

**STRATTON FLATS
TOWNHOME ASSOCIATION, INC.
RULES AND REGULATIONS**

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STRATTON FLATS TOWNHOME ASSOCIATION, INC.

RULES AND REGULATIONS

The Stratton Flats Townhome Association, Inc. (“Townhome Association”) is subject to and governed by the Declaration recorded January 26, 2009 in the Office of the Clerk and Recorder for Eagle County, Colorado at Reception Number 200900986, as such document may be amended from time to time (“Declaration”), its Map, Articles, Bylaws, and Rules and Regulations. In addition, Stratton Flats is subject to the Colorado Common Interest Ownership Act (“CCIOA”) C.R.S. 38-33.3-101 et seq., as supplemented by the Colorado Revised Nonprofit Corporation Act (“Nonprofit Corporation Act”), articles 121 to 137 of title 7, C.R.S.

To promote responsible governance, C.R.S. Section 38-33.3-209.5 requires the Townhome Association to adopt certain policies, procedures, and rules and regulations concerning certain association matters. Article VI of the Declaration authorizes the Executive Board (“Board”) to act on behalf of the association and Section 5.14 of the Bylaws states that the Board has a duty to make, amend and repeal the Rules and Regulations, including governance policies as required by law, as necessary or determined by the Board to be in the best interests of the Townhome Association.

NOW THEREFORE, pursuant to CCIOA, and subject to the Townhome Association’s governing documents as set forth above, the Board hereby adopts the following policies, procedures, and rules and regulations as the Rules and Regulations of the Townhome Association.

PRELIMINARY MATTERS

The following provisions apply to all of the governing policies, rules and regulations set forth in this instrument.

1. Defined Terms. All terms not otherwise defined in these Rules and Regulations, which includes the Townhome Association’s governance policies, shall be as defined in the Declaration or Bylaws.

2. Supplemental Application to other Governing Instruments. The provisions of these Rules and Regulations shall be in addition to and in supplement of the terms and provisions of the Declaration, Map, Articles, Bylaws, other rules, resolutions, and instruments adopted by the Townhome Association for the regulation and management of Stratton Flats, and the laws of the State of Colorado governing the Townhome Association. In addition pursuant to Section 21.10 of the Declaration, the Association Documents, including these Rules and Regulations, shall be subject to and subordinate to the Master Association Documents.

3. Waiver of Compliance. The Board may deviate from the rules, policies and procedures set forth in these Rules and Regulations if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.

4. Amendments. These Rules and Regulations may be amended from time to time by the Board in accordance with the procedures established by the Board for amending policies, procedures and rules.

I. Collection of Unpaid Assessments. Assessments are primarily discussed in Article VII of the Declaration, the applicable provisions of which are hereby specifically incorporated by reference as part of the Townhome Association's policy concerning assessments and the collection thereof.

COLLECTION POLICY

1. Payment of Assessments. The annual General Assessment shall be paid in monthly installments due on or before the first day of each month. Limited Assessments, if any, shall be paid in the manner determined by the Board at the time such Limited Assessment is imposed. The amount of any General Assessment, Limited Assessment or Default Assessment (hereinafter referred to individually in whole or in part as "Assessment" and collectively as "Assessments") shall be determined by the Board. Any Assessment not paid within thirty (30) days of its due date is considered late and delinquent. A Default Assessment, if not paid by its due date, may be deemed delinquent by the Townhome Association at any time for the purposes of facilitating accelerated collection action as provided for under Section 8 of this Collection Policy and to the extent permissible under Colorado Revised Statutes Section 38-33.3-209.5 (5).

2. Collection Procedures and Time Frames. The following are the collection procedures and time frames that will be followed in the event that any required Assessment is not made on its date due:

a. If an Assessment, or portion thereof, remains unpaid thirty (30) past its due date, then interest charges on the unpaid Assessment amount will be assessed and an updated statement will be mailed to the Owner;

b. If an Assessment, or portion thereof, remains unpaid sixty (60) days past its due date, then interest charges will continue to accrue and a notice shall be sent to the delinquent Owner specifying: (i) the total amount due, with an accounting of how the total was determined; (ii) whether an opportunity to enter into a payment plan as provided for under Section 9 of this Collection Policy exists; (iii) the name and contact information for the individual the Owner may contact to request a copy of the Owner's ledger in order to verify the amount of the debt; and (iv) that action is required to cure the delinquency and that failure to do so within thirty (30) days may result in the Owner's delinquent account being turned over to the Townhome Association attorney, turned over to a collection agency, a lawsuit being filed against the owner, the filing and foreclosure of a lien against the Owner's property, or other remedies available under Colorado law;

c. If an Assessment, or portion thereof, remains unpaid ninety (90) days past its due date and the Owner is not in full compliance with the terms of an established payment plan with the Townhome Association (or a holder or assignee of the association's debt), then interest charges will continue to accrue, the matter will be immediately turned over to the Townhome Association attorney for collection, initial attorney fees of Two Hundred Fifty Dollars (\$250.00) will be charged against the delinquent Owner's account and Site, and a Notice of Lien against the delinquent Owner's Site will be recorded;

d. If an Assessment, or portion thereof, remains unpaid one hundred twenty (120) days past its due date and the Owner is not in full compliance with the terms of an established payment plan with the Townhome Association (or a holder or assignee of the association's debt), all of the delinquent Owner's unpaid monthly installments of the annual General Assessment budgeted for the remainder of the calendar year in which the delinquent Assessment or General Assessment installment payment became due may be accelerated and due in full. Interest charges may be assessed on the entire unpaid amount of the Assessments.

3. Interest Charge. Delinquent unpaid Assessments and charges shall bear interest at the rate of eighteen percent (18%) per annum from the due date of such unpaid amount until the date paid.

4. Returned Checks. The Owner will be responsible for any returned check charges the Townhome Association incurs and a \$25.00 return check fee.

5. Recovery of Attorneys' Fees and Collection Costs. The Townhome Association is entitled to recover its reasonable attorney fees and collection costs incurred in the collection of Assessments and other charges incurred on behalf of the delinquent Owner. These fees shall be payable when incurred and will be charged as an additional Default Assessment to the delinquent Owner's account. The Townhome Association is also entitled to recover attorneys' fees and collection costs through any collection action that the Townhome Association brings and is not limited to recovering such attorneys' fee and costs through judicial action. Reasonable attorneys' fees include but are not limited to any communications from the Townhome Association's attorney to or with the Owner.

6. Application of Payments. Payments received will be applied in the manner and order set forth in Article XVII, Section 17.01(d) of the Declaration.

7. Delinquency. Upon delinquency the Townhome Association may send out a late notice.

8. Collection. Notwithstanding the collection procedures and timeframes as set forth in Section 2 of this Collection Policy, if the Board in good faith believes that the best interests' of the Townhome Association would be best served by referring a Default Assessment, which must be paid when required by the Townhome Association, or an otherwise delinquent Limited or General Assessment, immediately to an attorney for further legal action, the Board retains the

right to do so, provided a notice as described in Section 2 b. of this Collection Policy has been provided to the delinquent Owner. The Board president is authorized to exercise this power on behalf of the Board without a formal resolution of the Board.

9. Remedies for Nonpayment (Payment Plan Provisions). Provided an Owner has not previously entered into payment plan with the Townhome Association (or a holder or assignee of the association's debt), an Owner is entitled to enter into a payment plan and the Townhome Association (or a holder or assignee of the association's debt) shall make a good-faith effort to establish such a plan with an Owner unless, the Owner does not occupy the unit and has acquired the property as a result of a default of a security interest encumbering the unit or a foreclosure of the Townhome Association's lien. Such payment plan negotiated between the Townhome Association (or a holder or assignee of the association's debt) shall permit the Owner to pay off the deficiency in equal installments over a period of at least six (6) months. If an Owner fails to comply with the terms of his or her payment plan in any way, including but not limited to failing to remit payment of an agreed-upon installment on time, or failing to remain current with regular assessments as they come due during the six-month period, then the Townhome Association (or a holder or assignee of the association's debt) may take immediate legal action against the Owner. The Board may ask for appointment of a receiver or a judicial foreclosure of the Townhome Association's lien to obtain payment of current Assessments, past Assessments, or preserve the property. In addition, the Board may file suit to recover a money judgment, seek an injunction, or pursue such other remedies to the fullest extent permissible under Colorado law and the Declaration.

10. Liens on Property. Any Assessment levied against a Townhome Lot or fines imposed against its Owner shall constitute a lien on the Owner's real property and the Townhome Association, through its managing agent and/or attorney, may record notice of the lien with the Office of the Clerk and Recorder for Eagle County, Colorado. The lien fee is One Hundred (\$100.00) and will be assessed to the Owner at the time the lien is recorded. The lien fee is in addition to any costs incurred by the Townhome Association related to the lien, including but not limited to attorney's fees, recording and release fees.

11. Imposition of Fines. The following written policy shall govern the imposition of fines charged under this Collection Policy.

a. Upon request by delinquent Owner, such Owner will be provided with accurate ledgers setting forth the delinquent Assessment amount and all costs, fees, and interest pertaining to such delinquency.

b. If an Owner desires a hearing to contest any charges related to the collection of unpaid assessments, the Owner must request a hearing in writing within ten (10) days of receipt of the notice containing the disputed charge(s). The request for hearing must identify each charge contested and describe the basis for the challenge with specificity.

c. Unless the charge is found to be in error upon receipt of the Owner's request for hearing, the Board will inform the Owner of the time and place of the hearing,

which will be no sooner than fourteen (14) days after receiving the request, unless the Owner and the Board both agree to an earlier time for the hearing.

d. The Board is responsible for hearing and deciding cases set for hearing. The Board may appoint an Owner or member of the Board to act as Presiding Officer. Any Board Member who is unable to be objective and provide a disinterested perspective shall disclose this bias to the President as soon as possible. This Board Member will be disqualified from the hearing. If this results in a tie in the decision-making process, the Presiding Officer or Owner will decide the tie.

e. At the hearing, each party may present his or her evidence through an opening statement, testimony, witnesses, and closing statements. The decision of the Board at the hearing will be based upon the evidence presented and the Owner's request for a hearing. Hearings may be open to other Owners or closed at the Board's discretion.

f. The Board may establish reasonable rules to limit the scope and duration of the hearing, provided the Owner is guaranteed an opportunity to be heard and the Board conducts a fair and impartial fact finding process determining:

i. Whether the alleged violation actually occurred; and

ii. Whether the Townhome Lot Owner is the one who should be held responsible for the violation.

g. Within twenty (20) days of the hearing the Board shall provide the Owner the Board's decision in writing.

12. Filing of Lawsuits or Liens. The Townhome Association is hereby authorized to extend the time for the filing of lawsuits and liens, or otherwise modify the procedures contained herein, as the Board shall determine appropriate under the circumstances. The Board may deviate from the procedures set forth in this Collection Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.

13. Lack of Compliance; No Defense. Failure of the Townhome Association to comply with any provision in this Collection Policy shall not be deemed a defense to payment of Assessments or other charges, late fees, lien fees, return check fees, attorney's fees, or costs as described and discussed in this Collection Policy.

14. Construction. This Collection Policy is to be construed in accordance with the laws of the State of Colorado and the Declaration, Bylaws and Articles for the Townhome Association. If any part of this policy shall be adjudicated to be void or invalid, the remaining provisions not specifically so adjudicated shall remain in full force and effect to the fullest extent permissible under Colorado law. If any part of this policy should contradict the terms of the Declaration, Bylaws, Articles, or Map, then the Declaration, Bylaws, Articles, and Map are controlling to the extent necessary to resolve the contradiction. In the event any part of this policy should contradict any other Rules or Regulations set forth in this instrument then the

terms of this policy are controlling to the extent necessary to resolve the contradiction.

II. Conflicts of Interest Involving Board Members. The Townhome Association’s policy addressing conflicts of interest involving Directors is tailored to conform to the requirements of C.R.S. Section 7-128-501 of the Colorado Revised Nonprofit Corporation Act as set forth in Section 15.6 of the Bylaws. This Conflicts of Interest Policy supplements the applicable provisions of the Bylaws.

CONFLICTS OF INTEREST POLICY

1. Ethical Considerations. All Directors on the Board shall exercise their powers and duties in good faith and in the best interests of the Townhome Association. All Directors shall comply with and be guided by the provisions of the Townhome Association’s Declaration, Bylaws, Articles and Rules and Regulations. Actions of the Board taken on behalf of the Townhome Association must be approved by a majority of the Directors voting on the matter. No contract, Board decision or other Board action in which a Director has a conflict of interest, or otherwise, shall be approved unless it is determined by the Board first to be fair to the Townhome Association, commercially reasonable and to serve the best interests of the Townhome Association.

2. Determining when a Conflict Exists and Prohibited Loans. A conflict of interest involving a Director exists when a “conflicting interest transaction” exists. “Conflicting interest transaction” means a contract, transaction, or other financial relationship between the Townhome Association and a Director, or between the Townhome Association and a party related to a Director, or between the Townhome Association and an entity in which a Director of the Townhome Association is a director or officer or has a financial interest. As used in the definition of a conflicting interest transaction, “a party related to a Director” means a person related to a Director by blood or marriage, an estate or trust in which the Director or a party related to a Director has a beneficial interest, or an entity in which a party related to a Director is a director, officer, or has a financial interest. An inherent conflict would also arise if the Townhome Association was to loan money to its Directors or officers and therefore, absolutely no loans shall be made by the Townhome Association to its Directors or officers. Any Director or officer who assents to or participates in the making of any such loan shall be liable to the Townhome Association for the amount of such loan until repayment of the loan. An “officer” as used in this section includes any person designated as an Officer of the Townhome Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

3. What To Do When a Director Perceives a Conflict. If a Director becomes aware that a potential conflicting interest transaction exists, the Director must disclose the potential conflict and the material facts related to the Director’s relationship or interest in an open meeting prior to any discussion or vote on the matter. The minutes of the meeting shall reflect the disclosure of the potential conflicting interest transaction.

4. What To Do When a Member Perceives a Conflict. If a Member believes that a

Director may have an undisclosed conflict of interest, the Member may notify any Director of the perceived conflict and the Director shall review the perceived conflict to determine whether it falls within the parameters of this policy.

5. Procedure for Handling Conflicting Interest Transactions. Following the disclosure in a meeting that a potential conflicting interest transaction exists, if the disinterested Directors conclude that a conflicting interest transaction does exist, the interested Director shall recuse himself or herself from discussing or voting on the issue and shall leave the room during any further discussion or voting on the matter to facilitate free and open discussion and voting among the remaining disinterested Directors. Notwithstanding the foregoing, if a majority of the disinterested Directors agree, the interested Director may remain present during the discussion and/or vote, and if a majority of the disinterested Directors agree, the interested Director may be allowed to vote on the matter if after the initial vote it is apparent the interested Director's vote is necessary to resolve a tie. The minutes of the meeting shall reflect the approval or disapproval of the conflicting interest transaction, the abstention of the interested Director from voting if applicable, and composition of the quorum and the voting record.

6. Quorum. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee which authorizes, approves, or ratifies a conflicting interest transaction.

7. C.R.S. Section 7-128-501 Standard of Review. Notwithstanding anything to the contrary contained in this Conflict of Interest Policy, no conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a Member or by or in the right of the Townhome Association, solely because the conflicting interest transaction involves a Director or a party related to a Director or an entity in which a Director is a director or officer or has a financial interest or solely because the Director is present at or participates in the meeting of the Townhome Association's Board or of the committee of the Board that authorizes, approves, or ratifies the conflicting interest transaction or solely because the Director's vote is counted for such purpose if:

a. The material facts as to the Director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the Board or the committee, and the Board or committee in good faith authorizes, approves, or ratifies the conflicting interest transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors are less than a quorum; or

b. The material facts as to the Director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the Members entitled to vote thereon, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote thereon; or

c. The conflicting interest transaction is fair as to the Townhome Association.

8. Periodic Review. To insure potential conflicts of interest which may involve

Directors are properly recognized and handled when they arise, it shall be the policy of the Townhome Association to review this Conflicts of Interest Policy at the first regular Board meeting following the election of any new Director to the Board.

III. Conduct of Meetings. This Conduct of Meetings Policy supplements the provisions of the Bylaws, located primarily in Article IV regarding meetings of the members and Article V regarding meetings of the Board, as those articles are the primary source of authority governing the Townhome Association's conduct of meetings.

CONDUCT OF MEETINGS POLICY

1. Application. This policy applies to only annual and special Meetings of the Members unless otherwise specifically noted herein.

2. Sign-In Procedure. All Members and Persons who attend an annual or special meeting of the Members will sign in prior to the meeting for himself/herself and for any proxies he/she holds. Voting rights of delinquent Members are suspended and such Members shall not be given a ballot.

3. Open Meetings. All annual, regular and special meetings of the Association's Members, Board, or any committee thereof, shall be open to attendance by Members or their representatives. Agendas shall be made reasonably available.

4. Conduct of Meetings. The president of the Board, or other person as designated by the president, will call the meeting to order and conduct the meeting as the chairperson ("Chair"). The meeting shall proceed in the order set forth in the agenda.

5. Robert's Rules of Order. The Chair may conduct the meeting in accordance with Robert's Rules of Order, as revised, or establish such additional or modified rules of order as may be necessary from time to time.

6. Decorum. Members must maintain decorum and refrain from addressing the Membership or Board until being first recognized by the Chair. Once recognized, the Member must first state his or her name and address.

7. Speaking Procedure. Each Member who wishes to speak will be given a reasonable time to speak, provided the Chair may impose reasonable time limits to facilitate Member participation. As a general rule, a person's time to comment during the meeting will be limited to three (3) minutes, however the time period may be extended or shortened at the discretion of the Chair. If more than one person desires to address an issue and there are opposing views the Chair shall provide for a reasonable number of persons to speak on each side of the issue. Members may not speak a second time until everyone who wishes to speak has been given an opportunity to speak once. Members may not speak more than twice on any one topic, subject to the Chair's discretion.

8. No Interruption. Only one Member may speak at a time and Members may not interrupt anyone who validly has the floor, nor otherwise disrupt the meeting.

9. Civility. Members may not engage in personal attacks on either Board members or other Townhome Association Members. All comments and questions are to be delivered in a civilized manner, without profanity, personal attacks or shouting. No Member may use abusive, rude, threatening, vulgar, or crude language. Comments shall be confined to matters germane to the agenda item being discussed.

10. No Recording. To facilitate free and open discussion, at no time will the recording of any meeting be permitted by anyone other than the secretary or Managing Agent for the purposes of record-keeping.

11. Chairman Control. Members must obey all orders made by the meeting Chair, including an order to step down. Any Member who refuses to follow the above rules will be asked to leave the meeting.

12. Motions. Any motions must be seconded prior to discussion and voting.

13. Secret Ballots. If any issue is being voted on by secret ballot, such as the election of a Director or other matter as set forth in Section 4.8 of the Bylaws, each Member entitled to vote on the matter shall receive a ballot. The ballot shall contain no identifying information concerning the ballot holder. In the event a Member holds a proxy for another Member, upon presentation of the proxy to the secretary or secretary's designee, the Member shall receive a secret ballot to cast the vote of the Member who provided the proxy. The proxy shall be kept and retained by the Townhome Association.

14. Ballot Procedure. All ballots shall be counted by a neutral third party or by a committee of volunteers who shall be Members selected or appointed at an open meeting by the Chair during that portion of the meeting. The committee of volunteers shall not be members of the Board, and in case of a contested election for a Board position, shall not include candidates.

15. Other Voting Procedures. All other votes taken at a meeting of the Members shall be taken in such method as determined by the Board including acclamation, by hand, by voice or by ballot, unless otherwise required by law.

IV. Enforcement of Covenants and Rules, Including Notice and Hearing Procedures and the Schedule of Fines. This Enforcement Policy supplements the provisions of Article XVII of the Declaration regarding enforcement and remedies and Section 5.19 of the Bylaws regarding enforcement by the Board as that article and section are the primary sources of authority governing the Townhome Association's enforcement of covenants and rules

ENFORCEMENT POLICY

1. Intended Application of These Enforcement Procedures. This Enforcement

Policy is intended to be a tool to assist both Owners and Directors in enforcing the covenants and rules of the Townhome Association. The Collection Policy is the primary source of authority concerning the Townhome Association's policies regarding the collection of Assessments and the procedure (including notice and hearing provisions) for the collection of fines and costs which may accrue as a result of an Owner's failure to pay Assessments in a timely manner. This Enforcement Policy addresses fines which may be imposed when an Owner or Guest violates or otherwise fails to perform or observe any other covenant or condition (as distinguished from the obligation to pay General and Limited Assessments) set forth in the Townhome Association's Declaration, Bylaws, Articles or Rules and Regulations. This Enforcement Policy is in furtherance of and not in limitation to any other remedies or enforcement mechanisms set forth elsewhere in the Governing Documents.

2. Reporting Violations. Complaints regarding alleged violations may be reported by an Owner, a Guest, or an agent of the Townhome Association by submission of a written complaint to the Townhome Association's managing agent, or if none, to any member of the Board. Complaints submitted via email are acceptable and satisfy the requirement that complaints be submitted in written form. Neither the Board nor its managing agent shall have an obligation to consider oral or anonymous complaints.

3. Complaints. In the complaint, the complaining Owner, Guest or agent of the Townhome Association should state when he or she observed the alleged violation, identify the alleged violator, and describe the alleged violation including as much detail and pertinent as possible. Although not necessary, including a picture of the alleged violation specified in the complaint may be helpful to the Board or its managing agent as additional documentation of the alleged violation.

4. Notice and Hearing. If the Board or its managing agent in its discretion determines that a written complaint was justified, a notice of the alleged violation shall be delivered to the Owner who may be held responsible for the alleged violation and an opportunity for a hearing shall be offered in accordance with the procedures set forth in Section 5.19 of the Bylaws. All notices and demands shall be delivered to the registered address of the Owner who may be held responsible for the alleged violation via regular mail or as otherwise provided for in accordance with Section 19.11 of the Declaration. The Board or its managing agent may at its discretion provide a copy of the notice of the alleged violation to any non-Owner alleged violator.

5. Supplemental Hearing Provisions. These provisions supplement the hearing provisions contained in Section 5.19 of the Bylaws.

a. The president of the Board may serve as or appoint another Director or any impartial Owner to act as Presiding Officer for the hearing to be held on behalf of the Owner who may be held responsible for the alleged violation. Any Director or Owner who is unable to be objective and provide a disinterested perspective or who would have a direct personal or financial interest in the outcome of the hearing to the extent that he or she would receive a greater benefit or detriment than the general membership of the Townhome Association, shall disclose this bias to the Presiding Officer as soon as

possible and this person will be disqualified from the hearing. If this results in a tie in the decision-making process, the Presiding Officer will decide the tie.

b. At the hearing, each party may present his or her evidence through an opening statement, testimony, witnesses, and closing statements. The decision of the Board at the hearing will be based upon the evidence presented and the information contained in or accompanying the Owner's request for a hearing. Unless otherwise determined by the Board in accordance C.R.S. Section 38-33.3-308(4), all hearings shall be open to attendance by all Members. If a complaining party is unable to attend the hearing, he or she may instead submit a letter to the Board explaining the basis of the complaint; similarly if the Owner who may be held responsible for the alleged violation does not wish to attend the hearing he or she may submit a letter to the Board explaining why he or she should not be held responsible for the alleged violation.

c. The Board may establish reasonable rules to limit the scope and duration of the hearing, provided the Owner is guaranteed an opportunity to be heard and the Board conducts a fair and impartial fact finding process determining;

i. Whether the alleged violation actually occurred, and

ii. Whether the Townhome Lot Owner is the one who should be held responsible for the violation.

d. Within twenty (20) days of the hearing the Board shall provide the Owner the Board's decision in writing. The Board may also issue and record in the Eagle County Records a Notice of Violation. On notice of satisfactory compliance with the Townhome Association's governing documents, the Notice of Violation may be released by the Townhome Association issuing and recording a Release of Notice of Violation.

6. Fine Schedule. In addition to all other remedies available to the Townhome Association to enforce the terms and provisions of the Declaration, Bylaws, and its Rules and Regulations, the following fine schedule has been adopted for all recurring covenant violations:

a. First Violation: Written notice warning letter to Owner.

b. Second violation (or continuing violation of same covenant or rule for seven (7) days): A minimum \$100.00 fine may be assessed against the Owner.

c. Third Violation (or continuing violation of same covenant or rule for seven (7) days): A minimum \$200.00 fine may be assessed against the Owner.

d. Fourth (or continuing violation of same covenant or rule for seven (7) days): A minimum \$500.00 fine may be assessed against the Owner and/or \$100 per day that such violation remains uncured for each violation.

7. Collection of Fines. All fines shall be due and payable on notice of the fine and

will be late if not paid within ten (10) days of the date that the owner is notified of the imposition of the fine. Late fees and interest may be assessed in accordance with the Townhome Association's Collection Policy. All fines and late charges shall be considered a Default Assessment and may be collected as set forth in the Declaration and Collection Policy. Fines shall be in addition to all other remedies available to the Townhome Association pursuant to the terms of the Declaration and Colorado law, including the Townhome Association's right to collect late charges, interest, costs of collection and attorneys' fees.

8. Waiver of Fines. The Board may waive all or any portion of the fines assessed, if in its discretion such waiver is appropriate under the circumstances. Additionally, the Board may condition the waiver of the entire fine, or any portion thereof, upon violator coming into and remaining in compliance with the Declaration, Bylaws, Articles and the Rules and Regulations.

9. Other Enforcement Means. The fine schedule and enforcement process indicated in this Enforcement Policy is in addition to all other enforcement means which are available to the Townhome Association through its Declaration, Bylaws, Articles, Rules and Regulations and Colorado law. The use of any process set forth herein does not preclude the Townhome Association from using any other enforcement means available.

V. Inspection and Copying of Association Records by Unit Owners. This Records Inspection Policy supplements the provisions of Section 4.04 of the Declaration and Section 15.3 of the Bylaws, as those sections are the primary source of authority setting forth the Townhome Association's policies for the inspection and copying of Townhome Association records.

RECORDS INSPECTION POLICY

1. Association Records. The Townhome Association shall maintain at a minimum the records set forth in Subsections 4.04(a), (b), and (e) of the Declaration and as required under C.R.S. 38-33.3-317 of CCIOA.

a. Records maintained by the Townhome Association may be withheld from inspection and copying to the extent that they are or concern:

i. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;

ii. Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;

iii. Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine;

iv. Disclosure of information in violation of law;

v. Records of an executive session of the Board; or

vi. Individual units other than those of the requesting Owner.

b. Records maintained by the Townhome Association are not subject to inspection and copying, and must be withheld, to the extent that they are or concern:

i. Personnel, salary, or medical records relating to specific individuals; or

ii. Personal identification and account information of Members, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

2. Inspection Criteria. Townhome Association records shall be made reasonably available for inspection and copying by a Member or the Member's authorized agent. "Reasonably available" means available during normal business hours upon notice of ten (10) business days, or at the next regularly scheduled meeting, if such meeting occurs within thirty (30) days after the request, to the extent that:

a. That request is made in good faith; and

b. The request describes with reasonable particularity the records sought.

3. Restrictions on Distribution and Use of Membership List. A membership list, or any part thereof, may not be obtained or used by any person for any purpose unrelated to a Member's interest as a Member of the Townhome Association without the express written consent of the Board as set forth in Section 15.7 of the Bylaws.

4. Records Requests and Rules of Inspection.

a. When a Member, or Member's authorized agent, wishes to inspect or copy a Townhome Association record, the Member or agent shall deliver a written request to the Townhome Association's managing agent, or other party as designated by the Board, describing the records sought, and the date on which the Member or Member's agent wishes to inspect and/or copy the records, which must be at least ten (10) business days after the date on which the written request is received by the Townhome Association or its agent.

b. This Records Inspection Policy does not apply to a Member's or such Member's designee or to a holder of a security interest or its designee's written request for a statement of account for a specific Townhome Lot. Pursuant to C.R.S. 38-33.3-316(8) of CCIOA such a request for a statement of account for a specific Townhome Lot shall be furnished within fourteen (14) calendar days after receipt of the request.

c. Upon receipt of a proper written request, the Townhome Association, or its agent, shall make an appointment with the Member, or its agent, at a time convenient to both parties to conduct the inspection. All appointments for inspection will be limited

to two (2) hours. If additional time is needed, another appointment will be made within two (2) weeks, at a time convenient to both parties.

d. The Townhome Association reserves the right to have a Director or other person designated by the Board present to observe during any inspection of a record by a Member or Member's authorized agent.

e. The inspection and/or copying of the Townhome Association records shall be conducted at the Member's or Member's authorized agent's expense, and the Townhome Association is entitled to charge the Townhome Association's actual cost per page for copies of Townhome Association records. The cost per page may be based on a standard schedule of fees charged by the Townhome Association's managing agent, if any, which may include retrieval costs. For copy requests estimated to be over \$25.00, the Townhome Association may require a deposit equal to the anticipated actual cost of the requested records. Failure to pay the deposit shall be valid grounds for denying a Member, or Member's authorized agent, copies of such records. The Member or Member's authorized agent shall be responsible for paying the total copying cost prior to receiving the copies.

f. Records may not be removed from the office in which they are inspected without the express written consent of the Board.

g. The following records will not be available for inspection without the prior express written consent of the Board:

i. Documents which are privileged or confidential between attorney and client or which concern pending or imminent court proceedings;

ii. Documents related to investigative proceedings concerning possible or actual criminal misconduct;

iii. Documents which if disclosed would constitute an unwarranted invasion of individual privacy;

iv. Documents which the Townhome Association is prohibited from disclosing to a third party as a matter of law; and

v. Inter-office memoranda, preliminary data, working papers and drafts, and general information or investigations which have not been formally approved by the Board.

h. The Townhome Association reserves the right to require that all records requests be submitted on a form approved by the Board. In addition the Townhome Association reserves the right to require any Member, or Member's authorized agent to sign a separate agreement that warrants that Townhome Association records and the information contained within those records shall not be used for commercial purposes

and warrants that any membership list or portion thereof shall not be used for any improper purpose as established by the Board or Colorado law.

5. Remedies. The Townhome Association may pursue any Member or Member's agent to the fullest extent provided for under its Governing Documents or Colorado law for damages or injunctive relief or both, including reasonable attorney fees, for abuse of inspection and copying rights, including use of any records for an unlawful purpose.

VI. Investment of Reserve Funds. Reserve Funds are discussed in Section 7.12 of the Declaration. The following Reserve Funds Policy supplements the Townhome Association's policies with respect to the investment of reserve funds and reserve studies.

RESERVE FUNDS POLICY

This Reserve Fund policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(VI) and C.R.S. Section 38-33.3-209.5(b)(IX).

1. Purpose Statement. To responsibly fund and finance anticipated and unanticipated needs, the Townhome Association shall establish and maintain a capital reserve fund for the repair, restoration, and replacement of Common Elements for which the Townhome Association is responsible, and may establish and maintain a general operating reserve fund as authorized and limited by Section 7.11 of the Declaration.

2. Reserve Study. In order to determine and maintain the appropriate level of reserve funds, the Townhome Association may prepare, review or update an internally conducted reserve study, or employ others to prepare, review or update, a reserve study for the portions of the community to be maintained, repaired, replaced, and improved by the Townhome Association. When such a reserve study is obtained it shall be based on a physical and financial analysis. If a funding plan for any work recommended by the reserve study is adopted, such plan shall identify the projected sources of funding for the work.

3. Standard of Care. Directors are subject to the Board standards as set forth in Section 5.21 of the Bylaws in the performance of their duties. In supplement of those standards, with regard to the investment of reserve funds, Directors and officers shall also be subject to the standard of care outlined below and as set forth in C.R.S. Section 7-128-401 of the Nonprofit Corporation Act. For purposes of this Reserve Funds Policy, "officer" means any person designated as an Officer of the Townhome Association and any person to whom the Board delegates responsibilities, including without limitation a managing agent, attorney, or accountant employed by the Board.

a. Directors shall discharge their director's duties as a Director, including the Director's duties as a member of a committee of the Board, and each officer with discretionary authority shall discharge the officer's duties under that authority:

i. In good faith;

ii. With the care an ordinarily prudent person in a like position would exercise under similar circumstances; and

iii. In a manner the director or officer reasonably believes to be in the best interests of the Townhome Association.

b. A Director or officer is not acting in good faith if the Director or officer has knowledge concerning the matter in question that makes the reliance as described below unwarranted. Generally, however, in discharging his or her duties, a Director or officer is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by:

i. One or more officers or employees of the Townhome Association whom the Director or officer reasonably believes to be reliable and competent in the matters presented; or

ii. Legal counsel, a public accountant, or another person as to matters the Director or officer reasonably believes are within such person's professional or expert competence; or

iii. A committee of the Board of which the Director is not a member, if the Director reasonably believes the committee merits confidence.

4. Investments. Unless otherwise approved by the Board, all reserves will be FDIC insured and/or guaranteed. The Board may hire a qualified investment advisor to assist with developing a specific investment strategy. The Board shall be guided by the following objectives when investing reserves:

a. To promote and ensure the preservation of the reserve accounts' principal;

b. To structure maturities in such a way to ensure sufficient liquidity and availability of funds for projected and/or unexpected expenditures;

c. To pursue the highest rate of return that is within the Townhome Association's risk tolerance boundaries and consistent with the goal of preserving the principal and accumulated interest;

d. To minimize investment costs; and

e. To mitigate the effects of interest rate volatility on reserve assets.

5. Review and Expenditures. The Board shall review reserve account investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed. Any spending of the reserve principal must be approved in advance by the Board.

VII. Procedures for the Adoption and Amendment of Policies, Procedures, and Rules. Article VI of the Declaration provides that the Board shall act on behalf of the Townhome Association and Section 5.14 of the Bylaws provides among other things that the Board has a duty to make, amend and repeal Rules and Regulations. This Adoption and Amendment Policy establishes the procedures for amending policies, procedures and rules.

ADOPTION AND AMENDMENT POLICY

1. Defining Policies, Procedures, and Rules
 - a. A policy is a principal, plan, or course of action adopted to guide the Board.
 - b. A procedure is an established method or official manner of proceeding in a course of action.
 - c. A rule is a requirement governing conduct, behavior, or action in a given type of situation.
2. Policies and Procedures. Policies and procedures guide the Board in the management, regulation, and operation of the Townhome Association.
3. Rules. Rules govern the use of property within the community and the behavior of Owners, Guests, and lessees/tenants while in the community.
4. Adoption and Amendment by Board. Pursuant to its Declaration, Bylaws and Rules and Regulations, the Board may adopt and amend such policies, procedures, and rules as the Board deems necessary or appropriate to facilitate the efficient operation and governance of the community, including but not limited to clarification of ambiguous provisions in the Declaration, Bylaws, or other governing documents, or as may be required by law.
5. Adoption and Amendment by Board without Advance Notice. The Board may adopt or amend policies, procedures, and rules without providing advance notice to Owners, provided the Board is acting in good faith and treatment of all Owners or within classes of Owners under the policies, procedures, and rules is consistent. If the Board in its reasonable discretion determines that it would be in the best interest of the community to provide Owners advance notice and an opportunity to comment on any proposed policies, procedures, and rules, then the Board will follow the notice procedures for meetings of the Members as set forth in Section 4.4 of the Bylaws.
6. Procedure. Such policies, procedures, and rules shall be adopted or amended at an open meeting of the Board and documented in the minutes or by formal Board resolution.

7. Notice of Adoption of Rules and Amendments. Rules and amendments to rules, once adopted, shall be sent to the Owners and shall become effective thirty (30) days after the date of adoption unless a later effective date is specified therein.

VIII. Procedures for Addressing Disputes between the Association and Owners. This Dispute Resolution Policy supplements the provisions of Article XX of the Declaration which sets forth the Townhome Association's procedures for resolving certain Disputes, including those which may arise between the Townhome Association and Owners.

DISPUTE RESOLUTION POLICY

1. Disputes between Owners and the Association. Disputes between the Townhome Association and Owners arising from Assessment collection matters and covenant and rule enforcement matters are to be first addressed as set forth in the Townhome Association's Collection Policy and Enforcement Policy. It is the Townhome Association's goal to attempt to resolve all disputes between the Townhome Association and Owners in the normal course of business and communications. When such attempts fail, this Dispute Resolution Policy provides that the mandatory procedures for dispute resolution as set forth in Article XX of the Declaration will be controlling. Such procedures provide for notice, investigation and discussion, and good faith efforts to resolve the dispute. In the event such procedures fail, Article XX of the Declaration provides for mediation and, if necessary, binding arbitration.

2. Disputes between Owners and/or Guests. The Townhome Association encourages Owners or Guests with disputes among themselves to resolve such disputes without court proceedings. The Townhome Association may take reasonable steps to facilitate negotiations or mediation between Owners and/or Guests, but will have no responsibility for any costs incurred by the parties to the dispute resolution process. For any step in the dispute resolution process, the parties are not waiving their right to employ legal counsel at their own expense to assist them. The recommendations below are guidelines which Owners and/or Guests may find helpful in preventing and resolving disputes with other Owners and/or Guests.

- Get to know your neighbors. Communities where residents know each other are often safer.
- If a problem does arise, wait until you are calm, think about the problem, try to avoid making assumptions, and then bring the problem to your neighbor's attention respectfully.
- If safety is not an issue, meet and talk with your neighbor face-to-face, state your position assuming that he or she wants to resolve the conflict or he or she might not even be aware of the problem, and then listen to his or her response without interrupting.

- Keep an open mind to avoid adopting a “right” and “wrong” view of the problem and try to work together with your neighbor to come up with a solution;
- If safety is an issue, call the police. It is likely the best and fastest way to deal with the problem.

IX. Community Rules.

STRATTON FLATS TOWNHOME COMMUNITY RULES

1. Animals and Pets. The rules regarding animals and pets supplement the Master Association’s rules on the matter and are set forth in Section 10.18 of the Declaration.

2. Vehicles and Parking. The rules regarding vehicles and parking supplement the Master Association’s rules on the matter and are set forth in Section 10.14 of the Declaration.