

**RECEPTION#: 947490, Date: 3/2/2022 10:55 AM,  
Pages: 1 of 22 , BYLAW RECORDING \$118.00  
Montrose County, CO. Tressa Guynes, Clerk and Recorder**

COUNTY OF OURAY  
COUNTY OF MONTROSE

Clerk and Recorder:

Index in grantee's index under "Cornerstone" and "Cornerstone Owners Association, Inc." and in the grantor's index under "Cornerstone Owners Association, Inc." and the name of the person executing these Bylaws.

**AMENDED AND RESTATED BY-LAWS  
of  
CORNERSTONE OWNERS ASSOCIATION, INC.**

THESE AMENDED AND RESTATED BY-LAWS OF CORNERSTONE OWNERS ASSOCIATION, INC. are adopted as of the date set forth below by the CORNERSTONE OWNERS ASSOCIATION, INC., a Colorado Nonprofit Corporation ("Association").

**W I T N E S S E T H**

WHEREAS, Cornerstone Montrose, LLC, a Delaware limited liability company, established the Cornerstone community by executing that certain Community Charter for Cornerstone which was filed in the Ouray County Public Records under Reception No. 191481, and in the Montrose County Public Records under Reception No. 755691, ("Charter") and incorporated the Cornerstone Owners Association, Inc. ("Association"); and

WHEREAS, the Association adopted By-Laws recorded as Exhibit "E" to the Charter (the "Original Bylaws") for the regulation and management of its affairs;

WHEREAS, the Association adopted Amended By-Laws recorded in Ouray County on December 1, 2006, at Reception No. 193527 and in Montrose County on December 6, 2006, at Reception No. 764830.

WHEREAS, Article 10, Section 10.6(b) of the By-Laws provides that the Members may amend the By-Laws by the affirmative vote or written consent, or any combination thereof, of owners entitled to cast at least 67% of the total votes in the Association;

WHEREAS, Members holding at least 67% of the votes in the Association have approved the attached Amended and Restated By-Laws for Cornerstone Owners Association, Inc.

NOW, THEREFORE, pursuant to the authority set forth in Article 10, Section 10.6 of the By-Laws, the Association has adopted the Amended and Restated By-Laws for Cornerstone Owners Association, Inc. attached hereto.

**CERTIFICATION**

The officer signing below certifies these Amended and Restated Bylaws received the affirmative vote of at least 67% of the Members.

This 28 day of February, ~~2021~~ 2022 PM

CORNERSTONE OWNERS ASSOCIATION, INC.  
a Colorado Nonprofit Corporation

By: [Signature]  
Secretary

STATE OF COLORADO )  
  ) ss.  
COUNTY OF Eagle )

The foregoing Declaration was acknowledged before me by Bob Aisner  
Secretary of the Association, on this 28th day of February, ~~2021~~ 2022 PM

[Signature]  
Notary Public

My commission expires: 6/23/25

ERIN MCCAULEY  
NOTARY PUBLIC  
STATE OF COLORADO  
NOTARY ID 20214024628  
MY COMMISSION EXPIRES JUNE 23, 2025

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AMENDED AND RESTATED BY-LAWS  
OF  
CORNERSTONE OWNERS ASSOCIATION, INC.  
(FEBRUARY 28, 2022)

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AMENDED BY LAWS  
OF  
CORNERSTONE OWNERS ASSOCIATION, INC.

(FEBRUARY 28, 2022)

ARTICLE 1  
NAME, PRINCIPAL OFFICE, AND DEFINITIONS

1.1. Name.

The name of the corporation is Cornerstone Owners Association, Inc. (the "Association").

1.2. Principal Office.

The Association's principal office shall be located in Montrose or Ouray 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 Community Charter for Cornerstone, in the public records of Montrose and Ouray Counties, Colorado, as it may be amended (the "Charter"). 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 has one class of membership, as more fully set forth in the Charter. Provisions of the Charter pertaining to membership are incorporated by this reference. These By-Laws refer to the Owner Members as "Members" or the "Membership" and singly as a "Member." These By-Laws refer to Persons holding Owner Memberships as "Owners." The Declarant shall hold an Owner Membership for each Homestead that it owns.

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. If a meeting is held by any means of telecommunication, the place of the meeting is deemed to be the location of the host of the meeting, even if Members cannot attend in person.

2.3. Association Meetings.

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

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and place, as the Board shall determine. Failure to hold an annual meeting will not affect the validity of any corporate action and will not be considered a forfeiture or dissolution of Association.

(b) **Budget Meetings.** Budget meetings will be held in accordance with the terms of the Charter. The budget meeting may be held at the same time as the annual meeting or at a special meeting.

(c) **Special Meetings.** The President may call special meetings of the Members. In addition, the President or the Secretary shall call a special meeting if so directed by Board resolution or upon a petition signed by Owners of Homesteads allocated at least 20% of the total votes in the Association.

#### **2.4. Notice of Meetings.**

At least 10 but not more than 50 days before any meeting of the Members, the President, the Secretary, or the officers or other persons calling a meeting of the Members shall deliver or cause to be delivered to each Member a written notice stating the place, day, and hour of the meeting and the items on the agenda for such meeting, including the general nature of any proposed amendment to the Charter, Articles of Incorporation, or By-Laws, any proposed budget changes, and any proposal to remove a director. If an electronic medium is available, the notice of regular or special meetings shall be provided by electronic mail to all Owners who so request and provide the Association with an electronic address. 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 SPCTion 9.5. In addition, notice of any meeting shall be posted in a conspicuous place within Cornerstone, to the extent such posting is feasible and practical.

#### **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 entitled to cast a majority of the votes present at such meeting may adjourn the meeting to a time at least five 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; however, at least a majority of the votes required to constitute a quorum, or such larger percentage as may be required under the Charter or applicable law for specific actions, must approve any action taken.

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**2.7. Voting.**

Members shall have such voting rights as are set forth in the Charter, which provisions are specifically incorporated by this reference. Vote may be cast in person or by proxy at a meeting, by written ballot cast pursuant to Section 2.11, or, if permitted, by electronic ballot, subject to the limitations of Colorado law and subject to any specific provision to the contrary in the Charter or these By-Laws.

**2.8. Proxies.**

Every proxy shall be in writing, shall identify the Homestead 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. The Association may require that proxies be returned by a specified date and time prior to the meeting. Unless the proxy specifically provided 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, or for subsequent meetings identified in the proxy and automatically expires 90 days after the date of the meeting(s) for which it was originally given. Every proxy is revocable at any time at the pleasure of the Member who executes the proxy.

**2.9. Quorum.**

Except as these By-Laws or the Charter otherwise provide, the presence of Owners entitled to cast 10% of the total votes in the Association shall constitute a quorum at all Association meetings and the vote of Owners entitled to cast a majority of the total eligible votes cast at the meeting shall constitute the action of the Membership. If any meeting or vote cannot be held because a quorum is not obtained, the meeting or vote may be rescheduled for another time within 60 days of the original date and the quorum requirement for such meeting or vote shall be reduced to 10% of the total votes in the Association.

**2.10. 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.

**2.11. Action without a Meeting.**

(a) Any action required by the Charter, the Articles, or applicable law to be taken at a meeting of the Members may be taken without a meeting, if the Association delivers a written ballot to every Member entitled to vote on the matter. In case of a vote by mail or electronic means in lieu of a meeting, the secretary shall mail or deliver written notice and a ballot to all Members at each Member's address as it appears in the records of the Association given for notice purposes. The ballot shall state each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by written ballot shall indicate the number of responses needed to meet the quorum requirements; state the percentage of approvals necessary to approve each matter other than election of directors; state the time by which a ballot must be received by the nonprofit corporation in order to be counted (which shall be at least 10 days from the date of the notice); and be accompanied by written information sufficient to permit each person casting a ballot to



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reach an informed decision on the matter. A written ballot may not be revoked. Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. Action taken under this section has the same effect as action taken at a meeting of Members and may be described as such in any document.

(b) The Association may conduct elections of directors by mail or electronic means, in its sole discretion, and pursuant to procedures adopted by it; provided, however, that any procedures adopted shall provide for notice to Members of the opportunity to run for a vacant position and/or nominate any Member of the Association for a vacant position, subject to the nominated Member's consent, and provided that a system is established to maintain the secrecy of ballots as required by the 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. Directors shall be Owners. However, co-Owners may not serve on the Board at the same time.

If an Owner is not an individual, any officer, director, partner, 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.

Directors must meet the following qualifications:

(a) Only one Owner per Homestead who is eligible to vote, current in payment of assessments, and otherwise in good standing, may be elected to, or appointed to fill a vacancy on the Board.

(b) Any director who is more than 90 days delinquent in payment of any assessment will not be qualified to serve on the Board.

(c) Any director who has unexcused absences from three consecutive Board meetings will not be qualified to serve on the Board. An absence will be excused if the absent Board member provides reasonable notice to the president of the planned absence and the reason for the absence at least three days before the meeting, and a majority of the remaining Board members approve the absence as being for a valid purpose.

(d) Any director who is in violation of any provision of the Association's Governing Documents for more than 90 days will not be qualified to serve on the Board.

(e) Any director who maintains an adversarial proceeding (administrative complaint, arbitration, litigation or similar action) against the Association will not be qualified to serve on the Board.

If a director is not qualified to serve on the Board, the director's position will be deemed vacant.

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### **3.2. Number of Directors.**

The Board shall consist of three to five directors. The exact number of directors may be changed by a duly adopted resolution of the Board of Directors; provided, however, staggered terms of directors will be preserved. The Board may only eliminate a director's position at the end of the director's term or if the position is vacant. If, as a result of removal or resignation, the total number of Board members is fewer than three, the Board will be considered properly constituted until the vacancies are filled.

If any Homestead is owned by a partnership, corporation, or trust, any officer, partner, or trustee of that entity will be eligible to serve as a director and is deemed to be a Member for the purposes of these Bylaws.

### **3.3 Term of Office.**

The term of office of directors is two years, or until a successor is elected. At the expiration of a director's term, if a successor cannot be elected for any reason, the existing director will continue to hold office and begin serving another term until the director's successor is elected to fill the remainder of such new term, or the director resigns.

### **3.4. Election Procedures.**

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.

At each election, voting for any contested positions shall be by written secret ballot. Each Owner may cast his or her vote for each position to be filled by the votes of Owners. In the discretion of the Board, any election may be held by mail or by electronic balloting via a community intranet, website, or other means, or any combination of methods by which Owners may conveniently cast their votes. Notice of any election by which ballots may be cast other than at a meeting shall be in writing, shall include a copy of the ballot, and shall state the deadline for casting of ballots and the address to which ballots may be mailed or hand delivered. Such notice shall be given not less than 10 days prior to the deadline set for close of the balloting.

### **3.5. Removal of Directors and Vacancies.**

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

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

This Section shall not apply to directors that 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.

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## **B. Meetings.**

### **3.6. Organizational Meetings.**

The Board shall hold an organizational meeting within 10 days following each annual meeting of the membership, 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.**

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.

The Board shall notify the Members of each Board meeting by either: (i) posting notice of the meeting in a conspicuous place in Cornerstone 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.

Transactions of 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 or Electronic 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 other electronic 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.

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### **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 Charter specifically provide otherwise. 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 5 or 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(6) and Section 3.14, all Board meetings shall be open to attendance by all Members or their representatives, but only directors may participate in any discussion or deliberation; provided that Members shall have the opportunity to comment prior to any Board vote as more particularly provided in the Association's Conduct of Meetings policy. The Board shall make agendas for its meetings reasonably available for examination by all Members or their representatives prior to the meeting.

(b) Notwithstanding the above, the President may adjourn any Board meeting and reconvene in executive session and may restrict attendance to directors and such other persons as the Board may specifically invite and announce during the open portion of the Board meeting, to discuss matters of a sensitive nature, such as pending or threatened litigation, personnel matters, and such other matters as the Act may specifically authorize.

### **3.14. Action without a Formal Meeting.**

The directors have the right to take any action in the absence of a meeting which they could otherwise have taken at a meeting if a notice stating the action to be taken and the time by which a director must respond is transmitted, in writing, to each director and each director, by the time stated in the notice: (a) votes in writing for such action; or (b) votes in writing against such action, abstains in writing from voting; or (c) fails to respond or vote and does not demand that a meeting be held.

The action is authorized if the number of directors voting in favor of the action equals or exceeds the minimum number of votes that would be necessary to take such action at a meeting at which all of the directors then in office were present and voted. An abstention is not a vote in favor or against an action. Any action taken under this section has the same effect as though taken at a Board meeting. All signed written instruments necessary for any action taken pursuant to this section are to be filed with the minutes of the Board meetings.

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### **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 Members.

#### **3.16. Duties.**

The Board's duties shall include, without limitation:

- (a) preparing and adopting, in accordance with the Charter, an annual budget establishing each Owner's share of the Common Expenses and any Service Area Expenses;
- (b) levying and collecting assessments (rom the Owners pursuant to the Charter;
- (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 in the manner provided in the Charter;
- (i) obtaining and carrying property and liability insurance and fidelity bonds, as provided in the Charter, 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 Homestead, any Owner, and the holders, insurers, and guarantors of any Mortgage on any Homestead, current copies of the Governing Documents and all other books, records, and financial statements of the Association as provided in Section 9.4; and

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(m) indemnifying a director, officer or committee member, or former director, officer, or committee member of the Association to the extent such indemnity is required by Colorado law, the Articles, and these By-Laws.

### **3.17. Conflicts of Interest.**

Unless otherwise approved by a majority of the other directors, 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 directors relative to his or her performance as a director. As used in the Section, the provision prohibiting the transaction of business by an Owner Director shall mean to include the transaction of business with any person who is the parent, grandparent, spouse, child, or sibling of the Owner Director and with any legal entity in which any of the preceding hold an ownership interest.

Notwithstanding the above, directors appointed by the Declarant may be employed by or otherwise transact business with the Declarant or its affiliate, and the Declarant may transact business with the Association or its contractors so long as any transaction entered is fair to the Association.

## **ARTICLE 4 OFFICERS**

### **4.1. Officers.**

The Association's officers shall be a 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 one or more Vice-Presidents, Assistant Secretaries and Assistant Treasurers, as it shall deem desirable, such officers to have such authority and perform such duties as the Board prescribes. Any two or more offices may be held by the same person, except the offices of President and Secretary.

### **4.2. Election and Term of Office.**

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

### **4.3. 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.

### **4.4. 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 Charter and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

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**4.5. Resignation.**

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

**ARTICLES  
COMMITTEES**

**5.1. General.**

In addition to the Preservation Committee created, appointed, and governed pursuant to Chapter 16 of the Charter, such other committees as the Declarant or the Board may appoint pursuant to the Charter, 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.

**5.2. 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 five 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 Charter, 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 of these By-Laws. The Covenants Committee shall have no responsibility for seeking out violations of the Governing Documents.

**ARTICLE 6  
STANDARDS OF CONDUCT; LIABILITY, AND INDEMNIFICATION**

**6.1. Standards for Directors and Officers.**

The Board shall exercise its powers in a reasonable, fair, nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

In performing their duties, directors and officers 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.

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**6.2. 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. Owner Directors shall not be liable for actions taken or omissions made in the performance of their duties except for wanton or willful acts or omissions.

(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 Homestead); 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, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on the Association's behalf (except to the extent that such officers or directors may also be Members).

**6.3. Indemnification.**

Subject to the limitations of Colorado law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees and expenses, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that 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 right of the Association, although it may reimburse the individual for reasonable expenses incurred in connection with the proceeding if it is determined, by the court or in the manner provided above, that the individual met the relevant standard of conduct under Colorado law; 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; or



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- (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 to fund this obligation, if such insurance is reasonably available.

**6.4. Directors' and Officers' Insurance.**

The Association will purchase and maintain insurance on behalf of any person who is or was a member of the Board of Directors, the manager, committee members, or anyone acting at the direction of the Board, covering defense and liability expenses arising out of any action, suit, or proceeding asserted against the person by virtue of the person's actions on behalf of the Association or at the direction of the Board, whether or not the Association would have the power to indemnify the person against liability under provisions of this Article.

**6.5 Advancement of Expenses.**

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

**6.6. 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. Each newly elected officer and director shall be encouraged to complete a training seminar within the first six months of assuming such position. The seminar may be live, video or audiotape, or in other format. The cost of such seminar shall be a Common Expense.

The Board shall also provide, or provide for, Owner and resident education on an annual basis as to the general operations of the Association and the rights and responsibilities of Owners, the Association, and its Board under Colorado law. The criteria for compliance with this provision will be determined by the Board and may include articles, information provided at a member meeting, or other means of communication.

**ARTICLE 7  
 MANAGEMENT AND ACCOUNTING**

**7.1 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

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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.

## **7.2 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. Any Person to whom the Board delegates its powers relating to collection, deposit, transfer, or disbursement of Association funds shall maintain fidelity insurance coverage or a bond in an amount not less than \$50,000.00 or such higher amount as the Board or the Act may require.

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.

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 which it may have in any firm providing goods or services to the Association.

## **7.3 Accounts and Reports.**

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

(i) accounting and controls should conform to generally accepted accounting principles; and

(ii) the Association's cash accounts shall not be commingled with any other accounts, and the Association's reserve accounts shall be maintained separate from its operational accounts.

(b) Financial reports shall be prepared for the Association at least quarterly containing:

(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

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(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).

(c) In addition to the information required to be provided in accordance with §38-33.3-303(4)(b), if applicable, 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 by the managing agent, a public accountant, or a certified public accountant, on an audited, reviewed, or compiled basis, as the Board determines.

**7.4. Borrowing.**

The Association shall have the power to borrow money and assign its right to future income, including the right to receive common expense assessments, for any legal purpose. However, the Board shall obtain Owner approval in the same manner provided in the Charter 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.

**7.5. 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, or any other owners or residents associations, within and outside Cornerstone.

**7.6. Agreements, Contracts, Deeds, Leases, Checks, Etc.**

All Association agreements, contracts, deeds, leases, checks, and other instruments shall be executed by at least one officer or by such other person or persons as the Board may designate by resolution.

**ARTICLES  
ENFORCEMENT PROCEDURES**

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

**8.1. Notice and Response.**

The Board or its delegate shall serve the alleged violator with written notice describing the nature of the alleged violation and the proposed sanction to be imposed. The notice shall include a statement that the alleged violator has 10 days from the date of such notice to present a written request for a hearing to the Board or the Covenants Committee, if one has been appointed pursuant to Article 6, or the proposed sanction may be imposed.

The alleged violator shall respond to the notice of the alleged violation in writing within such 10-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction, or the

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proposed sanction shall be imposed. If the alleged violator cures the alleged violation and notifies the Board in writing within such 10-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 and rules by any Person.

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 delivered such notice. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

### **8.2. Hearing.**

If a hearing is requested within the allotted 10-day period, the hearing shall be held before the Covenants Committee, or, if one has not been appointed, before the Board. The alleged violator shall be afforded a reasonable opportunity to be heard. The minutes of the meetings of the Board or Covenants Committee, as applicable, shall contain a written statement of the results of the hearing (i.e., the Board's or Committee's decision) and the sanction, if any, to be imposed. Written notice of the decision shall be mailed to the violator within three days after the hearing.

### **8.3. 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.

## **ARTICLE9 MISCELLANEOUS**

### **9.1. Fiscal Year.**

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

### **9.2. 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.

### **9.3. Conflicts.**

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

### **9.4. Books and Records.**

(a) *Inspection by Members and Mortgagees.* The Board shall make available for inspection and copying by any holder, insurer, or guarantor of a first Mortgage on a Homestead, any Member, or the duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to

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his or her interest in a Homestead all of the records required by §38-33.3-317 of the Act and the Association's Records Inspection Policy. The Board shall provide for such inspection to take place at the Association's office or at such other place within Cornerstone as the Board shall designate. In addition, within 90 days after the end of each fiscal year after termination of the Declarant Control Period, the Association shall prepare and make available to Unit Owners the information required by §38-33.3-209.4 of the Act.

- (b) **Rules for Inspection.** The Board shall establish rules with respect to:
- (i) the frequency and manner of inspections;
  - (ii) notice to be given to the custodian of the records;
  - (iii) hours and days of the week when such an inspection may be made; and
  - (iv) payment of the cost of reproducing documents requested.

(c) **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.

**9.5. Notices.**

(a) **Form of Notice and Method of Delivery.** Except as otherwise provided in the Charter or these By-Laws or by Colorado law, all notices, demands, bills, statements, or other communications under the Charter or these By-Laws shall be in writing and may be delivered in person, by United States mail, by private carrier, or other means permitted by Colorado Law.

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

(i) if to an Owner, 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 Homestead of such Owner;

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

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

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

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

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(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.

**9.6. Amendment.**

(a) ***Amendment Procedure.*** These By-Laws may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners entitled to cast at least 67% of the votes cast, in person or by proxy, at a regular or special meeting at which a quorum is present, or by mail ballot as provided in these Bylaws. 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. Any amendment adopted pursuant to this subsection (a) shall be prepared and signed by the President or Vice President and by the Secretary or Treasurer of the Association certifying that the requisite approval was obtained.

(b) ***Validity and Effective Date of Amendments.*** Amendments to these By-Laws shall become effective upon recordation unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within one year 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.

No amendment may remove, revoke, or modify any right or privilege of Declarant provided for in Chapters 5, 18 and 19 of the Charter without the written consent of Declarant or the assignee of such right or privilege.