

**Responsible Governance Policies of
Gurley Lake Ranch Owners Association, Inc.**


The following Responsible Governance Policies (individually a “Policy” and collectively the “Policies”) are adopted by the Board of Directors of Gurley Lake Ranch Owners Association, Inc., a Colorado nonprofit corporation (the “Association”) for purposes of complying with the responsible governance provisions of the Colorado Common Interest Ownership Act, C.R.S. sec. 38-33.3-101, et seq.:

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These Policies are in addition to the terms and provisions of the General Declaration of Covenants, Conditions and Restrictions for Gurley Lake Ranches, Unit 1, dated and recorded January 18, 1996 (the “Filing 1 CC&Rs” – applicable to Tracts 1, 2 and 3); the Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements of Gurley Lake Ranch, recorded August 1, 1997 (the “Declaration” – applicable to Lots 1-39) (the Filing 1 CC&Rs and the Declaration may hereafter be referred to as the “Declarations”); the Articles of Incorporation and Bylaws (collectively the “Governing Documents”), and the laws of the State of Colorado. These Policies may be amended from time to time by the Board as set forth in Policy #6, below.

CERTIFIED to be the Responsible Governance Policies of the Association, as duly adopted by the Board of Directors by unanimous written consent resolution effective December 16, 2014, and after notice to and comment from the Owners.

By: 
Martin Grambow, President

Attest: 
Thomas M. Colander, Director

Responsible Governance Policy #1 Collection of Unpaid Assessments

1. Annual Assessments. Pursuant to the Governing Documents, the Association imposes annual assessments for common expenses. Invoices are mailed to Owners in December of each calendar year, and payment is due within thirty (30) days of the invoice date.

2. Due Dates. The due date for the invoices shall be thirty (30) days after the invoice date. Assessments or other charges not paid in full to the Association within one (1) day of the due date shall be considered past due and delinquent and shall incur interest as provided below.

3. Receipt Date. The Association shall post payments on the day that the payment is received.

4. Interest on Delinquent Installments. The Association shall impose interest from the date due at the rate of eighteen percent (18%) per annum on the amount owed for each Lot Owner who fails to timely pay such Lot Owner's annual assessment within one (1) day of the due date.

5. Lien for Assessments and Other Amounts. Pursuant to the Association Declaration and Colorado law, the Association shall have a lien against each Lot to secure payment of any assessment, charge, lien, penalty or other amounts due and owing to the Association by a Lot Owner with respect to the Owner's Lot. Such lien may be foreclosed in any manner provided by the laws of the State of Colorado and/or the Governing Documents, as provided herein.

6. Personal Obligation. The amount of any assessment, charge, fine and/or interest payable by any Lot Owner shall be a joint and several obligation of the Lot Owner to the Association and such Lot Owner's heirs, personal representatives, successors and assigns. A party acquiring fee simple title to a Lot shall be jointly and severally liable with the former Owner of a Lot for all such amounts which had accrued and were payable at the time of acquisition of the Lot. Each such amount, together with interest thereon, may be recovered by suit for a money judgment by the Association without foreclosing or waiving any lien securing the same.

7. Return Check Charges. In addition to any and all charges imposed under the Governing Documents, or this Policy, a fifty dollar (\$50.00) fee and any charges assessed by the bank or other amount deemed appropriate by the Board of Directors shall be assessed against a Lot Owner in the event any check or other instrument attributable to or payable for the benefit of such Lot Owner is not honored by the bank or is returned by the bank for any reason whatsoever, including but not limited to insufficient funds. Such return check charges shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the

obligation of the Owner(s) of the Lot for which payment was tendered to the Association. Returned check charges shall become effective on any instrument tendered to the Association for payment of sums due under the Governing Documents or this Policy after the date adopted as shown above. If a Lot Owner's check is returned unpaid by the bank within any twelve (12) month period, the Association may require that all of the Lot Owner's future payments, for a period of one year, be made by certified check or money order. This return check charge shall be in addition to any interest incurred by a Lot Owner. Any returned check shall cause an account to be past due if full payment of the assessment is not timely made within one (1) day of the due date.

8. Attorney Fees on Delinquent Accounts. As an additional expense permitted under the Governing Documents and by Colorado law, the Association shall be entitled to recover its reasonable attorneys' fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent Lot Owner. The reasonable attorneys' fees incurred by the Association shall be due and payable immediately when incurred, upon demand by the Association.

9. Application of Payments. All sums collected on a delinquent account shall be applied to payment of any and all legal fees and costs (including attorneys' fees), expenses of enforcement and collection, returned check charges, recording fees, and other costs owing or incurred with respect to such Lot Owner pursuant to the Governing Documents or this Policy, prior to application of the payment to any special or regular assessments due or to become due with respect to such Lot Owner.

10. Collection Process.

- a. After an annual assessment or other charges due to the Association becomes more than thirty (30) days delinquent, the Association shall send a written notice (the "First Notice") of non-payment, amount past due, notice that interest has accrued and request for immediate payment. This First Notice shall be sent via U.S. mail, certified, return receipt requested, with a copy sent via E-mail provided the Lot Owner has provided the Association with an E-mail address. Such First Notice shall contain the following information:
 1. It shall specify the total amount due, with an accounting of how the total was determined, including principal and interest (the "Delinquent Amount").
 2. It shall notify the Lot Owner that, unless within thirty (30) days of the date of the First Notice, the Lot Owner either pays off the Delinquent Amount, or enters into a payment plan to pay off the Delinquent Amount as set forth below, that the Association will arrange a Board hearing to authorize formal legal action to collect the Delinquent Amount, plus interest, attorneys fees and costs incurred, including foreclosure of the Lot.

3. It shall contain the name and contact information of the individual the Lot Owner may contact to request a copy of the Lot Owner's ledger in order to verify the amount of the debt.
 4. It shall state that action is required to cure the delinquency and that failure to do so within thirty (30) days may result in a formal notice of Board hearing to authorize a lawsuit being filed against the Lot Owner, the foreclosure of a lien against the Lot Owner's property, or other remedies available under Colorado law.
 5. As stated above, the First Notice shall also inform the Lot Owner that the Lot Owner is entitled to enter into a payment plan as provided herein.
 6. The Association shall have the discretion to negotiate interest.
- b. The Association shall make a good-faith effort to coordinate with the Lot Owner to enter into a written agreement setting up a payment plan. Such payment plan negotiated between the Association (or a holder or assignee of the Association's debt, whether the holder or assignee of the Association's debt is an entity or a natural person) and the Lot Owner pursuant to this section shall permit the Lot Owner to pay off the deficiency in equal installments over a period of at least six months. Nothing in this section prohibits the Association or a holder or assignee of the Association's debt from pursuing legal action against the Lot Owner in the event the Lot Owner fails to comply with the payment plan. The payment plan shall authorize the Association to notice the Lot Owner to a formal Board hearing to take legal action to collect the Delinquent Amount if the Lot Owner fails to comply with the terms of the payment plan. A Lot Owner's failure to remit payment of an agreed-upon installment shall constitute a failure to comply with the terms of the payment plan.
 - c. The requirement for the Association to attempt to arrange a payment plan with the Lot Owner does not apply if:
 1. the Lot Owner does not occupy the Lot and has acquired the property as a result of a default of a security interest encumbering the Lot or foreclosure of the association's lien; and/or
 2. The Lot Owner has previously entered into a payment plan under this section.
 - d. In the event despite good faith efforts the Association is unable to coordinate with the Lot Owner to enter into a written agreement setting up a payment plan, the Association shall issue a written notice ("Second Notice") to the Lot Owner, notifying the Lot Owner that the Board shall be convening a meeting to authorize legal action to collect the Delinquent Amount. Such Second

Notice shall be issued at least ten (10) days prior to the Board meeting and shall state that if the Delinquent Amount is paid in full prior to the Board meeting, the agenda item to authorize such legal action shall be canceled. The Association may levy a reasonable charge for issuing the Second Notice, including any attorneys fees and costs incurred. If the Delinquent Amount remains unpaid, and the Board so elects, then at the meeting, the Board shall formally resolve, by a recorded vote, to authorize the filing of a legal action against the specific Lot Owner and Lot on an individual basis. At the meeting, the Board may authorize the legal action (including foreclosure) to be filed, but the Board shall not authorize the foreclosure to be actually filed until and if the balance of the Delinquent Amount equals or exceeds six months of common expense assessments based on a periodic budget adopted by the Association. If a judgment or decree is obtained, including without limitation a foreclosure action, such judgment or decree shall include reasonable attorneys' fees together with the cost of the action and any applicable interest.

- e. In addition to the steps outlined above, the Association may elect to suspend the voting rights and/or the right to use of any Association facilities of any Lot Owner whose account is past due at the time of such voting.
- f. The Association shall have the discretion to negotiate interest.

11. Certificate of Status of Assessment. The Association shall furnish to an Lot Owner or such Owner's designee (i.e. title company, lender) upon written request to the Association, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's Lot.

12. Bankruptcies and Foreclosures. Upon receipt of any notice of a bankruptcy filing by a Lot Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any Lot within the Association, the Association shall notify the Association's attorney of the same and turn the account over to the Association's attorney, if appropriate.

13. Authorization of Action to Collect Delinquent Accounts. Upon Board authorization for the Association to proceed with collection procedures, the Association shall take all appropriate action to collect the accounts referred. The Association is authorized to take whatever action is necessary and determined to be in its best interests, including, but not limited to:

- a. Filing of a suit against the delinquent Lot Owner for a money judgment;
- b. Instituting a judicial foreclosure action of the Association's lien;
- c. Resolving to cause the total amount of such Lot Owner's Common Expense Assessment for the remainder of the fiscal year to become immediately due and payable;

- d. Filing necessary claims, documents, and motions in bankruptcy court in order to protect the Association's interests; and
- e. Filing a court action seeking appointment of a receiver.

14. Appointment of a Receiver. The Association may seek the appointment of a receiver if a Lot Owner becomes delinquent in the payment of assessments pursuant to Colorado law. A receiver is a disinterested person, appointed by the court that manages the rental of the property, collects the rent and disburses the rents according to the court's order. The purpose of a receivership for the Association is to: obtain payment of current assessments, reduce past due assessments; and prevent the waste and deterioration of the property.

15. Foreclosure. The Association may choose to foreclose on its lien in lieu of or in addition to suing a Lot Owner for a money judgment.

16. Waivers. The Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association shall determine appropriate under the circumstances.

17. Definitions. Unless otherwise defined in this Policy, initially capitalized or terms defined in the Governing Documents shall have the same meaning as used therein.

Responsible Governance Policy #2 Conflicts of Interest Involving Board Members

1. Definition. A “conflicting interest transaction” means: A contract, transaction, or other financial relationship between the Association and a Director (i.e. member of the Association Executive Board) of the Association, or between the Association and a party related to a Director, or between the Association and an entity in which a Director of the Association is a Director or Officer or has a financial interest. “Officer” means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board. No loans shall be made by the 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 Association for the amount of such loan until the repayment thereof.

2. Procedures. The following procedures shall be followed when a conflict of interest exists. Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes, approves, or ratifies the conflicting interest transaction. A “party related to a Director” shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, 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.

- a. The conflicted Director must disclose to the Board in detail the material facts as to the Director’s relationship or interest regarding the conflicting interest transaction.
- b. The conflicted Director may be present and participate in the meeting of the Association’s Board of Directors or of the committee of the Board of Directors that authorizes, approves, or ratifies the conflicting interest transaction, but the conflicted Director may not participate in the final deliberations of the Board, nor may the conflicted Director vote on the conflicting interest transaction.
- c. 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 Association, solely because the conflicting interest transaction involves a Director of the Association or a party related to a Director or an entity in which a Director of the Association 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 Association’s Board of Directors or of the committee of the Board of Directors that authorizes, approves, or ratifies the conflicting interest transaction if:
 1. 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 of Directors or the committee, and the Board of Directors 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; and

2. The conflicting interest transaction is fair as to the Association.

c. Review. The Board shall review the Association's conflict of interest policies at least every three (3) years.

Responsible Governance Policy #3 Conduct of Meetings

1. Lot Owner Participation. The Board of Directors encourages Lot Owner participation in all Lot Owners meetings. Lot Owner participation will result in:
 - a. Increased understanding of issues and the many aspects of an issue that must be considered.
 - b. Additional ideas and creative solutions to challenges faced by the Association.
 - c. More informed Lot Owners within the Association lending support to the Board, based upon full knowledge of an issue.
 - d. Development of future leaders for the Board of Directors.

2. Board Responsibilities and Efficiency. As duly elected officials of the Association, the Board is responsible for making decisions which affect all Lot Owners. This fiduciary responsibility is established in the Association Governing Documents. The Board volunteers its time and needs to efficiently complete all Association meetings so that business decisions can be made and the needs of the Association can be met.

3. Conduct of Meetings. Lot Owners meetings, Board meetings and Board committee meetings shall follow Robert's Rules of Order. The President of the Board, or in the President's absence a Director duly appointed by the Board, shall preside over the meeting. Meetings shall be conducted in accordance with the following protocols:
 - a. The President of the Association shall chair all Lot Owners and Board meetings. If the President is unavailable, the Vice President shall chair. If the Vice President is unavailable, the Secretary shall chair. If the Secretary is unavailable, the Treasurer shall chair. If none of these parties are available, the Board shall appoint an alternate chair.
 - b. Lot Owners meetings are limited to attendance by Lot Owners and by such other parties as the Board shall authorize.
 - c. Roll call shall be taken, and any proxies provided to the Board shall be accounted for.
 - d. Anyone wishing to speak must first be recognized by the Chair. Only one person may speak at a time. Each person who speaks shall first state his or her name and Lot owned. Those addressing the meeting shall be permitted to speak for a reasonable period of time without interruption as long as these rules are followed. The Chair may place reasonable restrictions on the length of comments and the number of Owners making comments if the comments are duplicative, as determined by the Chair based upon the number of individuals wishing to speak,

the length of the agenda and other time constraints. Lot Owners supporting prior comments may simply reference the fact without further discussion. Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting. Comments are to be relevant to the purpose of the meeting. Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order." Anyone who does not come to order will be requested to immediately leave the meeting.

- e. All actions and/or decisions will require a first and second motion. There shall be no action on items unless such item was on the meeting agenda.
- f. Once a vote has been taken, there will be no further discussion regarding that topic unless authorized by the Chair.
- g. Any motions must be seconded prior to discussion and voting. Because the nature of a motion and vote may be outside the Lot Owners' authority, the Board reserves the right to determine whether a motion will be considered binding on the Association or rather a recommendation for proceeding.
- h. So as to allow for and encourage full discussion by Lot Owners, no meeting may be recorded by audio or video unless by consent of the majority of Lot Owners present at the meeting in person. Minutes of the meeting shall be kept by the Association as directed by the Board at the commencement of the meeting. Minutes shall be a very concise summary of topics and major discussion points, and motions made, including the movant and the second, and the conclusion of the motion. Minutes shall be first approved by the Board and the distributed to the Lot Owners no later than ninety (90) days following the meeting date.

4. Lot Owners Meetings. An annual Lot Owners meeting shall be held at least once a year. Special meetings of the Lot Owners may be requested by the Board President, by a majority of the Board, or by Lot Owners having twenty percent (20%) of the votes in the Association. Such requests shall be forwarded to the Board, which shall then arrange and notice the special meeting. Not less than ten (10) nor more than fifty (50) days in advance of any Lot Owners meeting, the Association notice to be hand delivered or sent prepaid by United States mail to the mailing address of each Lot Owner. The notice, agenda and other meeting materials shall also be sent to all Lot Owners via E-mail to the Lot Owner's last known E-mail address, provided that a Lot Owner has supplied the Association with a valid E-mail address. The notice of any Lot Owners meeting shall be physically posted in a conspicuous place, to the extent that such posting is feasible and practicable. The notice shall also be posted on the Association's website, if the Association has a website. The notice shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board.

5. Voting and Proxies / Lot Owners Meetings. Lot Owners shall be entitled to one vote for each Lot owned at any Lot Owners meeting. In the event of multiple Lot Owners of one Lot, only one vote from each Lot will be counted for each ballot item. All votes taken at a meeting of the Lot Owners shall be taken in such method as determined by the Board including by hand, by voice, or by written ballot. A Lot Owner may appoint a representative to vote on behalf of said Lot Owner by written proxy. Proxies must be signed and dated and must specifically authorize action at a specific Lot Owners meeting. Proxies are not valid for any other meeting. Proxies must be provided to the Board of Directors prior to the commencement of the meeting. Proxies shall be counted for determination of quorum. In the event of an election of a Director, voting shall be by secret ballot and the Board shall designate one or more Lot Owners who are not candidates to count the votes in person and by proxy, and to report the results of any such vote without reference to names, addresses or other identifying information of those casting ballots.

6. Voting and Proxies / Board Meetings. Votes taken by the Board shall be taken in such method as determined by the Board including by hand, by voice, or by written ballot. A Director may appoint a representative to vote on behalf of said Director by written proxy. Proxies must be signed and dated and must specifically authorize action at the specific Board meeting. Proxies are not valid for any other meeting. Proxies must be provided to the Board prior to the commencement of the meeting. Proxies shall be counted for determination of quorum.

7. Board Meetings. All regular and special meetings of the Board, or any committee thereof, shall be open to attendance by all Owners or their representatives. Agendas for meetings of the Board shall be made reasonably available for examination by all Owners or their representatives. Electronic notice of Board meetings shall be given as soon as possible but at least twenty-four hours (24 hrs) before the meeting. Electronic notice shall be defined as posting the notice and agenda on the Association website, if the Association maintains a website; otherwise notice of the meeting and the agenda shall be posted in a conspicuous place in the community and E-mailed to those Lot Owners who have supplied the Association with an E-mail address. Notices of Board meetings and agendas need not be mailed to Owners.

8. Lot Owner Participation in Board Meetings. At an appropriate time determined by the Board, but before the Board votes on an issue under discussion, Lot Owners or their designated representatives shall be permitted to speak regarding that issue. The Board may place reasonable time restrictions on persons speaking during the meeting. If more than one person desires to address an issue and there are opposing views, the Board shall provide for a reasonable number of persons to speak on each side of the issue. After such time, non-Board Members may not participate in deliberations or discussions unless a majority of the Board quorum votes to allow it.

9. Executive Session. The Board or any committee thereof may hold an executive or closed door session and may restrict attendance to Board members and such other

persons requested by the Board during a regular or specially announced meeting or a part thereof.

- a. The matters to be discussed at such an executive session shall include only matters as follows:
 1. Matters pertaining to employees of the association or the managing agent's contract or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association;
 2. Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
 3. Investigative proceedings concerning possible or actual criminal misconduct;
 4. Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure;
 5. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; and/or
 6. Review of or discussion relating to any written or oral communication from legal counsel.
- b. Upon the final resolution of any matter for which the Board received legal advice or that concerned pending or contemplated litigation, the board may elect to preserve the attorney-client privilege in any appropriate manner, or it may elect to disclose such information, as it deems appropriate, about such matter in an open meeting.
- c. Prior to the time the members of the Board or any committee thereof convene in executive session, the chair of the body shall announce the general matter of discussion as enumerated in section (a), above.
- d. No rule or regulation of the Board or any committee thereof shall be adopted during an executive session. A rule or regulation may be validly adopted only during a regular or special meeting or after the body goes back into regular session following an executive session.
- e. The minutes of all meetings at which an executive session was held shall indicate that an executive session was held and the general subject matter of the executive session.

- f. Meetings in executive session shall not be recorded with the use of an audio or video device.

10. Action Without Meeting. Actions of the Owners may be taken without a meeting, by mail ballot. Actions of the Board without a meeting may be accomplished by unanimous written consent of the Board.

Responsible Governance Policy #4
Enforcement of Declarations, Design Standards and Rules

1. Notice and Hearing. If any Lot Owner has violated of any of the Declarations, Design Standards and/or Rules of the Association, or if the Lot Owner is currently violating such requirements, the Association shall deliver written notice, via U.S. mail, certified, return receipt requested, with a copy via E-mail (provided the Lot Owner has provided the Association with an E-mail address) demanding that such violation cease and informing the Lot Owner that the Board shall be convening to consider the violation. The notice shall inform the Lot Owner that the Lot Owner shall have the right to appear at the Board meeting, with counsel if the Lot Owner so elects. The notice shall describe the violation and the contemplated consequences for such violation, including the possible fine that may be imposed or legal action that may be taken, which shall be considered at the Board meeting. The notice shall be copied to other Lot Owners whose interest would be significantly affected by the proposed action. The notice shall include the date, time and place of the meeting or that the meeting will be held via telecommunications. In the event that the Board will be meeting in person, the Lot Owner may participate in the meeting via telephone rather than appear in person.

2. Complaint. Any Lot Owner may send the Board a formal, written complaint via either electronic mail or regular mail of a Declarations, Design Standard or Rule violation, with as much information as is known. Complaints may also be initiated by any member of the Board. The Board shall have no obligation to consider oral complaints or anonymous complaints that cannot be independently verified. The Board shall have the authority to determine whether a written complaint is justified before following the Notice and Hearing Procedure.

3. Procedure. The notice shall be given not less than ten (10) nor more than fifty (50) days before the date of the scheduled Board meeting/hearing. At the hearing, the affected Lot Owner shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. Any evidence shall be duly considered, but it is not binding in making the decision. The affected Lot Owner(s) shall be notified of the Board decision at the meeting, or if the Board wishes to consider the matter further, in the same manner in which notice of the meeting was given.

4. Schedule of Fines, Action. If the Board concludes that a violation has taken place, the Board may impose fines in its discretion, of up to \$500 per day for every day the violation has occurred, as well as the assessment of any attorneys fees and costs incurred in connection with the dispute. If the violation is continuing, and the Board has reason to believe the Lot Owner is refusing to cease the violation, the Board may also authorize legal action against the Lot Owner for injunctive and other appropriate relief, including damages, attorneys fees and costs incurred.

5. Conflicts. Any Board member who is incapable of objective and disinterested consideration on any hearing before the Board, as determined by the Board, shall disclose such to the President of the Association prior to the hearing on the case, if possible, or, if advance notice is not possible, then such disclosure shall be made at the hearing, and the Board member shall be disqualified from all proceedings with regard to the hearing. A conflicted Director shall be one with a direct personal or financial interest in the outcome of the decision. A Director shall not be deemed to have a direct personal or financial interest in the outcome if the Director will not, as a result of the outcome, receive any greater benefit or detriment than will the general ownership of the Association.

6. Fair Hearing. The Association will not fine any Lot Owner for an alleged violation of the Association Governing Documents unless the Lot Owner is allowed to participate in a fair and impartial fact-finding process concerning whether the alleged violation actually occurred and whether the Lot Owner is the one who should be held responsible for the violation. This process shall guarantee the Lot Owner notice and an opportunity to be heard before the Association's Board of Directors (excluding any conflicted Directors), an impartial decision maker, which shall make a decision regarding the enforcement of the Association's covenants, conditions, and restrictions, design standards, and the other rules and regulations of the Association. Consistent with the Declarations, if it is determined that the Lot Owner is responsible for the alleged violation as a result of this impartial fact-finding process, the Lot Owner shall be responsible for the Association's costs and attorney's fees incurred in investigating and hearing the claim. If, as a result of this fact-finding process, it is determined that the Lot Owner should not be held responsible for the alleged violation, the Lot Owner shall not be responsible for any of the Association's costs or attorney fees incurred in asserting or hearing the claim, other than the Lot Owner's general share of expenses as a member of the Association.

Responsible Governance Policy #5
Maintenance, Inspection and Copying of Association Records by Owners

1. Records Maintained. The Association shall maintain the following records as required by Colorado law:
 - a. Detailed records of receipts and expenditures affecting the operation and administration of the Association;
 - b. Records of claims for construction defects and amounts received pursuant to settlement of those claims;
 - c. Minutes of all meetings of the Lot Owners and the Board, a record of all actions taken by the Lot Owners or the Board without a meeting, and a record of all actions taken by any committee of the Board;
 - d. Written communications among, and the votes cast by, Board members that are: (i) directly related to an action taken by the Board without a meeting pursuant to C.R.S. sec.7-128-202; or (ii) directly related to an action taken by the Board without a meeting pursuant to the Association's Bylaws;
 - e. The names of Lot Owners in a form that permits preparation of a list of the names of all Lot Owners, and the mailing addresses at which the Association communicates with them, showing the number of votes each Lot Owner is entitled to vote;
 - f. The current Association Governing Documents;
 - g. Financial statements as described in C.R.S. sec. 7-136-106 for the past three years and tax returns of the Association for the past seven years, to the extent available;
 - h. A list of the names, electronic mail addresses, and physical mailing addresses of the current Board members and officers;
 - i. The most recent annual report delivered to the secretary of state;
 - j. Financial records sufficiently detailed to enable the Association to comply with C.R.S. sec. 38-33.3-316(8) concerning statements of unpaid assessments;
 - k. The Association's most recent reserve study, if any;
 - l. Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two years.
 - m. Records of Board or committee actions to approve or deny any requests for design or architectural approval from Lot Owners;

- n. Ballots, proxies, and other records related to voting by Lot Owners for one year after the election, action, or vote to which they relate;
- o. Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Lot Owners or any class or category of Lot Owners; and
- p. All written communications within the past three years to all Lot Owners generally as Lot Owners.

2. Inspection/Copying Association Records. A Lot Owner or such Lot Owner's authorized agent is entitled to inspect and copy any of the books and records of the Association, subject to the exclusions, conditions and requirements set forth below:

- a. The inspection and/or copying of records of the Association shall be at the Lot Owner's expense;
- b. The inspection and/or copying of records of the Association shall be conducted by appointment during regular business hours of 9 a.m. to 4 p.m. at offices of the Association; and
- c. The Lot Owner shall give the Association a written request describing with reasonable particularity the records sought, at least ten (10) business days before the date on which the Lot Owner wishes to inspect and/or copy such records.

3. Purpose/Limitation. Without the written consent of the Board, a Lot Ownership list or any part thereof may not be:

- a. Used to solicit money or property unless such money or property will be used solely to solicit the votes of the Lot Owners in an election to be held by the Association;
- b. Sold to or purchased by any person; or
- c. Obtained or used by any person for any purpose unrelated to a Lot Owner's interest as an Lot Owner.

In no event shall the Association records be used for any commercial purpose.

4. Exclusions. Pursuant to Colorado law, certain records may be withheld from inspection and/or copying, and certain records must be withheld from inspection and/or copying, as follows.

- a. Without the written consent of the Board, Records maintained by the Association shall be withheld from inspection and/or copying to the extent that they are or concern:
 1. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;
 2. Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;
 3. Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine;
 4. Records of an executive session of the Board; and/or
 5. Individual Lots other than those of the requesting owner.
- b. The following records shall not be available for inspection and/or copying:
 1. The E-mail address of a Lot Owner, unless the Lot Owner has provided a written consent authorizing the release of the Lot Owner's E-mail address to other Lot Owners;
 2. Any documents that are confidential under constitutional, statutory or judicially imposed requirements;
 3. Personnel, salary, or medical records relating to specific individuals;
 4. Any documents, or information contained in such documents, disclosure of which would constitute an unwarranted invasion of individual privacy, including but not limited to social security numbers, dates of birth, bank account information, telephone numbers and driver's license numbers; or
 5. Records that the disclosure of which would be in violation of the law.

5. Fees/Costs. Any Lot Owner requesting copies of Association records shall be responsible for all actual costs incurred by the Association, which have been determined to be \$30.00 per hour for the time to search for, retrieve, and copy such records, and \$0.25 per page for copies. For copy requests estimated to be \$10.00 or more, the Association may require a deposit equal to the anticipated actual cost of the requested records. Failure to pay such deposit shall be valid grounds for denying a Lot Owner copies of such records. If after payment of the deposit it is determined that the actual cost was more than the deposit, the Lot Owner shall pay such amount prior to delivery of the copies. If after payment of the deposit it is determined that the actual cost was less than the deposit, the difference shall be returned to the Lot Owner with the copies.

6. Inspection. The Association reserves the right to have a third party present to observe during any inspection of records by a Lot Owner or the Lot Owner's representative.

7. Originals, Means. No Lot Owner shall remove any original book or record of the Association from the place of inspection nor shall any Lot Owner alter, destroy or mark in any manner, an original book or record of the Association. The right to copy records under this Policy includes the right to receive copies by photocopying or other means, including the receipt of copies through an electronic transmission, if available, upon request by the Lot Owner.

8. Creation of Records. Nothing contained in the Policy shall be construed to require the Association to create records that do not exist, compile records or information in a particular format or order, or synthesize information.

Responsible Governance Policy #6
Adoption and Amendment of Policies, Procedures and Rules

1. Adoption. These Responsible Governance Policies were adopted by a majority vote of the Board after Notice and Comment from the Lot Owners.

2. Amendments. These Responsible Governance Policies may be amended by a majority vote of the Board after “Notice and Comment” from the Lot Owners.

3. Notice and Comment. The right of the Lot Owners to “Notice and Comment” means the Lot Owners have the right to receive notice of any proposed policy, procedure and rule and the right to comment orally or in writing prior to the time the Board takes formal action on the matter. Notice of the proposed action shall be given to the Lot Owners in writing via E-mail, provided the Lot Owner has supplied an E-mail address, not less than ten (10) nor more than fifty (50) days before date at which the proposed Board action is to be taken. If a Lot Owner has not supplied the Association with an E-mail address, such notice shall be sent via U.S. mail to the last known mailing address provided by the Lot Owner. The notice shall invite comment to the Board orally or in writing before the scheduled time of the Board action.

Responsible Governance Policy #7
Procedures for Addressing Disputes Arising Between the Association and Owners

1. Disputes Other Than Enforcement of Covenants. This Policy concerns disputes between the Association and one or more Lot Owners other than issues concerning violations of the covenants and/or rules of the Association by a Lot Owner. The Policy regarding disputes between the Association and one or more Lot Owners concerning violations of the covenants and/or rules of the Association by an Owner is Responsible Governance Policy #4, above, entitled “Enforcement of Covenants and Rules, Including Notice and Hearing Procedures and the Schedule of Fines.

2. Notice of Dispute. In the event of a dispute between the Association and one or more Lot Owners, other than issues concerning violations of the covenants and/or rules of the Association by a Lot Owner, the aggrieved party (i.e. the Association or the Lot Owner(s)) shall issue written notice (the “Notice of Dispute”) via E-mail, provided the Lot Owner has supplied an E-mail address to the Association, not less than ten (10) nor more than fifty (50) days before date at which the proposed Board action is to be taken. If a Lot Owner has not supplied the Association with an E-mail address, such notice shall be sent via U.S. mail to the last known mailing address provided by the Lot Owner. Notices to the Association shall be issued to the Board and to the Association Manager if there is one. The written notice shall describe the nature of the dispute in detail, and the requested relief.

3. Board Meeting. Within not less than fifteen (15) nor more than sixty (60) days of the date the Notice of Dispute was issued, the Board shall notice and arrange a Board meeting (noticed to all affected Lot Owners pursuant to standard Board meeting procedures). The notice of meeting shall generally describe the purpose of the meeting and the dispute. The Lot Owner(s) involved in the dispute shall have the right to appear at the Board meeting, with counsel if the Lot Owner(s) so elect.

4. Procedure. At the hearing, the affected Lot Owner shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. Any evidence shall be duly considered, but it is not binding in making any decision concerning the outcome of the dispute. The affected Lot Owner(s) shall be notified of the Board decision at the meeting, or if the Board wishes to consider the matter further, in the same manner in which notice of the meeting was given.

5. Action. If the dispute is not resolved at the Board meeting, or if the Lot Owner fails to appear at the meeting and/or cooperate in the dispute resolution process, the Board may authorize legal action against the Lot Owner for injunctive and other appropriate relief. Likewise, if the dispute is not resolved at the Board meeting, the Lot Owner may take legal action against the Association for injunctive and other appropriate relief. The substantially prevailing party to any such dispute shall be awarded reasonable

attorneys fees, costs and expert costs incurred, including any other appropriate relief as determined by the Court.

6. Conflicts. Any Board member who is incapable of objective and disinterested consideration on any hearing before the Board, as determined by the Board, shall disclose such to the President of the Association prior to the hearing on the case, if possible, or, if advance notice is not possible, then such disclosure shall be made at the hearing, and the Board member shall be disqualified from all proceedings with regard to the hearing. A conflicted Director shall be one with a direct personal or financial interest in the outcome of the decision. A Director shall not be deemed to have a direct personal or financial interest in the outcome if the Director will not, as a result of the outcome, receive any greater benefit or detriment than will the general ownership of the Association.

7. Fair Hearing. The Association will not proceed with legal action unless the Lot Owner is allowed to participate in a fair and impartial fact-finding process. This process will guarantee the Lot Owner receives notice and an opportunity to be heard before the Association's Board of Directors (excluding any conflicted Directors), an impartial decision maker, which shall make a decision concerning whether the action should proceed, including whether or not the dispute actually exists and whether the Lot Owner should be made a party defendant. If, as a result of this fact-finding process, it is determined that the Lot Owner should not be held responsible for the alleged dispute, the Lot Owner shall not be responsible for any of the Association's costs or attorney fees incurred in investigating, asserting or hearing the claim, other than the Lot Owner's general share of expenses as a member of the Association.

Responsible Governance Policy #8 Reserve Policy

1. Reserve Study. The portions of the community that the Association is responsible for (e.g., roads, fences and gates, signage, etc.) typically have limited but reasonably predictable useful lives which require periodic repair and/or replacement. At the Board's discretion, the Association from time to time shall perform either an internally conducted or professional reserve study of those portions of the community maintained, repaired, replaced, and improved by the Association. The reserve study shall consist of both a physical and a financial analysis. The Association shall develop and implement a funding plan for the work recommended by the reserve study. The Association budget shall collect "Reserve Funds" in such amounts, categories and proportions as the Board and the Lot Owners shall determine via the Association's usual budget approval process.

2. Purpose of the Reserve Funds. The purpose of the Reserve Funds shall be to responsibly fund and finance the projected repair and replacement of those portions of the community for which the Association is responsible.

3. Investment of Reserve Funds. If the Reserve Fund consists of a substantial sum of money, the Board shall have the discretion to invest that money so as to grow its principal. The Board's decisions with regard to management and investment of the Reserve Funds shall be made in a fiscally responsible manner so as to ensure safety and liquidity, and to provide the best return within a reasonable level of risk. Investments shall be made to avoid inappropriate concentrations. The Board may hire one or more qualified professional investment advisors and counselors to assist in formulating investment strategies. The Board shall review the Association's investments periodically to ensure that the funds are appropriately managed and shall make prudent adjustments as needed.