

Bylaws
The Townes at Bluestone Property Owners' Association

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**BYLAWS OF
THE
TOWNES AT BLUESTONE PROPERTY OWNERS' ASSOCIATION, INC.**

**ARTICLE I
DEFINITIONS**

1.01 Covenants.

As used herein, "Covenants" or "Declaration" means the Declaration of Covenants, Conditions, and Restrictions for the Townes at Bluestone, Section One (alternatively, the "Townes, Section One" or the "Development Property"), as recorded in the Office of the Clerk of the Circuit Court of Rockingham County, Virginia, in Deed Book 3038, at Page 750, as amended and supplemented from time to time.

1.02 Other Definitions.

Unless otherwise defined herein, all capitalized terms have the meanings given to them in the Covenants and the Articles of Incorporation.

**ARTICLE II
OFFICES**

The Association is a Virginia nonprofit corporation, with its principal office at such place as the Board of Directors designates from time to time. The Association may also have offices and may carry on its purposes at such other places within and outside the Commonwealth of Virginia as the Board of Directors of the Association may from time to time determine.

**ARTICLE III
MEMBERSHIP, VOTING, QUORUM AND PROXIES**

3.01 Membership.

The Members of the Association (hereinafter also sometimes referred to as "Owners") are as set forth in the Articles of Incorporation and the Declaration.

3.02 Voting Rights.

The Association shall have two classes of voting membership as set forth in the Articles of Incorporation. The Board of Directors may suspend the voting rights of any Owner during any period of time when such Owner is in default of such Owner's obligations under the governing documents of the Association or under the Declaration, after notice and an opportunity to be heard in accordance with the Virginia Property Owners' Association Act.

3.03 Quorum.

Except as otherwise required by law or the Articles of Incorporation, the presence in person or by proxy of Owners entitled to vote more than twenty-five percent (25%) of the total votes of the Owners holding memberships shall constitute a quorum, with a quorum being required for each class during the Declarant Control Period as defined in the Articles of Incorporation. If a quorum is not present at the first meeting of Members regarding a specific issue or matter, such matter may be placed on the agenda for a subsequent meeting at which the quorum of Members for voting on that specific issue or matter shall be fifteen percent (15%).

3.04 Proxies; Fractional Voting.

Votes may be cast in person or by proxy. Every proxy must be dated and executed in writing by the Owner or his or her duly authorized attorney in fact. Such proxy shall be filed with the secretary of the Association before or at the time of the meeting. No proxy shall be valid after the expiration of eleven months from the date of its execution unless otherwise provided in the proxy. If a Lot is owned by more than one Owner, then such Owners shall be entitled to one collective vote, and a proxy shall be signed by one or more of such Owners. If conflicting proxies for any one collective vote are submitted, none shall count or be valid.

3.05 Ballots.

When desired by the Board of Directors, there shall be sent with the notices of regular or special meetings of the Association, a statement of certain motions to be introduced for vote of the Members and a ballot on which each Member may vote "for" or "against" such motion. Each ballot which is presented at such meeting shall be counted as a vote as well as for purposes of satisfying quorum requirements for the particular ballot motion but shall not be counted for quorum purposes as to issues not appearing on the ballot.

3.06 Majority Vote.

At any meeting of the Association, if a quorum is present, the affirmative vote of a majority of the votes represented at the meeting, in person or by proxy, shall be the act of the Owners, unless the vote of a greater number is required by law, the Articles of Incorporation, the Covenants or these Bylaws. During the Development Period, action by the Owners shall require approval by both the Class A members and Class B member, voting as classes.

3.07 Election of Directors.

In election of directors, each Member of Class A and each Member of Class B shall be entitled to as many votes as equals the total number of votes to which such Member is entitled, pursuant to the Articles of Incorporation, based on the number of Lots owned. Each Member may cast the total number of votes to which such Member is entitled for each vacancy to be filled.

ARTICLE IV

ADMINISTRATION

4.01 Annual Meeting.

The annual meeting of the Association shall be held on a date and at a time designated by the Board of Directors of the Association, beginning with the year 2007, for the purpose of electing directors (provided the Declarant Control Period has ceased) and for the transaction of such other business as may come before the meeting. With that said, the Association shall not be required to conduct an annual meeting of the Association until the Declarant has conveyed at least 15% of the Lots.

4.02 Special Meetings.

Special meetings of the Association, for any purpose, unless otherwise prescribed by statute, may be called by the president or by a majority of the directors of the Board of Directors, and shall be called by the president at the request of (a) Owners entitled to vote twenty percent (25%) or more of the total votes of all Owners holding Class A memberships or (b) during the Development Period, the Declarant.

4.03 Place of Meeting.

The Board of Directors may designate the Association's principal office or any place within the Commonwealth of Virginia as the place for any annual meeting or for any special meeting called by the Board of Directors or the President.

4.04 Notice of Meeting.

Written or printed notice of any meeting of the Association, stating the place, day and hour of the meeting, and as to special meetings the purpose or purposes for which the meeting is called, shall be delivered personally, by facsimile or e-mail, or by mail to each Owner entitled to vote at such meeting not less than fourteen (14) nor more than sixty (60) days before the date of the meeting (except that notice of a members' meeting to act on an amendment of the Articles of Incorporation, a plan of merger, a proposed sale of assets pursuant to Virginia Code § 13.1-900 or the dissolution of the Association shall be given not less than twenty-five (25) nor more than sixty (60) days before the meeting), except when a different notice period is required by law. In the alternative, notice may be given by publication as permitted by applicable law. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid and addressed to the Owner at his or her address within the Development or such other address as such Owner designates as the address for notice in a written notice to the secretary of the Association pursuant to Section 8.02 below. For the purpose of determining Owners entitled to notice of or to vote at any meeting of the Association, the Board of Directors may set a record date for such determination of Owners, in

accordance with the laws of the Commonwealth of Virginia but no more than seventy (70) days before the meeting. If no record date is set for a meeting, then the record date shall be the close of business on the day before the date on which the first notice of the meeting is mailed by the Association. An Owner who attends a meeting shall be deemed to have timely and proper notice of the meeting, unless attendance is solely for the purpose of objecting to notice of such meeting. Notice may be waived in writing.

If a meeting is adjourned to a different date, time or place, notice need not be given again if the new date, time or place is announced at the meeting before adjournment. However, if a new record date for an adjournment is set, notice of the adjourned meeting shall be given to those who are members as of the new record date. A new record date shall be set for any meeting that is adjourned to a date more than 120 days after the date of the original meeting.

4.05 Informal Action by Owners.

Any action required or permitted to be taken at a meeting of the Association may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Owners entitled to vote with respect to the subject matter thereof (or any lesser percentage authorized by law, if applicable). Such consent shall have the same force and effect as a unanimous vote of the Owners.

4.06 Cumulative Voting.

Cumulative voting shall not be allowed in the election of directors or for any other purpose.

4.07 Member Lists.

In connection with each member meeting, the Secretary of the Association shall compile and make available to Members a "member list" complying with the requirements of §13.1-845 of the Code of Virginia, 1950, as amended (the Virginia Nonstock Corporation Act) (the "Act").

4.08 Parliamentary Rules.

Roberts Rules of Order (last edition) shall govern the conduct of Association proceedings when not in conflict with the Declaration, the Articles, these Bylaws or the Act.

ARTICLE V **BOARD OF DIRECTORS**

5.01 Number, Tenure and Qualifications.

The business and affairs of the Association shall be managed by a Board of Directors comprised of at least three but no more than seven members. The initial Board of Directors shall

consist of three members named in the Articles of Incorporation. Each initial director shall serve until the first annual meeting of the Association following the expiration or termination of the Declarant Control Period, as defined below, at which time their successors shall be duly elected. The elected successors of the initial directors shall serve for one-year terms and shall be elected or appointed annually, provided that the Board of Directors may create a staggered Board so long as the election is conducted with clearly stated staggered terms. Each director shall hold office until the election and qualification of his or her successor or until his or her earlier death, resignation or removal. Directors need not be Owners or Members of the Association.

5.02 Declarant Control Period.

The Declarant has appointed the three initial directors in the Articles of Incorporation. Declarant shall retain partial control over appointment of directors until the end of the Development Period, as set forth in the Articles of Incorporation. Promptly after the end of the Development Period, the directors appointed by Declarant shall resign, and the remaining directors shall continue to serve as the Board of Directors until the next annual meeting of the Association.

5.03 Powers.

Except as provided in the Covenants, the Articles and these Bylaws, the Board of Directors may act on behalf of the Association in all instances. The Board of Directors may not act on behalf of the Association to: (a) amend the Declaration; (b) terminate the legal status of the Association or the Development Property; (c) elect members of the Board of Directors, other than to fill a vacancy for the unexpired portion of the term of a member of the Board of Directors as provided in the Articles or these Bylaws; or (d) determine the qualifications, powers, duties, or terms of office of members of the Board of Directors. By resolution, the Board of Directors may delegate portions of its authority to an executive committee or other committees, or to officers, agents, employees or managers of the Association. No such delegation shall relieve the Board of Directors of ultimate responsibility for management of the Association's affairs.

5.04 Resignations and Removal.

The procedures for filling vacancies, resignation and removal of directors shall be determined by the Articles of Incorporation.

5.05 Managing Agent.

The Board of Directors may employ a manager or managing agent, or both, for the Association at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize. If, and to the extent that, the Board of Directors delegates its powers relating to the collection, deposit, transfer or disbursement of Association funds to a manager or managing agent, or both, such manager or managing agent, or both shall:

(a) maintain fidelity insurance coverage or a bond in an amount established by the Board of Directors;

(b) maintain all funds and accounts of the Association separate from the funds and accounts of any other associations managed by the manager or managing agent, and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and

(c) have prepared and present to the Association an annual accounting for Association funds and a financial statement, which accounting and financial statement shall be prepared by the managing agent, a public accountant, or a certified public accountant.

5.06 Regular Meetings.

Regular meetings of the Board of Directors may be held without call or formal notice at such places within the Commonwealth of Virginia, and at such times as the Board of Directors from time to time by vote may determine. Any business may be transacted at a regular meeting. The regular meeting of the Board of Directors for the election of officers and for such other business as may come before the meeting may be held without call or formal notice immediately after, and at the same place as, the annual meeting of Owners, or any special meeting of Owners at which a member of the Board of Directors is elected.

5.07 Special Meetings.

Special meetings of the Board of Directors may be held at any place within the Commonwealth of Virginia at any time when called by the president, or by two or more directors, upon the giving of at least three days' prior notice of the time and place thereof to each director by leaving such notice with him or her or at his or her residence or usual place of business, or by mailing or facsimile transmittal prepaid, and addressed to him or her at his or her post office address or facsimile number as it appears on the books of the Association. No notice of any adjourned meeting of the directors shall be required.

5.08 Quorum.

A majority of the number of directors fixed by the Articles of Incorporation, as amended from time to time, shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting. When a quorum is present at any meeting, a majority of the directors in attendance shall, except where a larger number is required by law, the Covenants, the Articles of Incorporation or these Bylaws, decide any question brought before such meeting.

5.09 Waiver of Notice.

Before, at or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice.

Attendance by a director at any meeting of the Board of Directors shall be a waiver of notice by him or her except when such director attends the meeting for the express purpose of objecting to the transaction of business because the meeting is not lawfully called or convened.

5.10 Informal Action by Directors.

Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof (or such lesser percentage as is permitted by law). Such consent shall have the same force and effect as a unanimous vote of the directors.

5.11 Open Meetings.

To the extent required by the Virginia Property Owners' Association Act, meetings of the Board of Directors shall be open to all Members, and at each meeting, a period of time shall be designated to allow Members an opportunity to comment on any matter relating to the Association (or as to special meetings, the topics on the agenda for that meeting), subject to reasonable rules adopted by the Board of Directors. Meeting minutes shall be available for review by Members (subject to certain matters that may be held confidential or discussed in executive session in accordance with such Act). Notice of the time, date and place of each meeting of the Board of Directors shall be published where it is reasonably calculated to be available to a majority of Members and shall be sent by mail or e-mail to any Member requesting such notice. Any Member may request in writing to be notified on a continual basis of director meetings, but such request shall be valid for one year only, unless renewed in writing.

5.12 Compensation.

Directors shall not receive compensation for their services, but by resolution of the Board of Directors, any or all Directors may be reimbursed for actual expenses incurred in the performance of his or her duties. Nothing in these Bylaws shall preclude any Director from serving the Association in any other capacity and receiving compensation for such service.

5.13 Annual Budget.

At least 60 days prior to the first day of each fiscal year, the Board of Directors shall prepare and make available to all Members a budget outlining anticipated receipts and expenses for the coming fiscal year, including reserves. The financial books of the Association shall be kept in accordance with generally accepted accounting principles and shall be available for inspection by Members at all reasonable times. Failure or delay in adoption of the budget shall not constitute waiver or release of any Owner's obligation to pay assessments, which shall continue at the rate previously established until re-assessment under a new budget.

ARTICLE VI

OFFICERS AND AGENTS

6.01 General.

The officers of the Association shall be a president (who shall be chosen from among the members of the Board of Directors), one or more vice presidents (not required), a secretary and a treasurer. The Board of Directors may appoint such other officers, assistant officers, committees and agents, including assistant secretaries and assistant treasurers, as they may consider necessary or advisable, which other officers and/or assistant officers shall be chosen in such manner and hold their offices for such terms and have such authority and duties as from time to time may be determined by the Board of Directors. One person may hold any two offices, except that no person may simultaneously hold the offices of president and secretary. In all cases where the duties of any officer, agent or employee are not prescribed by the Bylaws or by the Board of Directors, such officer, agent or employee shall follow the orders and instructions of the president.

6.02 Removal of Officers.

The Board of Directors may remove any officer, either with or without cause, and elect a successor at any regular meeting of the Board of Directors or at any special meeting of the Board of Directors called for such purpose.

6.03 Vacancies.

A vacancy in any office, however occurring, shall be filled by the Board of Directors for the unexpired portion of the term.

6.04 President.

The president shall be the chief executive officer of the Association. He or she shall preside at all meetings of the Association and of the Board of Directors, and shall oversee the affairs and business of the Association and cause general supervision of its officers, agents and employees. The president of the Association is designated as the officer with the power to prepare, execute, certify and record amendments to the Covenants on behalf of the Association. The President must be a member of the Board.

6.05 Vice President(s).

The vice president(s), if any, shall assist the president and shall perform such duties as may be assigned to them by the president or by the Board of Directors. In the absence of the president, the vice president designated by the Board of Directors or (if there be no such designation) designated in writing by the president shall have the powers and perform the duties of the president.

If no such designation shall be made, all vice presidents may exercise such powers and perform such duties.

6.06 Secretary:

The secretary shall:

- (a) keep the minutes of the proceedings of the Owners and the Board of Directors;
- (b) see that all notices are duly given in accordance with the provisions of these Bylaws, the Covenants and as required by law;
- (c) be custodian of the corporate records and of the seal of the Association and affix the seal to all documents when authorized by the Board of Directors;
- (d) keep at the Association's principal office a record containing the names and registered addresses of all Owners, the designation of the Lot owned by each Owner, and, if such Lot is mortgaged and the Association has received written notice of such mortgage from the Mortgagee, the name and address of such Mortgagee; and
- (e) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him or her by the president or by the Board of Directors. Assistant secretaries, if any, shall have the same duties and powers, subject to supervision by the secretary.

6.07 Treasurer:

The treasurer shall be the principal financial officer of the Association and shall have the care and custody of all funds, securities, evidences of indebtedness and other personal property of the Association and shall deposit the same in accordance with the instructions of the Board of Directors. He or she shall receive and give receipts for moneys paid in on account of the Association, and shall pay out of the funds on hand all bills, payrolls and other just debts of the Association, upon maturity, to the extent shown in an approved budget or approved by the Board of Directors. He or she shall perform all other duties incident to the office of the treasurer and, upon request of the Board of Directors, shall make such reports to it as may be required at any time. He or she shall, if required by the Board of Directors, give the Association (at Association expense) a bond in such sums and with such sureties as shall be satisfactory to the Board of Directors, conditioned upon the faithful performance of his or her duties and for the restoration to the Association of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the Association. The treasurer shall have such other powers and perform such other duties as may be from time to time prescribed by the Board of Directors or the president. The assistant treasurers, if any, shall have the same powers and duties, subject to the supervision of the treasurer and the same bonding requirements as apply to the treasurer unless otherwise approved by the Board of Directors. Treasurer duties may be delegated by the Board to a Managing Agent.

ARTICLE VII
RIGHTS AND OBLIGATIONS OF THE OWNERS

Each Owner shall have the rights, duties and obligations set forth in the Covenants, the Articles of Incorporation and these Bylaws.

ARTICLE VIII
EVIDENCE OF OWNERSHIP, REGISTRATION OF MAILING ADDRESS AND LIEN HOLDERS

8.01 Proof of Ownership.

Except for those Owners who initially contracted to purchase a Lot from Declarant, any person on becoming an Owner shall furnish to the Association, within sixty (60) days after the closing of the purchase, a photocopy or a certified copy of the recorded instrument vesting that person with an ownership interest in the Lot. Such copy shall remain in the files of the Association. An Owner shall not be deemed to be in good standing and shall not be entitled to vote at any annual or special meeting of Owners unless this requirement is first satisfied.

8.02 Registration of Mailing Address.

The address of the Lot owned by a given Owner or group of Owners shall be used as the registered address for purposes of notice to such Owner(s), unless such Owner(s) furnish to the secretary of the Association a written notice setting forth another address as the registered address.

8.03 Address of the Association.

The address of the Association shall be as set forth on Exhibit A attached to these Bylaws. Such address may be changed from time to time upon written notice to all Owners and all listed Mortgagees, or in the alternative, by recordation of a statement of address change in the Office of the Clerk of the Circuit Court of Rockingham County, Virginia.

ARTICLE IX
SECURITY INTEREST IN MEMBERSHIP

Owners entitled to vote shall have the right irrevocably to constitute and appoint a Mortgagee as their true and lawful attorney in fact to vote their Membership in the Association at any and all meetings of the Association and to vest in the Mortgagee any and all rights, privileges and powers that they have as Owners under the Articles and these Bylaws or by virtue of the Covenants. Such proxy shall become effective upon the filing of notice by the Mortgagee with the secretary of the

Association at such time or times as the Mortgagee shall deem its security in jeopardy by reason of the failure, neglect or refusal of the Association, the Board of Directors or the Owners to carry out their duties as set forth in the Covenants. A release of the Mortgage covering the subject Lot shall operate to revoke such proxy. Nothing herein contained shall be construed to relieve Owners, as mortgagors, of their duties and obligations as Owners or to impose upon the Mortgagee the duties and obligations of an Owner.

ARTICLE X **AMENDMENTS**

10.01 By Directors.

Except as limited by law, the Articles, the Covenants or these Bylaws, the Board of Directors shall have power to make, amend and repeal the Bylaws of the Association at any regular meeting of the Board of Directors or at any special meeting called for that purpose at which a quorum is represented. If, however, the Owners entitled to vote shall make, amend or repeal any Bylaw, the directors shall not thereafter amend the same in such manner as to defeat or impair the objective of the Owners in taking such action.

10.02 Owners.

The Owners may make, alter, amend or repeal the Bylaws of the Association at any annual meeting or at any special meeting called for that purpose at which a quorum shall be represented, by the vote of the holders of at least sixty-seven percent (67%) of the votes of the Members entitled to vote, unless a greater percentage is expressly required by law, the Articles, the Covenants or these Bylaws. For so long as Declarant is the Class B Member of the Association, no amendment to these Bylaws shall be made without the approval of Declarant as the Class B Member.

ARTICLE XI **MISCELLANEOUS**

11.01 Seal.

The corporate seal of the Association shall be circular in form and shall contain the name of the Association, the year of its organization and the words "Seal, Virginia."

11.02 Fiscal Year.

The fiscal year of the Association shall be the calendar year unless otherwise determined by the Board of Directors.

11.03 Construction with Other Documents.

The provisions of the Covenants and the Articles shall control in the event of an irreconcilable conflict with the provisions of these Bylaws. The Rules and Regulations issued by the Board of Directors, as such Rules and Regulations may be amended or supplemented from time to time, are incorporated herein.

(END)

Exhibit A (attached)

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