

**BYLAWS OF  
GRAND VALLEY ESTATES HOMEOWNERS ASSOCIATION, INC.**

**ARTICLE I  
NAME AND LOCATION**

The name of the corporation is GRAND VALLEY ESTATES HOMEOWNERS ASSOCIATION, INC., (the "Association"), a Colorado not-profit corporation. COLORADO REDSTONE, LLC ("Declarant"), a Colorado limited liability company The principal office of the Association is located at 2139 N. 12<sup>th</sup> Street, Suite #9, Grand Junction, Colorado.

**ARTICLE II  
DEFINITIONS, PURPOSES AND ASSENT**

Section 2.1. Definitions. The definitions in of the Declaration of Covenants, Conditions, and Restrictions and Easements for Grand Valley Estates Homeowners Association Mesa County, Colorado, as amended from time to time and recorded in the office of the Clerk and Recorder of Mesa County, Colorado, shall apply to these Bylaws, and all defined terms used in the Bylaws shall have the same meaning as the defined terms used in the Declaration.

Section 2.2. Declaration Administration Purpose. To administer and enforce the covenants and restrictions and to collect and disburse the assessments and charges set out in the Declaration of Restrictions, Easements and Covenants of Grand Valley Estates Homeowners Association, Mesa County, Colorado (the "Declaration"), a common interest Ownership subdivision of all Common Elements and the boundaries of each Property is described in the Plat of GRAND VALLEY ESTATES, City of Fruita, Mesa County, Colorado recorded in the records of the Mesa County Clerk and Recorder Plat Book No. 4179 at Page 663 on the 13<sup>th</sup> day of June, 2006. The Declaration and its amendments are referred to herein as the "Declaration." The provisions of these Bylaws are applicable to the Property. (The term "project" as used herein shall include the land.)

4179 - 663-665

Section 2.3. Association Function, Purpose. To be the Association referred to in said Declaration, and to take such actions and perform such duties as are required of the Association in said Declaration, including the maintenance and administration of properties and facilities owned by the Association and to fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration.

Section 2.4. Nonprofit Purpose. The Association is formed exclusively for purposes for which a corporation may be formed under the Colorado Non-Profit Corporation Act and not for pecuniary profit or financial gain. No part of the assets, income or profit of the Association shall be distributable to, or inure any person except to the extent permitted under the Colorado Non-Profit Corporation Act. The Association shall not operate any listing service for its directors or contributors, or take steps which will serve to facilitate the transaction of specific business by its

directors or promote the private interest of any director or contributor, or engage in any activities which would constitute a regular business of a kind ordinarily carried on for profit.

Section 2.5. Assent. All present or future Owners, their families, present or future tenants, and their guests and invitees, occupants, and any other person using the private, common or public facilities of the Grand Valley Estates Homeowners Association in any manner are subject to the Association Documents, including the Bylaws. The mere acquisition or rental of any of the family Lots (hereinafter referred to as Lots or Properties) of the Property or the mere act of occupancy of any of said Properties will signify that these bylaws and the provisions of the regulatory agreement are accepted, ratified, and will be complied with.

### **ARTICLE III** **MEMBERSHIP**

Section 3.1. Membership and voting privileges. The Association shall have two (2) classes of voting membership:

Class A Membership: Class A Members shall be all Owners, with the exception of Declarant. Class A Members shall be entitled to vote on Association matters on the basis of one (1) vote for each Property owned.

When more than one (1) person holds an interest in any Property, all such persons shall be Members. The vote for such Property shall be exercised by one (1) person appointed by proxy in accordance with Section 4.7. below. The vote allocated to the Property shall be suspended in the event more than one (1) person or entity seeks to exercise the right to vote on any one (1) matter. Any Owner of a Property which is leased may assign his voting right to the tenant, provided that the tenant is appointed to vote on behalf of the Owners by proxy and the proxy is furnished to the secretary of the Association prior to any meeting in which the tenant exercises the voting right.

Class B Membership: Class B Member(s) shall be Declarant and any successor of Declarant who takes title to all or part of the property for the purpose of development and sale of Properties and who is designated as Successor Declarant in a recorded instrument executed by Declarant. Class B membership shall terminate on the earlier of the following dates:

- a. not later than sixty (60) days after conveyance of sixty-seven percent (67%) of the Lots that may be created to Lot Owners other than Declarant; or
- b. two (2) years after the last conveyance of a Lot by the Declarant in the ordinary course of business; or
- c. two (2) years after any right to add new Lots was exercised; or

- d. the date on which Declarant voluntarily relinquishes its Class B membership, as evidenced by a notice recorded in the office of the Mesa County Clerk and Recorder.

After termination of the Class B membership, Declarant and any designated successor Declarant shall be entitled to one (1) Class A membership and one (1) Class A vote for each Property owned. At such time, Declarant shall call a special meeting of the Members to advise the members that Class B membership has been terminated and to relinquish control of the Association to the Class A Members.

Section 3.2. Proof of membership. Any person or entity, on becoming an Owner, shall furnish to the Manager or to the Secretary of the Association a photocopy or a certified copy of the recorded instrument vesting that person or entity with an Ownership interest, which instrument shall remain in the files of the Association. An Owner shall not be deemed a Member of the Association in good standing and shall not be entitled to vote at any annual or special meeting of the Members unless this requirement is first met.

Section 3.3 Notice. Notice of matters affecting the common interest community may be given to Property Owners by the Association or other Property Owners by personal deliver to each Lot or by first class United States mails, addressed to the registered address of the Property Owner, and with postage prepaid or in any other manner, including via email. The modes of notice will be consistent with the Colorado Common Interest Ownership Act as it now and as it may be amended.

#### ARTICLE IV **ASSOCIATION: MEETINGS, QUORUM, VOTING, PROXIES**

Section 4.1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year after the date of incorporation of the Association. Each subsequent annual meeting of the Members shall be held on a date and at a time set by the Board of Directors. Annual meetings shall be held at a place within the State of Colorado selected by the Board of Directors.

Section 4.2. Special Meeting. Special meetings of the Members may be called at any time by the President of the Association or by the Board of Directors, or upon written request of Members who are collectively entitled to vote at least twenty percent (20%) of all of the votes of the Class A membership. Upon call, the Board of Directors shall designate a place within the County of Mesa, State of Colorado for the meeting.

Section 4.3. Notice of Meeting. Written notice stating the place, day, and hour of each meeting, and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than thirty (30) days before the date of the meeting, either personally or by mail, or by electronic means including email, or by any means which is reasonable and allowable pursuant to the Colorado Common Interest Ownership Act as it now and

as it may be amended, or at the direction of the President, or the Secretary, or the persons calling the meeting, to the registered mailing address (or other permissible mode of communication) of each member entitled to vote at such meeting. If mailed, notices are deemed delivered when deposited in the United States mail, postage prepaid, addressed to the registered mailing address as it appears on the records of the Association. Any Owner so desiring to be notified of any manner via e-mail is entitled to such notice. Owner's desiring e-mail notifications and updates will be asked to provide their e-mail address and to supplement that address as it may change from time-to-time. Such Owners who make this election will be deemed to have received all notices the same date as the e-mail is sent.

Section 4.4. Quorum. Except with respect to acting on proposals to encumber or convey Common Elements, the presence at the commencement of a meeting of Members entitled to cast (or of proxies entitled to cast) one-twentieth (1/20) of the total votes shall constitute a quorum throughout the meeting for any action. If, however, such quorum shall not be present or represented at the meeting, the Members entitled to vote at the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented by proxy. For matters that no other majority requirement has been established, action may be taken by a majority of those present in person or by proxy.

Section 4.5. Voting by Mail. Voting by mail is permitted for election of Directors, amendment of the Articles of Incorporation, or adoption of a proposed plan of merger, consolidation, or dissolution, and on such other matters as allowed by the provisions of the Colorado Non-profit Corporation Act, as amended from time to time. In the case of a vote by mail, the Secretary shall give written notice to all Members, which notice shall include (i) a proposed written resolution setting forth a description of the proposed action, (ii) a statement that the members are entitled to vote by mail for or against such proposal, (iii) a statement of a date not less than twenty (20) days after the date such notice shall have been given by which all votes must be received, and (iv) the specified address of the office to which all votes must be sent. Votes received after that date shall not be effective. Delivery of a vote in writing to the designated office shall be equivalent to receipt of a vote by mail at such address for the purpose of this section. When duly authorized by the Board of Directors, voting may also be permitted via e-mail if sufficient projections can be maintained to guarantee the accuracy of e-mailed votes placed. The Board of Directors remain informed by the Federal Electronic Privacy Communications Act as it exists now and as it may be amended. The Board of Directors may authorize e-mail voting on a blanket basis by appropriate resolution to be included with any corporate notebook or on a case-by-case basis. Any e-mail authorization propounded by the Board of Directors shall contain the e-mail authority.

Section 4.6. Proxies. "Proxy" means a one-time designation of an Owner's voting right which shall be made in writing and which shall describe the grant of authority in particularity. Proxies may be granted for no more than one meeting where Owners are entitled to vote. Proxies may contain a directive as to the Owner's vote which shall be binding upon the proxy-holder. Any Member may cast such Member's vote in person or by proxy, but no proxy shall be valid after seven (7) days from the date of its execution. No proxy shall be valid unless filed with the Secretary of

the Association at or before the appointed time of each meeting.

Section 4.7. Designation of Voting Representative--Proxy. If title to a Property is held by more than one (1) individual, by a firm, corporation, partnership, association, or other legal entity, or any combination of such parties, a proxy must be executed and filed with the Secretary of the Association appointing and authorizing one (1) person or alternate persons (who may be a tenant of the Owners) to attend all annual and special meetings of Association Members and to cast the vote allocated to that Property at the meeting. Such designation shall be effective and remain in force unless voluntarily revoked, amended, or sooner terminated by operation of law; provided, however, that within thirty (30) days after such revocation, amendment, or termination, the Owner or Owners shall reappoint and authorize one (1) person or alternate persons to attend all annual and special meetings as provided by this section.

Section 4.8. Waiver of Notice. Waiver of notice of a meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after such meeting. Attendance at a meeting by a Member, whether in person or by proxy, shall be deemed waiver by such Member of notice of the time, date, and place of the meeting unless such Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed waiver of notice of all business transacted at the meeting unless objection to the calling or convening of the meeting, of which proper notice was not given, is raised before the business is put to a vote.

Section 4.9. Majority of Owners. As used in these Bylaws, the term "majority" shall mean those votes, Owners, or other groups as the context may indicate totaling more than fifty percent (50%) of the total number. Any provision of the Declaration, the Articles of Incorporation or these Bylaws establishing a greater quorum requirement, a higher percentage of Owners or of votes to approve or disapprove an act shall apply to the specified action. In the event of conflict among the Declaration, Articles or these Bylaws, the quorum or percentage to approve or disapprove an act set forth in the Declaration shall apply first, and if no provision is made, then the requirement in the Articles shall apply, and if no provision is made, then the highest requirement of the Bylaws shall apply.

Section 4.10. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all transactions occurring at such meeting.

Section 4.11. Action Without a Meeting. Any action which may be taken by the vote of the Members at a regular or special meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the Members.

**ARTICLE V**  
**BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE**

Section 5.1. Number and Initial Board. The affairs of this Association shall be managed by a Board of not less than one (1) Director. As members are added as Declarant control ends, such member-selected directors shall be Members of the Association. The number of the Board of Directors shall be established from time to time by amendment to these Bylaws. The initial number of Members of the Board of Directors shall be one (1). The name and address of the person who is to serve on the initial Board of Directors until their successors are appointed is as listed below:

<u>Name</u>	<u>Address</u>
Logan Jeffery Davis	2139 N. 12 <sup>th</sup> Street, Suite #9 Grand Junction, Colorado
Linda Dalry	2139 N. 12 <sup>th</sup> Street, Suite #9 Grand Junction, Colorado
William Uphold	2139 N. 12 <sup>th</sup> Street, Suite #9 Grand Junction, Colorado
Loren Ennis	P.O. Box 399 Grand Junction, Colorado 81502

Section 5.2. Directors During Declarant Control. During Declarant Control, the Board of Directors shall be selected by Declarant and shall serve at the sole discretion of Declarant. The Directors selected by Declarant need not be members of the Association.

Section 5.3 Declarant Control Termination and Creation of Member-selected Directors. Director positions and the selection of directors shall occur as set forth below, and in accordance with these Bylaws:

(a) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Lots in a Phase that may be created to Lot Owners other than a Declarant, at least one member and not less than twenty-five percent (25%) of the members of the executive board must be elected by Lot Owners other than the Declarant. Not later than sixty days after conveyance of fifty percent of the Lots that may be created to Lot Owners other than a Declarant, not less than thirty-three and one-third percent of the members of the executive board must be elected by Lot Owners other than the Declarant.

(b) Not later than the termination of any period of Declarant control, the Lot Owners shall

elect an executive board of at least three members, at least a majority of whom must be Lot Owners other than the Declarant or designated representatives of Lot Owners other than the Declarant. The executive board shall elect the officers. The executive board members and officers shall take office upon election.

(c) In all events, the period of Declarant control will terminate on the sixtieth (60<sup>th</sup>) day after the conveyance of sixty-seven percent (67%) of all Lots that may be created, or two (2) years after the last conveyance of a Lot by the Declarant, or two (2) years after any right to add additional Phases or Lots was last exercised. The Declarant may, in its full discretion, relinquish its rights to lien Directors and Officers at any time.

**Section 5.4. Election of Directors During Members' Control.** At the first meeting of the Members following termination of the Class B membership, Declarant shall turn control of the Association over to the Class A Members, the Class A Members shall elect a new Board of Directors, and any terms of Directors elected by Class B Members which have not expired shall immediately terminate. Subsequent to termination of the Class B membership, Directors shall be elected by the Members at each annual meeting of the Members. At the first general election of the Board by Association members and subsequent elections, the Members of the Association may cast as many votes as they are entitled to exercise under the provision of Section 3.1. above. Voting for Directors shall be by secret written ballot.

**Section 5.5. Term of Office of Directors During Members' Control.** The term of office for the initial Directors elected by the Members shall be fixed at the time of their election as they themselves shall determine in order to establish a system of three (3) year terms in which at least one-third (1/3) of the Board is elected each year, and the Board shall identify in which year the directorships for each category of representation are subject to election. For example, if the number of Directors on the Board is set at three (3) pursuant to Section 5.1. above, one (1) Director shall serve for a one (1) year term, one (1) Directors shall serve for a two (2) year term, and one (1) Director shall serve for a three (3) year term. At the expiration of the initial term of office of each respective Director, a successor shall be elected to serve three (3) years. Each Director shall hold office until such Director's successor is elected and qualified.

**Section 5.6. Removal of Directors; Vacancies.** Directors may be removed and vacancies on the Board may be filled as follows:

(a) **During Declarant Control:** "Declarant control" is the time period during which Class B membership exists. During that time the Declarant may appoint and remove the members of the Board of Directors of the Association and its officers that are not elected by Class A Members.

(b) **By the Members:** Any Director elected by Class A Members may be removed, with or without cause, at any regular or special meeting of the Members by a majority of votes of the Members entitled to vote for a successor. A successor to any Director removed may be elected at such meeting to fill the vacancy created by removal of the Director. A Director whose removal is

proposed by the Members shall be given notice of the proposed removal at least ten (10) days prior to the date of such meeting and shall be given a opportunity to be heard at such meeting.

(c) By the Board. Any Director who has three (3) consecutive unexcused absences from Board meetings or who is delinquent in the payment of any Assessment for more than thirty (30) days may be removed by a majority vote of the Directors present at a regular or special meeting at which a quorum is present, and a successor may be appointed by the Board. In the event of the death, disability, or resignation of a Director, a vacancy may be declared by the Board, and the Board may appoint a successor. Any successor appointed by the Board shall serve for the remainder of the term of the Director replaced.

Section 5.7. Compensation. No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his duties as a Director. Directors are entitled to provide services or compensation to the association for services rendered. In the event that a Board Member makes a written report proposal for services, a vote shall be taken by the disinterested Board Members to authorize such agreement. The interested Directed shall abstain from any such vote. A simple majority of a quorum, excluding the abstaining interested director, is acquired for approval and authorization of any self-dealing transactions involving a director and the association.

## **ARTICLE VI** **MEETINGS OF DIRECTORS**

Section 6.1. Regular Meetings. Regular meetings of the Board of Directors shall be held at such regular times as set by the Board of Directors, at such place and hour as may be fixed from time to time by resolution of the Board. Should the meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 6.2. Special Meetings. Special meeting of the Board of Directors shall be held when called by the President of the Association, or by a majority of Directors, after no less than three (3) days' notice to each Director.

Section 6.3. Quorum. A quorum for the transaction of business is deemed present throughout the meeting if persons entitled to cast fifty percent of the votes on that board are present at the commencement of the meeting. Every action taken or decision made by a majority of the Directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 6.4. Waiver of Notice. The transactions of any meeting of the Board of Directors, 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 (a) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver of notice. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any



Director who attends the meeting without protesting lack of adequate notice before or at commencement of such meeting.

Section 6.5. Action Taken Without a Meeting. The Directors shall have the right to take any action which they could take at a meeting in the absence of a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

**ARTICLE VII**  
**POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

Section 7.1. General. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association. The Board of Directors may do all such acts and things as are not prohibited by law, the Articles of Incorporation, these Bylaws, or the Declaration, directed to be exercised or done by the Members.

Section 7.2. Specific Powers and Duties. Without limiting the generality of powers and duties set forth in Section 7.1. above, the Board of Directors shall have the following powers and duties:

(a) The Association shall have the duty of maintaining and repairing all of the Common Elements within the Association, and the cost of maintenance and repair shall be a Common Expense of all of the Owners. The Association shall not need the prior approval of its members to cause such maintenance or repairs to be accomplished, notwithstanding the cost thereof; provided, however, there shall be no additions, alterations or improvements of or to the Common Elements requiring an expenditure in excess of Five Thousand Dollars (\$5,000.00) per expenditure nor in excess of Fifteen Thousand Dollars (\$15,000.00) in the aggregate in any one calendar year without the prior approval of Owners representing sixty-seven percent (67%) of the Property. Such limitation shall not be applicable to the replacement, repair, maintenance or obsolescence of any Common Elements.

(b) The Association shall provide to the Owners the following services which shall be paid out of the Common Expense assessment, to-wit:

- i. Administration and management of the Property, including without limiting the generality of the foregoing the following:
  - a. Enforcement of the covenants, conditions and restrictions set forth in the Declaration, Articles, Bylaws, and Association Rules and Regulations, together with enforcement of all obligations owed to the Association by the Owners, including specifically enforcement of the Architectural Control Committee ("ACC"),

- b. Acting as attorney-in-fact in the event of damage or destruction as provided herein,
- c. Performing all other acts required by the Declaration, or the Articles and Bylaws of the Association, and
- d. Maintenance of the property damage, fire and liability insurance and the bonds required in these Declarations;
- e. due to concerns regarding water conservation, the Association shall have the exclusive right to control the irrigation system within the Subdivision. The Association shall own 14 shares of Grand Valley Irrigation stock. Use of the irrigation system shall be controlled by the Association under rules and regulations adopted by the Association. The irrigation system shall be transferred by Declarant to the Association upon completion of construction, and inspection and approval of the system by the City of Fruita. The 14 shares of Grand Valley Irrigation stock shall be transferred from Declarant to the Association prior to the conveyance of any lot and shall not be encumbered, dedicated nor conveyed in all or in part without the expressed written consent of the City of Fruita, Colorado. The Association shall pay all fees and assessments to the irrigation company when due as necessary to prevent the loss of such water rights. This provision of the Declaration may not be amended or deleted without the expressed written consent of the City of Fruita.

ii. irrigation and potable water; and

iii. Education services to be provided once annually in a manner and method selected by the Board of Directors.

(c) Notwithstanding the above, the Association reserves the right to hire one or more persons or entities, including a Managing Agent, contractors and employees to perform such services; provided, however, that any such contracts shall not be for a term in excess of one (1) year and shall provide that the same be terminated not less than ninety (90) days written notice, with or without cause, at any time by either party and without payment of any termination fee. Such contracts may be renewable, upon agreement of the parties, for successive one (1) year periods.

(d) To fix, determine, levy, and collect the Assessments to be paid by each of the Members towards the gross expenses of Grand Valley Estates Homeowners Association, and to adjust, decrease, or increase the amount of the Assessments, and to credit any excess of Assessments over expenses and cash reserves to the Members against the next succeeding assessment period. The assessments shall be fixed by the Board, based upon the cash requirements deemed to be necessary

by the Board to pay all estimated expenses growing out of or connected with the maintenance and operation of the Common Areas and discharge of all of its duties.

(e) To levy and collect Special Assessments whenever, in the opinion of the Board, it is necessary to do so in order to meet increased operating or maintenance expenses or costs, or additional capital expenses, or because of emergencies; provided, however, that any Special Assessment shall be subject to the approval of sixty-seven percent (67%) of the votes of each class of Members attending a meeting for the purpose of approving such Special Assessment if the aggregate Special Assessment exceeds ten percent (10%) of the gross annual budget for the Association for that year or \$10,000.00 total special assessment (\$156.25 per Lot), whichever is greater. All Special Assessments shall be in statement form and shall set forth in detail the various expenses for which the Special Assessments are being made.

(f) To levy and collect default Assessments for violation of the Association Documents or because the Association has incurred an expense on behalf of a Member under the Association Documents.

(g) To collect delinquent Assessments by suit or otherwise and to enjoin or seek damages from an Owner as provided in the Declaration and these Bylaws; and to exercise other remedies for delinquent Assessments as set forth in the Declaration.

(h) To borrow funds in order to pay for any expenditure or outlay required pursuant to the authority granted by the provisions of the Declaration and these Bylaws and to authorize the appropriate officers to execute all such instruments evidencing such indebtedness as the Board of Directors may deem necessary; provided, however, that (1) a two-thirds (2/3) majority vote (sixty-seven percent [67%]) of the Board is required to approve any borrowing; and (2) the Board shall not borrow more than \$5,000.00 or cause the Association to be indebted for more than \$15,000.00, at any one time without the prior approval of a majority of votes of both classes of membership. The common elements may not be encumbered or subjected to a security interest except in compliance with Section 7.3(c).

(i) To enter into contracts and leases, including leases for recreational facilities, within the scope of their duties and powers.

(j) To establish a bank account for the operating account of the Association and for all separate funds which are required or may be deemed advisable by the Board of Directors.

(k) To cause to be kept and maintained full and accurate books and records showing all of the receipts, expenses, or disbursements and to permit examination thereof by Members or their Mortgagees at convenient weekday business hours.

(l) To cause any and all access roads, parking areas, and driveways in and to the Grand Valley Estates Homeowners Association and across the Property to be maintained, except as

otherwise provided under the Declaration.

(m) To cause the maintenance of the lawn, trees, shrubs, and other vegetation, the outdoor lighting, and the sprinkler or other irrigation systems located on the Common Area or Exterior maintenance Area for the Benefit of the Members.

(n) To provide maintenance of the "common area" and "common elements" as defined in the Declaration of Covenants, Conditions, and Restrictions. Such exterior maintenance shall not include glass surfaces.

(o) The Board of Directors of the Association shall obtain and maintain at all times, to the extent obtainable, policies involving standard premium rates established by the Colorado Insurance Commission, and written with companies licensed to do business in Colorado and having a Best's Insurance Report rating of Class VI or better, covering the risks set forth below. The Board of Directors of the Association shall not obtain any policy where: (i) under the terms of the insurance company's charter, Bylaws, or policy, contributions of assessments may be made against the mortgagor, Mortgagee or Mortgagee's designee; or (ii) by the terms of carrier's charter, Bylaws or policy, loss payments are contingent upon action by the company's Board of Directors, policyholders or members; or (iii) the policy includes any limiting clauses (other than insurance conditions) which would prevent Mortgagees or the mortgagor from collecting insurance proceeds unless the assessment is approved by the Association as detailed more fully herein. All owners shall have the nonexclusive use of the Common Elements.

(p) The types of coverage to be obtained and risks to be covered are as follows, to-wit:

- i. Comprehensive public liability and property damage insurance in such limits as the Board of Directors of the Association may from time to time determine. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Property. Said policy shall also contain a "severability of interest endorsement".
- ii. The Association may obtain insurance against such other risks including worker's compensation, employer liability insurance of any kind, director's and officer's insurance, errors and omission's insurance, fidelity insurance to insure against the dishonesty of employees of officers, insurance related to any fires, etc., of a similar or dissimilar nature, as it shall deem appropriate with respect to the Property, including plate or glass insurance, and insurance against loss to any personal property of the Association located on the Property.

(q) All policies of insurance to the extent obtainable shall contain waivers of subrogation and waivers of any defense based on invalidity arising from any acts of a Property Owner and shall provide that such policies may not be canceled or modified without at least thirty (30) days' prior written notice to all of the insured, including Mortgagees. Duplicate originals of all policies and renewals thereof, together with proof of payments of premiums, shall be delivered to all first Mortgagees at least ten (10) days prior to expiration of the then current policies. The insurance shall be carried in blanket form naming the Association as the insured, as attorney-in-fact and trustee for all of the Property Owners, which policy or policies shall identify the interest of each Property Owner (Owner's name and Property number designation) and first Mortgagee.

(r) Insurance coverage on personalty or other property belonging to an Owner, and public liability coverage within each Property, shall be the sole and direct responsibility of the Property Owner thereof, and the Board of Directors, the Association and/or the Managing Agent shall have no responsibility therefore.

### Section 7.3. Limitations on Powers and Duties.

(a) The Board's powers are subject to the limitations thereon set forth in the Declaration, including but not limited to the rights of first mortgagees described in the Declaration.

(b) The rights to annex property and to develop the Properties in Phases reserved to the Declarant in the Declarations shall not be affected by any action of the Board or Members.

(c) The Board shall have no authority to encumber or to convey Common Elements unless such action is approved by persons entitled to cast at least sixty-seven percent (67%) of the votes, including sixty-seven percent (67%) percent of the votes allocated to Lots not owned by a Declarant, agree to such action; except that all Owners of Lots to which any limited common element is allocated must agree in order to convey that limited common element or subject it to an encumbrance or security interest.

Section 7.4 Notice Required for Adoption of Budget. Within not later than ninety (90) days after adoption of any proposed budget the Board shall mail, by ordinary first-class mail, or otherwise deliver a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget within a reasonable amount of time. The Board shall give notice to all Owners of the meeting as provided for in the Bylaws. The budget proposed by the Board will not require approval from the Owners and it will be deemed approved by the Owners in the absence of a veto at the noticed meeting by a majority of all Owners. If the budget as proposed is vetoed, the periodic budget last proposed by the Board and not vetoed by the Owners will continue until such time as a subsequent budget is proposed by the Board and is not vetoed by the Owners. At any meeting held for the ratification of the proposed budget a quorum is unnecessary.

The books and records of the Association, shall be subject to an audit using generally

accepted auditing standards, or a review, using statements on standards for accounting and review services, at least once every two (2) years by a person selected by the Board. The selectee need not be a Certified Public Accountant, except in the case of an audit. An audit shall be required only if the Association annual revenues or expenditures equal or exceed Two Hundred Fifty Thousand Dollars (\$250,000) and an audit is requested by at least one-third (1/3) of the Owners. Copies of any audit or review will be made available upon request to any Owner thirty (30) days after its completion.

**Section 7.5. Management.**

(a) The Board of Directors may employ for Grand Valley Estates Homeowners Association a professional management agent or agents as Manager for compensation established by the Board of Directors. The Board of Directors may delegate to the Manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (d), (e), (f), (h), (i) and (n) of Section 7.2. of this Article. Declarant, or an affiliate or employee of Declarant, may be employed as Manager.

(b) No management contract may have a term in excess of three (3) years and must permit termination by either party without cause and without payment or a termination fee on ninety (90) days or less written notice.

**Section 7.6. Account and Reports.** The following management standards of performance will be followed unless the Board, by resolution specifically determines otherwise:

(a) Cash and accounts of the Association shall not be commingled with any other accounts.

(b) No remuneration shall be accepted by the Board of Directors or the Manager from vendors, independents contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, services fees, prizes, gifts, or otherwise (except that such persons may be employees of Declarant during the period of Class B membership); anything of value received shall benefit the Association.

(c) Any financial or other interest which the Manager or a member of the Board of Directors may have in any firm (other than Declarant) providing goods or services to the Association shall be disclosed promptly to the Board of Directors.

(d) Commencing at the end of the calendar quarter in which the first Property is sold and closed and continuing on a quarterly basis, financial reports shall be prepared for the Board of Directors containing:

(i) an income statement reflecting all income and expense activity for the preceding three (3) months on an accrual basis;

(ii) an account activity statement reflecting all receipt and disbursement activity for the preceding three (3) months;

(iii) a delinquency report listing all Owners who have been delinquent during the preceding three (3) month period in paying the monthly installments of Assessments and who remain delinquent at the time of the report, and describing the status of any action to collect such installments which remain delinquent.

(e) A balance sheet as of the last day of the Association's fiscal year and an operating statement for said fiscal year shall be distributed to the Members. At the written request of any Owner or First Mortgagee, such statements shall be audited at the requesting party's expense. Any such audited statements shall be delivered to any Owner requesting the report and to the Association upon payment of a reasonable fee for copying.

(f) An account status report reflecting the status of all accounts in an "actual" versus "approved" budget format with a budget report reflecting any actual or pending obligations which are in excess of budgeted amounts by an amount exceeding the operating reserves or ten percent (10%) of a major budget category (as distinct from a specific line item in an expanded chart of accounts) shall be prepared for the Board periodically and available to all Members on an annual basis.

### **ARTICLE VIII** **OFFICERS AND THEIR DUTIES**

Section 8.1. Enumeration of Officers. The officers of the Association shall be a President, Vice-President, Secretary, and Treasurer, who may but need not be Members of the Board of Directors, and such other officers as the Board may from time to time create by resolution.

Section 8.2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 8.3. Term. The officers of the Association shall be elected annually by the Board, and each shall hold office for one (1) year or until his successor is duly elected and qualified, unless he or she shall sooner resign, or shall be removed, or otherwise be disqualified to serve.

Section 8.4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine, but no term of special appointment may exceed twelve months.

Section 8.5. Resignation and Removal. Any officer may be removed from office without cause by the Board. 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 receipt of

such notice or at any later time specified in the notice. Acceptance of such resignation shall not be necessary to make it effective.

Section 8.6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer replaced.

Section 8.7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 8.4. of this Article.

Section 8.8. Duties. The duties of the officers are as follows:

(a) President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds, and other written instruments; and shall co-sign all checks and promissory notes.

(b) Vice-President. The Vice-President shall act in the place and stead of the President in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

(c) Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board.

(d) Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall co-sign all checks and promissory notes of the Association; keep proper books of account; and shall prepare an annual budget and the financial statement provided for by Section 7.4. of these Bylaws, and deliver or make copies available of each to the Members.

## ARTICLE IX COMMITTEES

The Board of Directors may appoint other committees as deemed appropriate in carrying out its purpose. The Board of Directors will have and will name an architectural control committee ("ACC") which shall be determined as follows.

Section 9.1. Architectural Control Committee: The Architectural Control Committee shall have the authority as detailed more fully in the Declarations. The Declarations are incorporated



herein by this reference.

**ARTICLE X**  
**INDEMNIFICATION AND LIABILITY**

Section 10.1. In addition to the other powers now or hereafter conferred upon the Association by the Articles of Incorporation, these Bylaws, the Colorado Nonprofit Corporation Act, or otherwise, the Association shall possess and may exercise all powers to indemnify directors, officers and other persons and all powers whatsoever incidental thereto (including without limitation the power to advance expenses and the power to purchase and maintain insurance with respect thereto), without regard to whether or not such powers are expressly provided for in the Colorado Nonprofit Corporation Act. The Board of Directors is hereby authorized on behalf of the Association to exercise all of the Association's powers of indemnification, whether by provision in the Bylaws or otherwise.

The Association assumes all liability to any person, other than the Association or its Members, for all acts or omissions of a Volunteer Director; provided, the Volunteer Director was acting, or the omission occurred, in the good faith performance of the Volunteer Directors's duties.

Section 10.2. Pursuant to 7-22-101.5, 3A Colorado Revised Statutes as it exists and as it may be amended, the Association shall have the same powers, rights, and obligations and shall be subject to the same limitations as apply to for-profit corporations in Article 109 of Title 7, 3A Colorado Revised Statutes as it exists and as it may be amended, subject to the liability which may be established by the Colorado Common Ownership Interest Act. The Association's directors, officers, employees, and agents shall have the same rights, duties, obligations and protections as afforded directors, officers, employees, and agents of for-profit corporations in Article 109 of Title 7, 3A Colorado Revised Statutes as it exists and as it may be amended, subject to the liability which may be established by the Colorado Common Ownership Interest Act.

Section 10.3. The Association's Directors and Officers shall have the benefit of the same limitation on personal liability for injury to every person or property arising out of a tort as set forth in 7-108-402 (2) for directors and officers of for-profit associations, subject to the liability which may be established by the Colorado Common Ownership Interest Act.

Section 10.4. Indemnification. The Board of Directors may authorize the Association to pay, or cause to be paid by means of insurance or otherwise, any judgment or fine rendered or levied against a present or former Director, officer, employee, or agent of the Association in an action brought against such person to impose a liability or penalty for an act or omission alleged to have been committed by such person while a director, officer, employee, or agent of the Association, provided that the Board of Directors shall determine in good faith that such person acted in good faith and without willful misconduct or gross negligence for a purpose which he or she reasonably believed to be in the best interests of the Association. Payments authorized hereunder include

amounts paid and expenses incurred (including reasonable attorney's fees) in satisfaction of any liability or penalty or in settling any action or threatened action.

Section 10.5. A Director of the Association shall not be personally liable to the Association for monetary damages for a breach of the Director's fiduciary duty arising under applicable law and as provided for by 7-22-101 (1)(r), 3A Colorado Revised Statutes, as it exists or as it may be amended. However, this Article shall not eliminate or limit the liability of a director for any of the following:

(a) A breach of the Director's duty of loyalty to the Association or its Shareholders or Members;

(b) Acts or omissions not in good faith or that involve intentional misconduct or knowing violation of law;

(c) Loans made by the Association to Directors and Officers in violation of Section 7-24-111 of the Colorado Nonprofit Corporation Act;

(d) A transaction from which the Director derived an improper personal benefit;

(e) An act or omission that is grossly negligent.

Section 10.6. The Board of Directors is specifically authorized to acquire insurance on behalf of the Association.

#### **ARTICLE XI** **AMENDMENTS**

Section 11.1. Amendment. These Bylaws may be amended, at a regular or special meeting or the Board, must be by a vote of sixty-seven percent (67%) of a the Directors necessary for a quorum present in person or by proxy, which amendment of Article V or XI or any portion of those Articles shall require approval of all Directors.

#### **ARTICLE XIII** **MISCELLANEOUS**

Section 12.1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December every year, except that the first fiscal year shall begin on the date incorporation.

Section 12.2. Corporate Seal. The Association may have a seal in circular form having within its circumference the words: "GRAND VALLEY ESTATES HOMEOWNERS ASSOCIATION, INC.", or a suitable abbreviation thereof.

Section 12.3. Conflicts of Documents. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control. In the event of any conflict between the Articles of Incorporation, these Bylaws, and the Declaration, the terms of the Colorado Common Interest Ownership Act ("CCIOA"), titled at C.R.S. §38-33.1-101, et. seq., then the terms of the CCIOA shall control.

The undersigned members of the initial Board of Directors have executed these Bylaws  
this 3 / day of May, 2006.

  
\_\_\_\_\_  
Logan Jeffrey Davis, Director

  
\_\_\_\_\_  
Linda Daley, Director

  
\_\_\_\_\_  
William Uphold, Director

  
\_\_\_\_\_  
Loren Ennis, Director