though the directors present at that meeting may constitute less than a quorum. These appointments shall be made in the following manner:

1. As to vacancies of directors whom Owners other than Declarant elected, by a majority of the remaining elected directors constituting the Board; and

2. As to vacancies of directors whom Declarant has the right to appoint, by Declarant.

Each person so elected or appointed shall be a director for the remainder of the term of the director so replaced.

F. Regular Meetings.

The first regular meeting of the Board following each annual meeting of the Owners shall be held within ten (10) days after the annual meeting at a time and place to be set by the Owners at the meeting at which the Board shall have been elected. No notice shall be necessary to the newly elected directors in order to legally constitute such meeting, provided a quorum of directors is present. The Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

G. Special Meetings.

Special meetings of the Board may be called by the president or by a majority of directors on not less than three (3) business days' notice to each director. The notice shall be hand delivered or sent prepaid by U.S. Mail and shall state the time, place and purpose of the meeting.

H. Location of Meetings.

All meetings of the Board shall be held at the Association office of the Solterra Patio Homes community unless all directors consent in writing to another location.

I. Waiver of Notice.

Any director may waive notice of any meeting in writing. Attendance by a director at any meeting of the Board shall constitute a waiver of notice. If all directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

J. Quorum of Directors.

At all meetings of the Board, a majority of directors shall constitute a quorum for the transaction of business, and the votes of a majority of directors present at a meeting at which a quorum is present shall constitute a decision of the Board. If, at any meeting, there shall be less

than a quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

K. Consent to Corporate Action.

Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting if each director in writing either (1) votes for such action, or (2) votes against such action or abstains from voting and waives the right to demand that a meeting be held. Action is taken under this Section K only if the affirmative vote for such action equals or exceeds the minimum number of votes that would be necessary to take such action at a meeting at which all directors then in office were present and voted.

L. Telephone Communication in Lieu of Attendance.

A director may attend a meeting of the Board by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board. The director's vote shall be counted and their presence noted as if that director were present in person on that particular matter.

M. Proxy.

Voting by proxy shall be permitted; *provided, however*, that the proxy is granted in writing to another director who attends the meeting and the proxy is limited to a 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.

N. Conflicts of Interest.

As required by and in accordance with §209.5(1)(b)(II) of the Act, the following provisions are and shall constitute the Association's conflict of interest policy.

1. No loans will be made by the Association to the directors or officers.
2. No contract, transaction, or other financial relationship between the Association and a director, or between the Association and a party related to a director, or between the Association and an entity in which a director of the Association is a director or officer or has a financial interest ("Conflicting Interest Transaction") will be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a Member or by or in the right of the Association, solely because the Conflicting Interest Transaction involves a director or a party related to a director or an entity in which a director is a director or officer or has a financial interest or solely because the director is present at or participates in the meeting of the Board that authorizes, approves, or ratifies the Conflicting Interest Transaction or solely because the director's vote is counted for such purpose if: (i) the material facts as to the director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or

are known to the Board, and the Board in good faith authorizes, approves, or ratifies the Conflicting Interest Transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors are less than a quorum; or (ii) the material facts as to the director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Members entitled to vote thereon, and the Conflicting Interest Transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote thereon; or (iii) the Conflicting Interest Transaction is fair as to the Association. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board which authorizes, approves, or ratifies the Conflicting Interest Transaction.

3. For purposes of this Section N, a "party related to a director" shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or a party related to a director has a beneficial interest, or an entity in which a party related to a director is a director, officer, or has a financial interest.

ARTICLE III OWNERS/MEMBERS

A. Annual Meeting.

Annual meetings of the Owners shall be held at such date set forth in the notice of the meeting. At these meetings, the directors shall be elected by ballot of the Owners, in accordance with the provisions of Article II above. The Owners may transact other business as may properly come before them at these meetings.

B. Budget Meeting.

Meetings of the Owners to consider proposed budgets shall be called in accordance with the Act. The budget may be considered at annual or special meetings called for other purposes as well.

C. Special Meetings.

Special meetings of the Association may be called by the president, by a majority of the members of the Board or by Owners comprising twenty percent (20%) of the votes in the Association.

D. Place of Meetings.

Meetings of the Owners shall be held at the Association's principal office or may be adjourned to a suitable place convenient to the Owners, as may be designated by the Board or by the president.

E. Notice of Meetings.

1. The secretary or other officer specified by the Board shall cause notice of

meetings of the Owners to be hand delivered or sent prepaid by U.S. Mail to the mailing address of each Lot or to the mailing address designated in writing by the Owner, not less than ten (10) nor more than fifty (50) days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

2. The notice of any meeting of the Owners shall also be physically posted in a conspicuous place, to the extent that such posting is feasible and practicable, in addition to any electronic posting or electronic mail notices that may be given.

3. The Association may additionally provide notices and agendas in electronic form, by posting on a web site or otherwise, in addition to printed form. If such electronic means are available, the Association shall provide notice of all annual and special meetings of the Owners by electronic mail to all Owners who so request and who furnish the Association with their electronic mail addresses. Electronic notice of a special meeting shall be given as soon as possible, but at least twenty-four (24) hours before the meeting.

F. Waiver of Notice.

Any Owner may, at any time, waive notice of any meeting of the Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

G. Adjournment of Meeting.

At any meeting of the Owners, a majority of the Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

H. Order of Business.

The order of business at all meetings of the Owners shall be as follows:

1. Roll call (or check-in procedure);
2. Proof of notice of meeting;
3. Reading of minutes of preceding meeting;
4. Reports;
5. Establish number and term of memberships of the Board (if required and noticed);
6. Election of directors of the Board (when required);
7. Ratification of budget (if required and noticed);
8. Unfinished business;
9. New business.

I. Voting.

1. If only one (1) of several Owners of a Lot is present at a meeting of the Owners, the Owner present is entitled to cast the vote allocated to the Lot. If more than one (1) of the Owners is present, the vote allocated to the Lot may be cast only in accordance with the agreement of a majority in interest of the Owners. There is a majority agreement if any one (1)

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.

2. 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 (1) person, each Owner of the Lot may vote or register protest to the casting of votes by the other Owner(s) of the Lot through a duly executed proxy. An Owner may revoke a proxy given under this Article III, Section I, Subsection 2 only by actual notice of revocation to the person presiding over a meeting of the Owners. 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.

3. The vote of a corporation or business trust may be cast by any officer of that corporation or business trust in the absence of express notice to the Board of a specific designated person. The vote of a partnership may be cast by any general partner of the owning partnership in the absence of express notice to the Board of the designation of a specific person by the owning partnership. The vote of a limited liability company may be cast by any manager of the owning limited liability company in the absence of express notice to the Board of the designation of a specific person by the owning limited liability company. The moderator of the meeting may require reasonable evidence that a person voting on behalf of a corporation, partnership, business trust or limited liability company owner is qualified to vote.

4. Votes allocated to a Lot owned by the Association may not be cast.

5. Votes for contested positions on the Board shall be taken by secret ballot. At the discretion of the Board, or upon the request of twenty percent (20%) 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 common interest 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 and, in the case of a contested election for a Board position, shall not be candidates. The results of any vote taken by secret ballot shall be reported without reference to the names, addresses or other identifying information of the Owners participating in such vote.

J. Quorum.

Except as otherwise provided in these Bylaws or the Declaration, Owners present in person or by proxy at any meeting of the Owners holding at least twenty percent (20%) of the vote in the Association shall constitute a quorum at that meeting.

K. Majority Vote.

The vote of Owners holding a majority of the vote present in person or by proxy at a meeting at which a quorum is present shall be binding upon all Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws or by law.

L. Attendance.

All meetings of the Owners and Board are open to every Owner, or to 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 an issue under discussion, Owners 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 (1) 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 the issue.

M. Conduct of Meetings.

This Article III is and shall constitute the Association's responsible governance policy regarding the conduct of meetings of the Members as required under §209.5(1)(b)(III) of the Act.

**ARTICLE IV
OFFICERS**

A. 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 Board. The Board may appoint an assistant treasurer, an assistant secretary and other officers as it finds necessary. The president and vice president, but no other officers, need to be directors. Any two (2) offices may be held by the same person, except the offices of president and secretary. The office of vice president may be vacant.

B. Election of Officers.

The officers of the Association shall be elected annually by the Board at the organizational meeting of each new Board. They shall hold office at the pleasure of the Board.

C. Removal of Officers.

Upon the affirmative vote of a majority of directors, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for that purpose.

D. 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 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, and others as permitted in the Declaration, 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.

E. Secretary.

The secretary shall keep the minutes of all meetings of the Owners and of the Board. The secretary shall have charge of the Association's books and papers as the Board may direct and shall perform all 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 the 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.

F. 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. The treasurer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Board and shall perform all 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 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, stocks, 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 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 the directors, one (1) of whom may be the treasurer if the treasurer is also a director.

G. Agreements, Contracts, Deeds, Checks, etc.

Except as otherwise provided in 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 designated by the Board.

H. Statements of Unpaid Assessments.

The treasurer, assistant treasurer, a Managing Agent 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, in accordance with §316 of the Act.

The Association may charge a reasonable fee for preparing certificates or statements of unpaid Assessments. The amount of said fee shall be as set forth in the Rules and may be

adjusted from time to time by resolution of the Board. Any unpaid fees may be assessed as a Individual Assessment against the Lot for which the certificate or statement is furnished.

If an account has been turned over to the Association's attorney, a request for a statement of unpaid Assessments with respect to such account may be handled through the attorney.

ARTICLE V ENFORCEMENT

A. Unpaid Assessments.

The Association hereby adopts the following policies and procedures for the collection of Assessments and other charges of the Association. Failure of the Association to comply with any provision in this Article V shall not be deemed a defense to payment of any Assessment (including Costs of Enforcement) or charge.

1. *Due Dates.* Monthly installments of the Common Expense Assessment, as determined by the Association, shall be due and payable on the first day of each month. Assessments or other charges not paid in full to the Association within five (5) days of the due date shall be considered past due and delinquent. Assessments or other charges not paid in full to the Association within five (5) days of the due date shall incur late charges and interest as provided for below.

2. *Receipt Date.* The Association shall post payments on the day that the payment is received in the Association's or Managing Agent's office.

3. *Late Charges/Interest on Delinquent Installments.* The Association shall impose on a monthly basis a Twenty-Five and No/100 Dollars (\$25.00) late charge for each Owner who fails to timely pay their installment of any Assessment within five (5) days of the due date. The Association shall also assess an interest charge from the due date at a rate equal to eighteen percent (18%) per annum on the amount owed for each Owner who fails to timely pay their installment of any Assessment within five (5) days of the due date.

4. *Personal Obligation.* The late charge shall be the personal obligation of the Owner of the Lot for which such Assessment installment is unpaid. All late charges shall be due and payable immediately, without notice, in the manner provided by the Declaration (and as set forth herein) for payment of Assessments.

5. *Returned Check Charges.* In addition to any and all charges imposed under the Declaration, these Bylaws and the Rules, a Twenty-Five and No/100 Dollars (\$25.00) fee or other amount deemed appropriate by the Board shall be assessed against an Owner in the event any check or other instrument attributable to, or payable for, the benefit of such Owner is not honored by the bank or is returned by the bank for any reason whatsoever, including, but not limited to, insufficient funds. Such returned check charge shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the Owner of the Lot for which payment was tendered to the Association. This returned check

charge may be in addition to any late charges or other Costs of Enforcement charged to the Owner.

If two (2) or more of an Owner's checks are returned unpaid by the bank within any calendar year, the Association may require that all of said Owner's future payments, for a period of one (1) year, be made by certified check or money order. Any returned check shall cause an account to be past due if full payment of the Assessment installment is not timely made within five (5) days of the due date.

6. *Costs of Enforcement.* The Association is entitled to recover the Costs of Enforcement incurred by the Association in the collection of Assessments or other charges due the Association from a delinquent Owner. Costs of Enforcement shall be due and payable immediately when incurred, upon demand.

7. *Application of Payments.* All sums collected on a delinquent account that has been turned over to the Association's attorney shall be remitted to the Association's attorney until the account is brought current. All payments received on account of any Owner shall be applied to payment of any and all legal fees and costs (including attorneys' fees), expenses of enforcement and collection, late charges, returned check charges, lien fees and other costs owing or incurred with respect to such Owner pursuant to the Declaration, Articles, Bylaws and Rules, prior to application of the payment to any Assessments due or to become due with respect to such Owner.

8. *Delinquent Account Referrals.* Upon referral of a delinquent account to the Association's attorney, the attorney shall take all appropriate action to collect the account referred. After an account has been referred to an attorney, the account shall remain with the attorney until the account is settled, has a zero balance or is written off by the Association. Subject to Article V, Section A, Subsection 9 below, the Association's attorney, in consultation with the Managing Agent, is authorized to take whatever action is necessary and determined to be in the best interests of the Association, including, but not limited to:

- (i) Filing a suit against the delinquent Owner for a money judgment; and
- (ii) Instituting a judicial foreclosure action of the Assessment Lien; and
- (iii) Filing necessary claims, documents and motions in bankruptcy court in order to protect the Association's interests; and
- (iv) Filing a court action seeking the appointment of a receiver.

All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney.

9. *Collection Process.* After any installment of an Assessment or other charge due to the Association becomes more than thirty (30) days delinquent, the Managing Agent shall send a written notice ("First Notice") of non-payment, the amount past due, notice that interest and late fees have accrued and a request for immediate payment.

After any installment of an Assessment or other charge due to the Association becomes more than sixty (60) days delinquent, the Managing Agent shall send a second written notice ("Second Notice") of non-payment, the amount past due, notice that interest and late fees have accrued, notice of intent to file a lien and request for immediate payment.

After any installment of an Assessment or other charge due to the Association becomes more than ninety (90) days delinquent, the Managing Agent shall turn the account over to the Association's attorney for collection. Upon receiving the delinquent account, the Association's attorney shall file a lien and send a letter to the delinquent Owner demanding immediate payment of all past due Assessments and other charges due to the Association.

Upon further review, the Association's attorney may file a lawsuit. If a judgment or decree is obtained, including, without limitation, a foreclosure action, such judgment or decree shall include reasonable attorneys' fees, together with the cost of the action and any applicable interest and late charges.

In addition to the steps outlined above, the Association may elect to suspend the voting rights of any Owner whose account is past due at the time of such voting.

10. *Acceleration/Deceleration of Assessments.* The Board may accelerate and call due the entire unpaid Assessment on any delinquent account. Such acceleration shall result in the entire unpaid Assessment being due to the Association immediately. The Board also reserves the right to decelerate any such accelerated Assessment. In the event notice of acceleration is given to a delinquent Owner, the Owner shall also be charged any Costs of Enforcement incurred by the Association in giving notice of such acceleration.

11. *Bankruptcies and Foreclosures.* Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any Lot, the Managing Agent shall notify the Association's attorney of the same and turn the account over to the Association's attorney, if appropriate.

12. *Appointment of a Receiver.* The Association may seek the appointment of a receiver if an Owner becomes delinquent in the payment of Assessments. A receiver is a disinterested person, appointed by the court, who manages the rental of the Lot, collects the rent and disburses the rents according to the court's order. The purpose of a receivership for the Association is to obtain payment of current Assessments, reduce past due Assessments and prevent the waste and deterioration of the Lot.

13. *Judicial Foreclosure.* The Association may choose to foreclose on its Assessment Lien in lieu of, or in addition to, suing an Owner for a money judgment. The purpose of foreclosing is to obtain payment of all Assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or other circumstances favor such action.

14. *Waivers.* The Board is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Board shall determine appropriate under the circumstances.

15. *Communication with Owners.* All communication with a delinquent Owner shall be handled through the Association's attorney once the matter has been referred to the attorney. Neither the Managing Agent nor any member of the Board shall discuss the collection of the account directly with an Owner after it has been turned over to the Association's attorney unless the attorney is present or has consented to the contact.

The provisions of this Section A constitute the Association's responsible governance policy regarding the collection of unpaid Assessments as required by §209.5(1)(b)(I) of the Act.

B. Abatement.

The violation of any of the Rules adopted by the Board or the breach of any provisions of the Association Documents shall give the Board the right, after Notice and Hearing, except in case of an emergency, in addition to any other rights set forth in these Bylaws, the Rules and the Declaration:

1. To enter the Lot or Limited Common Area, if any, 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 on that Lot) that is existing and creating a danger to the Common Areas, if any, or another Lot contrary to the intent and meaning of the provisions of the Association Documents. The Board shall not be deemed liable for any manner of trespass by this action; or

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

C. Fine for Violation.

Pursuant to the procedures set forth in the Rules, the Board may levy fines for violations of the Association Documents.

D. Notice and Hearing.

Except as otherwise expressly stated in the Association Documents, the Board shall not impose a fine, suspend voting rights or infringe upon other rights of a Member for violations of the Rules or of the other Association Documents unless the Notice and Hearing procedures are followed; *provided, however*, such procedures shall not be necessary in order to impose any late charge, sanction or penalty, or pursue any remedy, for the non-payment of Assessments.

**ARTICLE VI
INDEMNIFICATION**

A. 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 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.

B. 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 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. However, 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 negligence, recklessness or 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.

C. Successful on the Merits.

To the extent that a member of the Board or any Managing Agent, officer, project manager, employee, fiduciary or agent of the Association has been wholly successful on the merits in defense of any action, suit or proceeding referred to in Section A or Section B of this Article VI, 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.

D. Determination Required.

Any indemnification under Section A or Section B of this Article VI (unless ordered by a court) and as distinguished from Section C of this Article VI, shall be made by the Association only as authorized by the specific case upon a determination that indemnification of the member of the Board or officer of the Association is proper under the circumstances because such individual has met the applicable standard of conduct set forth in Section A or Section B of this Article VI. Such determination shall be made by the Board by majority vote of a quorum consisting of those members of the Board who were not parties to such action, suit or proceeding or, if a majority of disinterested members of the 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 Board shall provide a copy of its written opinion to the officer or Board member seeking indemnification, upon request.

E. 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 Board or officer of the Association who is a party to a proceeding in advance of final disposition of the proceeding if (1) the member of the Board or officer of the Association furnishes to the Association a written affirmation of their good faith belief that he or she has met the standard of conduct described in Section A or Section B of this Article VI, (2) the member of the Board or officer of the Association furnishes to the Association a written understanding, executed personally or on the Board member's or officer's behalf to repay the advance if it is ultimately determined that the Board member or officer of the Association did not meet the standard of conduct, and (3) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article VI. The undertaking required in this Section E shall be an unlimited general obligation of the Board but need not be accepted by the Board member or officer of the Association or may be accepted without reference to the financial ability to make repayment.

F. No Limitation of Rights.

The indemnification provided by this Article VI shall not be deemed exclusive of nor a limitation upon any other rights to which those indemnified may be entitled to under any bylaw, agreement, vote of the members or disinterested members of the Board, or otherwise, nor by any rights which are granted pursuant to the Act and the Colorado Revised Nonprofit Corporation Act. Upon a vote of the Board, the Association may also indemnify a member appointed by the Board to serve on a committee (when such committee member is not also a member of the Board) upon such terms and conditions as the Board shall deem just and reasonable.

G. Directors' and Officers' Insurance.

The Association shall purchase and maintain insurance on behalf of any person who is or was a member of the Board or an officer of the Association against any liability asserted against

him or her and incurred by such individual in any such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify such individual against such liability under the provisions of this Article VI.

ARTICLE VII BOOKS AND RECORDS

A. The Association shall keep as permanent records minutes of all meetings of the Owners and the Board, a record of all actions taken by the Owners or the Board by written ballot or written consent in lieu of a meeting, a record of all actions taken by a committee of the Board in place of the Board on behalf of the Association, and a record of all waivers of notices of meetings of the Owners and of the Board or any committee of the Board.

The Association or its agent shall maintain a record of the Owners in a form that permits preparation of a list of the names and addresses of all Owners, showing the number of votes each Owner is entitled to vote.

The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

The Association shall maintain accurate and complete accounting records.

Except as otherwise provided below, all financial and other records shall be made reasonably available for examination and copying by any Owner and such Owner's authorized agents. However, membership lists, or any part thereof, may not be obtained or used by any person for any purpose unrelated to an Owner's interest as an Owner without the consent of the Board. Without limiting the generality of the foregoing, a membership list or any part thereof may not be used to solicit money or property unless such money or property will be used solely to solicit the votes of the Owners in an election to be held by the Association, may not be used for commercial purposes or sold to or purchased by any person.

The Association may charge a fee, which may be collected in advance, but shall not exceed the Association's actual cost per page, for copies of Association records.

As used in this section, "reasonably available" means available during normal business hours, upon notice of five (5) business days, or at the next regularly scheduled meeting if such meeting occurs within thirty (30) days after the request, to the extent that:

1. The request is made in good faith and for a proper purpose; and
2. The request describes with reasonable particularity the records sought and the purpose of the request; and
3. The records are relevant to the purpose of the request.

In addition to the records specified above in this Section A, the Association shall keep a copy of each of the following records at its principal office:

1. Its Articles of Incorporation; and
2. The Declaration; and
3. Its Bylaws; and
4. Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations and obligations of the Owners or any class or category of Owners; and
5. The minutes of all of the Owners' meetings, and records of all actions taken by the Owners without a meeting, for the past three (3) years; and
6. All written communications within the past three (3) years to the Owners generally as Owners; and
7. A list of the names and business or home addresses of its current directors and officers; and
8. Its most recent annual report, if any; and
9. All financial audits or reviews conducted pursuant to §303(4)(b) of the Act during the immediately preceding three (3) years.

B. Within ninety (90) days after assuming control from Declarant pursuant to §303(5) of the Act, the Association shall make the following information available to Owners upon reasonable notice:

1. The name of the Association; and
2. The name of the Association's designated agent or Managing Agent, if any; and
3. A valid physical address and telephone number for both the Association and the designated agent or Managing Agent, if any; and
4. The name of the common interest community; and
5. The initial date of recording of the Declaration; and
6. The reception number or book and page for the main document that constitutes the Declaration.

In addition, if the Association's address, designated agent or Managing Agent changes, the Association shall make updated information available within ninety (90) days after the change.

C. Within ninety (90) days after assuming control from Declarant pursuant to §303(5) of the

Act, and within ninety (90) days after the end of each fiscal year thereafter, the Association shall make the following information available to Owners upon reasonable notice:

1. The date on which its fiscal year commences; and
2. Its operating budget for the current fiscal year; and
3. A list, by Lot, of the Association's current Assessments, including both Common Expense Assessments and Special Assessments; and
4. Its annual financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure; and
5. The results of its most recent financial audit or review; and
6. A list of all Association insurance policies, including, but not limited to, property, general liability, Association director and officer professional liability and fidelity policies. Such list shall include the company names, policy limits, policy deductibles, additional named insureds and expiration dates of the policies listed; and
7. All of the Association's Bylaws, Articles and Rules; and
8. The minutes of the Board and the Owner meetings for the fiscal year immediately preceding the current annual disclosure.

D. It is the intent of this Article VII to allow the Association the widest possible latitude in the methods and means of disclosure, while requiring that the information be readily available at no cost to Owners, at their convenience. Disclosure shall be accomplished by one (1) of the following means: posting on an internet web page with accompanying notice of the web address via first-class mail or e-mail; the maintenance of a literature table or binder at the Association's principal place of business; or mail or personal delivery. The cost of such distribution shall be accounted for as a Common Expense.

E. At the discretion of the Board or upon request pursuant to this Section E, the books and records of the Association shall be subject to an audit using generally accepted auditing standards, or a review, using statements on standards for accounting and review services, by an independent and qualified person selected by the Board. Such person need not be a certified public accountant except in the case of an audit. A person selected to conduct a review shall have at least a basic understanding of the principles of accounting as a result of prior business experience, education above the high school level or bona fide home study. The audit or review report shall cover the Association's financial statements, which shall be prepared using generally accepted accounting principles or the cash or tax basis of accounting.

An audit shall be required under this Section E only when both of the following conditions are met:

1. The Association has annual revenues or expenditures of at least Two Hundred

Fifty Thousand and No/100 Dollars (\$250,000.00); and

2. An audit is requested by the Owners of at least one-third (1/3) of the Lots represented by the Association.

A review shall be required under this Section E only when requested by the Owners of at least one-third (1/3) of the Lots represented by the Association.

Copies of an audit or review under this Section E shall be made available upon request to any Owner beginning no later than thirty (30) days after its completion.

F. Books and Records.

The provisions of this Article VII constitute the Association's responsible governance policy regarding the inspection and copying of Association records by Members as required by §209.5(1)(b)(V) of the Act.

ARTICLE VIII MISCELLANEOUS

A. Notices.

All notices to the Association or the Board shall be delivered to the office of the Managing Agent, or, if there is no Managing Agent, to the office of the Association, or to such other address as the Board may designate by written notice to all Owners and to all holders of security interests in the Lots who have notified the Association that they hold a security interest in a Lot. Except as otherwise provided herein or in the Declaration, all notices to any Owner shall be sent to the Owner's address as it appears in the records of the Association. All notices to holders of security interests in the Lots shall be sent as specified in the Declaration. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

B. Fiscal Year.

The fiscal year of the Association is hereby set as the calendar year.

C. 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.

D. Office.

The initial principal office of the Association shall be as provided in the Articles. Any future principal office of the Association shall be on the Property or at such other place as the Board may from time to time designate.

E. Working Capital.

The Association shall establish an initial working capital fund equal to two (2) months of the estimated Common Expense Assessment for each Lot, subject to the terms of the Declaration. The working capital fund may be used by the Association to cover the cost of unforeseen expenditures, to defray operating expenses, to purchase additional equipment or services, or to fund the general operations and obligations of the Association, as may be determined by a majority of the Board. The initial working capital fund shall be established upon the conveyance of the first Lot in the Project by Declarant to a third-party purchaser. Common Expense Assessments shall commence no later than sixty (60) days after the conveyance of the first Lot to an Owner other than Declarant. Upon acquisition of record title to a Lot from Declarant, each such new Owner shall contribute to the working capital fund of the Association an amount equal to two (2) months of the Common Expense Assessment determined by the Board for that Lot for the year in which the new Owner acquired title. Such payments shall not be considered advance payments of Common Expense Assessments. The working capital fund deposit made by such new Owner shall be non-refundable. In the event that Declarant makes payment of any working capital on behalf of any Lot, such amount shall be reimburseable to Declarant by the Lot purchaser at the closing of the sale of the Lot by Declarant to such purchaser. The working capital fund must be maintained by the Association in a segregated account, and may not be used by Declarant to defray any of its construction costs.

F. Reserves.

As a part of the adoption of the regular budget, the Board shall include an amount which, in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common Areas, if any, and those Limited Common Areas, if any, that it is obligated to maintain, based upon the Panned Community's age, remaining life and the quantity and replacement cost of major Common Area improvements, if any.

All transactions involving reserve funds shall require prior approval by the Board and such approval shall be documented in the Board's meeting minutes. Audits conducted pursuant to Section E of Article VII herein should be used in reviewing the adequacy of reserves as well as the spending of reserve funds.

All actions by the Board regarding the investment of any reserve funds shall be made in good faith with the care an ordinarily prudent person in a like position would exercise and in a manner that the Board reasonably believes to be in the best interests of the Association. The officers and members of the Board shall be subject to the standards set forth in C.R.S. §7-128-401, except that, as used in that section: "Corporation" or "nonprofit corporation" means the Association; "Director" means a member of the Board; and "Officer" means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities under this Section F, including, without limitation, a Managing Agent, attorney or accountant employed by the Board.

In investing any reserve funds, the Board shall consider the Association's short term and long term needs, as well as the Association's financial requirements and goals and the Association's purpose. The Association's overall objective with respect to any investment of

reserve funds shall be the protection of the principal reserve funds invested and not the maximization of returns on the investment. The Board may delegate investment authority, provided reasonable care and skill is used in selecting the agent, directing the agent and reviewing the agent's performance. The reserve funds investment policies stated herein shall be communicated in writing to such agent. The Board shall engage only licensed, insured and bonded brokers and agents in investing any reserve funds.

The provisions of this Section F constitute the Association's responsible governance policy regarding the investment of reserve funds as required by §209.5(1)(b)(VI) of the Act.

G. Adoption of Policies.

The Board may from time to time adopt certain policies as may be necessary to facilitate the efficient operation of the Association, including the clarification of ambiguous provisions in the Association Documents, or as may be required by law.

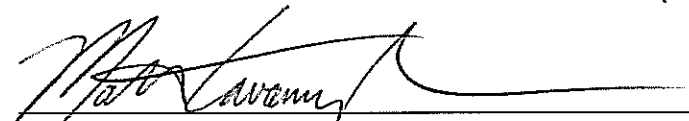
1. The Board shall consider the following in drafting any Association policy:
 - (i) Whether the Association Documents or Colorado law grants the Board the authority to adopt such a policy; and
 - (ii) The need for such policy based upon the scope and importance of the issue and whether the Association Documents adequately address the issue; and
 - (iii) The immediate and long-term impact and implications of the policy.
2. A copy of the proposed policy shall be provided to all Owners or posted on the Association's web site, if any, and Owners shall be allowed a minimum of thirty (30) days to provide comment and/or feedback on the proposed policy. The Board may forego the notice and opportunity to comment in the event the Board determines in its sole discretion that providing notice and opportunity to comment is not practical given the emergency nature of such policy.
3. After the period for Owner comment expires, the Board may adopt any policy consistent with the Act, the Colorado Revised Nonprofit Corporations Act and the Association Documents. Upon adoption of a policy, the policy or notice of such policy, including the effective date shall be provided to all Owners by any reasonable method as determined in the sole discretion of the Board, including, but not limited to, posting on the Association's web site, if any, or mailing.
4. The Board, or the Managing Agent at the direction of the Board, shall keep current copies of any and all adopted policies in a book designated the "Association Policies Book".

The provisions of this Section G constitute the Association's responsible governance policy regarding the adoption and amendment of policies as required by §209.5(1)(b)(VII) of the Act.

**ARTICLE IX
AMENDMENTS TO BYLAWS**

- A. These Bylaws may be amended by a vote of two-thirds (2/3) of the members of the Board.
- B. No amendment of the Bylaws shall be adopted which would affect or impair the validity or priority of any mortgage covering any Lot or which would change the provisions of these Bylaws with respect to institutional mortgages of record.
- C. Notwithstanding the foregoing, amendments to these Bylaws are subject to the provisions of the Articles and the Declaration.

ATTEST: Certified to be the Bylaws adopted by consent of the directors of the Solterra Patio Homeowners Association, Inc., dated July 8th, 2009.



Matt Cavanaugh, President