

BY-LAWS
OF
THE FARM HOMEOWNERS ASSOCIATION, INC.

TABLE OF CONTENTS

	PAGE
Article 1 Name, Principal Office, and Definitions	1
1.1 Name.....	1
1.2 Principal Office.....	1
1.3 Definitions.....	1
Article 2 Membership: Meetings, Quorum, Voting, Proxies	1
2.1 Membership.....	1
2.2 Place of Meetings.....	2
2.3 Association Meetings.....	2
2.4 Notice of Meetings.....	2
2.5 Waiver of Notice.....	2
2.6 Adjournment of Meetings.....	3
2.7 Order of Business.....	3
2.8 Voting.....	3
2.9 Proxies.....	4
2.10 Quorum.....	4
2.11 Conduct of Meetings.....	4
2.12 Action Without a Meeting.....	5
Article 3 Board of Directors: Selection, Meetings, Powers	5
A. Composition and Selection.....	5
3.1 Governing Body; Qualifications.....	5
3.2 Number of Directors.....	5
3.3 Selection of Directors; Term of Office.....	6
3.4 Nomination and Election Procedures.....	7
3.5 Removal of Directors and Vacancies.....	8
B. Meetings.....	8
3.6 Organizational Meetings.....	8
3.7 Regular Meetings.....	8
3.8 Special Meetings.....	8
3.9 Notice; Waiver of Notice.....	9
3.10 Telephonic Participation in Meetings.....	9
3.11 Quorum of Board.....	9
3.12 Conduct of Meetings.....	10
3.13 Open Meetings; Executive Session.....	10
3.14 Action Without a Formal Meeting.....	10
C. Powers and Duties.....	10
3.15 Powers.....	10
3.16 Duties.....	10

3.17	Conflicts of Interest.....	11
Article 4 Transition from Declarant to Owner Control.....		12
4.1	Transition Process.....	12
4.2	Education and Communication.....	12
4.3	Transition Committee.....	12
4.4	Professional Assistance.....	14
Article 5 Officers.....		14
5.1	Officers.....	14
5.2	Election and Term of Office.....	14
5.3	Removal and Vacancies.....	14
5.4	Powers and Duties.....	14
5.5	Resignation.....	14
Article 6 Committees.....		15
6.1	General.....	15
6.2	Covenants Committee.....	15
6.3	Service Area Committees.....	15
Article 7 Standards of Conduct; Liability and Indemnification.....		16
7.1	Standards for Directors and Officers.....	16
7.2	Liability.....	16
7.3	Indemnification.....	17
7.4	Advancement of Expenses.....	17
7.5	Board and Officer Training.....	18
Article 8 Management and Accounting.....		18
8.1	Compensation of Directors and Officers.....	18
8.2	Right of Declarant to Disapprove Actions.....	18
8.3	Managing Agent.....	19
8.4	Accounts and Reports.....	20
8.5	Borrowing and Lending.....	21
8.6	Right to Contract.....	21
8.7	Agreements, Contracts, Deeds, Leases, Checks, Etc.....	21
Article 9 Enforcement Procedures.....		22
9.1	Notice and Response.....	22
9.2	Hearing.....	22
9.3	Appeal.....	23
Article 10 Miscellaneous.....		23
10.1	Fiscal Year.....	23
10.2	Parliamentary Rules.....	23
10.3	Conflicts.....	23
10.4	Books and Records.....	23
10.5	Notices.....	25

10.6	Amendment.....	26
10.7	Seal.....	27
10.8	Minutes and Presumptions Thereunder.	27
Article 11 Registration.....		23
11.1	Registration.	23

**BY-LAWS
OF
THE FARM HOMEOWNERS ASSOCIATION, INC.**

**Article 1
Name, Principal Office, and Definitions**

1.1 Name.

The name of the corporation is The Farm Homeowners Association, Inc. (the “Association”).

1.2 Principal Office.

The Association’s principal office shall be located in El Paso County, Colorado. The Association may have such other offices as the Board may determine or as the Association’s affairs require.

1.3 Definitions.

The words used in these By-Laws shall be given their normal, commonly understood definitions. Capitalized terms shall have the meaning ascribed to them in the Declaration of Covenants, Conditions and Restrictions for The Farm recorded by Allison Valley Development Company, LLC, a Colorado limited liability company, in the public records of El Paso County, Colorado, as it may be amended (the “Declaration”). The term “majority,” as used in these By-Laws, means those votes, Owners, or other group, as the context may indicate, totaling more than 50% of the total eligible number.

**Article 2
Membership: Meetings, Quorum, Voting, Proxies**

2.1 Membership.

The Association shall have one class of membership as more fully set forth in the Declaration. Provisions of the Declaration pertaining to membership are incorporated by this reference. Transfers of a membership shall be made on the books of the Association only upon the presentation of evidence, satisfactory to the Association’s Secretary, of the transfer of ownership of the Unit to which the membership is appurtenant. Prior to presentation of such evidence, the Association may treat the previous Owner as the holder of the membership entitled to all rights in connection therewith, including the rights to vote and to receive notice.

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

2.2 Place of Meetings.

The Association shall hold meetings at the Association's principal office or at such other suitable place the Board may designate.

2.3 Association Meetings.

(a) **General.** Association meetings shall be open to all members of the Association or their representatives. The first Association meeting, whether a regular or special meeting, shall be held within one year after the Association's incorporation.

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

(c) **Special Meetings.** The President may call special meetings. In addition, the President or the Secretary shall call a special meeting if so directed by Board resolution, upon the request of the Declarant during the Development and Sale Period, or upon a written petition of the members representing at least 20% of the total votes in the Association.

2.4 Notice of Meetings.

The President, the Secretary, or the officers or other persons calling a meeting of the members of the Association shall (i) deliver or cause to be given to each member entitled to vote at such meeting, and to all others members of the Association, a written notice stating the place, day, and hour of the meeting, and (ii) to the extent required by law, physically post a written notice in a conspicuous place, to the extent that such posting is feasible and practicable, stating the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these By-Laws, any budget changes and any proposal to remove an officer or member of the Board. In the case of a special meeting or when otherwise required by Colorado law, the Declaration, or these By-Laws, the purpose or purposes for which the meeting is called shall also be stated in the notice. No business shall be transacted at a special meeting except as stated in the notice.

Such notice shall be delivered by such means as permitted under Section 10.5, at least 10 but not more than 50 days before the date of such meeting.

2.5 Waiver of Notice.

Waiver of notice of an Association meeting shall be deemed the equivalent of proper notice. Any member may waive, in writing, notice of any Association meeting, either before or after such meeting. A member's attendance at a meeting shall be deemed a waiver by such member of notice of the time, date, and place thereof, unless the member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting also shall be deemed a waiver of notice of all business transacted at such meeting unless an objection on the basis of lack of proper notice is raised before the business is put to a vote.

2.6 Adjournment of Meetings.

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

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

2.7 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; and
9. New business.

2.8 Voting.

(a) ***Voting Rights.*** Members shall have such voting rights as are set forth in the Declaration, which provisions are specifically incorporated by this reference.

(b) ***Establishment of Election Districts.*** The Declarant may at any time before the end of the Development and Sale Period, and in any event not later than the end of the Development and Sale Period, establish Election Districts by filing with the Association and recording a notice identifying the Units comprising each Election District by neighborhood designation, legal description, or other means such that the Units within each Election District can easily be determined (a “**Notice of Election District**”). The Declarant, acting alone, may amend a Notice of Election District to change such designation at any time prior to the expiration of the Development and Sale. In addition, at any time prior to the expiration of the Development and Sale Period, the Declarant may amend to designate additional Units as part of any Election District.

After termination of the Development and Sale Period, the Board shall have the right to record or amend any such Notice of Election District upon the vote of a majority of the total

number of directors and approval of a majority of the total votes in the Association. Neither recordation of nor the Declarant's amendment of such Notice of Election District shall constitute an amendment to the Declaration. No consent or approval of any Person shall be required except as stated in this subsection. Until such time as Election Districts are established, all of The Farm shall constitute a single Election District. After a Notice of Election District establishing Election Districts has been recorded, any and all portions of The Farm which are not assigned to a specific Election District shall constitute a single Election District.

(c) ***Secret Ballot.*** Only to the extent required by law and except as otherwise provided in Section 3.4(b), upon request of one or more Owners, a vote on any matter on which all Owners are entitled to vote shall be by secret ballot. Ballots shall be counted by a neutral third party or by an Owner who attends the meeting at which the vote is held and who is selected at random from a pool of two or more of such Owners. The results of the vote shall be reported without reference to names, addresses, or other identifying information.

2.9 Proxies.

If a member is entitled personally to cast the vote for his Unit on any matter, he or she may vote in person or by proxy, subject to the limitations of Colorado law and subject to any specific provision to the contrary in the Declaration or these By-Laws.

Every proxy shall be in writing, shall identify the Unit for which it is given, shall be signed by the member or the member's duly authorized attorney-in-fact, and shall be dated and filed with the Association's Secretary prior to the meeting for which it is to be effective. Unless the proxy specifically provides otherwise, a proxy shall be presumed to cover all votes which the member giving such proxy is entitled to cast, and in the event of any conflict between two or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid.

A proxy is effective only for the specific meeting for which it was originally given, as such meeting lawfully may be adjourned and reconvened, and automatically expires 90 days after the date of the meeting for which it was originally given. Every proxy is revocable at any time at the pleasure of the member who executes the proxy.

2.10 Quorum.

Except as these By-Laws or the Declaration otherwise provide, the presence of Owners representing 10% of the total votes in the Association shall constitute a quorum at all Association meetings and the vote of Owners representing a majority of the total eligible votes cast shall constitute the action of the Owners.

2.11 Conduct of Meetings.

The President or a Board-approved designee shall preside over all Association meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are kept with the Association's books.

2.12 Action Without a Meeting.

Any action required by the Declaration, the Articles, or Colorado law to be taken at a meeting of the members may be taken without a meeting, without prior notice, and without a vote if approved by members representing at least the minimum number of votes in the Association necessary to authorize such action at a meeting, as if all members entitled to vote were present and voted. Such approval shall be evidenced by one or more written consents specifically authorizing the proposed action, dated and signed by members holding the requisite votes. The Association need not give prior notice before soliciting such consent; however, the Association must send written consent forms to all members for action authorized pursuant to this section to be valid. Members shall sign, date, and deliver such consents to the Association within 60 days after the Association's receipt of the earliest dated consent. The Association's Secretary, within ten days after receiving such consents, shall give written notice to all members entitled to vote who did not give their written consent, fairly describing or summarizing the material features of the authorized action including any other information required by Colorado law. The Association's Secretary shall file, or cause to be filed, the written consents with the Association's minutes and the consents shall have the same force and effect as a vote of the members at a meeting.

In addition, any action required by the Declaration, the Articles, or Colorado law to be taken at a meeting of the members may be taken without a meeting, if a vote by written ballot is taken in accordance with the applicable provisions of the Colorado Revised Nonprofit Corporation Act (the "**Nonprofit Act**").

Article 3

Board of Directors: Selection, Meetings, Powers

A. Composition and Selection.

3.1 Governing Body; Qualifications.

The Board shall govern the Association's affairs. Each director shall have one vote. Except with respect to directors appointed by the Declarant, directors shall be Owners or residents. However, no Owner and resident representing the same Unit may serve on the Board at the same time. A "resident" shall be any natural person 18 years of age or older whose principal residence is a Unit within The Farm.

If an Owner is not an individual, any officer, director, partner, manager, member, or any trust officer of such Owner shall be eligible to serve as a director unless a written notice to the Association signed by the Owner specifies otherwise. However, no Owner may have more than one such representative on the Board at a time except in the case of directors the Declarant appoints.

3.2 Number of Directors.

The Board shall consist of three to seven directors, as provided in Section 3.3.

3.3 Selection of Directors; Term of Office.

(a) **Initial Board.** The initial Board shall consist of the three directors identified in the Articles of Incorporation, who shall serve until their successors are appointed or elected as provided in this section. At any time during the Declarant Control Period, the Declarant may increase or decrease the number of directors on the Board so that there are three, five or seven directors.

(b) **Directors During Declarant Control Period.** Except as otherwise provided in this subsection, the Declarant may appoint, remove, and replace Board members until termination of the Declarant Control Period. During such period, the Owners shall be entitled to elect a minority of the total number of directors according to the following schedule (directors elected by the Owners are referred to as “**Owner Directors**”):

(i) Within 60 days after the time that Owners other than the Declarant and Builders own 25% of the Maximum Units, or whenever the Declarant earlier determines, the President shall call for an election by which the Owners shall be entitled to elect one of the three directors, or if the Declarant has increased the size of the Board, two out of the five directors or three out of the seven directors, as the case may be, who shall be elected at large (*i.e.*, without regard to Election Districts). The remaining directors shall be appointees of the Declarant. The Owner Director shall be elected for a term of two years or until the happening of the event described in subsection (b) (ii) below, whichever is shorter. If such director’s term expires prior to the happening of the event described in subsection (b) (ii), a successor shall be elected by the Owners for a like term.

(ii) Within 60 days after the time that Owners other than the Declarant and Builders own 50% of the Maximum Units, or whenever the Declarant earlier determines, the Board shall be increased to five directors (if the Board does not already consist of five or more directors) and the President shall call for an election by which the Owners shall be entitled to elect two of the five directors, or if the Declarant elects to increase the size of the Board to seven, three of the seven directors, who shall be elected at large. The remaining directors shall be appointees of the Declarant. The Owner Directors shall be elected for a term of two years or until the happening of the event described in subsection (c) (i) below, whichever is shorter. If such directors’ terms expire prior to the happening of the event described in subsection (c) (i) below, successors shall be elected by the Owners for a like term.

(c) **Directors After the Declarant Control Period.**

(i) After the Declarant Control Period, the Board may be increased or decreased from time to time to five or seven directors as determined by the Board. The President shall call for an election by which the Owners shall be entitled to elect all five or seven directors, as the case may be. If the Board consists of five directors, two directors shall be elected to serve until the second annual meeting following their election and three directors shall be elected to serve until the third annual meeting following their election, as such directors determine among themselves. If the directors are unable to agree as to which directors shall serve two-year terms and which directors shall serve three-year terms the names of the directors shall be drawn at random from a hat. The first two names being drawn shall identify the directors who shall serve

two-year terms and the remaining directors shall serve three-year terms. If the Board consists of seven directors, four directors shall be elected to serve until the second annual meeting following their election and three directors shall be elected to serve until the third annual meeting following their election, as such directors determine among themselves. If the directors are unable to agree as to which directors shall serve two-year terms and which directors shall serve three-year terms the names of the directors shall be drawn at random from a hat. The first four names being drawn shall identify the directors who shall serve two-year terms and the remaining directors shall serve three-year terms.

(ii) Upon expiration of the term of office of each Director, the Owners shall be entitled to elect a successor to serve a term of two years. Directors shall hold office until their respective successors have been elected. Directors may serve any number of consecutive terms.

3.4 Nomination and Election Procedures.

(a) *Nomination of Candidates.* At least 30 days prior to any election of directors, the Board shall appoint a Nominating Committee consisting of a chairman, who shall be a Board member, and three or more Owners or representatives of Owners. The Nominating Committee shall serve a term of one year or until its successors are appointed. The names of the Nominating Committee members shall be announced in the notice of each election.

In preparation for each election, the Nominating Committee shall meet and make as many nominations for election to the Board as it shall in its discretion determine, but in no event less than the number of positions to be filled at such election. If Election Districts have been established as provided for in the Declaration, the Nominating Committee shall nominate separate slates for the directors, if any, to be elected at large by all Owners, and for the director(s) to be elected by the Owners within each Election District. Nominations shall also be permitted from the floor at the meeting at which any election is held. All candidates shall have a reasonable opportunity to communicate their qualifications to the Owners and to solicit votes.

(b) *Election Procedures.* Elections may be conducted at a meeting or without holding a meeting in accordance with the terms of the Colorado Revised Nonprofit Corporation Act. At each election, voting shall be by written ballot and shall be taken by secret ballot. Ballots shall be counted by a neutral third party or by an Owner (i) who is not a candidate for the Board, (ii) who attends the meeting at which the vote is held, and (iii) who is selected at random from a pool of two or more such Owners. The results of the vote shall be reported without reference to names, addresses or other identifying information. Each Owner may cast all votes assigned to the Units it represents for each position to be filled from any slate of candidates.

In the event of a tie vote on any slate in connection with an election conducted at a meeting, the Owners entitled to vote on such slate shall be informed of the tie vote and given the opportunity to discuss the candidates among themselves before a second vote is taken. If the second vote again results in a tie, then the Board shall call for election of the director(s) from such slate by the Owners. Such election shall be held by mail, with ballots to be sent by first class mail to each Owner entitled to vote on such slate within 10 days after the meeting at which the original election was held. If the vote of the Owners results in a tie, the candidates' names shall be drawn at random from a hat.

In the event of a tie vote on any slate in connection with an election conducted by written ballot without a meeting, the candidates' names shall be drawn at random from a hat.

3.5 Removal of Directors and Vacancies.

Any Owner Director may be removed, with or without cause, by the vote of Owners representing 67% of the votes entitled to be cast for the election of such director at any meeting of the Association at which a quorum is present. Any director whose removal is sought shall be given notice prior to any meeting called for that purpose. Upon removal of a director, the Owners entitled to elect the removed director shall elect a successor for the remainder of the term of such director.

At any meeting of the Board at which a quorum is present, a majority of the directors may remove any Owner Director who has three consecutive unexcused absences from Board meetings, or who is more than 30 days delinquent (or resides in a Unit owned by an Owner who is so delinquent) in the payment of any assessment or other charge due the Association. The Board may appoint a successor to fill the vacancy for the remainder of the term.

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

Any director whom the Board appoints shall be selected from among Owners or, if Election Districts have been established, residents of Units within the Election District represented by the director who vacated the position.

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

B. Meetings.

3.6 Organizational Meetings.

The Board shall hold an organizational meeting within 10 days following each annual Association meeting at such time and place as the Board shall fix.

3.7 Regular Meetings.

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

3.8 Special Meetings.

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

3.9 Notice; Waiver of Notice.

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

(b) The Board shall notify the members of each Board meeting by either: (i) posting notice of the meeting in a conspicuous place in The Farm at least 48 hours in advance of the meeting; (ii) publication of a schedule of the Board meetings in a newspaper, newsletter, on a community intranet or website, or by similar means at least 7 days prior to the meeting; or (iii) mailing notice of the meeting to each member.

(c) Transactions at any Board meeting, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (i) a quorum is present, and (ii) either before or after the meeting each director not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting also shall be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

3.10 Telephonic Participation in Meetings.

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

3.11 Quorum of Board.

At all Board meetings, a majority of the directors shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall constitute the Board's decision, unless Colorado law, these By-Laws, or the Declaration specifically provide otherwise. Directors shall not vote by proxy nor shall a director's proxy be considered for the purpose of establishing a quorum. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the departure of directors, if at least a majority of the required quorum for that meeting approves any action taken. If the Board cannot hold a meeting because a quorum is not present, a majority of the directors present may adjourn the meeting to a time not less than five nor more than 30 days

from the date of the original meeting. At the reconvened meeting, if a quorum is present the Board may transact, without further notice, any business it might have transacted at the original meeting.

3.12 Conduct of Meetings.

The President or any designee the Board approves by resolution shall preside over all Board meetings. The Secretary shall ensure that minutes of the meetings are kept and that all resolutions and all transactions occurring at such meetings are included in the Association's records.

3.13 Open Meetings; Executive Session.

(a) Subject to the provisions of subsection 3.13(b) and Section 3.14, all Board meetings shall be open to all members or their representatives, but only directors may participate in any discussion or deliberation at regular and special meetings unless expressly so authorized by a vote of a majority of a quorum of the Board. In such case, the President may limit the time any such individual may speak.

(b) Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session, and may exclude persons other than directors, to discuss matters of a sensitive nature, such as proposed, pending, or threatened litigation, or other matters specified by law.

3.14 Action Without a Formal Meeting.

Any action to be taken or which may be taken at a Board meeting may be taken without a meeting if the directors sign a written consent, setting forth the action so taken. Such consent shall have the same force and effect as a unanimous vote.

C. Powers and Duties.

3.15 Powers.

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

3.16 Duties.

The Board's duties shall include, without limitation:

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

(b) levying and collecting assessments from the Owners;

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

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

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

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

(g) making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the Governing Documents;

(h) enforcing by legal means the provisions of the Governing Documents and bringing any proceedings which may be instituted on behalf of or against the Owners concerning the Association; however, the Association's obligation in this regard shall be conditioned and limited in the manner provided in the Governing Documents;

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

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

(k) keeping a detailed accounting of the Association's receipts and expenditures;

(l) making available to any prospective purchaser of a Unit, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Unit, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Article 10; and

(m) indemnifying a director, officer or committee member, or former director, officer or committee member of the Association, Reviewer, and the members, managers, shareholders, partners, and officers of each, to the extent such indemnity is permitted by Colorado law, the Declaration, the Articles, or these By-Laws.

3.17 Conflicts of Interest.

No Owner Director may transact business with the Association or any Association contractor during his or her term as director or within two years after the term expires. A director shall promptly disclose in writing to the Board any actual or potential conflict of interest affecting the director relative to his or her performance as a director. A director's failure to make such disclosure shall be grounds for removal by a majority vote of the other Board members.

Additionally, but only to the extent required by law, if any contract, decision, or interaction taken by or on behalf of the Board would financially benefit (i) any member of the Board, (ii) any person who is a parent, grandparent, spouse, child, or sibling of a member of the Board, or (iii) a parent or spouse of any of those persons, that member of the Board shall declare a conflict of interest for that issue in an open meeting prior to any discussion or action on that issue. After making such declaration, the member of the Board may participate in the discussion, but shall not vote on that issue. Any contract entered into in violation of this paragraph is void and unenforceable.

Notwithstanding the above, directors appointed by the Declarant may be employed by or otherwise transact business with the Declarant or its affiliates, and the Declarant may transact business with the Association or its contractors.

Article 4

Transition from Declarant to Owner Control

4.1 Transition Process.

Transition is a process by which control of the Board gradually shifts from the Declarant to the Owners, as described in Section 3.3. The process concludes upon termination of the Declarant Control Period, when the Owners will elect a majority of the Board of Directors. At that time, the Owners, through their newly-elected Board, will take responsibility for fulfilling the Association's responsibilities and exercising the Association's authority under the Governing Documents.

4.2 Education and Communication.

In anticipation of termination of the Declarant Control Period, the Declarant shall communicate with the Owners regarding the transition process, the anticipated timeline for transition, what to expect during and after the transition, and opportunities for Owner participation. Such communication shall be in writing and through one or more "town hall" meetings at which Owners have the opportunity to ask and obtain answers to questions in order to gain a better understanding of the transition process.

Additionally, the Association shall provide, or cause to be provided, education to Owners at no cost on at least an annual basis as to the general operations of the Association and the rights and responsibilities of Owners, the Association, and the Board under Colorado law. The criteria for compliance with this requirement shall be determined by the Board.

4.3 Transition Committee.

(a) *Appointment; Purpose.* Approximately six months prior to termination of the Declarant Control Period, the Declarant shall establish a Transition Committee comprised of 5 to 7 members, all of whom shall be Owners. The purpose of the Transition Committee shall be (i) to involve the Owners in facilitating a smooth transition of control of the Board from directors appointed by the Declarant to directors elected by the Owners, and (ii) to help prepare the Board and the Owners to assume responsibility for carrying on Association operations once the Declarant and its representatives are no longer directly involved.

(b) **Organizational Meeting.** The Declarant shall call for a meeting of the Transition Committee within 30 days after its appointment. At such meeting, the Declarant shall explain the transition process, advise the Transition Committee of its responsibilities, and facilitate the election of a chairperson from among the members of the Transition Committee. The Transition Committee shall establish a meeting schedule and a schedule for completing necessary tasks prior to the termination of the Declarant Control Period. It may appoint such subcommittees as it deems appropriate to assist it in performing its responsibilities. Each subcommittee shall be chaired by a member of the Transition Committee and shall consist of at least two Owners.

(c) **Responsibilities.** The Transition Committee, with the assistance of such subcommittees as it may appoint pursuant to subsection (b), shall conduct a review and analysis of Association properties, facilities, records, and operations to familiarize itself with the history and status of such matters and make recommendations as to matters requiring future action. It shall prepare a report setting forth its findings and recommendations for distribution to the Owners and presentation to the newly-elected Board upon termination of the Declarant Control Period. The Board will use such report to assist in understanding the scope of its responsibilities and as a planning tool. Specific areas to be addressed in the report shall include:

(i) the condition of Association property and facilities, identifying any immediate maintenance, repairs, or improvements needed and suggesting a proposed schedule for short and long-term maintenance, repairs, and replacements;

(ii) the financial condition of the Association, including the status of any outstanding accounts receivable and actions being taken to collect them, the adequacy of the Association's budgets and sufficiency of reserves, and the status of the Association's tax filings, tax liability, if any, and tax reporting responsibilities;

(iii) the nature and extent of insurance policies which the Association is required to maintain, the adequacy of current coverage and limits, renewal dates for all insurance policies, and the status of any pending insurance claims; and

(iv) the status of Association records and legal matters, identifying all existing contracts, permits, licenses, and warranties, if any, noting their expiration dates and making any recommendations as to their renewal; reporting on the status of title to all Common Areas; reporting on the status of any pending lawsuits; and making recommendations as to any proposed changes or amendments to the Governing Documents that the Transition Committee feels are appropriate or advisable.

(d) **Communication.** The Transition Committee shall report to the Board at least monthly on the status of its work.

(e) **Board Action.** Upon termination of the Declarant Control Period and election of a new Board pursuant to Section 3.3(c), the Board shall review the Transition Committee's report and meet with the Transition Committee to discuss the Committee's findings and recommendations. It shall then use the Transition Committee's report as a planning tool in carrying out its responsibilities under the Governing Documents.

4.4 Professional Assistance.

The Board may, as a Common Expense, retain industry professionals, including association managers, attorneys, engineers, and accountants, as it deems necessary or appropriate to assist the Board in preparing for transition and to assist the Transition Committee in conducting its review.

Article 5 Officers

5.1 Officers.

The Association's officers shall be a President, Vice President, Secretary, and Treasurer. The President and Secretary shall be elected from among the Board members; other officers may, but need not, be Board members. The Board may appoint such other officers, including additional Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

5.2 Election and Term of Office.

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

5.3 Removal and Vacancies.

The Board may remove any officer whenever in its judgment the Association's best interests will be served, and may fill any vacancy in any office arising because of death, resignation, removal, or otherwise, for the unexpired portion of the term.

5.4 Powers and Duties.

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

5.5 Resignation.

Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Such resignation shall take effect on the date of the receipt of such notice or at a later time specified therein. Unless the resignation specifies, acceptance of such resignation shall not be necessary to make it effective.

Article 6 Committees

6.1 General.

In addition to the Transition Committee appointed pursuant to Article 4, the Board may appoint such other committees as it deems appropriate to perform such tasks and to serve for such periods as the Board may designate by resolution. Each committee shall operate in accordance with the terms of such resolution. In the conduct of its duties and responsibilities, each committee shall abide by the notice and quorum requirements applicable to the Board under Sections 3.9, 3.10, and 3.11. Except as otherwise provided by Board resolution or the Governing Documents, members of a committee may act by unanimous written consent in lieu of a meeting.

6.2 Covenants Committee.

In addition to any other committees that the Board may establish pursuant to Section 6.1, the Board may appoint a Covenants Committee consisting of at least three and no more than seven Owners who shall not be officers, directors, or employees of the Association, or the spouse, parent, sibling, or child of any officer, director, or employee. Acting in accordance with the provisions of the Declaration, these By-Laws, and resolutions the Board may adopt, the Covenants Committee, if established, shall be the hearing tribunal of the Association and shall conduct all hearings held pursuant to Article 9. The Covenants Committee shall have no responsibility for seeking out violations of the Governing Documents.

6.3 Service Area Committees.

The Owners within any Service Area which has no formal organizational structure or association may elect a Service Area Committee to determine the nature and extent of services, if any, which it desires to have the Association provide to the Service Area, over and above those services which the Association provides to all Units in The Farm. A Service Area Committee, if elected, shall consist of three Owners of Units in the Service Area; however, if approved by the vote of at least 51% of the Owners of Units within the Service Area, the number may be increased to five.

Elections of Service Area Committees may be held by written ballot sent to all Owners of Units within the Service Area, or at a meeting of the Owners of Units within the Service Area, as the Board determines. The Board or any Owner of a Unit in the Service Area may nominate candidates for election to the Service Area Committee. That number of candidates equal to the number of positions to be filled receiving the most votes shall be elected. Service Area Committee members shall be elected for a term of one year or until their successors are elected. Any director elected to the Board from a Service Area shall be an ex officio member of the Service Area Committee. The members of the committee shall elect a chairperson from among themselves, who shall preside at its meetings and shall be responsible for transmitting any and all communications to the Board. Meetings of a Service Area Committee shall be open to all Owners of Units in the Service Area and their representatives.

Any Service Area Committee member may be removed, with or without cause, by the vote of Owners representing 67% of the votes within the Service Area that is the subject of the

committee's jurisdiction. Any committee member whose removal is sought shall be given notice prior to any meeting called for such purpose. Upon removal the Owners entitled to elect the removed committee member shall elect a successor for the remainder of the term of such committee member.

In the event of the death, disability, or resignation of a Service Area Committee member, the remaining members of the Service Area Committee may declare a vacancy and appoint a successor to fill the vacancy until the next election of the Service Area Committee.

A Service Area Committee may be disbanded at any time by a vote of 67% of the Owners entitled to elect such Service Area Committee. Such action shall not prevent the creation of a Service Area Committee in the future.

Article 7

Standards of Conduct; Liability and Indemnification

7.1 Standards for Directors and Officers.

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

7.2 Liability.

(a) A director or officer shall not be personally liable to the Association, any member, or any other Person for any action taken or not taken as a director or officer if he or she has acted in accordance with Section 7.1.

(b) Pursuant to the business judgment rule, a director also shall not be personally liable for any action taken or not taken as a director if the director:

(i) acts within the expressed or implied scope of the Governing Documents and his or her actions are not *ultra vires*;

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

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

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

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

7.3 Indemnification.

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

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

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

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

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

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

(iv) receipt of an improper personal benefit.

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

7.4 Advancement of Expenses.

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

7.5 Board and Officer Training.

The Board may conduct or provide for seminars and continuing educational opportunities designed to educate and inform its officers and directors of their responsibilities as officers and directors. Such programs may include instruction on applicable Colorado corporate and fiduciary law principles, other issues relating to administering community affairs, and upholding and enforcing the Governing Documents. The Board may retain industry professionals, which may include property managers, attorneys, and accountants, as appropriate or necessary for such purpose.

The Board also may provide, or provide for, Owner and resident education designed to foster a better understanding of The Farm's governance and operations, and leadership training classes designed to educate Owners and Owners of the nomination, election, and voting processes and the duties and responsibilities of directors and officers.

Article 8 Management and Accounting

8.1 Compensation of Directors and Officers.

The Association shall not compensate directors and officers for acting as such unless Owners representing a majority of the total votes in the Association approve such compensation at an Association meeting. The Association may reimburse any director or officer for expenses he or she incurs on the Association's behalf upon approval of a majority of the other directors. Nothing herein shall prohibit the Association from compensating a director or officer, or any entity with which a director or officer is affiliated, for services or supplies he or she furnishes to the Association in a capacity other than as a director or officer pursuant to a contract or agreement with the Association. However, such director must make known his or her interest to the Board prior to entering into such contract, and a majority of the Board, excluding any interested director, must approve such contract.

8.2 Right of Declarant to Disapprove Actions.

During the Development and Sale Period, the Declarant shall have a right to disapprove any action, policy, or program of the Association, the Board and any committee which, in the Declarant's sole and absolute judgment, might tend to impair rights of the Declarant or Builders under the Declaration or these By-Laws, interfere with development or construction of any portion of The Farm, or diminish the level of services the Association provides. The Board shall not implement any action, policy, or program subject to the right of disapproval set forth herein until and unless the requirements of this section have been met.

(a) **Notice.** The Association shall give the Declarant written notice of all meetings of the membership, the Board, and committees and any actions which any of them propose to take by written consent in lieu of a meeting. The Association shall give such notice by certified mail, return receipt requested, or by personal delivery at the address the Declarant has registered with the Association. Such notice shall comply as to Board meetings with Section 3.9, and shall, except in the case of regular Board meetings pursuant to these By-Laws, set forth with reasonable particularity the agenda to be followed at such meeting.

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

The Declarant, its representatives, or its agents may make its concerns, thoughts, and suggestions known to the Board and/or the members of the subject committee. The Declarant, acting through any officer or director, agent, or authorized representative, may exercise its right to disapprove at any time within 10 days following the meeting at which such action was proposed or, in the case of any action taken by written consent in lieu of a meeting, at any time within 10 days following the Declarant's receipt of written notice of the proposed action.

The Declarant may use this right to disapprove to block proposed actions but shall not use it to require any action of any committee, the Board, or the Association. The Declarant shall not use its right to disapprove to reduce the level of services the Association is obligated to provide in the absence of the proposed action or to prevent capital repairs or any expenditure required to comply with applicable laws and regulations.

8.3 Managing Agent.

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

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

(a) maintain fidelity insurance coverage or a bond in an amount not less than \$50,000, or such higher amount as the Board may require;

(b) maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by such agent and all reserve accounts of the Association separate from operational accounts of the Association; and

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

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

After termination of the Declarant Control Period, the Association shall not be bound, either directly or indirectly, by any management contract executed during the Declarant Control Period unless such contract contains a right of termination which may be exercised by the

Association, with or without cause and without penalty, at any time after termination of the Declarant Control Period upon not more than 90 days' written notice.

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

8.4 Accounts and Reports.

(a) The Association's accounting and controls should conform to generally accepted accounting principles;

(b) The Board shall follow the following accounting standards unless the Board by resolution specifically determines otherwise:

(i) the Association's cash accounts shall not be commingled with any other accounts and operating accounts shall not be commingled with reserve accounts.

(c) Commencing at the end of the quarter in which the first Unit is sold and closed, financial reports shall be prepared for the Association within 60 days after the end of each quarter:

(i) an income statement reflecting all income and expense activity for the preceding period;

(ii) a statement reflecting all cash receipts and disbursements for the preceding period;

(iii) a variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;

(iv) a balance sheet as of the last day of the preceding period; and

(v) a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report (any assessment or installment thereof shall be considered to be delinquent on the 15th day following the due date unless the Board specifies otherwise by resolution). A copy of the quarterly financial report shall be made available at no charge to any member requesting a copy.

(d) An annual report consisting of at least the following shall be made available for members' review within 180 days after the close of the fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such annual report shall be prepared on an audited, reviewed, or compiled basis, as the Board determines, subject to applicable requirements of the Act. As of the date of adoption of these By-Laws, the Act requires an audit or review of the books and records of the Association

under the following circumstances. An audit shall be required when both of the following conditions are met:

(X) The Association has annual revenues or expenditures of at least Two Hundred Fifty Thousand and No/100 Dollars (\$250,000); and

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

A review shall be required when requested by the Owners of at least one-third (1/3) of the Units represented by the Association.

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

8.5 Borrowing and Lending.

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

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

8.6 Right to Contract.

The Association shall have the right to contract with any Person for the performance of various duties and functions. This right shall include, without limitation, the right to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, any Neighborhood Association, and other owners or residents associations within and outside The Farm.

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

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

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

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

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

Article 9

Enforcement Procedures

The Association shall have the power, as provided in the Declaration, to impose sanctions for any violation of the Governing Documents. To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

9.1 Notice and Response.

The Board or its delegate shall serve the alleged violator with written notice (a) describing the nature of the alleged violation, (b) stating the proposed sanction to be imposed, (c) that the alleged violator shall have 14 days to present a written request for a hearing before the Covenants Committee appointed pursuant to Section 6.2 or, if no Covenants Committee has been appointed, the Board; and (d) including a statement that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within 14 days of the notice.

The alleged violator shall respond to the notice of the alleged violation in writing within such 14-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such 14-day period the Board may, but shall not be obligated to, waive the sanction. Such waiver shall not constitute a waiver of the right to sanction future violations of the same or other provisions of the Governing Documents by any Person. If a timely request for a hearing is not made, the sanction stated in the notice shall be imposed; provided the Board or Covenants Committee may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 14-day period.

Prior to the effectiveness of sanctions imposed pursuant to this Article, proof of proper notice shall be placed in the minutes of the Board or Covenants Committee, as applicable. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the officer, director, or agent who gave such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

9.2 Hearing.

If a hearing is requested within the allotted 14-day period, the hearing shall be held before the Covenants Committee or, if no Covenants Committee has been appointed, before the Board. The alleged violator shall be afforded a reasonable opportunity to be heard. The Board may adopt rules for the conduct of such hearings that may include, without limitation, rules that govern the presentation of evidence and witnesses and the ability of an alleged violator to question adverse witnesses. The minutes of the meetings of the Covenants Committee, or the

Board if applicable, shall contain a written statement of the results of the hearing (i.e., the Committee's or the Board's decision) and the sanction, if any, to be imposed.

9.3 Appeal.

Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision to the Board. To exercise this right, the violator must deliver a written notice of appeal to the Association's manager, President, or Secretary within 10 days after the hearing date. The Board shall have the discretion to adopt any policies or procedures it deems appropriate for considering and determining appeals. The decision of the Board with regard to an appeal shall be final and binding.

Article 10 Miscellaneous

10.1 Fiscal Year.

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

10.2 Parliamentary Rules.

Except as may be modified by Board resolution, *Robert's Rules of Order* (current edition) shall govern the conduct of Association proceedings when not in conflict with Colorado law or the Governing Documents.

10.3 Conflicts.

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

10.4 Books and Records.

(a) ***Required by the Act.*** The Association must maintain the following, all of which shall be deemed to be the sole records of the Association for purposes of document retention and production to Owners:

(i) Detailed records of receipts and expenditures affecting the operation and administration of the Association;

(ii) Records of claims for construction defects and amounts received pursuant to settlement of those claims;

(iii) Minutes of all meetings of the Owners and Board, a record of all actions taken by the Owners or Board without a meeting, and a record of all actions taken by any committee of the Board;

(iv) Written communications among, and the votes cast by, members of the Board that are (a) directly related to an action taken by the Board without a meeting pursuant to Article 128, §202 of the Nonprofit Act, or (b) directly related to an action taken by the Board without a meeting pursuant to these Bylaws;

(v) The names of the Owners in a form that permits preparation of a list of the names of all Owners and the physical mailing addresses at which the Association communicates with them, showing the weighted vote to which each Owner is entitled;

(vi) The Governing Documents;

(vii) Financial statements as described in Article 136 of the Nonprofit Act, for the past three (3) years and tax returns of the Association for the past seven (7) years, to the extent available;

(viii) A list of the names, electronic mail addresses, and physical mailing addresses of its current members of the Board and officers of the Association;

(ix) Its most recent annual report delivered to the secretary of state, if any;

(x) Financial records sufficiently detailed to enable the Association to comply with the Act concerning statements of unpaid Assessments;

(xi) The Association's most recent reserve study, if any;

(xii) Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two (2) years;

(xiii) Records of Board actions to approve or deny any requests for design or architectural approval from Owners;

(xiv) Ballots, proxies, and other records related to voting by the Owners for one (1) year after the election, action, or vote to which they relate;

(xv) Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Owners or any class or category of Owners; and

(xvi) All written communications within the past three (3) years to all Owners generally as Owners.

(b) ***Turnover of Books and Records.*** Within 60 days after termination of the Declarant Control Period, the Declarant shall deliver to the Association all property, books and records of the Association.

(c) ***Inspection by Members and Mortgagees.***

(i) The Board shall keep at its principal office and shall make available for inspection and copying by any holder, insurer or guarantor of a first Mortgage on a Unit, any member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a Unit: the Governing Documents, the membership register, books of account, the minutes of meetings of the members, the Board, and committees, and any other records as required by Colorado law. The Board shall provide for such inspection to take place during normal business hours within 5 business days after receipt of a written request for access at the Association's office or at such other place within The Farm as the Board shall designate. Without limiting the generality of the foregoing, without the consent of the Board, a membership list or any part thereof may not be (x) 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, (y) used for any commercial purpose, or (z) sold to or purchased by any Person. The Association is not obligated to compile or synthesize information.

(ii) Records maintained by the Association may be withheld from inspection and copying to the extent that they are or concern (A) architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs, (B) contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation, (C) communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine, (D) disclosure of information in violation of law, (E) records of an executive session of the Board, or (F) individual Units other than those of the requesting Owner.

(iii) Records maintained by the Association are not subject to inspection and copying, and must be withheld, to the extent that they are or concern (A) personnel, salary, or medical records relating to specific individuals, or (B) personal identification and account information of members, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

(d) **Rules for Inspection.** The Board shall establish rules with respect to:

- (i) the frequency and manner of inspection; and
- (ii) payment of the actual cost of reproducing documents requested.

(e) **Inspection by Directors.** Every director shall have the absolute right at any reasonable time to inspect all Association books, records, and documents and the physical properties owned or controlled by the Association. A director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

10.5 Notices.

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

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

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

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

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

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

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

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

(iii) if sent by telephone facsimile or electronic mail, upon transmission, as evidenced by a printed confirmation of transmission.

10.6 Amendment.

(a) ***By Declarant and Board.*** Prior to termination of the Declarant Control Period, the Declarant may unilaterally amend these By-Laws, subject to the approval requirements in Chapter 18 of the Declaration, if applicable. Thereafter, the Board may unilaterally amend these By-Laws at any time and from time to time in accordance with the Colorado Nonprofit Corporation Act, subject to the approval requirements in Chapter 18 of the Declaration.

(b) ***By Members Generally.*** Except as provided above, these By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing 67% of the total votes in the Association. Notwithstanding the foregoing, the Owners may amend the By-Laws only, and to the extent, when such right is explicitly provided for in the Colorado Nonprofit Corporation Act. In addition, the approval requirements set forth in Chapter 18 of the Declaration shall be met, if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

(c) ***No Prejudice to the Declarant.*** No amendment of these By-Laws by the Board or by the Owners may remove, revoke, limit, condition, or modify any right or privilege of the

Declarant without the written consent of the Declarant or the assignee of such right or privilege, nor, without the Declarant's written consent, may any such amendment remove, revoke, limit, condition, modify or in any way impair or materially burden the exercise of any right or privilege of the Declarant set forth in the Declaration, including, without limitation, any provision of the Declaration that states that the Declarant has or has reserved or is granted or given a right, any provision of the Declaration that states that a particular action requires the approval or consent of the Declarant, and any provision of the Declaration that states that the Declarant may veto a particular action and, in all events, including, without limitation, Sections 19.1, 19.2, 19.3, 21.1, and 21.2 of the Declaration.

(d) ***Validity and Effective Date of Amendments.*** Amendments to these By-Laws shall become effective upon passage unless otherwise provided for in the amendment. Any procedural challenge to an amendment must be made within six months of its recordation, or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of these By-Laws.

10.7 Seal.

The seal of the Association shall be in such form as the Board of Directors may from time to time determine. In the event it is inconvenient to use such a seal at any time, the signature of the Association followed by the word "Seal" enclosed in parenthesis or scroll, shall be deemed the seal of the Association. The seal shall be in the custody of the Secretary or the Secretary's delegate and affixed by her or him on such papers as may be directed by Colorado law, these By-Laws or by the Board of Directors.

10.8 Minutes and Presumptions Thereunder.

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

Article 11 Registration

11.1 Registration. THE BOARD SHALL REGISTER THE ASSOCIATION ANNUALLY WITH THE DIRECTOR OF THE DIVISION OF REAL ESTATE AND PAY ANY FEE ASSOCIATED WITH SUCH REGISTRATION AS REQUIRED BY THE ACT.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of The Farm Homeowners Association, Inc., a Colorado nonprofit corporation;

That the foregoing By-Laws constitute the original By-Laws of the Association, as duly adopted by resolution of the Board of Directors thereof on the 1st day of May, 2015.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this 1st day of May, 2015.

B. Douglas Quimby [SEAL]
Secretary