

**THE KNOLLS AT PLUM CREEK CONDOMINIUM ASSOCIATION, INC.
GOVERNANCE POLICIES**

Adopted _____, 2014
Effective _____, 2014

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**THE KNOLLS AT PLUM CREEK CONDOMINIUM ASSOCIATION, INC.
GOVERNANCE POLICIES**

In compliance with the Colorado Common Interest Ownership Act, the Board of Directors hereby adopts the following policies and procedures.

I. ADOPTION AND AMENDMENT PROCEDURE

A. Definitions.

1. Policies and Procedures. A policy is a course or principle of action adopted to guide the Board of Directors and the Association. A procedure is an established or official way of conducting a course of action or activity of the Board of Directors or Association. Policies and procedures, in general, will govern the activities of the Board of Directors in the operation of the Association and management of the Community.

2. Rules. A rule is defined as a regulation or requirement governing conduct or behavior. Rules, in general, will govern the use of property within the Community and the behavior of residents and/or their guests while in the Community.

B. Drafting Procedures. The Board may consider the following in drafting policies, procedures and rules:

1. Whether the Governing Documents or Colorado law grants the Board the authority;
2. The need for the policy, procedure or rule, based upon the scope and importance of the issue and whether the governing documents adequately address the issue; and
3. The immediate and long-term impact and implications.

C. Board Authority to Adopt Policies, Procedures and Rules. Subject to the provisions of this policy, the Board of Directors will have the authority to adopt and amend policies, procedures and rules and regulations to the extent they do not conflict with the Governing Documents of the Association by vote of a majority of the Directors at a Board meeting.

D. Adoption Procedure. The Board may adopt policies, procedures or rules at any time. Upon adoption of a policy, procedure or rule, the policy, procedure or rule (or notice of such policy, procedure or rule), including the effective date, will be provided to all Owners by any reasonable method as determined in the sole discretion of the Board, including, but not limited to, posting on the Association's website (if any) or mailing.

II. COLLECTION POLICY AND PROCEDURE

A. Due Dates, Late Charges, Interest, Suspension of Rights, and Acceleration of Assessments.

1. Due Dates. The monthly installments of the annual assessment as determined by the Association, and as allowed for in the Declaration, are due and payable on the first day of each month. The Association will post payments within a reasonable time after payment is received in the Association's office or in the office of the Association's managing agent. Any assessment not paid in full when due will be considered past due and delinquent.

2. Late Charge. The Association may impose a \$25.00 late charge for each Owner who fails to timely pay sums due the Association within 15 days of the due date. These charges may be

imposed monthly, or on another periodic basis as the Association and/or its managing agent may determine, once sums are past due. These charges are a "common expense" for each delinquent Owner.

3. Interest. Delinquent assessments, fines or other charges not paid to the Association within 15 days of the due date are to bear interest at the rate of 18% per annum, commencing on the day following the due date.

4. Administrative Expenses. Charges imposed by the Association's management agent for delinquent accounts will be the Owner's obligation.

5. Suspension of Rights. In addition to fines and other charges, the Association may elect to suspend the voting rights of any Owner whose account is past due at the time of such voting.

6. Acceleration. Upon reasonable notice to the Owner, the Board may accelerate and call due the entire unpaid annual assessment on any delinquent account which is 60 days delinquent. Such acceleration may result in the entire unpaid annual assessment being due to the Association immediately. The Board may also decelerate any accelerated assessment.

B. Return Check Charges.

1. If any check or other instrument payable to or for the benefit of the Association is not honored by the bank or is returned by the bank for any reason, including, but not limited to insufficient funds, the Owner is liable to the Association for one of the following amounts, at the option of the Association:

a. An amount equal to the face amount of the check, draft, or money order and a return check charge of \$20.00 or an amount equal to the actual charges incurred by the Association levied by the party returning the check, whichever is greater; or

b. If notice has been sent as provided in C.R.S. § 13-21-109 and the total amount due as set forth in the notice is not paid within 15 days after such notice is given, the person issuing the check, draft or money order will be liable to the Association for collection for three times the face amount of the check, but not less than \$100.00.

2. Any returned check will cause an account to be past due if full payment of the monthly installment of the annual assessment or of any other charge is delinquent.

3. If two or more of an Owner's checks are returned unpaid by the bank within any fiscal year, the Association may require that all of the Owner's future payments, for a period of one year, be made by certified check or money order.

C. Attorney Fees. As an additional expense permitted under the Declaration and by Colorado law, the Association is entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent Owner pursuant to the terms of the Declaration and Colorado law. Attorney fees incurred by the Association are due and payable immediately when incurred, upon demand.

D. Application of Payments. All sums collected on a delinquent account that has been turned over to the Association's attorney may be applied as determined by the Association's attorney. All payments received on account of any Owner or the Owner's property may be applied first to post-judgment attorney's fees, costs and expenses; then to costs and attorney's fees not reduced to a judgment; then to interest; then to late charges; then to return check charges; then to fines and other amounts levied pursuant to the Declaration; then to delinquent assessments; then to current assessments not reduced to judgment; and finally to amounts reduced to judgment.

E. Time Frames. The following time frames will be followed in the collection of monthly installments of the annual assessment and for collection of other charges.

| | |
|---------------|---|
| Due Date | 1st day of the month for monthly installment of annual assessment or 15 days after notice of assessment or charge for all other assessments, fines and charges. |
| Late Fee Date | 15 days after due date |
| Interest Date | 15 days after due date |

F. Notice. The following time frames serve as a guide for the sending of notices:

| | |
|---|------------------------|
| First Notice from Association or manager | 30 days after due date |
| Second Notice from Association or manager | 60 days after due date |
| Delinquent account turned over to Association's attorney; lien filed; demand letter sent to owner | 90 days after due date |

Notwithstanding the time frames set forth above, if a lienholder with priority over the Association's lien (i.e., first mortgagee) takes title to a Unit through foreclosure or deed in lieu of foreclosure, the Association may file a lien on the Unit for any delinquent payment.

G. Payment Plans. The Association will make a good faith effort to coordinate with the Owner to set up a payment plan. An Owner may enter into a payment plan to pay off a deficiency in equal installments over a minimum period of six months or such other period as authorized by the Board of Directors. If the Owner fails to comply with the terms of the payment plan (fails to remit payment of an agreed-upon installment or fails to remain current with regular assessments as they come due during the payment plan term), the Association may pursue legal action. The Association is not obligated to negotiate a payment plan with an Owner who has previously entered into a payment plan. Further, the Association is not obligated to enter into a payment plan if 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 foreclosure of the Association's lien.

All payment plans involving accounts referred to an attorney for collection will be set up and monitored through the attorney in consultation with the President of the Board or other person designated by the Board.

H. Referral of Delinquent Accounts to Attorneys. If payment in full is not received within 90 days after the due date, the Association, or the authorized agent of the Association, may turn the delinquent account over for collection. Once referred to the Association's attorneys or collection agent for collection, the entire account of that Owner is referred, including sums to accrue, until the entire account is paid in full, the account is settled and has a zero balance, or is written off. All sums collected on a delinquent account that has been turned over for collection are to be remitted to the Association's attorney or collection agent until the account is brought current.

I. Notice to Owner Before Referral for Collection. Before the Association turns over a delinquent account of an Owner to a collection agency or refers it to an attorney for legal action, the Association will send the Owner a notice of delinquency specifying:

1. the total amount due, with an accounting of how the total was determined;
2. whether the opportunity to enter into a payment plan exists as provided in this collection policy, and instructions for contacting the Association to enter into a payment plan, if available;

3. the name and contact information for the individual the Owner may contact to request a copy of the Owner's ledger to verify the amount of the debt;
4. that a lien is in place on the Owner's property, as provided under the Declaration and state law;
5. that action is required to cure the delinquency within 30 days and that failure to do so may result in the Owner's delinquent account being turned over to a collection agency or an attorney, 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.

J. Notices: Use of Certified Mail/Regular Mail. If the Association, its agents or attorneys send a collection or demand letter or notice (other than routine notices and monthly statements) to a delinquent Owner by regular mail, the Association, its agents or attorneys will also send an additional copy of that letter or notice by certified mail.

K. Association Remedies for the Collection of Assessments. The Association's attorney is authorized to take whatever action is necessary, in consultation with the President of the Board of Directors or other person designated by the Board, believed to be in the best interest of the Association. Such actions may include, but are not limited to, the following:

1. Notice of Lien. Such notice may be filed against the delinquent Owner's property to provide record notice of the Association's claim against the property, if not already filed.
2. Lawsuit for Money Judgment. The Association may pursue a lawsuit against an Owner who has sums due the Association, based on the covenant (or promise) to pay the Association as set forth in the Declaration.
3. Judicial Action for Foreclosure. The Association may choose to foreclose on its lien in lieu of or in addition to suing an Owner for a money judgment and pursuing a receivership action. If the Association forecloses on its lien, the Owner will lose the Owner's Unit, having the same effect as if a first mortgagee institutes a foreclosure action against the property (though the procedure is different). Foreclosure is a remedy that may be employed for Owners who are seriously delinquent, for Owners against whom a money judgment lawsuit has been or is likely to be unsuccessful, or in other circumstances that may favor such action.

The Association will not commence a foreclosure action unless the balance of the assessments and charges secured by its lien (which may include late fees, fines and other charges) equals or exceeds six months of common expense assessments based on the Association's periodic budget. Prior to filing a foreclosure action, the Board will resolve, by a recorded vote, to authorize the filing of the foreclosure action against the particular unit, on a specific basis.

4. Appointment of a Receiver. A receiver is a disinterested person, appointed by the court, who manages rental of the Owner's property, and collects the rents according to the court's order, with the Association receiving a percentage of the rent collected.
5. General. The Association has all of the remedies available to it under the Declaration and Colorado law.

L. Notification to and Communication with Owners. This Collection Policy will be made available to all Owners by the Association as required by Colorado law. After a delinquent account has been referred to the Association's attorney, all communication with the delinquent Owner will be handled through the Association's attorney. Neither the manager, if any, nor any member of the Board of Directors will discuss the collection of the account directly with an Owner after it has been turned over to the

Association's attorney unless the attorney is present or has consented to the contact. However, the Association has the option and right to continue to evaluate each delinquency on a case by case basis.

M. Certificate of Status of Assessment/Estoppel Letter. The Association will furnish to an Owner or such Owner's designee upon written request, delivered personally or by certified mail, first-class postage prepaid, return receipt requested, to the Association's registered agent, a written statement setting forth the amount of unpaid assessments currently levied against the Owner's property, for a reasonable fee. The statement will be delivered within 14 calendar days after receipt of the request personally or by certified mail, first-class postage prepaid, return receipt requested. If the Owner's account has been turned over to the Association's attorney, such statement will be handled through the Association's attorney and will include any attorney fees incurred in providing the statement.

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

O. Waivers. The Association is authorized to extend the time for the filing or lawsuits and liens, or otherwise modify the procedures contained in these policies and procedures, as the Association may determine appropriate under the circumstances. Any such accommodation will be documented in the Association's files with the conditions of relief. Failure of the Association to require strict compliance with this Collection Policy will not be deemed a waiver of the Association's right to require strict compliance and will not be deemed a defense to payment of assessment fees or other charges, late charges, return check charges, attorney fees and/or costs as described and imposed by this Collection Policy.

III. CONDUCT OF MEETINGS POLICY AND PROCEDURE

A. Annual Meetings/Special Member Meetings.

1. Notice of a Membership meeting will be sent to each Member not less than 10 or more than 50 days prior to the meeting. In addition to any notice required by the Bylaws or the Declaration, notice of any meeting of the Members will be conspicuously posted in the community, to the extent feasible and practicable. If any Member has requested that the Association provide notice via email and has provided the Association with an email address, the Association must, if it has such capability, send notice of all Member meetings to such Member at the email address provided as soon as possible after notice is provided pursuant to the Bylaws or the Declaration, but in no case less than 24 hours prior to any such meeting.

2. Each Member will sign in prior to the meeting for himself/herself and for any proxies he/she holds. Voting rights of Members who are delinquent in payment of assessments may be suspended and such Members will not be given a ballot. If an election or vote is to be held, the Member will be given the appropriate number of ballots.

B. Voting at Member Meetings.

1. Election of Board members for contested elections (where there are more candidates than open positions) will be conducted by secret ballot. Where secret balloting is used, each Owner entitled to vote pursuant to the Bylaws will receive a ballot. Ballots are not to contain identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of the proxy to the Secretary of the Association or the Secretary's designee, the Owner is to receive a secret ballot to cast the vote of the Owner who provided the proxy. The proxy is to be kept and retained by the Association.

2. All other votes taken at a meeting of the Members will be taken in such method as determined by the Board of Directors or Chair of the meeting, including acclamation, by hand, by voice or by ballot, unless otherwise required by law.

3. Ballots will be counted by a neutral third party or by a committee of volunteers who are Members selected or appointed at an open meeting by the President of the Board or other person presiding during that portion of the meeting. The committee of volunteers will not be Board Members and, in case of a contested election for a Board position, will not be candidates. The results of any vote taken by secret ballot must be reported without identifying information of Members participating in such vote.

C. Proxies for/at Member Meetings. Proxies may be given by any Owner as allowed by C.R.S. § 7-127-203. All proxies will be reviewed by the Association's Secretary or designee as to the following:

1. Validity of the signature;
2. Signatory's authority to sign for the Unit Owner;
3. Authority of the Unit Owner to vote;
4. Conflicting proxies; and
5. Expiration of the proxy

D. Conduct at Member Meetings.

1. The President of the Board of Directors, or other person directed by the Board, will call the meeting to order and conduct the meeting. The meeting will proceed in the order set forth in the agenda.

2. 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. 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.

3. Members must maintain decorum and refrain from addressing the Membership or Board until recognized by the chair. Upon being recognized, the Member must state his/her name and address.

4. Members may not interrupt anyone who validly has the floor, or otherwise disrupt the meeting. Members may not engage in personal attacks on either Board Members or other Association Members. All comments and questions are to be delivered in a businesslike manner and comments will be confined to matters germane to the agenda item being discussed. No Member may use abusive, rude, threatening, vulgar or crude language. To facilitate free and open discussion Members may not tape or videotape meetings.

5. 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.

6. Any motions must be seconded prior to discussion and voting. Because the nature of a motion and vote may be outside the Members' authority, the Board reserves the right to determine whether a motion will be considered binding on the Association or a recommendation for proceeding. Such determination may be made following consultation with legal counsel.

7. Meetings are not required to be held in accordance with Robert's Rules of Order.

E. Board Meetings.

1. Notice of Board meetings will be given to directors at least seven days prior to the meeting. Notice may be by personal delivery, first class mail, postage prepaid, telephone, or by facsimile or email with confirmation of receipt.

2. All Board meetings are open to attendance by Members of the Association, or their representatives, provided that the Board may go into executive session for any purpose allowed by law. Members may be excluded from executive session. Prior to going into executive session, the chair of the meeting will announce the purpose for the executive session.

3. The meeting agenda will be made reasonably available for examination by Members of the Association or their designated representatives.

4. There will be a Members' forum at the beginning of each regular Board meeting. The Members' forum may be for up to 20 minutes, although the Board may extend this time in its discretion. Members who wish to speak on a particular agenda item or topic must submit a written request at least five days prior to the meeting, including any questions to be addressed and a statement of whether the Member is for or against a particular item. The rules for Member participation during the meetings are as follows:

a. Each Member who wishes to address the Board on an agenda item or on any other matter will be given a reasonable time to speak, provided the chair may impose reasonable time limits to facilitate Member participation. If more than one person desires to address an issue on which the Board is to vote and there are opposing views, the Board will provide for a reasonable number of Members to speak on each side of the issue. After other Members have had an opportunity to speak, then a Member who has already spoken will be given another opportunity, time permitting.

b. Each Member who wishes to speak must be recognized by the chair. Once recognized, the Member will state his/her name and address.

c. All comments must be delivered in a businesslike and professional manner. Personal attacks or inflammatory comments will not be permitted. Comments are to be relevant to the purpose of the meeting or the issue at hand.

d. A Member who wishes to speak about any matter on the agenda of the Board meeting will do so only during the Members' forum.

e. To facilitate free and open discussion Members may not tape or videotape meetings.

f. The Board is not obligated to take immediate action on any item presented by a Member.

g. Anyone disrupting the meeting, as determined by the chair, will be asked to come to order. Anyone who does not come to order will be requested to immediately leave the meeting and the meeting may be adjourned until a future date, at the sole discretion of the Board.

5. Following the conclusion of the Members' forum, the Board will proceed with the business portion of the meeting. Members who attend or remain may not participate in deliberation or discussion during this portion of the Board meeting unless expressly authorized by a vote of the majority of a quorum of the Board or if the Board will vote on a matter that is not on the agenda.

6. Items will be discussed pursuant to the meeting agenda, provided that items may be taken out of order if deemed advisable by the chair of the meeting. Items not on the agenda may be

discussed once all other items have been concluded, time permitting. If items that are not on the agenda are discussed, Members will be given a reasonable opportunity to comment.

7. Any director may make a motion. All motions will be recorded in the minutes. Motions must be seconded to be discussed and voted upon. If any director requests his/her vote in favor or against, or his/her abstention be recorded in the minutes, the minutes must so reflect.

8. Board meetings are not required to be held in accordance with Robert's Rules of Order.

IV. CONFLICT OF INTEREST POLICY

A. General Duty. The Board of Directors will use its best efforts at all times to make decisions that are consistent with high principles, and to protect and enhance the values of properties of the Members and the Association. All directors will exercise their power and duties in good faith and in the best interest of, and with utmost loyalty to the Association. All directors will comply with all lawful provisions of the Declaration and the Association's Articles, Bylaws and applicable laws.

B. Definition of "Conflict of Interest". A conflict of interest exists whenever any contract, decision or other action taken by or on behalf of the Board would financially benefit: (i) a director; (ii) a parent grandparent, spouse, child, or sibling of the directors; (iii) a parent or spouse of any of the persons in subsection (ii); or (iv) an entity in which the director is a director or officer or has a financial interest.

C. Policy. Unless otherwise approved by a majority of the other directors, no Director may transact business with the Association or any Association contractor during his or her term as a director or within two years after the term expired.

D. Disclosure. Any conflict of interest on the part of any director will be verbally disclosed to the other directors in open session at the first open meeting of the Board of Directors at which the interested director is present prior to any discussion or vote on the matter. After disclosure, the director may participate in the discussion but may not vote on the matter, unless the transaction is fair to the Association, as allowed by state statutes. The minutes of the meeting will reflect the disclosure made, any abstention from voting, the composition of the quorum and a record of who voted for and against the action.

E. Quorum. The interested director will count for the purpose of establishing a quorum of the Board for the matter in which there is a conflict.

F. Approval of Transaction. The contract, Board decision or other Board action must be approved by a majority of the disinterested Board members who are voting. No contract, Board decision or other Board action in which a Board member has a conflict of interest will be approved unless it is commercially reasonable to and/or in the best interests of the Association.

G. Standard of Review. Notwithstanding anything to the contrary herein or in the Association's conflict of interest policy and in accordance with the Colorado Revised Nonprofit Corporations Act, no conflicting interest transaction will be set aside solely because an interested director is present at, participates in or votes at a Board or committee meeting that authorizes, approves or ratifies the conflicting interest transaction if:

1. the material facts as to the director's relationship or interest as to the conflicting interest transaction are disclosed or known to the Board of Directors 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 may be less than a quorum; or

2. the material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or known to the Members entitled to vote on the transaction, if any, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote; or

3. the conflicting interest transaction is fair to the Association.

H. Loans. No loans will 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 will be liable to the Association for the amount of such loan until the repayment of the loan.

V. COVENANT AND RULE ENFORCEMENT POLICIES AND PROCEDURES

A. Reporting Violations to the Association. Complaints regarding alleged violations may be reported by an Owner or resident within the Community, a group of Owners or residents, Board members or committee members by submission of a written complaint.

B. Complaints of Violations Submitted to the Association. Complaints by Owners or residents must be in writing and submitted to the Board of Directors. A written complaint is not required if the alleged violation can be independently verified by the Association. The complaining Owner or resident must have observed the alleged violation and must identify the complainant ("Complainant"), the alleged violator ("Violator"), if known, and set forth a statement describing the alleged violation, referencing the specific provisions which are alleged to have been violated, when the violation was observed and any other pertinent information. Non-written complaints, or written complaints failing to include any information required by this provision, may not be investigated or prosecuted at the discretion of the Association.

C. Investigation of Complaints made to the Association. Upon receipt of a complaint by the Association, if additional information is needed, the complaint may be returned to the Complainant or may be investigated further by the Board. The Board will have sole discretion in appointing an individual or committee to investigate the matter.

D. Warning Letter from the Association. If a violation is found to exist, a warning letter may be sent to the violator explaining the nature of the violation. The letter will state that the alleged violator is entitled to a hearing on the merits of the matter, provided that such hearing is requested in writing within 10 days of the date on the letter.

E. Notice of Hearing before the Association. If a hearing is requested by the alleged violator, the Board, committee or other person conducting such hearing as may be determined in the sole discretion of the Board, may serve a written notice of the hearing to all parties involved prior to the hearing date.

F. Hearings before the Association. At the beginning of each hearing, the presiding officer may introduce the case by describing the alleged violation and the procedure to be followed during the hearing. Each party or designated representative, may, but is not required to, make an opening statement, present evidence and testimony, present witnesses, and make a closing statement. The presiding officer may also impose such other rules of conduct as may be appropriate under the given circumstances. Neither the Complainant nor the alleged violator is required to be in attendance at the hearing. The Board may base its decision solely on the matters set forth in the Complaint, results of the investigation and such other credible evidence as may be presented at the hearing. Unless otherwise determined by the Board, all hearings may be open to attendance by all Members. After all testimony and other evidence has been presented at a hearing, the Board will, within 30 days, or such longer period as the Board may set, render its written finding and decision, and impose a fine, if applicable. A decision, either a finding for or against the alleged violator, may be by a majority of the Board members present at the hearing. Failure to strictly follow the hearing procedures set forth above will not be grounds for appeal of the hearing committee's decision, absent a showing of a denial of due process.

G. Fine Schedule.

1. The following fines are guidelines for violation of the provisions of the Declaration, Bylaws, Rules and Regulations and Policies and Procedures of the Association:

| | |
|------------------------|-----------------|
| First violation: | Warning letter |
| Second violation: | up to \$25.00 |
| Third violation: | up to \$50.00 |
| Subsequent violations: | up to \$100.00 |
| Continuing violations: | \$10.00 per day |

A continuing violation is a violation of an ongoing nature which has not been corrected. The Board reserves the right to fine for first violations of rules that involve health and safety issues and other violations where a warning may not be deemed necessary by the Board in its reasonable discretion. Additionally, upon prior written notice, the Board reserves the right to levy fines in excess of the above referenced schedule, if the fines set forth in this schedule are not likely to provide effective incentives to induce compliance. Any Owner committing three or more violations in a six month period (whether such violations are of the same covenant or different covenants) may be immediately turned over to the Association's attorney for appropriate legal action.

2. The Board will establish the amount of the fine within the above ranges based upon the nature and severity of the violation, as determined in the sole discretion of the Board. The Board may waive all, or any portion, of the fines if, in its reasonable discretion, such waiver is appropriate under the circumstances. Additionally, the Board may condition waiver of the entire fine, or any portion thereof, upon the violator coming into compliance with the Governing Documents.

3. All fines are due and payable upon notice of the fine and will be late if not paid within 15 days of the date that the Owner is notified of the imposition of the fine. A late fee and interest may be imposed for all fines not paid when due in accordance with the Collection Policy. All fines and late charges will be considered an assessment and may be collected as set forth in the Declaration and the Collection Policy. Fines will be in addition to all other remedies available to the Association pursuant to the terms of the Declaration and Colorado law, including the Association's right to collect attorney fees.

H. Failure to Enforce. Failure of the Association to enforce the Governing Documents will not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any of the above referenced governing documents for the Association.

VI. DISPUTE RESOLUTION POLICIES AND PROCEDURES

A. Required Dispute Resolution Procedure for Owner Disputes With the Association. Prior to filing a claim against the Association, the Board, or any officer, director, managing agent/company of the Association, an Owner must:

1. Send a written demand on the matter desired to be included in their claim; or

2. The Owner may request and attend a hearing with the Board of Directors. Requests for a hearing are to be in writing and must be personally delivered to any member of the Board of Directors or the Association's manager.

B. Good Faith Explanation. The Owner, in their written demand or request for and attendance of a hearing, is asked to make a good faith effort to explain the grievance to the Board.

C. HOA Response. The Owners must allow the Association the opportunity to resolve the dispute in an amicable fashion in not less than 60 days.

D. Hearing. If the dispute is not resolved in 60 days, and the Owner has requested a hearing, the Board may give notice of the date, time and place of the hearing to the person requesting the hearing. The Board may schedule this hearing for a date not less than three or more than 60 days from the date of receipt of the request. If the dispute cannot be resolved, the parties may utilize the discretionary mediation procedure of the Association, set forth below, but is not required to do so.

E. Discretionary Dispute Resolution Procedures. The procedures set forth below may be used in disputes between Owners and the Association, and between Owners and other Owners or residents. At its discretion, the Board of Directors may utilize the procedures set forth below to resolve disputes with Owners prior to filing litigation.

1. Negotiation. A request for dispute resolution by negotiation may be initiated by an Owner or the Association. A request must be in writing stating the nature and details of the dispute and must be personally delivered to the other party. So long as the other party agrees to negotiate, a meeting is to be held between the parties to begin a good faith attempt to negotiate a resolution not less than 60 days of receipt of request, unless otherwise extended by written agreement. Through negotiation, the parties will communicate directly with each other in an effort to reach an agreement that serves the interests of both parties. Should the dispute pertain to property issues, each party will be granted the right to inspect the alleged defects or problems at a time convenient to everyone involved.

2. Mediation. If the dispute is not resolved by negotiation, any party may request in writing that the issue be submitted to mediation. If the parties agree to mediate the dispute prior to seeking other remedies, they should participate in good faith in the mediation. The role of the mediator is to facilitate further negotiation between the parties. The mediator will not have power to decide how to resolve the dispute but will use recognized, accepted mediation techniques to assist the parties in making that decision. The mediator is to be selected by a consensus of the parties involved within 15 days of the receipt of the request. Any cost of mediation will be shared equally among the parties unless they and the mediator agree otherwise.

VII. RESERVE STUDY POLICY

A. Purpose of the Reserve Fund. The purpose of the Reserve Fund is to responsibly fund and finance the projected repair and replacement of those portions of the Community that the Association is responsible for and for other funding as the Board of Directors may determine. The portions of the Community that the Association is responsible for typically have limited but reasonably predictable useful lives.

B. Reserve Study Policy. The Association is not required under the Community's governing documents to have a reserve study. The Association has determined to establish policies on reserve studies as follows:

1. The Board of Directors will review the Reserve Study and reserve funding periodically, at the sole discretion of the Board.

2. Reserve studies are preferred to be performed by a professional reserve specialist.

3. Reserve studies are preferred to be based on a physical examination of the Community by the person preparing the Reserve Study, but may be performed by the person preparing the study without a physical examination.

C. Reserve Funding Policy. The Association has determined to establish policies on reserve funding as follows:

1. Funding for replacement is preferred to be based on a financial analysis performed by a professional reserve specialist or may be performed without a financial analysis.

2. Funding for replacement is planned and projected to be through the Association's assessment of the Owners, as determined from year-to-year, by the Board, or from the following sources:

- a. Cash then on hand, including the operation and the reserve accounts;
- b. Regular assessments of Owners;
- c. Special assessments of Owners;
- d. A loan as may be obtained by the Association; and/or
- e. Any combination of the above

VIII. INVESTMENT OF RESERVES POLICY

A. Standard of Care. With regard to investment of reserve funds, directors and officers will be subject to the standard of care outlined below. Officers, for purposes of this policy only, 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.

1. Each director and officer will perform their duties regarding investment of reserves in good faith, in a manner the director or officer reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In the performance of their duties, a director or officer is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (a) one or more officers or employees of the Association whom the director or officer reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, professional property manager, public accountant, or other persons as to matters which the director or officer reasonably believes to be within such person's professional or expert competence; or (c) a committee of the Association on which the director or officer does not serve if the director reasonably believes the committee merits confidence.

2. A director or officer will not be considered to be acting in good faith if the director or officer has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A director or officer will not be liable to the Association or its Members for any action the director or officer takes or omits to take as a director or officer if, in connection with such action or omission, the director or officer performs his duties in compliance with this policy. A director or officer, regardless of title, will not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association.

B. Limitations on Investments. Unless otherwise approved by the Board, all investments must be FDIC (Federal Deposit Insurance Corporation) insured and/or guaranteed by the United States Government.

C. Investment Goals. The Board of Directors of the Association will invest funds held in the Reserve Funds accounts to generate revenue that will accrue to the Reserve Funds accounts balance pursuant to the following goals, criteria and policies:

1. Safety of Principal. Promote and ensure the preservation of the Reserve Fund's principal.

2. Liquidity and Accessibility. Structure maturities to ensure availability of assets for projected or unexpected expenditures.

3. Minimal Costs. Minimize investment costs (redemption fees, commission, and other transactional costs).

4. Diversify. Mitigate the effects of interest rate volatility upon reserve assets.

5. Return. Invest funds to seek the highest level of return.

D. Criteria. The Board may consider the following circumstances in investing reserve funds:

1. General economic conditions;

2. Possible effect of inflation or deflation;

3. Expected tax consequences;

4. Role that each investment plays in the overall investment portfolio;

5. Other resources of the Association.

E. Independent Professional Investment Assistance. The Board of Directors of the Association may hire a qualified investment counselor/adviser to assist in formulating a specific investment strategy.

IX. RECORDS INSPECTION POLICY

A. Records to be maintained. In addition to any records specifically required by the Association's Declaration or Bylaws, the Association will maintain the following records:

1. detailed records of receipts and expenditures affecting the operation and administration of the Association;

2. records of claims for construction defects and amounts received pursuant to settlement of those claims;

3. minutes of Membership meetings, minutes of Board meetings, a record of all actions taken by the Members or Board without a meeting (i.e., by written ballot or written consent in lieu of a meeting), and a record of all actions taken by a committee of the Board;

4. written communications (including email communications) among, and the votes cast by, Board members that are directly related to an action taken by the Board without a meeting pursuant to the Association's Bylaws or Colorado law;

5. the names of Members in a form that permits preparation of a list of names and physical mailing addresses of all Members, showing the number of votes each Member is entitled to vote ("Membership list");

6. the current Articles of Incorporation, Declaration, Bylaws, Rules and Regulations, responsible governance policies required pursuant to Colorado law, and any other policies adopted by the Board;

7. financial statements, to the extent available, showing, in reasonable detail, the Association's assets and liabilities and results of its operations for the past three years;

8. tax returns for the past seven years, to the extent available;
9. a list of the names, email addresses and physical mailing addresses of its current directors and officers;
10. its most recent annual report delivered to the Secretary of State;
11. financial records sufficiently detailed to enable the Association to provide statements of unpaid assessments in accordance with the Colorado Common Interest Ownership Act;
12. the Association's most recent reserve study, if any;
13. current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two years;
14. records of Board or committee actions to approve or deny requests for design or architectural approval from Members;
15. ballots, proxies, and other records related to voting by Members for one year after the election, action, or vote to which they relate;
16. resolutions adopted by the Board relating the characteristics, qualifications, rights, limitations, and obligations of Members or any class of Members; and
17. written communications within the past three years to Members generally as Members.

B. Annual Disclosures. The Association will provide the following information as required by C.R.S. § 38-33.3-209.4:

1. the date on which the fiscal year commences;
2. the operating budget for the current fiscal year;
3. a list, by Unit type, of the Association's current assessments (regular and special);
4. the annual financial statements, including any amounts held in reserve, for the fiscal year immediately preceding the current annual disclosure;
5. the results of the most recent available financial audit or review, if any; and
6. a list of all Association insurance policies, including company names, policy limits, policy deductibles, additional named insureds, and expiration dates.

C. Sole Records Subject to Inspection. The records outlined above will be the sole records of the Association subject to inspection. If the Association stores other types of documentation, or stores documentation for a longer time period than may be required above, such documents will not be considered records of the Association.

D. Inspection Procedure. The records set forth above will be made reasonably available for inspection and copying by a Member or the Member's authorized agent. "Reasonably available" means available during between the hours of 10 a.m. and 3:00 p.m., Monday through Friday, after written request of at least 10 days or at the next regularly scheduled meeting, if such meeting occurs within 30

days after the request. The written request must describe the records sought with reasonable particularity. The Board may require that requests be submitted on the form attached to these policies.

E. Commercial Uses. No Member may use Association records, or allow Association records to be used, for commercial purposes.

F. Membership List. A Membership list may not be:

1. used to solicit money or property unless such money or property will be used solely to solicit votes of the Members in an election held by the Association;
2. used for any commercial purpose;
3. sold to or purchased by any person;
4. used for any purposes unrelated to the Member's interest as a Member; or
5. used for any other purpose prohibited by law.

Any Member requesting a Membership list shall be required to sign the agreement attached to this policy indicating that he/she will not use the list for the purposes stated above.

G. Mandatory Exclusions. Pursuant to Colorado law, the following records are not available for inspection and copying to the extent that such records are or concern:

1. personnel, salary, or medical records related to specific individuals; and
2. personal identification and account information of Members, including:
 - a. bank account information,
 - b. telephone numbers,
 - c. electronic mail addresses,
 - d. driver's license numbers,
 - e. social security numbers,
 - f. vehicle identification information.

H. Permissive Exclusions. Pursuant to Colorado law, the Association may withhold the following records from inspection and copying:

1. architectural drawings, plans, and designs, unless the legal owner of such drawings, plans, or designs provides written consent to the release;
2. contracts, leases, bids or records related to transactions to purchase or provide goods or services that are still in or under negotiation;
3. communication with legal counsel protected by the attorney-client privilege or the attorney work product doctrine;
4. disclosure of information in violation of law;

- 5. records of an executive session of the Board; and
- 6. records related to an individual Unit other than the Members' Unit.

I. Time and Location. Upon receipt of a request, the Association will make an appointment with the Owner, at a time convenient to both parties (subject to the requirements above), to conduct the inspection. At the discretion of the Board of Directors, records will be inspected only in the presence of a Board member or other person designated by the Board.

J. Copying Records. During inspection, an Owner may designate pages to be copied with a paperclip, post-it note, or other means provided by the Association. Any Owner requesting copies of Association records will be responsible for all actual costs incurred by the Association, including the cost to search, retrieve, and copy the record(s) requested.

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

L. Creation of Records. Nothing contained in these policies shall be construed to require the Association to create records that do not exist or compile records in a particular format or order.

M. Remedies. The Association may pursue any Owner for damages or injunctive relief or both, including reasonable attorney fees, for abuse of inspection and copying rights, including use of any records for a commercial purpose.

**PRESIDENT'S
CERTIFICATION:**

The undersigned, being the President of the Knolls at Plum Creek Condominium Association, Inc., a Colorado non-profit corporation, certifies that the foregoing policies and procedures were adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board on _____, 2014, and in witness thereof, the undersigned has subscribed his/her name.

THE KNOLLS AT PLUM CREEK CONDOMINIUM ASSOCIATION, INC.,
a Colorado nonprofit corporation

By: _____
President

AGREEMENT REGARDING INSPECTION AND COPYING OF RECORDS OF THE KNOLLS AT PLUM CREEK CONDOMINIUM ASSOCIATION, INC.

Pursuant to state law and the Association's Records Inspection Policy, I hereby request Tara Mansion Condominium Homeowners Association provide access to the records of the Association. I understand that upon receipt of this request, the Association will set an appointment with me during regular business hours.

1. The records that I wish to review are (attach a separate piece of paper if necessary):

- A. _____
- B. _____
- C. _____

I understand that under the terms of the Colorado Revised Nonprofit Corporation Act, Association records may not be obtained or used for any purpose unrelated to my interest(s) as an Owner. I further understand and agree that without limiting the generality of the foregoing, Association records 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 Owners in an election held by the Association;
- (B) Used for any commercial purpose;
- (C) Sold to, otherwise distributed to, or purchased by any person; or
- (D) Any other purpose prohibited by law.

In the event any document requested is used for an improper purpose, I will be responsible for any and all damages, penalties and costs incurred by the Association, including attorney fees resulting from such improper use. I will additionally be subject to any and all enforcement procedures available to the Association through its governing documents and Colorado law.

Understood and agreed to by:

_____ Date: _____
Homeowner

_____ Date: _____
Homeowner

Address