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Via e-mail: woodstreamcondos@comcast.net

Board of Managers
Woodstream Falls Condominium Association, Inc.
Attn: Pansy Moore
9700 E. Iliff Avenue
Denver CO 80231

Re: Proposed Bylaw Amendment

Dear Members of the Board:

I am writing to respond to your request to provide a summary of the proposed First Amended and Restated Bylaws of the Woodstream Falls Condominium Association (“Proposed Bylaws”) and to provide the rationale for amending the bylaws at this time. I will address the rationale first, and then provide a summary of the more material provisions of the Proposed Bylaws.

I. Rationale.

As you know, the existing Bylaws are over thirty years old, having been originally adopted in April 1978 when the condominium project was initially formed. Being old, in and of itself, is not a justification for amending the Bylaws. However, since that time, several things have happened that warrant the adoption of new Bylaws. These include:

- Adoption of the Colorado Common Interest Ownership Act (“CCIOA”) that became effective in July 1992. Because the Association was formed before the effective date of CCIOA, all of the provisions of CCIOA do not apply to the Association. However, many of its provisions do apply;
- The Colorado Revised Nonprofit Corporation Act (the “Nonprofit Act”) was completely amended and restated and became effective in July 1998. All of the Nonprofit Act applies to the Association. However, this does not mean that the Nonprofit Act’s provisions automatically apply. In certain cases, CCIOA applies and supersedes what might otherwise be conflicting provisions of the Nonprofit Act. In many cases, the Nonprofit Act’s provisions are default provisions that only

- apply if the Bylaws or Association's Articles of Incorporation do not provide otherwise. In many cases, the Nonprofit Act will control;
- There have been a number of amendments to CCIOA, particularly in recent years, that apply to the Association;
 - Colorado case law has evolved in the last several decades with respect to the operation and governance of associations and common interest communities;
 - Mortgage underwriting agencies such as HUD and Fannie Mae have become more sophisticated with respect to their requirements of an Association. This is not likely to diminish anytime soon, and in fact, is likely to increase significantly in the near future;
 - When the Association was initially formed, condominiums in Colorado were in relative infancy. The whole concept of condominiums and common interest communities, while in constant change, have reached a level of maturity. Experience gained over the past several decades lends to better and more efficient operation and governance of associations.

It is my opinion that the Association's governing documents (including the condominium declaration, articles of incorporation, bylaws, rules, regulations, guidelines and policies) should constitute a sort of operating manual for the Association. The result of all of the above factors, when taken together with the provisions of the Condominium Declaration for Woodstream Falls ("Declaration"), is that there are various and numerous provisions of Colorado law found in a variety of locations that ought to be assimilated into the Bylaws that govern how the Association, as a Colorado nonprofit entity, is operated. Without such a compilation, the Board and the Association's members do not have one reference source – rather, they have multiple sources that must be consulted, including the existing Bylaws which are in many cases superseded by provisions of CCIOA, the Nonprofit Act, and Colorado case law, not sure of what really does govern the Association. Assimilating the more common provisions of the law into the Bylaws should provide the Board and the Association's members with some guidance such that they do not need to consult with an attorney every time a question arises. The intent behind the Proposed Bylaws is to provide the necessary guidance and instruction to answer the most common questions that come up in the daily operation and governance of the Association. Of course, not every possible circumstance is covered in the Bylaws, otherwise you would have a document that is much, much longer than the Proposed Bylaws, and the likely result is that the document's usefulness is diminished.

With the foregoing perspective, my intention in drafting the Proposed Bylaws was threefold: (1) identify any provisions that are no longer applicable to the Association; (2) identify provisions of the existing Bylaws that are not in compliance with the provisions of CCIOA, the Nonprofit Act and Colorado case law as they applied to the Association; and (3) even if in compliance with CCIOA, the Nonprofit Act and Colorado case law, might be amended to better serve the

community and its governance.

II. Summary of Amendments.

Initially, it is helpful to understand that the purpose of the Bylaws is to govern how the Association, as a nonprofit corporation, is going to conduct its business. The structure of an Association as a nonprofit corporation is very similar to a for profit corporation with several hundred shareholders. From this perspective, there are some decisions related to the Association and its business that should have the input of the members. However, involving the members too much in the day to day business generally results in the Association being unable to conduct its business. The general idea should be that members elect a board of directors to represent the members' interests in the Association. The members should have little direct involvement in the operation of the Association, although there are certain things, generally as set out in the condominium declaration, CCIOA and the Nonprofit Act, in which the members are entitled to make decisions. The board should be a policy making body, should establish parameters guidelines and rules for the operation of the Association, and should be responsible for making decisions. The board appoints the officers (who in most homeowners associations, are the same people as the board of directors) who are responsible for carrying out the policies of the board, and for seeing to the day to day operations. Many associations, such as Woodstream Falls, utilize the services of a manager, because the officers do not have the necessary time available to run an organization of this size, and the officers oversee the actions of the manager. The Bylaws should implement this structure.

The following comments and recommendations summarize the more significant deficiencies in the existing Bylaws, as well as the changes set out in the Proposed Bylaws that address the deficiency. Where appropriate, the changes track the applicable provisions of CCIOA, the Nonprofit Act and mortgage underwriting agency guidelines:

1. Membership rights in the existing Bylaws are deficient, as is the ability to suspend membership rights based on a member's failure to abide by the terms of the governing documents. CCIOA along with the Nonprofit Act set out the requirements for being able to suspend membership rights and these are incorporated into the Proposed Bylaws.
2. Voting rights need to be clear. The existing Bylaws state that each membership shall have the vote(s) appurtenant thereto as described in the Articles of Incorporation. However, the Articles of Incorporation do not say what a member's voting rights are. Therefore, the Proposed Bylaws address this deficiency by assigning the Owner of each Unit one vote for each Unit owned.
3. The existing Bylaws are deficient in addressing the conduct of members' meetings, use of

proxies, voting requirements (including use of secret ballots), counting of ballots, acceptance or rejection of votes, ballots and proxies, member participation at meetings and action by written ballot. All of these are addressed in CCIOA and the Nonprofit Act.

4. It is our experience that Associations of the size of Woodstream Falls routinely are unable to obtain quorum so as to conduct members' meetings. Therefore, it is our recommendation that the quorum requirement at members' meetings be reduced no greater than 20%. Obviously, this does not limit the number of members that may attend and participate in the meeting, but it allows the Association to continue functioning where a higher quorum requirement oftentimes prevents ongoing business from being conducted, or allows an existing Board to become entrenched because a quorum cannot be obtained to elect new Board members.

5. All references in the Bylaws to the Declarant's rights, have long since expired, and have therefore been eliminated from the Proposed Bylaws.

6. The existing Bylaws are severely deficient in setting out the qualifications of Board members, as well as many aspects of conducting Board meetings, or taking action in lieu of a meeting. In many respects, CCIOA and the Nonprofit Act specify how Board meetings are to be conducted, and how a Board is entitled to take action without a meeting, and these provisions have been incorporated into the Proposed Bylaws.

7. The powers of the Board in the existing Bylaws are deficient with respect to when the Association can obtain an audit and with respect to conflicts of interest of Board members. These matters are addressed in CCIOA and the Nonprofit Act and have been incorporated in the Proposed Bylaws.

8. The existing Bylaws do not address members' rights to obtain copies of the Association's books and records or restrictions on members' rights to use such records. CCIOA, and to a lesser extent, the Nonprofit Act address these rights and restrictions, and the Proposed Bylaws incorporate these provisions.

9. The existing Bylaws require approval of 51% of the members in order to be amended. This is unusually high, and in fact, is higher than what it would take to amend the Articles of Incorporation, a document that is higher in the hierarchy of documents than the Bylaws. We have modified this provision to allow the Board to amend the Bylaws, which is permitted by the Nonprofit Act, but with the added provision that members can also amend the Bylaws, and if they do so, the Board cannot then amend the Bylaws in a manner to defeat or impair the object of the members in adopting their amendment.

10. There are a number of provisions in the existing Bylaws (see particularly Article X,

Woodstream Falls Condominium Association, Inc.
November 6, 2009
Page 5

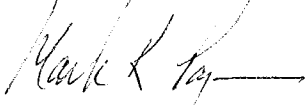
Obligations of the Owners) that are more appropriately addressed in the Declaration, and in fact, are addressed in the Declaration. There is no reason to have these provisions in the Bylaws.

The foregoing are the more significant matters that have been addressed in the Proposed Bylaws. There are a number of minor matters as well.

If you have any questions concerning any of the foregoing, please feel free to give me a call.

Very truly yours,

WINZENBURG, LEFF, PURVIS & PAYNE, LLP

A handwritten signature in cursive script, appearing to read "Mark K. Payne", with a horizontal line extending to the right from the end of the signature.

MARK K. PAYNE

MKP/kp