

**RESOLUTION OF THE  
STAGECOACH TOWNHOUSE ASSOCIATION  
TO ENACT  
RESPONSIBLE GOVERNANCE POLICIES**

The Stagecoach Townhouse Association (the "Association"), for the purpose of complying with C.R.S §38-33.3-209.5, hereby adopts the following responsible governance policies. Unless otherwise defined in these governance policies, terms defined in the Occupancy, Occupancy, Use and Maintenance Agreement for Lots A through F, Block One of the Second Replat of Projects I and II at Stagecoach ("OUMA for Block 1"), Use and Maintenance Declaration for Block 2 of the Second Replat of Project I and II at Stagecoach ("OUMA for Block 2"), Occupancy, Use and Maintenance Agreement for Lots A through F, Block Three of the Second Replat of Projects I and II at Stagecoach ("OUMA for Block 3"), Occupancy, Use and Maintenance Agreement for Lots A through F, Block Four of the Second Replat of Projects I and II at Stagecoach ("OUMA for Block 4"), Occupancy, Use and Maintenance Agreement for Lots A through F, Block Five, of the Second Replat of Projects I and II at Stagecoach ("OUMA for Block 5"), Occupancy, Use and Maintenance Declaration for Blocks 6, 7, 8, 9 10 11, 12, 13 14 and 15 of the Second Replat of Project I and II at Stagecoach ("OUMA for Blocks 6-15") (collectively the "OUMAS"), and the Association's Articles of Incorporation ("Articles"), Bylaws ("Bylaws") and Rules and Regulations ("Rules and Regulations") shall have the same meaning herein. The OUMAS, Articles, Bylaws and Rules and Regulations shall hereafter be collectively referred to as the "Governing Documents."

**A. Procedures for the Adoption and Amendment of Policies, Procedures and Rules.**

Article XI of the OUMA for Block 1, Article X of the OUMA for Block 2, Article XI of the OUMA for Block 3, Article XI of the OUMA for Block 4, Article IX of the OUMA for Block 5 and Article X of the OUMA for Block 6-15 grants the Association the power to govern and administer the property in accordance with the terms and conditions of the respective OUMAS. The purposes and powers of the Association, pursuant to Article 4 of the Articles of Incorporation, are to provide management, repair and maintenance services for Townhouse units located in Projects I & II at Stagecoach and to govern and administer the common facilities relating to Townhouse units in accordance with the OUMAS. Article 5.6 of the Articles grants the Board of Directors (the "Board") the power to establish, revise modify and enforce the Bylaws and Rules and Regulations which govern the maintenance and use of common facilities and areas. Articles 2 of the Bylaws grants the Association the power to promulgate and enforce such rules and regulations as are deemed appropriate by the Association for the purpose of protecting, preserving or enhancing the Townhouse units and common facilities in accordance with the OUMAS.

Pursuant to the above referenced authority, and for the purpose of adopting a standard procedure to be used when adopting policies, rules, regulations and guidelines (hereafter

“Policies” or “Policy”), the Association hereby adopts the following procedures to be followed in adopting Policies of the Association:

1. The Board of Directors shall consider the following in drafting any Policy:
  - (a) whether the Governing Documents or Colorado law grants the Board of Directors the authority to adopt the proposed Policy;
  - (b) the need for the Policy based on the scope and importance of the issue and whether the Governing Documents currently address the issue adequately; and
  - (c) the immediate and long-term impact of the Policy
2. Notice of any proposed Policy shall be posted on the Association’s website or sent via First Class Mail or email to each Owner. Owners shall be allowed thirty (30) days to provide comments to the Board of Directors regarding the proposed Policy. The adoption of every proposed Policy shall be listed on the agenda for a Board of Director’s meeting prior to the adoption, and any Owner who wishes to comment on the proposed Policy shall be afforded such opportunity to do so at the meeting in compliance with the Association’s policy regarding conduct of meetings.
3. The Board of Directors may forego the notice and opportunity to comment in the event the Board of Directors determines in its sole discretion that providing notice and opportunity to comment is not practical given the emergency nature of such Policy.
4. After adoption of any Policy, a copy of the Policy or notice of the Policy, including the effective date, shall be provided to all Owners by any reasonable method as determined in the sole discretion of the Board of Directors, including but not limited to posting on the Association’s website. A copy of the Policy shall also be placed in the binder containing the records and documents of the Association, which shall be available for inspection and copying pursuant to the Board of Director’s policy regarding inspection and copying of documents.

## **B. Policy Regarding Board of Directors Conflicts of Interest**

1. As used in this policy, “conflicting interest transaction” means: A contract, transaction, or other financial relationship between the Association and a member of the Association’s Board (“Director”), or between the Association and party related to a Director, or between the Association and an entity in which the Director is a director or officer or has a financial interest.
2. As used in this policy, “Officer” shall mean any person designated as an officer of the Association and any person to whom the Board delegates responsibilities under Article 38-33.3 of the Colorado Revised Statutes, including, without limitation, a managing agent, attorney or accountant employed by the Board.

3. As used in this policy, "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.

4. 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.

5. 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 an Owner 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 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 or of the committee of the Board that authorizes, approves, or ratifies the conflicting interest transaction or solely because the Directors vote is counted for such purpose if:

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

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

(c) the conflicting interest transaction is fair as to the Association.

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

### **C. Assessment Collection Policy**

The Owner of each Townhouse unit shall pay the full amount of any special assessments assessed specifically against such Owner's Townhouse unit and the Owner's pro rata share of the common expenses allocated to such Townhouse unit as general assessments.

The Association shall send notices of general (regular) and special assessments and other charges via invoices. All invoices are due and payable on the date or dates specified in the invoice, or if payment date(s) are not specified, within thirty (30) days after the date of the invoice. Assessments or other charges not paid within ten (10) days after the due date shall be considered past due and delinquent and the Association may assess a late

payment fee of \$ \_\_\_\_\_ and interest on the past due amount from the date due until paid at a rate of eighteen percent (18%) per annum. All checks returned by the Owner's bank for any reason whatsoever, including but not limited to insufficient funds, shall incur a \$ \_\_\_\_\_ returned check charge. All late fees, interest, returned check charges and costs of collection, including court costs and attorney fees, shall be a special assessment against the delinquent Owner(s) and such Owner(s) Townhouse unit.

#### Collection Process:

1. After any assessment or other charge becomes more than fifteen (15) days delinquent, the Association may send a written notice of non-payment to the Owner.

2. After any assessment or other charge becomes more than thirty (30) days delinquent, the Association may record a statement of lien against the Owner's Townhouse Unit in the Routt County real property records for the delinquent amount, late payment fees, interest and cost of collection. The Association's failure to record any such statement of lien or any error or omission in the content of such statement of lien shall not defeat such lien of the Association nor affect its priority.

3. After any assessment or other charge becomes more than forty-five (45) days delinquent, the Association may refer the matter to the Association's attorney who may file a lawsuit against the Owner or institute a foreclosure action against the Owner's Townhouse unit to collect all amounts due to the Association. The cost of any lawsuit or foreclosure action shall include the costs of collection, including attorney fees.

4. After any assessment or other charge becomes more than sixty (60) days delinquent, the Association may, pursuant to Article 5 of the Bylaws, revoke the Owner's right to vote at any regular or special meetings.

#### **D. Policy Regarding the Inspection and Copying of Documents.**

The Association shall permanently retain the following records as required by Colorado law: (1) Minutes of all Board of Director and Owner meetings, (2) all actions taken by the Board of Directors or Owners by written ballot in lieu of a meeting, (3) all actions taken by a committee on the behalf of the Board of Directors acting on behalf of the Association, (4) all waivers of the notice requirements for Owner meetings, Board of Director meetings or committee meetings and (5) a record of each Owner's name, address and number of votes each Owner is entitled to vote.

Within ninety (90) days after the end of each fiscal year, the Association shall make the following information available to Owners: (1) the date on which the Association's fiscal year commences, (2) the operating budget for the current fiscal year, (3) a list, by Townhouse unit type, of the Association's current assessments, including both regular and special assessments, (4) the Association's annual financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure, (5) the results of any financial audit or review for the fiscal year immediately

preceding the current annual disclosure, (6) a list of all Association insurance policies, including, but not limited to, property, general liability, association director and officer professional liability and fidelity policies (this list shall also include the company names, policy limits, policy deductibles, additional named insured and expiration dates of the policies), (7) the Association's OUMAS, Articles, Bylaws, Policies and Rules and Regulations, (8) the Minutes of any Board of Director meeting or meeting of the members for the fiscal year immediately preceding the current annual disclosure and (9) the responsible governance policies, adopted pursuant to C.R.S. §38-33.3-209.5.

Further, the Association shall keep a copy of each of the following records (1) Resolutions adopted by the Board of Directors relating to the characteristics, qualifications, rights, limitations and obligations of Owners or any class or category of Owners, (2) the minutes of all Owners' meetings, and records of all action taken by Owners without a meeting, for the past three (3) years, (3) all written communications within the past three (3) years to Owners generally as Owners, a list of the names and business or home addresses of the Association's current directors and officers, (4) the Association's most recent annual report, if any, and (5) all financial audits or reviews conducted during the immediately preceding three years.

In order to provide the greatest latitude of disclosure to the Owners, the Association may maintain a website containing a majority of the documents/records listed above, available for download on the website. The website may consist of a public area, available to the public, and a private area, limited to Owners and requiring a password to enter. The Board of Directors shall use its discretion as to which documents/records are posted on the website and therefore many of the above listed documents/records may not be available on the website.

The Association (or its managing agent) shall also have available for inspection and copying, at the Association's office, a binder containing all of the above listed documents. The Board of Directors encourages Owners to access the documents via the website, but will allow copying and inspection at the Association's office, subject to the following conditions:

- (a) The inspection and/or copying of the records shall be at the owner's expense.
- (b) The inspection and/or copying shall be by appointment only during the Association's office hours. The binder containing the Association's documents and records shall at all times remain at the Association's office and shall not be removed by any Owners, for any reason.
- (c) Owners shall complete, sign and submit a written request for inspection ("Association Request Form") at least three (3) business days prior to inspection/copying. A copy of the Association Request Form can be downloaded from the Association's website or will be provided to the Owners upon verbal or written request. Certain documents of the Association will not be available for inspection/copying: documents and records protected by the attorney-client

privilege, those records that are deemed confidential or those protected by federal or state privacy laws.

- (d) Association documents/records shall not be used by Owners for (1) any purpose unrelated to an Owner's interest as an Owner, (2) commercial purpose, (3) for the purpose of distributing or selling such records to any person, (4) any other improper purpose determined at the sole discretion of the Board of Directors.
- (e) The cost of copying any record is \$.10 per page. The cost of copying must be paid in full prior to the Association releasing the copies to an Owner. There shall be no cost for downloading and printing any document provided on the Association's website.

**E. Policy Regarding Investment of Reserves of the Association:**

The Stagecoach Townhouse Association Building Fund Procedures (enacted September 8, 1999) authorization the Association to collect funds from the Owners to be used exclusively for necessary repair and maintenance of the buildings ("Building Fund"). The Building Fund and any other reserve account (whether an operating reserve or capital reserve) shall hereafter be referred to collectively as the "Reserve Accounts."

In order to preserve and protect the principal of the Reserve Accounts:

1. All Reserve Accounts shall be deposited in a FDIC insured savings or checking account. When possible, Reserve Accounts shall be deposited in interest-bearing accounts.

2. Reserve Accounts shall only be used for the purposes for which the Reserve Accounts in question was established,

3. Withdrawal of funds from the Reserve Accounts shall require the prior authorization and approval of the Board. Withdrawal of Building Funds shall require the approvals and authorizations as set forth in the Stagecoach Townhouse Association Building Fund Procedure.

4. With regard to investments of the Reserve Accounts, the officers and members of the Board shall be subject to the following standards of conduct:

(a) Each member of the Association's Board ("Director") shall discharge the Director's duties as a director, including the Director's duties as a member of a committee of the Board, and each officer, including any person whom the Board delegates responsibilities as to the Reserve Accounts, including, without limitation, a managing agent, attorney or accountant employed by the Board ("Officer"), shall discharge the Officer's duties under that authority:

- (i) in good faith;

(ii) with the care an ordinarily prudent person in a like position would exercise in under similar circumstances; and

(iii) in a manner the Director or Officer reasonably believes to be in the best interests of the Association.

(b) In discharging duties, a Director or Officer is entitled to rely on information, opinions reports, or statements, including financial statements and other financial data, if prepared or presented by:

(i) one or more Officers or employees of the Association who the Director or Officer reasonably believes to be reliable and competent in the matters presented;

(ii) legal counsel, a public accountant, or another person as to matters the Director or Officer reasonably believes are within such person's professional or expert competence;

(iii) in the case of a Director, a committee of the Board of which the Director is not a member if the Director reasonably believes the committee merits confidence.

(c) A Director or Officer is not acting in good faith if the Director or Officer has knowledge concerning the matter in questions that makes reliance otherwise permitted by subsection (B) of this section unwarranted.

(d) A Director or Officer is not liable as such to the Association or its members for any action taken or omitted to be taken as a Director or Officer, as the case may be, if, in connection with such action or omission, the Director or Officer performed the duties of the position in compliance with this section.

(e) A Director, regardless of title, shall not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association including, without limitation, property that may be subject to restrictions imposed by the donor or transferor of such property.

#### **F. Policy Regarding Procedures for Conducting Owner and Board of Directors Meetings**

The purpose of this policy is to establish a uniform and systematic protocol for conducting meetings of the Association, including Owners and Board of Director meetings; to ensure notice of meetings is given pursuant to Colorado law; to ensure equitable participation by Owners while permitting the Board of Directors to conduct the business of the Association; and to memorialize the circumstances under which the Board of Directors may meet in executive or closed door sessions.

- 1) Meetings. Meetings of the Owners, as the members of the Association, shall be held at least once a year. Special meetings of the Owners may be called by the President, by written request, at least sixty (60) days before the requested meeting date, of two members of the Board of Directors or by five (5) Owners.
- 2) Notice. Notice of Owner meetings shall be hand delivered or sent prepaid by US Mail at least ten days and not more than fifty days before any meeting of the Owners or as required by C.R.S. §38-33.3-308 as amended. Notice of any meeting shall also be given in the following manner:
  - a) Notice shall be posted on the Association website within 24 hours of the mailing of notice to Owners.
  - b) Notice shall be physically posted in a conspicuous place at the Condominium.
  - c) Notice shall be provided via email to any Owner who has requested that the Association provide notice via email and has provided the Association with a valid email address. Electronic notice of a special meeting shall be given as soon as possible but at least twenty-four hours before the meeting.

All notices shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendments to the OUMAS or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board of Directors.

- 3) Voting. All votes taken at Owner meeting shall be taken as follows:
  - a) Votes for positions on the Board of Directors shall be taken by secret ballot. Also, upon the request of one or more Owners, a vote on any other matter affecting the Buildings, Townhouse units or Common Area and for which all Owners are entitled to vote shall be by secret ballot. The secret ballot shall contain no identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the secretary of the association, the Owner shall receive a secret ballot to cast the vote of the Owner who has provided the proxy. The proxy shall be kept and retained by the Association.
  - b) All votes, other than those taken by secret ballot, shall be taken in such method as determine by the Board of Directors and pursuant to the Bylaws, including by hand, voice or by ballot, unless otherwise required by law.
  - c) Written ballots, including secret ballots, shall be counted either by (1) a neutral third party or (2) an Owner who is not a candidate for a current position on the Board of Directors, who attends the meeting at which the vote is held, and who is selected at random from a pool of two or more such Owners. The



President or chair shall specify the procedure for randomly selecting the Owners. The results of any vote by secret ballot shall be reported without reference to names, addresses or other identifying information

- 4) Proxies. Votes allocated to a Townhouse unit may be cast pursuant to a proxy duly executed by an Owner. A proxy shall not be valid if obtained through fraud or misrepresentation. Unless otherwise provided in the OUMAS, Bylaws, Articles or Rules and Regulations of the Association, appointment of proxies may be made substantially as provided in C.R.S. § 7-127-203. All proxies shall be reviewed by the Association's secretary as to the validity of the signature, signatory's authority to sign for the Owner, authority of the Owner to vote, conflicting proxies and expiration of the proxy.
- 5) Open Meetings. All regular and special meetings of the Associations and Board of Directors, or any committee thereof, shall be open to attendance to all Owners of the Association, or to any person designated by an Owner in writing as the Owner's representative. All Owners or designated representative shall be permitted to attend, listen and speak at an appropriate time during the deliberations and proceedings. Owners who desire to speak are requested to notify the Association office in advance of the meeting, or on the meeting sign-in sheet, so the Board of Directors can plan the agenda accordingly. Owners will be recognized to speak at the appropriate point on the agenda; either during discussion of an agenda item or, for items not on the agenda, during open forum. Owners who have not signed up to address an item will be allowed to speak at the end of the meeting, time permitting. The President or acting chair shall, to the best of his/her ability, allocate time to each Owner for comment so as to allow as many Owners as possible to speak.
- 6) Meeting Sign-in. In order to manage the meeting effectively, Owners are asked to list any item(s) they wish to address when they sign-in at the meeting. The Owners' sign-in sheet will be available at the meeting and include: name, address, neighborhood and any items they wish to address.
- 7) Open Forum. The agenda for all meeting shall follow the order of business determined by the Board of Directors, which shall include an Owner open forum during which any Owner who wishes to speak will have the opportunity to do so, subject to the provisions of this policy. The Board of Directors shall have the right to determine the length of time of the open forum. The open forum should be used by Owners to speak about items that are not on the agenda.
- 8) Agenda Items. During the discussion of an agenda item, the President or acting chair will recognize Owners who have signed-up to address that item. The Board of Directors may place reasonable time restrictions on those persons speaking during the discussion and shall provide for a reasonable number of persons to speak on each side of an issue.

- 9) Owner's Right to Speak before Board of Directors Action. The Board of Directors shall permit Owners to speak before the Board of Directors takes formal action on any item under discussion, in addition to any other opportunities to speak. The Board of Directors may place reasonable time restrictions on those persons speaking during the meeting and shall provide for a reasonable number of persons to speak on each side of an issue.
- 10) Additional Owner Input. At the end of the meeting, at the Board of Director's discretion, Owners who did not sign up to speak may be given the opportunity to address items that were discussed at the meeting.
- 11) Time Limit to Speak; Protocol. The President or acting chair of the meeting may place reasonable limitation upon the time given to each Owner seeking to comment, to allow sufficient time for as many Owners as possible to comment within the time permitted. Unless otherwise determined by the President or acting chair, the time limit will be three minutes per Owner. Owners should refrain from repeating other Owner's comments. Owners will only be allowed to speak one time per agenda item.
- 12) Extended Discussion. If it becomes evident that discussion of a particular issue will exceed the time allocated on the agenda, the Board of Directors may schedule a special session to further address the issue. Time will not be taken during the meeting to repeat information previously discussed. If an Owner requires history or other background information on a complex topic that has been previously discussed, an Association representative will contact the Owner after the meeting. Owners requesting additional information on a topic shall leave a name, phone number and/or email address with the Board of Directors.
- 13) Conduct of Participants. No Owner is entitled to speak until recognized by the President or acting chair. Owners will be asked to identify themselves by their name, address and Townhouse unit number. There shall be no interruptions of anyone who has been recognized by the chair, except by the chair. All Owners and/or Owner's delegates should avoid side conversations. Specific time limits set for speakers shall be strictly observed. Personal attacks, whether physical or verbal, and offensive language will not be tolerated. All comments are to be directed to the chair and not to other individual participants. All comments are to be restricted to the agenda items being discussed. Meeting participants must behave courteously and be respectfully to others.
- 14) Curtailment of Member Conduct. Should the President or acting chair determine that any Owner has spoken for the allocated amount of time or longer, or determine that the Owner is in violation of the provisions of this policy, the President or acting chair shall have the authority to instruct that

Owner to yield the floor, and that Owner will be obligated to comply with the President's or acting chair's instruction.

- 15) Disruptive or Unruly Behavior. If an Owner refuses to stop talking after his/her allotted time has ended, or otherwise disrupts the meeting, or is otherwise in violation of the provisions of this policy, the following procedure will be followed:

(a) The President or acting chair will issue an oral warning that if the Owner continues to speak, disrupt the meeting, or otherwise act in violation of the provisions of this policy than that person will be asked to leave the meeting.

(b) If the Owner continues to speak, disrupt the meeting, or otherwise act in violation of the provision than the President or acting chair will call a recess and have the Owner escorted out of the meeting. The meeting will than resume as normal.

- 16) Executive or Closed Door Sessions. Notwithstanding the foregoing, the Board of Directors or a committee thereof may hold an executive or closed door session and may restrict attendance to the Board of Directors and other persons specified by the Board of Directors; provided that any such executive or closed door session may only be held in accordance with the provisions and requirements of C.R.S. §38-33.3-308(4), as amended, or other applicable laws. The matters to be discussed at such an executive session are limited to:

(a) 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;

(b) 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;

(c) Investigative proceedings concerning possible or actual criminal misconduct;

(d) Matters subject to specific constitutional, statutory or judicially imposed requirements protecting particular proceedings or matters from public disclosure;

(e) Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy;

(f) Review of or discussion relating to any written or oral communication from legal counsel.

Prior to the time the members of the Board of Directors convene in executive session, the President or acting chair shall announce the general matter of discussion as enumerated in paragraphs (a) to (f) above. No rule or regulations of the Board of Directors shall be adopted during the executive session. A rule or regulations may be adopted only during a regular or special meeting or after the Board of Directors goes back into regular session following an executive session.

**G. Policy and Procedures for the Enforcement of Covenants and Rules and Regulations.**

Pursuant to Article 4.6 of the Articles and other provisions of the Governing Documents and applicable law, the Association shall have the right to enforce compliance with the Articles, Rules and Regulations and Bylaws, including all rules and regulations contained therein or promulgated thereto and the right, after notice and hearing, to levy fines.

The Board of Directors may determine enforcement action on a case by case basis and take other actions as it may deem necessary and appropriate to ensure compliance with the Governing Documents. These enforcement provisions may be in addition to other specific provisions outline in the Governing Documents, and the Association is not required to follow these enforcement provisions before seeking other remedies. The Association may choose a legal remedy or seek assistance from other enforcement authorities, such as police, fire, or animal control, as it deems appropriate.

The following procedures shall be followed when the Association enforces the Governing Documents as a result of complaints regarding Owners or occupants, made to the Board of Directors by an Owner, occupant or management company.

1. Complaint. All complaints, whether by an Owner, occupant or by the management company shall be in writing and submitted to the Board of Directors. The complaint shall state the specific provision(s) of the Governing Documents alleged to have been violated and as many specifics as are available as to the date, time, location and persons involved (“Respondent(s)”). The complaint shall also state the name of the complainant.
2. Investigation. Upon receipt of a complaint, the Board of Directors shall determine whether the allegations in the complaint are sufficient to constitute a violation of the Governing Documents and whether action by the Association is warranted. The Board of Directors shall have the sole discretion in appointing an individual or committee to investigate the matter.
3. Association Action. If the Board of Directors determines that the allegations in the complaint are sufficient to constitute a violation of the Governing Documents and that action is warranted, the Board of Directors shall take the following action:

The Board of Directors will send a notice (“Demand for Abatement”) to the Respondent, by certified mail, return receipt requested addressed to the mailing address of the Respondent of file in the records of the Association at the time of such mailing. The Demand for Abatement shall advise the Respondent of (1) the alleged violation, (2) the action required to abate the violation and (3) a time period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violations may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.

4. Notice of Hearing. If the Respondent does not comply with the Demand for Abatement, within the time allotted by the Demand for Abatement or if the same violation occurs within eighteen (18) months from the date of the Demand for Abatement, the Board of Directors shall mail the Respondent a written notice of hearing (“Notice of Hearing”) to be held by the Board of Directors. The Notice of hearing shall contain (1) the nature of the alleged violation, (2) the time and place of the hearing, which time shall not be less than ten (10) days from the date of the Notice of Hearing, (3) an invitation to attend the hearing and produce any statements, evidence and witnesses on Respondent’s behalf, or provide a written response prior to the date of the hearing, and (4) the proposed sanction to be imposed.
5. Hearing. The hearing shall be held pursuant to the Notice of Hearing and shall afford the Respondent a reasonable opportunity to be heard. Prior to imposing any sanction, proof that the Notice of Hearing was duly given to the Respondent shall be included in the minutes of the hearing. Such proof shall be deemed adequate if a copy of the Notice of Hearing, together with a statement of the date and manner of deliver, is entered by the officer, director or agent who delivered such notice. The notice requirement shall be deemed satisfied if the Respondent appears at the hearing.

The Board of Directors may: (a) exercise its discretion as to the specific manner in which a hearing shall be conducted, (b) question witnesses and review evidence and (c) act as it may deem appropriate or desirable to permit the Board of Directors to reach a just decision. Each hearing shall be open to attendance by all members of the Association.

6. Decision. If the Respondent appears at the hearing or provides a written response, after all testimony and other evidence has been presented to the Board of Directors at a hearing, the Board of Directors shall render its decision(s), taking into consideration all of the relevant facts and circumstances. The decision of the Board of Directors shall be final and shall be effective on the date specified by the Board of Directors. If the Board of Directors does not inform the Respondent of its decision at the time of the hearing, or if no hearing is held, the Board of Directors will provide a written decision to the Respondent’s address of record, via first class mail, within five (5) days after the hearing. The minutes of the

hearing shall contain a written statement of the results of the hearing and sanction, if any, imposed.

7. Enforcement, Attorney's Fees and Fines/Sanctions. The provisions of this policy shall not limit, or be a condition precedent to, the Association's right to enforce the Association's Governing Documents by any means available, including but not limited to, commencement of a lawsuit to force compliance or seeking injunctive relief or damages. The Association shall be entitled to reimbursement of all reasonable attorneys' fees and cost incurred by the Association in connection with any enforcement action, including any proceeding under this policy. If a violation involves damages to Association property, the violator shall pay the costs of repair or replacement. The procedures set forth in this policy shall not be necessary in order to impose any sanction or penalty for nonpayment of a delinquent assessment.

The following fine schedule has been adopted for all violations or infractions of the Governing Documents:

First Violation	Warning Letter
Second Violation (of same rule or provision of the OUMAS)	\$10.00
Third and subsequent violations (of same rule or provision of the OUMAS)	\$10.00

Where the violation or infraction is a continuing one, the continuation thereof for each day shall be deemed a separate and distinct violation and infraction resulting in a separate fine of \$10.00, commencing on the date of commencement of such violation and increasing to \$10.00 per day if such violation or infraction does not cease within ten (10) day following commencement. The Association shall promptly notify the Owner in writing of the assessment of any fine, and such assessment shall be promptly paid by such Owner. The Association shall have a lien upon the Townhouse unit of the Owner who, or whose tenants, guests or invitees, violated any such Rule or Regulation or provision of the OUMAS, to secure payment of fines assessed to such Townhouse unit, and the Association may foreclose such lien, all in the manner as described in the OUMAS and/or the Association's Collection Policy.

8. Violations of Offenses that Constitute a Present Danger. If, in its sole discretion, the Board of Directors deems that any violation is or may be an immediate or substantial threat to the health, safety or welfare of the community, Condominium or an individual, the Board of Directors may impose any appropriate sanction as necessary to abate the threat to health safety or welfare of the community,

buildings, Townhouse units or individual without prior compliance with Sections 1 through 7 above.

9. Business Judgment Rule. The decision of the Board of Directors to pursue enforcement action in any particular case shall be left to the Board of Director's discretion, subject to the duty to exercise its business judgment, and shall not to be arbitrary or capricious in taking enforcement action, Without limiting the generality of the foregoing, the Board of Directors may determine that, under the circumstances of a particular case: (i) the Association's position is not strong enough to justify taking any or further actions; (ii) the covenant, rule, regulation or restriction being enforced is, or is likely to be construed as, inconsistent with applicable law; (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (iv) that it is not in the Association's best interest, based on hardship, expense or other reasonable criteria, to pursue the enforcement action.
10. No Waiver. Failure by the Board of Directors to enforce any covenant, restriction, rule or regulation, or any other provision of any of the Governing Documents shall in no event be deemed a waiver of the right to do so thereafter or preclude the Association from enforcing any other covenant, restriction, rule or regulation or provision of the Governing Documents.
11. Owner's Right to Enforcement. Action taken by the Association in accordance with this policy, or a decision to not take action, shall not affect an Owner's right to bring his own enforcement action pursuant to Colorado law.

#### **H. Policy Regarding Alternative Dispute Resolution.**

The Association, for the purpose of (i) encouraging the Association and Owners to work together in an attempt to resolve disputes without litigation or arbitration in order to facilitate the prompt resolution of such disputes in a manner that respects and builds upon the relationship between the parties and the members of the common interest community and (ii) complying with C.R.S §38-33.3-124, hereby adopts the following policy setting forth the Association's procedures for addressing disputes arising between the Association and the Owners ("ADR Policy").

1. General Policy. It is the general policy of the Association to encourage the use of Alternative Dispute Resolution ("ADR"), such as mediation, to resolve disputes involving the Association and an Owner.

2. Negotiation. Before initiating arbitration or litigation, the parties to any dispute involving the Association and an Owner shall first make a reasonable effort to meet in person and confer for the purpose of resolving the dispute by good faith negotiation.

3. Policy. Before initiating arbitration or litigation, ADR, in the form of Mediation, shall be pursued by the parties if good faith negotiations fail to resolve the dispute, except in the case of the collection of assessments or the enforcement of the OUMAS, Bylaws or Rules and Regulations of the Association, subject to the following:

(a) Mediation shall not be required if time constraints in resolving the dispute, such as the expiration of a statute of limitations, prevent accomplishing proper Mediation.

(b) Mediation shall not be pursued by the Association if an Owner refuses.

(c) If Mediation is to be pursued, it must be pursued using a trained Mediator that is familiar with governance of Colorado common interest community associations.

(d) Mediation pursuant to this ADR Policy shall be in compliance with the Dispute Resolution Act, C.R.S. §13-22-301 et seq .

4. Selection of Mediator. If the parties to the Mediation cannot agree on a Mediator within thirty (30) days of the request for Mediation, then, within ten (10) days thereafter:

(a) Each party shall choose a Mediator and those Mediators shall jointly select a Mediator for the purpose of resolving the dispute.

(b) In the event a party fails to select a Mediator as specified in subsection (a) above, the Mediator selected by the other party shall be deemed acceptable to both parties and shall act as the Mediator for the purpose of resolving the dispute.

5. Cost. All costs association with Mediation, including, but not limited to, filing costs, attorneys' fees and the Mediator's fees, shall be borne by the parties to the action.

6. Deviations. The Executive Board may deviate from the procedures set forth in this ADR Policy if in its sole discretion such deviation is reasonable under the circumstances.

*[remainder of page intentionally left blank]*



The foregoing Resolution to Enact Responsible Governance Policies was adopted by the Board of Directors of the Association on the 30 day of Aug., 2006.

STAGECOACH TOWHOUSE ASSOCIATION

By: \_\_\_\_\_

*Adam Fenley*  
\_\_\_\_\_  
, President