

**RULES AND REGULATIONS
OF
VALLEYBROOKTOWNHOMES**

These Rules and Regulations (the "**Rules**") have been adopted and implemented to protect the investment of the Members of the Valley Brook Townhomes Association, a Colorado nonprofit corporation (the "**Association**"), and to enhance the values of their Townhomes in the Valley Brook Townhomes (the "**Community**") subject to regulation by the Association.

1. BACKGROUND/CONTEXT OF THE ASSOCIATION.

A. Definitions. All terms beginning with a capital letter and not otherwise defined herein shall have the same meanings given them in the Declaration of Covenants, Conditions, and Restrictions of the Valley Brook Townhomes (the "**Declaration**"), the Bylaws of the Valley Brook Townhouses Association (the "**Bylaws**"), the Articles of Incorporation of Valley Brook Townhouses Association (the "**Articles of Incorporation**"), or the Residential Housing Restriction and Notice of Lien For Valley Brook Townhomes, Town of Breckenridge, Summit County, Colorado recorded August 6, 2010 at Reception No. 944064 of the records of the Clerk and Recorder of Summit County, Colorado (the "**Deed Restrictions**"), as applicable. The Declaration, the Bylaws, the Articles of Incorporation and the Deed Restrictions together with these Rules are hereafter referred to as the "**Governing Documents.**"

B. Management. The Association may employ professional management under contract to the Association to manage its affairs ("**Managing Agent**"). A management company employs a Managing Agent and all related support personnel necessary to conduct the affairs of the Association and oversee contractors. The Managing Agent reports to the Executive Board.

C. Meetings. The Association meets on a periodic basis in accordance with the procedures set forth in the Bylaws. Executive Board meetings are open to attendance by Owners or their proxied representative, as provided in the Bylaws. Any Owner who wishes to address the Executive Board may do so during the portion of Executive Board meetings designated for Owner comments. Contact a Director or the management company for the time and/or location of the Association meetings. The Executive Board may limit the amount of time any one Owner addresses the Owners at any meeting of the Owners for the purpose of giving other Owners an opportunity to speak. Owners should, and the Executive Board may require them to, restrict their remarks to the agenda item under discussion. Courteous behavior is required; no unruly conduct including, without limitation, personal attacks or derogatory remarks, cursing, or shouting, shall be tolerated. Upon failure of an Owner to cease and desist from unruly conduct after warning by the Executive Board, the Executive Board has the

RULES AND REGULATIONS

Page 1

authority to (i) order an Owner to leave a meeting; (ii) adjourn the meeting; (iii) or summon law enforcement to remove the Owner from the meeting if the Owner refuses to leave voluntarily.

D. **Annual Meeting.** The annual Owners' meeting is held at a time and place selected by the Executive Board. Notice of the meeting is provided to each Owner. All Owners who are in good standing with the Association may vote at this meeting, either in person or by proxy, as provided in the Bylaws. At this meeting, the Executive Board members transact any business that properly comes before the Association, including discussion of the budget or budgets, finances and the election of one or more directors.

E. **Documents and Records.** All Association records and documents, including budgets, financial statements, minutes, and the Governing Documents are kept at the management company's office and are available for inspection by Owners, as set forth in the Bylaws and the Colorado Nonprofit Corporation Act, during normal business hours. Copies are available for a charge equal to the Association's actual cost of making such copies.

2. INTERPRETATION OF THE RULES AND REGULATIONS.

A. **Executive Board as Sole Interpreter.** The interpretation of these Rules will be at the reasonable discretion of the Executive Board.

B. **Failure to Act.** No failure of the Executive Board to insist on the strict adherence to any provision of the Rules shall constitute a waiver of such provision. Failure to enforce any provision shall not prevent the Executive Board from exercising any of the remedies found in these Rules for a subsequent breach.

3. RESPONSIBILITY FOR COMPLIANCE.

A. **Owners.** In all cases, Owners shall be responsible for infractions and/or violation of these Rules.

B. **Family and Guests.** It shall also be the responsibility of Owners to ensure that family members and guests are informed of, and follow, these Rules.

C. **Tenants.** It shall be the further responsibility of Owners who lease/rent their Townhomes to provide their tenants with a copy of these Rules and ensure that such tenants abide by the Governing Documents as they may be amended from time to time.

4. **OCCUPANCY RESTRICTIONS.** Townhomes are limited to occupancy by persons, subject to applicable zoning. Garages are limited to occupancy for the parking of vehicles, except as otherwise expressly permitted by the Declaration. For use and occupancy restrictions, please see the provisions of the Declaration and the Deed Restrictions.

RULES AND REGULATIONS

5. RENTALS AND LEASED UNITS.

A **Leases.** All leases shall be subject to the terms and conditions of the Governing Documents and Owners who lease their Townhomes will be required to provide the management company or the Managing Agent with a legible copy of the lease agreement. The Schedule of Fines (as set forth in Section 30.C below) notwithstanding, the following consequences shall be imposed for failure to provide the Association with a copy of the lease:

- i. Step 1: Written warning informing the Owner that they are required to provide the Association with a copy of the lease by a date certain.
- ii. Step 2: \$20.00 fine if the lease is not provided within seven days after the date certain.
- m. Step 3: \$50.00 fine if the lease is not provided within seven days after Step 2.
- iv. Step 4: \$100.00 fine if the lease is not provided within seven days after Step 3.
- v. Further Infractions: \$100.00 for each seven day increment thereafter during which the lease is not provided.

B. **Identification of Lessee.** Owners who lease their Townhomes will be required to provide the management company or the Managing Agent with the name(s) of their lessee(s) and a means (preferably both a telephone number and an email address) that can be used to contact the tenants in case of emergency.

C. **Duration of Lease.** Townhomes may not be leased for less than thirty (30) days duration.

6. **ACCESS TO THE COMMUNITY AND COMMON AREAS.** Systems and/or personnel may limit access to the Community. Owners and tenants are required to comply with the requirements of such systems or personnel. Those portions of the Common Areas that provide access to the Townhomes are to remain open and unobstructed for the benefit of all Owners and tenants.

7. **SHOWING OF TOWNHOMES.** Owners may show their Townhomes to prospective purchasers and tenants at any hour, so long as such activity does not cause a disturbance or annoyance to other residents. Any licensed real estate agent may show an Owner's Townhome, pursuant to proper written authorization, but only between the hours of 8:00 a.m. and 8:00 p.m. Showings shall be by appointment only. No solicitation for the sale or lease

RULES AND REGULATIONS

of any Townhome may occur on any Common Areas. No "for sale," "for lease," or other advertising or brokerage signs may be displayed on Common Areas without prior approval by the Executive Board.

8. SERVICE AND MAINTENANCE POLICY.

A. General. These policy statements define the responsibilities of the Association and the Owners with regard to the maintenance of individual Townhomes and Common Areas. The standards below are to be interpreted in the sole discretion of the Association.

B. Common Areas. The Association shall endeavor to maintain the Common Areas and portions of Units, if any, that are the responsibility of the Association in a manner consistent with the Governing Documents. The Association is responsible for maintenance of the exterior of the Community and the Common Areas. It is the policy of the Association to maintain the exterior of the Community and the Common Areas in a condition comparable to that which existed when the Community was completed. Maintenance schedules have been established or are to be established for items which require maintenance at regular intervals.

C. Maintenance Policies.

1. Doors. Exterior doors and windows are the responsibility of the Association.

ii. PV Panels: Removal of snow is the responsibility of the Association. Replacement of the panels is the responsibility of the Owner.

m. Cleaning. On a periodic basis the Association may clean glass exteriors above the ground floor, and such costs shall be shared among the Owners on a cost per window basis. The cleaning of glass exteriors and doors on the ground level are the responsibility of the Owners or tenants of those Townhomes.

iv. Interior Maintenance. Each Owner is responsible for cleaning, maintaining and repairing the interior of his or her Townhome and Garage, except as otherwise provided in the Declaration.

9. UNIT ALTERATION AND REMODEL.

A. General. All architectural changes and Townhome and Garage renovations are subject to the provisions of Section 10.6 of the Declaration.

RULES AND REGULATIONS

B. Alterations to the Common Areas. No alterations, additions or improvements may be made to the Common Areas without the prior written consent of the Executive Board. Alterations to Townhome interiors made by Owners must not adversely affect the structure, must comply with all applicable building codes, permit requirements and the Declaration, and shall be at the Owner's expense.

C. Alteration/Remodel Requests. Owners will be required to obtain an Architectural Review Request form prior to the start of any changes to the interior of a Townhome. "Architectural Review Request" forms may be obtained through an Executive Board member, the management company, or the Managing Agent. No architectural changes and/or Townhome renovations (including any demolition) may be started, until such time as the Owner receives written approval from the Executive Board for such work. Notwithstanding the foregoing, any interior cosmetic alteration or remodeling (e.g., floor and wall coverings, cabinetry, kitchen or bath appliances and fixtures, installation of closets, etc. that do not affect the stability or integrity of any structural element of the Townhome or any Townhome located thereon) shall be exempt from this Subsection C. Owners are required to obtain approval from the Association prior to changing any exterior locks and/or keys.

D. Town of Breckenridge Building Code. All work must comply with all applicable provisions of the Building Code of the Town of Breckenridge, Colorado (the "**Town**"). The Town exempts certain types of renovation/remodeling from the Building Code. While the Code may exempt certain alterations, there may be Rules which address such alterations. If there are any questions about the Building Code or Code exceptions, Owners should contact the management company, the Executive Board, and/or the Town.

E. Shutdown of Building Systems. Under no circumstance may smoke detectors be removed or taken apart without prior Association approval. The management company must be given 48 hours' advance notification if Townhome alterations require the shutting-off of water. Except in cases of emergency, water is not to be shut-off for more than two hours at a time.

F. Notification. The management company and the Executive Board must be given a schedule estimating the time involved in completing the project and contacted no less than 72 hours prior to the commencement of work. The management company must also be given 72 hours notice if the project will require the shutting off of any building system. No building system may be shut off for more than two hours at a time.

G. Use of Outside Contractors. Owners wishing to engage the services of an outside contractor will have to complete a Personal Contractor form. Personal Contractor forms are available through an Executive Board member, the management company, or the

RULES AND REGULATIONS

Managing Agent. Personal Contractor forms must be completed and approved at least 72 hours prior to the start of any work.

H. **Contractor Insurance.** Before a contractor or materialman may begin work in or deliver materials to any Townhome, the contractor or materialman must furnish adequate proof of liability insurance and worker's compensation coverage to the management company.

I. **Posting of Notices, Permits, Etc.** Prior to the commencement of work, the Owner must post on the front door of the Townhome copies of all permits required by the Town, a copy of the contractor's proof of insurance, and a copy of the approved Architectural Review Request form.

J. **Working Hours.** Owner and contractor may do work within the Community only during those hours when such work is permitted by the ordinances of the Town. Except in the case of an emergency that will result in imminent harm to person or property, no Owner or contractor construction activity is allowed in the Community on Sunday. Contractors, subcontractors, materialmen, and their employees must confirm their intended work hours with the Managing Agent before commencing any work.

K. **Clean-Up.** All excess materials, debris and trash must be hauled away by the Owner or contractor. Appropriate clean-up shall be the responsibility of Owners and their contractors. All involved sidewalks, parking Townhomes or other Common Areas must be cleaned up at the end of each day. Exterior Townhome doors must be kept closed when work is being done in a Townhome.

L. **Responsibility for Alterations and Renovation of Townhomes.** Whether Townhome alterations are undertaken by Owners or their tenants, Owners assume full responsibility for:

1. Compliance with the Declaration;
- ii. Damage to the Common Areas or other Association costs;
- iii. Obtaining confirmed approval for use of contractors; and
- iv. Contacting the management company or the Managing Agent, or having contractors and other workers check with the management company or the Managing Agent to clarify any questions about Rules regarding Townhome alterations before work begins and having permits as necessary.

RULES AND REGULATIONS

M. **Penalties.** Violation of these Rules may result in the assessment of penalties against the Owners and contractors, including, but not limited to, the suspension or termination of a contractor's further access to the Townhome.

10. **WINDOW AND GLASS COVERINGS.** In order to preserve a more uniform and aesthetically pleasing appearance of the exterior of the Community, draperies and window coverings shall be installed and maintained by Owners on windows, doors or glass areas of the Townhomes. Draperies and window coverings shall be limited to show only white or other neutral color approved by the Executive Board. Interior facing draperies or coverings need not be white, but all draperies and coverings which are visible from the exterior of the Community must be white or other neutral color approved by the Executive Board.

11. **DECORATIVE/HOLIDAY DISPLAYS.** Owners shall not cause or permit anything other than conventional draperies, curtains and holiday decorations to be hung, displayed or exposed at or on the outside of windows or outside of Townhomes without the prior written consent of the Executive Board. Exterior lighting such as spot lights, security system flood lights or strobes, and low voltage lighting (along patios and balconies) may not be installed or displayed. Temporary holiday lighting may be displayed. Temporary holiday lighting may only be displayed up to 30 days prior to the holiday and must be removed within 15 days of the actual holiday.

12. **SIGNAGE.** Except as expressly provided herein, no sign of any kind shall be displayed to the public view on any Townhome.

A sign not to exceed 12 square feet in size may be displayed in an exterior window of a Townhome for advertising the Townhome for sale or lease or indicating that the Townhome has been "sold" for a period of one week after closing.

Additionally, the display of a political sign (as defined by the Colorado Common Interest Ownership Act) on an Owner's property or in a window of the Owner's Townhome shall be permitted, subject to the following conditions:

A. such political sign may not be displayed earlier than 45 days before the day of an election, and later than seven days after an election day;

B. such political sign conforms to the size and number requirements for such signage as mandated by the Town, but in no event shall be larger than 36 inches by 48 inches.

13. **SATELLITE DISHES AND TV ANTENNAE.** The Federal Communications Commission (the "**FCC**") has adopted rules at 47 C.F.R. § 1.4000 that specifically prohibit the Association from restricting the installation of a satellite dish for the reception of television, internet, and certain other wireless communication signals on any property within the exclusive

RULES AND REGULATIONS

use or control of the user, where the user directly or indirectly owns the property, provided that the dish is one meter or less in diameter. The FCC's May 2001 "Over-the-Air Reception Devices Rule" elaborates further on the CFR regulation. This right of an Owner includes the right to place a dish on the Common Areas, if such Common Areas are exclusively appurtenant to the Owner's Townhome, and may not be used by any other Owners. Please note that the FCC has interpreted its regulations in such a way that the Association's right to enter the Common Area,; for inspection, maintenance, or repair does not mean that the Owner does not have exclusive use.

Subject to applicable law, including the FCC regulations, and except as may be permitted by these Rules, no exterior television or other antennae, microwave dish, satellite dish, satellite antenna, satellite earth station, or similar device of any type (an "**Electronic Device**") shall be erected, installed, or maintained on the Common Areas.

The installation of an Electronic Device is prohibited if it will protrude beyond the boundaries of a limited common element (e.g., balcony or deck) into the common air space, or if the Limited Common Element is appurtenant to more than one Townhome. Further, an Electronic Device on the roof or on the sides of the Townhome not within an Owner's exclusive use is prohibited. Any Electronic Device which is permitted by these Rules shall be painted so that it blends into the background against which it is mounted, as long as that will not interfere with signal reception or impose unreasonable costs.

So long as the Association may provide television or video channels by master means of distribution, and so long as the Association may provide other electronic means of communication or service, as allowed under federal law, Owners are not permitted to install their own satellites or other antenna, except to the extent and subject to such reasonable regulation as permitted under applicable federal law.

14. **STORAGE OF ITEMS ON COMMON AREAS.** No storage of materials by Owners is allowed within the Common Areas, unless permitted in writing by the Executive Board. Storage of materials in areas designated or allowed by the Executive Board will be done at the risk of the person storing the materials.

15. PARKING AND STORAGE.

A. **Allocation of Surface Parking Spaces; Parking Within Boundaries.** All vehicles and automobiles parked or stored in the Community shall be parked or stored wholly inside of the Garage appurtenant or in the driveway appurtenant to each Townhome. Garage doors shall be kept closed except when in use. Owners shall remove vehicles from the driveways when directed by the Association to facilitate snow removal or other maintenance activities. Parking in the driveway is subject to a license agreement with the Town of Breckenridge. Designated visitor parking is for use by temporary visitors. Under no

RULES AND REGULATIONS

circumstances shall any boat, watercraft, trailer, camper, motor home, recreational vehicles and other recreational equipment be stored or maintained by any Owner outside of its Garage. All such boats, watercraft, trailers, campers, motor homes, recreational vehicles and other recreational equipment shall be stored entirely within the Owner's Garage or offsite at the Owner's sole cost and expense.

B. **Parking Signs.** Owners and tenants will obey all posted signs and park only in the areas designated for vehicle parking.

C. **Vehicle Maintenance.** No vehicle maintenance or repair is allowed within the Common Areas or within the driveway. Car washing, waxing, or cleaning in the driveways of the Community is permitted only if authorized by separate agreement with the Town.

D. **Securing Vehicles.** All Owners are urged to lock their vehicles. The Association will not be responsible for any damage to vehicles or loss of property, all of which risks are assumed by the Owners.

E. **Towing.** Notwithstanding any other provision to the contrary in the Rules:

i. **Removal.** At any time, and with no prior notice of violation or hearing to any person, the management company or a member of the Executive Board may cause to be towed from the Community any vehicle parked or stored in the Common Areas or otherwise in a manner which constitutes a violation.

ii. **Towing Fees.** The Owner of the towed vehicle will be responsible for paying all towing and vehicle storage fees. Charges for towing are in addition to any fines that may be assessed. Owners and tenants shall be jointly and severally liable for all costs incurred by the Association in towing a vehicle, as if the same were fines, all as more particularly described in Section 30 below.

m. **No Liability for Damages.** Excepting only the Owner of the towed vehicle, no person will be responsible for damages caused by the towing of a vehicle. Neither the association, nor any third party, shall be responsible for damages caused to any vehicle parked in a unit driveway of any other Common Area by a snow plow or any other kind of snow removal equipment.

F. **Crawl Spaces.** Owners shall not access the crawl space, except to inspect the vapor barrier for punctures. Owners shall not remove the plastic sheeting installed by the developer which serves as a vapor barrier. Any activity, including storage, that results in damage

RULES AND REGULATIONS

or puncture to the barrier is prohibited. The Association may conduct periodic inspections to insure compliance and to confirm the barrier is still intact.

G. **Drop Ceilings.** Garages in Units 2, 3, 12, and 25 have drop ceilings that are not designed for heavy storage or to support shelving systems. In these four garages, it is permissible to attach hangers and or hooks for bike/canoe/similar storage, but only if done in compliance with the Armstrong Drywall Grid Ceiling System specifications that are available from the Association. The Association may conduct periodic inspections to insure compliance.

16. **SMOKING.** Cigarette and related smoking is permitted in individual Townhomes and on the balconies, patios or decks of a Townhome. Smoking materials are to be disposed of in appropriate receptacles. Smoking in or on the Common Areas is prohibited.

17. **ANIMALS AND PETS.**

A. **Written Permission Required.** Pets, including cats, dogs, birds, reptiles and other animals may be kept and maintained by Owners or tenants within their Townhome if the animal, in each instance, is expressly permitted in writing by the Association or the management company. Notwithstanding the foregoing, so long as an Owner is not otherwise in breach or default under these Rules or the other Project Documents, such Owner shall be entitled to keep and maintain within his or her Townhome no more than two (2) dogs and two (2) cats, in each case without first having to obtain the Association's or management company's prior written consent, but otherwise subject to all of the other terms, conditions and provisions of these Rules and the other Governing Documents.

B. **Service Animals.** Nothing in these Rules shall be construed to prohibit the keeping and maintenance of service animals by disabled, handicapped or impaired persons.

C. **Removal of Pets.** Where written permission is granted, such permission is revocable if the animal becomes a nuisance to other Owners or tenants. In that event, the Owner or person having control of the animal shall be given a written notice to correct the problem and, if not corrected, the Owner or tenant, upon written notice, may be required to remove the animal from the Community. The written notices provided for herein shall be issued by either the Association or the management company.

D. **Pets for Commercial Purposes.** Animals may not be kept within the Community for any commercial purposes.

E. **Control of Animals.** Animals shall not be leashed to any object within the Common Areas. All animals must be leashed or crated when outside a Townhome. Owners are responsible for the removal of waste from their animals. Owners must comply with all Town municipal ordinances pertaining to animals.

RULES AND REGULATIONS

F. **Clean Up After Pets.** Owners or persons having control of an animal shall, while the animal is in the Community, be responsible for cleaning up after their animals and shall be deemed to hold the Association harmless from any claim, loss, injury or damage caused by or resulting from any action of their animals and any costs incurred by the Association.

18. **BICYCLES AND BOATS AND GRILLS.** Bicycles must be stored either: (i) inside an Owner's Unit; (ii) in bicycle racks installed and maintained in the Common Elements by the Association; or (iii) on the rear patio of an Owner's Unit. Boats must be stored inside an Owner's Townhome. Gas grills are not permitted on the front ground level decks or on any Common Element. Charcoal grills are prohibited in the Community.

19. **HAZARDOUS WASTE.** All hazardous or medical waste must be stored within the Townhome in accordance with applicable laws and governmental regulations. Hazardous and medical waste must be removed directly to appropriate removal service vehicles and may not be left or stored on Common Areas.

20. **INCREASED RISKS AND DAMAGE.** Nothing shall be done or kept in or upon a Townhome or upon the Common Areas, or any part thereof, which would result in the cancellation of the insurance as maintained by the Association. Nothing shall be done or kept in or upon any Townhome or in or on the Common Areas, or any part thereof, which would be in violation of any statute, rule, ordinance, regulation, permit or other imposed requirement of any governmental body; provided, however, the Association shall have no duty or obligation to undertake the enforcement of governmental laws and regulations. No damage to, or waste of, the Common Areas or any part thereof shall be committed by any Owner, or any member of the Owner's family, or by any guest, invitee or contract purchaser of any Owner. This specifically refers to, but is not limited to, the storage of flammable liquids in any Townhome or on the Common Areas.

21. **TRASH, RUBBISH AND REFUSE.** In order to prevent endangering health and safety, long term storage of trash or rubbish within the Townhomes or Common Areas is prohibited. All storage of rubbish, garbage or other debris within the Townhomes will be in a manner which prevents the spread of vermin and unnecessary fire hazards. Owners shall not permit any merchandise, freight, personal property or refuse to accumulate on the sidewalks or near the stairways, entrances, corridors and passageways outside of their Townhomes without the express written permission of the Association. All trash and garbage to be removed from a Townhome must be in a sealed plastic bag or covered trash container or authorized recycling containers. Individual home trash removal is required. The Association will assure ongoing service through unit owner's payment of Association dues.

RULES AND REGULATIONS

22. **ELECTRICAL DEVICES/ FIXTURES.** No electrical device, which creates electrical overloading of standard circuits, may be used without written permission from the Association. Misuse or abuse of appliances, circuits, or fixtures within a Townhome which affects other Townhomes or the Common Areas is prohibited. Owners wishing to use or install such devices must make written application to, and receive written approval from, the Executive Board prior to the use and/or installation of such devices. Any damage resulting from this misuse shall be the responsibility of the Owner from whose Townhome the damage was caused. Total electrical usage in any Townhome shall not exceed the capacity of the circuits as labeled on the circuit breaker boxes.

23. HOME BUSINESS POLICY.

A. **General.** Recognizing that advances in technology have enabled more people to work out of their homes, the Association has adopted the following policy regarding home businesses.

B. **Disturbance to the Community.** Owner may use their Townhomes for business purposes, provided such business does not unreasonably disturb other residents of the Community, does not increase substantially the flow of traffic in the Common Areas, and such business is reasonably undetectable.

C. **Signage.** Under no circumstance may signs be displayed indicating that the home business is being conducted in the Townhome.

D. **Business Licenses and Permits.** Any tenant operating a business in a Townhome must obtain, if required, any city home occupation, license, permit, etc. and must follow and comply with any rule or regulation governing that business.

E. **Termination.** If any of the above conditions are not met, the Executive Board may require that the tenant or the Owner to terminate the business activity. Determination as to whether the above conditions exist will be at the sole discretion of the Executive Board.

24. **EXTERIOR SIGNS AND DISPLAYS.** Signs and decoration of entrances around doors, including exterior displays, will be permitted, as set forth in the Declaration and the Bylaws. No sign may be constructed, erected or placed on the Townhome above the first floor. No signs may be back lit. Lighting of signs must be mounted on the top of the sign and illuminate down. All signs shall be in accordance with the requirements of the Town. No awnings may be constructed, erected or placed on the Townhomes.

25. **USE OF COMMON AREAS.** Common Areas shall be used only for the purposes for which they were designed. No person shall commit waste on the Common Areas,

RULES AND REGULATIONS

interfere with their proper use by others, or commit any nuisances, vandalism or damage on or to the Common Areas.

26. **RULE ON ANNOYANCE OR NUISANCE.** No noxious, offensive, dangerous or unsafe activity shall be carried on in any Townhome or within the Common Areas. Neither shall anything be done therein, either willfully or negligently, which may be or become an annoyance or nuisance to the other Owners or tenants or which may interfere with their peaceful enjoyment of the Common Areas for the purposes for which they were designed. No Owner or tenant shall make or permit any disturbing noise or nuisance activities or do or permit anything to be done which will interfere with the rights, comforts or convenience of other Owners or tenants. No Owner or occupant shall play, or suffer to be played, any musical instrument or operate, or suffer to be operated, an engine, phonograph, television set, radio or other device in any other manner that shall cause unreasonable disturbances to other Owners or tenants. No immoral, improper, offensive or unlawful use may be made of a Townhome or of the Common Areas.

27. **COMPLIANCE WITH LAW.** Any Owner in violation of applicable laws and regulation of United States, the State of Colorado, the Town, or any governmental agency with authority shall indemnify and hold the Association and other Owners harmless from all fines, penalties, costs and prosecutions for any violation or noncompliance.

28. **COLLECTION PROCEDURE.** The Association has adopted the following rules, procedures and policies for the collection of assessments and other charges of the Association.

A. **Due Dates.** The annual assessment as determined by the Association and as allowed for in the Declaration shall be due and payable in 12 installments due on the first day of each month, Assessments or other charges not paid to the Association by the tenth day of the beginning month in which they are due shall be considered past due and delinquent.

B. **Invoices.** The Association may, but shall not be required to, invoice an Owner as a condition to an Owner's obligation to pay assessments or other charges of the Association. If the Association provides an Owner with an invoice for installments of the Regular Assessments, although invoices are not required, the invoice should be mailed or sent to the Owner between the tenth and 15th day of the month preceding each due date.

C. **Late Charges.** A monthly installment of the annual assessment shall be past due and delinquent if not paid by the tenth day of the month in which it is due. The Association shall impose a \$50.00 late charge on the outstanding or past due balance then due the Association. The late charge shall be a Common Expense for each Owner who fails to timely pay their installment of the Regular Assessment by the tenth day of the month in which the installment was due.

RULES AND REGULATIONS

D. **Interest.** Delinquent assessments, fines or other charges due the Association shall bear interest at the rate of 21% per annum beginning on the tenth day after the same is due.

E. **Collection Letters.** After a monthly installment of the annual assessment or other charge due the Association becomes ten days past due, the Association may (but is not required to) cause a collection or delinquency letter to be sent to the Owner who is delinquent. Additionally, the Association may (but shall not be required to) send a letter to the Owner advising him/her that his/her account has been referred to the Association's attorneys for collection.

F. **Certified/Regular Mail.** If the Association causes a collection or delinquency letter or notice to be sent to a delinquent Owner by regular mail, the Association may also cause (but shall not be required) to be sent an additional copy of that letter or notice by certified mail.

G. **Suspension of Voting Rights.** Pursuant to the terms of the Declaration and Bylaws, the Executive Board may also suspend voting rights until a violation is cured.

H. **Referral to Attorney.** The Association may (but shall not be required to) refer delinquent accounts to its attorneys for collection. Upon referral to the attorneys, the attorneys shall take appropriate action to collect the accounts referred.

I. **Attorneys' Fees.** As an additional expense permitted under the Governing Documents, the Association shall be entitled to recover any reasonable attorneys' fees incurred in the collection of assessments or other charges due the Association from a delinquent Owner.

J. **Referral to Collection Agencies.** The Association may (but shall not be required to) refer delinquent accounts to one or more collection agencies for collection. Upon referral to a collection agency, the agency shall take all appropriate action to collect the accounts referred.

K. **Ongoing Evaluation.** Nothing in this procedure shall require the Association to take specific actions other than to notify Owners of the adoption of these procedures. The Association has the option and right to continue to evaluate each delinquency on a case by case basis.

29. **RETURNED CHECK CHARGES.** In addition to any and all charges imposed or allowed under the Governing Documents, a \$25.00 fee shall be assessed against an Owner if any check or other instrument attributable to or for the benefit of such Owner or Owner's property is not honored by the bank or is returned by the bank for any reason whatsoever

RULES AND REGULATIONS

including, but not limited to, insufficient funds. Such return check charge shall be due and payable immediately, upon notice thereof, in the same manner as provided for payment of assessments under the Declaration. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law.

30. **POLICIES AND PROCEDURES ON FINES.** Each Owner shall be responsible for his or her own violations and for the violations of Owner's tenants, family, guests and other invitees.

A. **Notice of Violation.** Prior to the levying of fines, persons liable for the payment thereof must be provided notice of the violation and an opportunity to be heard. Each violation must be substantiated by written documentation from one of the following: (i) the management company, if any; (ii) a member of the Executive Board; or (iii) an Owner and delivered to a member of the Executive Board. Notice of a violation shall be provided as soon as reasonably practicable following discovery of the violation. All fine assessments shall be due and payable immediately upon imposition after notice to the Owner and an opportunity to be heard. The notice shall describe the nature of the violation.

B. **Persons to Receive Notice.** Notice of violations required to be given shall be given to the following persons:

i. To Whom Given. In the case of a violation of these Rules by a family member, guest or invitee of an Owner, and the Owner resides at the Townhome, notice shall be given to the Owner of the Townhome. In the case of a violation of these Rules by a tenant or a family member, guest, or invitee of a tenant or Owner and the Owner does not reside at the Townhome, notice shall be given to tenant and the Owner of the Townhome.

ii. Manner of Notice. All notices required to be given under this Section 30 shall be in writing and shall be deemed given when delivered personally or when deposited into the United States mail, sent first-class postage prepaid, certified or registered mail, return receipt requested, and addressed to the receiving party as follows:

a. If to an Owner, to his or her Townhome, or such other address as may be delivered, in writing, to the President or Secretary of the Association; and

b. If to a tenant or occupant, to the Townhome where he or she resides.

C. **Schedule of Fines.** The imposition and amount of any fine will be at the sole discretion of the Executive Board or their designated agent. In general, the Schedule of Fines will be as follows:

RULES AND REGULATIONS

- i. 1st **Step**.: Warning letter or posted notice;
- ii. ~~2nd Step~~.: \$50.00 fine for the next infraction regardless of its nature;
- iii. 3rd **Step**.: \$100.00 fine for the next infraction regardless of its nature; and
- iv. 4th **Step**.: \$250.00 fine regardless of its nature.

Assessments levied to cover the cost to repair and/or replace any damaged property belonging to the Association will be in addition to the Schedule of Fines.

D. **Executive Board Discretion on Imposition of Fines.** The Executive Board may, in its sole discretion, determine that an infraction is such that it would warrant skipping any Step in the Schedule of Fines. The imposition of a fine, which shall be at the sole discretion of the Executive Board, shall require a majority vote by the Executive Board.

E. **Hearing.** Notice of violation shall be given not less than seven days before action by the Executive Board to impose any fine. The notice shall provide an opportunity for the Owner to be heard at or before the next scheduled time of the meeting or hearing at which the Executive Board considers the imposition of the fine. At the hearing, the Owner or other person allegedly responsible for the violation at issue shall be given an opportunity to present any facts or evidence to the Executive Board which he/she feels help constitute a defense to or mitigate the severity of the particular violation, and the Executive Board shall inform him/her of the documentary or other evidence of the violation. At the end of the presentation of evidence, the Owner and Executive Board members shall engage in an open discourse intended to result in a negotiated settlement of the issue that is the subject of the hearing. If this discussion is not successful, the members of the Executive Board shall vote on whether a violation has actually been committed and, if so, whether to assess a fine and/or to pursue other remedies against the Owner. Notice of the Executive Board's decision shall be mailed or delivered to the Owner within three business days of the hearing. Should an Owner fail to appear or submit a written response on or before the scheduled time, the Executive Board may take the facts surrounding the issue to be true as presented and may impose any fines in its discretion.

F. If a violation is cured prior to the hearing or within five days of an Owner's receipt of notice of an adverse hearing decision by the Executive Board, and it is the first violation of a particular Rule, no further action will be taken by the Executive Board, and any fine that has been levied by the Executive Board will automatically be deemed waived.

RULES AND REGULATIONS

31. **APPLICATION OF PAYMENTS MADE TO THE ASSOCIATION.** The Association reserves the right to apply any and all payments received on account of any Owner or the Owner's property to payment of any and all legal fees and costs (including attorneys' fees), expenses of enforcement and collection, late fees, return check charges, lien fees and interest owing or incurred with respect to such Owner pursuant to the Declaration, Bylaws or Rules of the Association prior to application of the payment to the special or general assessments due or to become due with respect to such Owner.

32. **RESERVE FUNDS.** Reserve funds may be invested in traditional savings accounts, money market accounts, and certificates of deposit as determined by the Treasurer upon notice and written consent by the Executive Board. The Association shall not invest in stocks or similar securities; mutual funds; futures contracts; options or other derivative instruments; floating-rate securities; real estate; or business ventures. Funds shall not be kept in any one account in excess of FDIC or comparable insurance limits. Reserve funds shall remain relatively liquid with the maturity dates for any certificates of deposit sufficiently close to dates on which cash from such certificates shall be needed for ongoing operations, so that interest penalties for early liquidation may be avoided as much as possible. Commercial financial institutions serving as depositories for reserve funds shall be approved in writing by the Executive Board. Eligible institutions must be banks, insurance companies, or other savings institutions domiciled in the United States, with accounts insured by the FDIC or comparable federal insurance program and must meet the minimum credit criteria of credit analysis provided by commercially available financial institution rating services.

33. **ENFORCEMENT AND ATTORNEYS' FEES.** In any action taken by the Association to enforce the provisions of the Governing Documents by any and all means available to the Association at law or in equity, it is the intention of the Association to seek recovery and reimbursement of all attorneys' fees and Association expenses and costs incurred by the Association in connection therewith.

34. **MISCELLANEOUS.**

A. **Adoption and Amendment of Rules.** The Executive Board may adopt new Rules or amend existing ones upon consent of a majority the Directors, whereupon written notice of the new or amended Rule shall be provided to all Owners. The existing Rules shall then be updated to include the new or amended Rule and shall be published and available for inspection and copying in accordance with the Association's policy regarding inspection and copying of Association records set forth in the Bylaws. An Owner's failure to receive the new or amended Rule shall not be available as a defense to any attempt by the Association to enforce the new or amended Rule or such Owner's liability for any Default Assessment levied for a violation of said Rule.

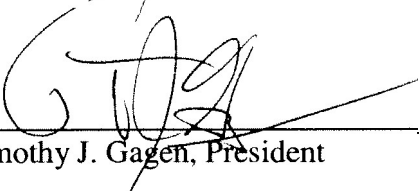
RULES AND REGULATIONS

B. **Rules as Independent and Severable.** The provisions of these Rules shall be deemed to be independent and severable, and the invalidity of any one or more of the provisions hereof, or any portion thereof, by judgment or decree of any court of competent jurisdiction, shall in no way affect the validity or enforceability of the remaining provisions, which provisions shall remain in full force and effect.

C. **Use of Singular and Plural.** Unless the context provides or requires to the contrary, the use of the singular herein shall include the plural, the use of the plural shall include the singular, and the use of any gender shall include all genders.

D. **Captions to Sections.** The captions to the sections are inserted herein only as a matter of convenience and for reference, and are in no way to be construed so as to define, limit or otherwise describe the scope of these policies and procedures or the intent of any provision hereof.

IN WITNESS WHEREOF, the undersigned certifies that these Rules and Regulations were adopted by the Executive Board on January 21, 2011.



Timothy J. Gagen, President

RULES AND REGULATIONS

Page 18