

**BYLAWS  
OF  
THE RAINBOW RIDGE ESTATES HOMEOWNERS'  
ASSOCIATION, INC.**

**ARTICLE 1 - INTRODUCTION**

These are the Bylaws of The Rainbow Ridge Estates Homeowners' Association, Inc. which shall operate under the Colorado Nonprofit Corporation Act, as amended, and the Colorado Common Interest Ownership Act, as amended ("Act").

**ARTICLE 2 - BOARD**

***2.1 - Number and Qualification – Termination of Declarant Control.***

(a) The affairs of the Common Interest Community and the Association shall be governed by an Executive Board which, until the termination of the period of Declarant control, shall consist of three persons, and following such date shall consist of five persons, the majority of whom, excepting the Directors appointed by the Declarant, shall be Lot Owners. If any Lot is owned by a partnership or corporation, any officer, partner or employee of that Lot Owner shall be eligible to serve as a Director and shall be deemed to be a Lot Owner for the purposes of the preceding sentence. Directors shall be elected by the Lot Owners, except for those appointed by the Declarant. At any meeting at which Directors are to be elected, the Lot Owners may, by resolution, adopt specific procedures which are not inconsistent with these Bylaws or the Colorado Nonprofit Corporation Act for conducting the elections.

(b) The terms of at least one-third of the Directors not appointed by the Declarant shall expire annually, as established in a resolution of the Lot Owners.

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

(d) The Executive Board shall elect the officers. The Directors and officers shall take office upon election.

(e) At any time after Lot Owners, other than the Declarant, are entitled to elect a Director, the Association shall call a meeting and give not less than 10 nor more than 60 days' notice to the Lot Owners for this purpose. This meeting may be called and the notice given by any Lot Owner if the Association fails to do so.

***2.2 - Powers and Duties.*** The Executive Board may act in all instances on behalf of the Association, except as provided in the Declaration, these Bylaws or the Act.

The Executive Board shall have, 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 Common Interest Community, including the following powers and duties:

- (a)** Adopt and amend budgets for revenues, expenditures and reserves;
- (b)** Collect assessments for Common Expenses from Lot Owners;
- (c)** Hire and discharge managing agents;
- (d)** Hire and discharge employees, independent contractors and agents other than managing agents;
- (e)** Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Association's Declaration, Bylaws or Rules in the Association's name, on behalf of the Association or two or more Lot Owners on matters affecting the Common Interest Community;
- (f)** Make contracts and incur liabilities;
- (g)** Regulate the use, maintenance, repair, replacement and modification of Common Elements;
- (h)** Cause additional improvements to be made as a part of the Common Elements;
- (i)** Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to Section 312 of the Act;
- (j)** Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions for no more than one year, through or over the Common elements;
- (k)** Impose and receive a payment, fee or charge for services provided to Lot Owners and for the use, rental or operation of the Common Elements, other than Limited Common Elements described in Subsections 202(1)(b) and (d) of the Act;
- (l)** Impose a reasonable charge for late payment of assessments and, after notice and hearing, levy a reasonable fine for a violation of the Declaration, Bylaws, Rules and Regulations of the Association;
- (m)** Impose a reasonable charge for the preparation and recording of amendments to the declaration or statements of unpaid assessments;

- (n)** Provide for the indemnification of the Association's officers and the Executive Board and maintain Director's and officers' liability insurance;
- (o)** Exercise any other powers conferred by the Declaration or Bylaws;
- (p)** Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;
- (q)** Exercise any other power necessary and proper for the governance and operation of the Association; and
- (r)** 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 Lot Owners and the Executive Board. However, actions taken by a committee may be appealed to the Executive Board by any Lot Owner within 45 days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

**2.3 - Manager.** The Executive Board may employ a Manager for the Rainbow Ridge Estates, at a compensation established by the Executive Board, to perform duties and services authorized by the Executive Board. The Executive Board may delegate to the Manager only the powers granted to the Executive Board by these Bylaws under Section 2.2, Subdivision (c), (e), (g) and (h). Licenses, concessions and contracts may be executed by the Manager pursuant to specific resolutions of the Executive Board and to fulfill the requirements of the budget.

**2.4 - Removal of Directors.** The Lot Owners, by a two-thirds vote of all persons present and entitled to vote, at any meeting of the Lot Owners at which a quorum is present, may remove any Director of the Executive Board, other than a Director appointed by the Declarant, with or without cause.

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

- (a)** As to vacancies of Directors whom Lot Owners other than the Declarant elected, by a majority of the remaining elected Directors constituting the Executive Board; and
- (b)** As to vacancies of Directors whom the Declarant has the right to appoint, by the Declarant.

(c) Each person so elected or appointed shall be a Director for the remainder of the term of the Director so replaced.

**2.6 - Regular Meetings.** The first regular meeting of the Executive Board following each annual meeting of the Lot Owners shall be held within 10 days after the annual meeting at a time and place to be set by the Lot Owners at the meeting at which the Executive Board shall have been elected. No notice shall be necessary to the newly elected Directors in order to legally constitute such meeting, provided a majority of the Directors are present. The executive Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

**2.7 - Special Meetings.** Special meetings of the Executive Board may be called by the President or by a majority of the Directors on at least three business days' notice to each Director. The notice shall be hand-delivered or mailed and shall state the time, place and purpose of the meeting.

**2.8 - Location of Meetings.** All meetings of the Executive Board shall be held within Boulder County unless all Directors consent in writing to another location.

**2.9 - Waiver of Notice.** Any Director may waive notice of any meeting in writing. Attendance by a Director at any meeting of the Executive Board shall constitute a waiver of notice. If all the Directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

**2.10 - Quorum of Directors.** At all meetings of the Executive Board, 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 a decision of the Executive 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.

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

**2.12 - Telephone Communication in Lieu of Attendance.** A Director may attend a meeting of the Executive 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 Executive Board. The Director's vote shall be counted and the presence noted as if that Director were present in person on that particular matter.

### **ARTICLE 3 - LOT OWNERS**

**3.1 - Annual Meeting.** Annual meetings of Lot Owners shall be held in Boulder County at such date set forth in the notice. At these meetings, the Directors shall be elected by ballot of the Lot Owners, in accordance with the provisions of Article 2 of the Bylaws. The Lot Owners may transact other business as may properly come before them at these meetings.

**3.2 - Budget Meeting.** Meetings of Lot 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.

**3.3 - Special Meetings.** Special meetings of the Association may be called by the president, by a majority of the members of the Executive Board or by Lot Owners comprising 20 percent of the votes in the Association.

**3.4 - Place of Meetings.** Meeting of the Lot Owners shall be held at Rainbow Ridge Estates or may be adjourned to a suitable place convenient to the Lot Owners, as may be designated by the Executive Board or the president.

**3.5 - Notice of Meetings.** The secretary or other officer specified in the Bylaws shall cause notice of meetings of the Lot Owners to be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to the mailing address designated in writing by the Lot Owner, not less than 10 nor more than 60 days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

**3.6 - Waiver of Notice.** Any Lot Owner may, at any time, waive notice of any meeting of the Unit Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

**3.7 - Adjournment of Meeting.** At any meeting of Lot Owners, a Majority of the Lot Owners who are present at that meeting, either in person or by proxy, may adjourn the meeting to another time.

**3.8 - Order of Business.** The order of business at all meetings of the Lot Owners shall be as follows:

- (a) Roll call (or check-in procedure);
- (b) Proof of notice of meeting;
- (c) Reading of minutes of preceding meeting;

- (d) Reports;
- (e) Establish number and term of memberships of the Executive Board (if required and noticed);
- (f) Election of inspectors of election (when required);
- (g) Election of Directors of the Executive Board (when required);
- (h) Ratification of budget (if required and noticed);
- (i) Unfinished business; and
- (j) New business.

**3.9 - Voting.** If only one of several owners of a Lot is present at a meeting of the Association, the owner present is entitled to cast all the Votes allocated to the Lot. If more than one of the owners are present, the Votes allocated to the Lot may be cast only in accordance with the agreement of a majority in interest of the owners. There is majority agreement if any one of the owners casts the Votes allocated to the Lot without protest being made promptly to the person presiding over the meeting by another owner of the Lot.

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

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

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

**3.10 - Quorum.** Except as otherwise provided in these Bylaws, the Lot Owners present in person or by proxy at any meeting of Lot Owners, (but no less than 30 percent of the members), shall constitute a quorum at that meeting.

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

#### **ARTICLE 4 - OFFICERS**

**4.1 - Designation.** The principal officers of the Association shall be the president, the vice president, the secretary and the treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an assistant treasurer, an assistant secretary and other officers as it finds necessary. The president and vice president, but no other officers, need to be Directors. Any two offices may be held by the same person, except the offices of president and secretary. The office of vice president may be vacant.

**4.2 - Election of Officers.** The officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Executive Board. They shall hold office at the pleasure of the Executive Board.

**4.3 - Removal of Officers.** Upon the affirmative vote of a majority of the Directors, any officer may be removed, either with or without cause. A successor may be elected at any regular meeting of the Executive Board or at any special meeting of the Executive Board called for that purpose.

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

**4.5 - Vice President.** The vice president shall take the place of the president and perform the president's duties whenever the president is absent or unable to act. If neither the president nor the vice president is able to act, the Executive Board shall appoint some other Director to act in the place of the president on an interim basis. The vice president shall also perform other duties imposed by the Executive Board or by the president.

**4.6 - Secretary.** The secretary shall keep the minutes of all meetings of the Lot Owners and the Executive Board. The secretary shall have charge of the

Association's books and papers as the Executive Board may direct and shall perform all the duties incident to the office of secretary of a nonprofit corporation organized under the laws of the State of Colorado. The secretary may cause to be prepared and may attest to execution by the president of amendments to the Declaration and the Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

**4.7 - Treasurer.** The treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Executive Board and shall perform all 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 described below, the treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investments instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Executive Board decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the treasurer, and executed by two Directors, one of whom may be the treasurer if the treasurer is also a Director.

**4.8 - Agreements, Contracts, Deeds, Checks, etc.** Except as provided in Sections, 4.4, 4.6, 4.7, and 4.9 of these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by an officer of the Association or by any other person or persons designated by the Executive Board.

**4.9 - Statements of Unpaid Assessments.** The treasurer, assistant treasurer, a manager employed by the Association or, in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid assessments, in accordance with Section 316 of the Act.

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

## **ARTICLE 5 – INDEMNIFICATION**

**5.1 – *Indemnification.*** To the extent permitted by law and consistent with the Articles of Incorporation, the Association will indemnify every member of the Executive Board, and every officer, employee and agent of the Association and every person who serves at the request of the Association as a director, officer, employee, fiduciary or agent of any other foreign or domestic corporation or of any partnership, joint venture, trust or other enterprise or employee benefit plan against liability asserted against or incurred by such person in such capacity or arising out of that person's capacity as such. The indemnification permitted under this Article will not extend, in any event, to any act or omission occurring prior to the date of incorporation of the Association.

**5.2 *Indemnification in the event of Settlement.*** In the event of a settlement, indemnification will be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of such action or omissions in the performance of such person's duties for the Association. The foregoing rights will not be exclusive of other rights to which such member of the Board of Directors or officer or other person may be entitled. All liability, loss, damage, cost and expense arising out of or in connection with the foregoing indemnification provisions will be treated and handled by the Association as a Common Expense.

## **ARTICLE 6. - NONPROFIT CORPORATION**

The Association is not organized for profit. No Member of the Association, member of the Executive Board, or person from whom the Association may receive any property or funds will receive or will be lawfully entitled to receive any pecuniary profit from the operations of the Association, and in no event will any part of the funds or assets of the Association be paid as a dividend or be distributed to, or inure to the benefit of, any member of the Executive Board. Notwithstanding the foregoing, (i) reasonable compensation may be paid to any Member or Director acting as an agent or employee of the Association for services rendered in effecting one or more of the purposes of the Association, (ii) any Member or Director may, from time to time, be reimbursed for his actual and reasonable expenses incurred in connection with the administration of the affairs of the Association, and any Director may be reimbursed for actual expenses incurred in the performance of his duties.

## **ARTICLE 7 – AMENDMENTS**

These Bylaws may be amended, at a regular or special meeting of the Board, by a vote of a majority of a quorum of Directors present in person or by proxy, but any

amendment of any portion of Section 2.1 or Article 5 or 7 will require approval of all Directors.

## **ARTICLE 8 – MISCELLANEOUS**

**8.1 - Fiscal Year.** The fiscal year of the Association will begin on the first day of January and end on the 31<sup>st</sup> day of December every year, except that the first fiscal year will begin on the date of incorporation.

**8.2 - Corporate Seal.** The Association will have a seal in circular form having within its circumference the words: “The Rainbow Ridge Estates Homeowners’ Association.”

**8.3 - Conflicts of Documents.** In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles will control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration will control.

**8.4 - Fannie Mae.** The Board and the Association will comply with the following provisions so long as they desire Federal National Mortgage Association (“Fannie Mae”) acceptance of the Project:

(a) In the event of foreclosure of a Lot, the First Mortgagee will not be liable for any fees or charges related to the collection of six months or less of unpaid Assessments that accrued before the First Mortgagee acquired title to the Lot.

(b) Each hazard insurance policy must be written by an insurance carrier that has an acceptable rating from either A.M. Best Company, Demotech, Inc., or Standard and Poor’s, Inc., as follows:

A “B” or better general policyholder’s rating or a “6” or better financial performance index rating in Best’s *Insurance Reports*, an “A” or better general policyholder’s rating and a financial size category of “VIII” or better in Best’s *Insurance Reports – International Edition*, an “A” or better rating in Demotech’s *Hazard Insurance Financial Stability Ratings*, a “BBBq” qualified solvency ratio or a “BBB” or better claims-paying ability rating in Standard and Poor’s *Insurance Solvency Review*, or a “BBB” or better claims-paying ability rating in Standard and Poor’s *International Confidential Rating Service*.

(c) The insurance policies obtained by the Association must also contain the standard mortgage clause and must name as mortgagee either Fannie Mae or the servicers for the mortgages Fannie Mae holds on Units in the Project.