

**BYLAWS
OF
THE SHORES AT THE HIGHLANDS ASSOCIATION, INC.**

These are the Bylaws of The Shores at The Highlands Association, Inc., a Colorado nonprofit corporation ("**Association**"), which shall operate under the Colorado Revised Nonprofit Corporation Act ("**Nonprofit Act**"), and the Colorado Common Interest Ownership Act ("**Act**"). Except as otherwise provided herein, the definitions of capitalized terms herein shall be the same as provided in the Amended and Restated Declaration of Covenants, Conditions and Restrictions for The Shores at The Highlands ("**Declaration**").

These Bylaws replace in their entirety any and all prior Bylaws of the Association.

**ARTICLE I BOARD OF
DIRECTORS**

A. Number and Qualification - Termination of Declarant Control.

1. The affairs of the Project and the Association shall be governed by a board of directors ("**Board**") that shall consist of three (3) Persons. Directors shall be elected by the Owners, except for those appointed by Declarant during the Period of Declarant Control. At any meeting at which directors are to be elected, the Owners may, by resolution, adopt specific procedures that are not inconsistent with these Bylaws, the Act or the Nonprofit Act for conducting the elections.

2. The Declaration shall govern the appointment of directors of the Board during the Period of Declarant Control.

3. The Board shall appoint the officers in accordance with Section III.B below. The directors and officers shall take office upon appointment and/or election.

4. The Board shall serve without compensation.

5. At any time after the Owners, other than Declarant, are entitled to elect a director, the Association shall call a meeting and give not less than ten (10) nor more than fifty (50) days' notice to the Owners for this purpose.

B. Powers and Duties.

The Board shall have, in addition to those rights and powers established in the Declaration and subject to the limitations contained in the Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Project, including, but not limited to, the following powers and duties:

1. Adopt and amend Bylaws and Rules;
2. Adopt and amend Budgets for revenues, expenditures and reserves;
3. Levy and collect Assessments from Owners;
4. Hire and discharge Managing Agents;
5. Hire and discharge employees, independent contractors and agents other than Managing Agents;
6. Institute, defend or intervene in litigation or administrative proceedings or seek injunctive relief for violations of the Project Documents in the Association's name, or on behalf of the Association or two (2) or more Owners, on matters affecting the Project;
7. Make contracts and incur liabilities;
8. Regulate the use, maintenance, repair, replacement and modification of the Common Areas;
9. Cause additional improvements to be made as a part of the Common Areas;
10. Acquire, hold, encumber and convey, in the Association's name, any right, title or interest to real estate or personal property; but the Common Areas may be conveyed or subjected to a security interest only pursuant to §312 of the Act;
11. Grant easements for any period of time, including permanent easements, and grant leases, licenses and concessions through or over the Common Areas;
12. Impose and receive a payment, fee or charge for services provided to Owners and for the use, rental or operation of the Common Areas, other than Limited Common Areas described in §202(1)(b) and §202(1)(d) of the Act;
13. Impose a reasonable charge for the late payment of Assessments and, after Notice and Hearing, levy a reasonable Fine for a violation of the Project Documents;
14. Impose a reasonable charge for the preparation and recording of amendments to the Declaration or for statements of unpaid Assessments;
15. Provide for the indemnification of the Association's officers, directors and the Board and maintain directors' and officers' liability insurance;
16. Exercise any other powers conferred by the Declaration or these Bylaws;
17. Exercise any other power that may be exercised in the state by a legal entity of the same type as the Association;

18. Exercise any other power necessary and proper for the governance and operation of the Association; and

19. By resolution, establish committees of directors, permanent and standing, to perform any of the above functions under specifically delegated administrative standards as designated in the resolution establishing the committee.

All committees must maintain and publish notice of their actions to the Owners and the Board, however, actions taken by a committee may be appealed to the Board by any Owner within forty-five (45) days of publication of notice of that action, and the committee's action must be ratified, modified or rejected by the Board at its next regular meeting.

THE BOARD SHALL REGISTER THE ASSOCIATION ANNUALLY WITH THE DIRECTOR OF THE DIVISION OF REAL ESTATE AND PAY ANY FEE ASSOCIATED WITH SUCH REGISTRATION AS REQUIRED BY §401 OF THE ACT.

In no event shall the Board be entitled to act in such a way that impairs any Declarant Rights.

C. Manager.

The Board may employ a Managing Agent for the Project, at a compensation established by the Board, to perform duties and services authorized by the Board. The Board may delegate to the Managing Agent only the powers granted to the Board by these Bylaws under Section LB, Subsections 3, 5 and 8 above. Licenses, concessions and contracts may be executed by the Managing Agent and the Managing Agent may disburse funds of the Association pursuant to specific resolutions of the Board and to fulfill the requirements of the Budget.

If the Board delegates powers relating to the collection, deposit, transfer or disbursement of Association funds to a Managing Agent or other Person(s), that Managing Agent or other Person(s) shall:

1. Maintain fidelity insurance coverage or a bond in an amount not less than the amount required pursuant to the Declaration;

2. Maintain all funds and accounts of the Association separate from the funds and accounts of other associations managed by the Managing Agent or other Person(s), and maintain all reserve accounts of each association so managed separate from operational accounts of the Association; and

3. Cause to be prepared, by the Managing Agent, a public accountant or a certified public accountant, and present to the Association an annual accounting for Association funds and a financial statement.

D. Removal of Directors.

Owners, by a vote of sixty-seven percent (67%) of the votes at any meeting at which a quorum of such Owners is present, may remove any director of the Board elected by the Owners, with or without cause. Declarant may, at any time and for any or no reason, remove any director it has appointed without Owner consent.

E. Vacancies.

Any vacancy occurring in the position of director (other than vacancies occurring as a result of the expiration of a director's term) may be filled by a vote of the remaining directors in accordance with these Bylaws. The term of such director shall be coincident with the term of the replaced director. Notwithstanding the foregoing provisions of this Section I.E, Declarant shall replace any director appointed by Declarant.

F. Regular Meetings.

The first regular meeting of the Board following each annual meeting of the Owners shall be held within ten (10) days after the annual meeting of the Owners at a time and place to be set by the Board at the annual meeting. No notice shall be necessary to the newly elected directors in order to legally constitute such meeting, provided a quorum of directors is present. The Board may set a schedule of additional regular meetings by resolution, and no further notice is necessary to constitute regular meetings.

G. Special Meetings.

Special meetings of the Board may be called by the President or by a majority of directors on not less than three (3) business days' notice to each director. The notice shall be hand delivered or sent prepaid by U.S. Mail and shall state the time, place and purpose of the meeting.

H. Location of Meetings.

All meetings of the Board shall be held at a reasonable location determined by the Board that is at or proximate to the Project.

I. Waiver of Notice.

Any director may waive notice of any meeting in writing. Attendance by a director at any meeting of the Board shall constitute a waiver of notice. If all directors are present at any meeting, no notice shall be required, and any business may be transacted at such meeting.

J. Quorum of Directors

At all meetings of the Board, a majority of directors shall constitute a quorum for the transaction of business, and the votes of a majority of directors present at a meeting at which a quorum is present shall constitute a decision of the Board. **If**, at any meeting, there shall be less than a quorum present, a majority of those present may adjourn the meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

K. Consent to Corporate Action.

Any action required by law to be taken at a meeting of directors, or any action which may be taken at a meeting of directors, may be taken without a meeting if each director in writing either (1) votes for such action, or (2) votes against such action or abstains from voting and waives the right to demand that a meeting be held. Action is taken under this Section I.K only if the affirmative vote for such action equals or exceeds the minimum number of votes that would be necessary to take such action at a meeting at which all directors then in office were present and voted.

L. Telephone Communication in Lieu of Attendance.

A director may attend a meeting of the Board by using an electronic or telephonic communication method whereby the director may be heard by the other members and may hear the deliberations of the other members on any matter properly brought before the Board. The director's vote shall be counted and their presence noted as if that director were present in person on that particular matter.

M. Conflicts of Interest.

As required by and in accordance with §209.S(1)(b)(II) of the Act, the following provisions are and shall constitute the Association's conflict of interest policy.

1. No loans will be made by the Association to the directors or officers.

2. No contract, transaction, or other financial relationship between the Association and a director, or between the Association and a party related to a director, or between the Association and an entity in which a director of the Association is a director or officer or has a financial interest ("**Conflicting Interest Transaction**") will 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 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 Board that authorizes, approves, or ratifies the Conflicting Interest Transaction or solely because the director's vote is counted for such purpose if: (i) the material facts as to the director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Board, and the Board 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; (ii) the material facts as to the director's relationship or interest and as to the Conflicting Interest Transaction are disclosed or are known to the Persons entitled to vote thereon, and the Conflicting Interest Transaction is specifically authorized, approved, or ratified in good faith by a vote of the Persons entitled to vote thereon; or (iii) the Conflicting Interest Transaction is fair as to the Association. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board which authorizes, approves, or ratifies the Conflicting Interest Transaction. In no event shall actions taken by Declarant-appointed directors be deemed a Conflicting Interest Transaction solely because Declarant appointed such director.

3. For purposes of this Section I.M, a "party related to a director" shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or a party related to a director has a beneficial interest, or an entity in which a party related to a director is a director, officer, or has a financial interest.

4. The provisions of this Section I.M shall be periodically reviewed by the Association.

N. Proxy.

Voting by proxy shall be permitted; *provided, however*, that the proxy is granted in writing to another director who attends the meeting and the proxy is limited to a vote that is directed to be cast by the written proxy with respect to the particular proposal that is described with reasonable specificity in the proxy.

ARTICLE II OWNERS/MEMBERS

A. Annual Meeting.

Annual meetings of the Owners shall be held at such date set forth in the notice of the meeting. At these meetings, the directors shall be elected by ballot of the Owners, in accordance with the provisions of Article I above. The Owners may transact other business as may properly come before them at these meetings.

B. Budget Meeting.

Meetings of the Owners to consider proposed Budgets shall be called in accordance with the Act. The Budget may be considered at annual meetings or special meetings called for other purposes as well.

C. Special Meetings.

Special meetings of the Owners may be called by the President, by a majority of directors or by Owners comprising at least twenty percent (20%) of the votes in the Association.

D. Place of Meetings.

Meetings of the Owners shall be held at a reasonable location determined by the Board at or proximate to the Project, or may be adjourned to a suitable place convenient to the Owners, as may be designated by the Board or by the President.

E. Notice of Meetings.

1. The Secretary or other officer specified by the Board shall cause notice of meetings of the Owners to be hand delivered or sent prepaid by U.S. Mail to the mailing address of each Unit or to the mailing address designated in writing by the Owner, not less than ten (10) nor more than fifty (50) days in advance of a meeting. No action shall be adopted at a meeting except as stated in the notice.

2. The Association may additionally provide notices and agendas in electronic form, by posting on a web site or otherwise, in addition to printed form. If such electronic means are available, the Association shall provide notice of all annual meetings and special meetings of the Owners by electronic mail to all Owners who so request and who furnish the Association with their electronic mail addresses. Electronic notice of a special meeting shall be given as soon as possible but at least twenty-four (24) hours before the meeting. In addition, notice of any meeting shall be physically posted in a conspicuous place, to the extent that such posting is feasible and practicable.

F. Waiver of Notice.

Any Owner may, at any time, waive notice of any meeting of the Owners in writing, and the waiver shall be deemed equivalent to the receipt of notice.

G. Adjournment of Meeting.

At any meeting of the Owners, a majority of Owners who are present at that meeting either in person or by proxy may adjourn the meeting to another time.

H. Order of Business.

The order of business at all meetings of the Owners shall be as follows:

1. Roll call (or check-in procedure);
2. Proof of notice of meeting;
3. Reading of minutes of preceding meeting;
4. Reports;
5. Establish number and term of memberships of the Board (if required and noticed);
6. Election of directors of the Board (when required);
7. Ratification of Budget (if required and noticed);
8. Unfinished business; and

9. New business.
- l. Voting.

1. If only one (I) of several Owners of a Unit is present at a meeting of the Owners, the Owner present is entitled to cast the vote(s) allocated to the Unit. If more than one (I) of the Owners is present, the vote(s) allocated to the Unit may be cast only in accordance with the agreement of a majority in interest of the Owners. There is a majority agreement if any one (I) of the Owners casts the vote(s) allocated to the Unit without protest being made promptly to the Person presiding over the meeting by another Owner of the Unit.

2. The vote(s) allocated to a Unit may be cast under a proxy duly executed by an Owner. If a Unit is owned by more than one (I) Person, each Owner of the Unit may vote or register protest to the casting of votes by the other Owner(s) of the Unit through a duly executed proxy. An Owner may revoke a proxy given under this Subsection 2 only by actual notice of revocation to the Person presiding over a meeting of the Owners. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates eleven (11) months after its date, unless it specifies a shorter term.

3. The vote(s) of a corporation or business trust may be cast by any officer of that corporation or business trust in the absence of express notice to the Board of a specific designated Person. The vote(s) of a partnership may be cast by any general partner of the owning partnership in the absence of express notice to the Board of the designation of a specific Person by the owning partnership. The vote(s) of a limited liability company may be cast by any manager/member of the owning limited liability company in the absence of express notice to the Board of the designation of a specific Person by the owning limited liability company. The moderator of the meeting may require reasonable evidence that a Person voting on behalf of a corporation, partnership, business trust or limited liability company Owner is qualified to vote.

4. Votes allocated to a Unit owned by the Association may not be cast.

5. Votes for contested positions on the Board shall be taken by secret ballot. At the discretion of the Board or upon the request of at least twenty percent (20%) of the Owners who are present at the meeting or represented by proxy, if a quorum has been achieved a vote on any matter affecting the Project on which all Owners are entitled to vote shall be by secret ballot. Ballots shall be counted by a neutral third party (such as the Managing Agent) or by a committee of volunteers. Such volunteers shall be Owners who are selected or appointed at an open meeting, in a fair manner, by the chair of the Board or another Person presiding during that portion of the meeting. The volunteers shall not be Board members and, in the case of a contested election for a Board position, shall not be candidates. The results of a vote taken by secret ballot shall be reported without reference to the names, addresses or other identifying information of Owners participating in such vote.

J. Quorum

Except as otherwise provided in these Bylaws or the Declaration, Owners present in person or by proxy at any meeting of the Owners holding at least twenty percent (20%) of the votes in the Association shall constitute a quorum at that meeting.

K. Majority Vote.

The vote of Owners holding a majority of the votes present in person or by proxy at a meeting at which a quorum is present shall be binding upon all such Owners for all purposes except where a higher percentage vote is required in the Declaration, these Bylaws or by law.

L. Attendance.

Except as provided in §308(3) of the Act, all meetings of the Association and Board are open to every Owner, or to any Person designated by an Owner to the Board in writing as the Owner's representative. At an appropriate time determined by the Board, but before the Board votes on an issue under discussion, Owners or their designated representatives shall be permitted to speak regarding that issue. The Board may place reasonable time restrictions on Persons speaking during the meeting. If more than one (1) Person desires to address an issue and there are opposing views, the Board shall provide for a reasonable number of Persons to speak on each side of the issue.

M. Conduct of Meetings.

This Article II is and shall constitute the Association's responsible governance policy regarding the conduct of meetings of the Members as required under §209S(1)(b)(III) of the Act.

ARTICLE III OFFICERS

A. Designation.

The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be appointed by the Board. The Board may appoint an assistant treasurer, an assistant secretary and other officers as it finds necessary. The President and Vice President, but no other officers, need to be directors. Any two (2) offices may be held by the same Person, except the offices of President and Secretary. The office of Vice President may be vacant.

B. Appointment of Officers.

The officers of the Association shall be appointed annually by the Board at the organizational meeting of each new Board. They shall hold office at the pleasure of the Board.

C Removal of Officers.

Upon the affirmative vote of a majority of directors, any officer may be removed, either with or without cause. A successor may be appointed at any regular meeting of the Board or at any special meeting of the Board called for that purpose.

D. President.

The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Owners and of the Board. The President shall have all of the general powers and duties which are incident to the office of president of a non-profit corporation organized under the laws of the State of Colorado, including, but not limited to, the power to appoint committees from among the Owners, and others as permitted in the Declaration, from time to time as the President may decide is appropriate to assist in the conduct of the affairs of the Association. The President may fulfill the role of treasurer in the absence of the Treasurer. The President may cause to be prepared and may execute amendments, attested by the Secretary, to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

E. Secretary.

The Secretary shall keep the minutes of all meetings of the Owners and the Board. The Secretary shall have charge of the Association's books and papers as the Board may direct and shall perform all the duties incident to the office of secretary of a non-profit corporation organized under the laws of the State of Colorado. The Secretary may cause to be prepared and may attest to execution by the President of amendments to the Declaration and these Bylaws on behalf of the Association, following authorization or approval of the particular amendment as applicable.

F. Treasurer.

The Treasurer shall be responsible for Association funds and securities, for keeping full and accurate financial records and books of account showing all receipts and disbursements and for the preparation of all required financial data. This officer shall be responsible for the deposit of all monies and other valuable effects in depositories designated by the Board and shall perform all the duties incident to the office of treasurer of a non-profit corporation organized under the laws of the State of Colorado. The Treasurer may endorse on behalf of the Association, for collection only, checks, notes and other obligations and shall deposit the same and all monies in the name of and to the credit of the Association in banks designated by the Board. Except for reserve funds described below, the Treasurer may have custody of and shall have the power to endorse for transfer, on behalf of the Association, stock, securities or other investment instruments owned or controlled by the Association or as fiduciary for others. Reserve funds of the Association shall be deposited in segregated accounts or in prudent investments, as the Board decides. Funds may be withdrawn from these reserves for the purposes for which they were deposited, by check or order, authorized by the Treasurer, and executed by the directors, one of whom may be the Treasurer if the Treasurer is also a director.

G. Agreements, Contracts, Deeds, Checks, etc.

Except as otherwise provided in these Bylaws, all agreements, contracts, deeds, leases, checks and other instruments of the Association shall be executed by any officer of the Association or by any other Person(s) designated by the Board.

H. Statements of Unpaid Assessments.

The Treasurer, assistant treasurer, Managing Agent, or in their absence, any officer having access to the books and records of the Association may prepare, certify, and execute statements of unpaid Assessments, in accordance with §316 of the Act and Section 5.9 of the Declaration.

The Association may charge a reasonable fee for preparing certificates or statements of unpaid Assessments. The amount of such fee shall be set from time to time by the Board. Any unpaid fees may be assessed as an Individual Assessment against the Unit for which the certificate or statement is furnished.

If an account has been turned over to the Association's attorney, a request for a statement of unpaid Assessments with respect to such account may be handled through the attorney.

ARTICLE IV ENFORCEMENT

A. Unpaid Assessments.

The Association hereby adopts the following policies and procedures for the collection of Assessments and other charges of the Association. Failure of the Association to comply with any provision in this Article IV shall not be deemed a defense to non-payment of any Assessment.

1. *Due Dates.* The monthly installments of the Common Expense Assessment, as determined by the Association, shall be due and payable on the first day of each month, and any installment of a Special Assessment, Individual Assessment, Cost of Enforcement or Fine shall be due and payable on the date set forth by the Board in the resolution adopting the Special Assessment or notice imposing the Individual Assessment, Cost of Enforcement or Fine (subject to Article Five of the Declaration and Article VIII below) (each, a "**Due Date**"). Assessments or other charges not paid in full to the Association within fifteen (15) days of the Due Date ("**Grace Period**") shall be considered past due and delinquent and shall incur late charges and interest as provided below.

2. *Receipt Date.* The Association shall post payments on the day that the payment is received in the Association's or Managing Agent's office.

3. *Late Charges on Delinquent Installments.* The Association shall impose on a monthly basis a late charge in the amount of Forty and No/100 Dollars (\$40.00) for the month

that an Assessment installment is received after the Grace Period, and for each subsequent month in the event that the Assessment installment (and the prior installment(s) late fee) has not been paid by the Due Date for the next Assessment installment. The Association shall also assess an interest charge from the Due Date at the yearly rate of eighteen percent (18%), or such other lawful rate as the Board may establish from time to time by resolution and/or amendment to these Bylaws, not to exceed the maximum rate allowable under the Act or applicable state usury laws, for each Owner who fails to pay an Assessment installment by the end of the Grace Period, until paid.

4. *Personal Obligation.* The late charge and interest charge shall be the personal obligation of the Owner of the Unit for which such Assessment installment is unpaid. All late charges and interest charges shall be due and payable immediately, without notice, in the manner provided by the Declaration (and as set forth herein) for payment of Assessments.

5. *Returned Check Charges.* In addition to any and all charges imposed under the Project Documents, a Seventy-Five and No/100 Dollars (\$75.00) fee (or any higher amount permitted by Colorado law) shall be assessed against an Owner in the event any check or other instrument attributable to or payable for the benefit of such Owner is not honored by the bank or is returned by the bank for any reason whatsoever, including, but not limited to, insufficient funds. Such returned check charge shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the Owner of the Unit for which payment was tendered to the Association. This returned check charge may be in addition to any late charges or other Costs of Enforcement charged to the Owner.

If two (2) or more of an Owner's checks are returned unpaid by the bank within any calendar year, the Association may require that all of said Owner's future payments, for a period of one (1) year, be made by certified check or money order. Any returned check shall cause an account to be past due if full payment of the Assessment installment is not timely made by the end of the Grace Period.

6. *Costs of Enforcement.* The Association is entitled to recover the Costs of Enforcement incurred by the Association in the collection of Assessments or other charges due the Association from a delinquent Owner

7. *Application of Payments.* All payments received on a delinquent account shall be applied in the following order prior to application of the payment to any Assessments due or to become due with respect to such Owner: any and all legal fees and costs (including attorneys' fees), all other costs of collection, late charges, returned check charges, lien fees, and other costs owing or incurred with respect to such Owner pursuant to the Project Documents.

8. *Delinquency Notice/Payment Plan.* After an installment of an Assessment or other charges due the Association becomes more than thirty (30) days delinquent, the Association shall send a "**Delinquency Notice**" to the Owner stating (i) the total amount due to the Association with an accounting of how the amount was determined, (ii) a copy of a proposed Payment Plan (described below) for the payment of the delinquency and instructions for

contacting the Association to enter into the Payment Plan (except as provided below), (iii) the name and contact information for the Person the Owner may contact to request a copy of the ledger in order to verify the debt, and (iv) that Owner is required to agree to, sign and return the Payment Plan to the Association within thirty (30) days (or otherwise pay the entire amount due that is set forth in the Delinquency Notice within thirty [30] days) and failure to do so may result in the account being turned over to a collection agency or attorney, a lawsuit being filed against the Owner, a foreclosure of the Assessment Lien or any other remedies available under Colorado law.

Any **"Payment Plan"** for the payment of delinquent amounts due to the Association shall be structured so that the delinquency (including all delinquent Assessments and associated late fees, fines, interest and attorneys' fees) is paid in six (6) equal installments over the six (6)-month period from the date the Payment Plan is agreed to by the Owner and the Association. The Association is not required to deliver a proposed Payment Plan and may exercise its remedies under Section IV.A, Subsection 9 below in the event that (a) the Owner does not occupy the Unit and acquired the Unit as a result of a default of a Mortgage encumbering the Unit or a foreclosure of the Assessment Lien, or (b) the Owner has previously had a Payment Plan with the Association, and in such event the Delinquency Notice provided the Owner shall state that the Owner does not qualify for a Payment Plan. In addition, in the event that (X) a delinquent Owner and the Association agree to a Payment Plan and the Owner fails to abide by the terms of the Payment Plan and/or otherwise fails to timely make regular payments of Assessments during the term of the Payment Plan, or (Y) the Owner does not timely enter into the proposed Payment Plan, the Association may proceed with the remedies described in Section IV.A, Subsection 9 below.

9. *Delinquent Account Referrals.* In the event that (i) an Owner fails to remedy their delinquency within thirty (30) days after delivery of a Delinquency Notice, or (ii) an Owner fails to enter into a Payment Plan with the Association within thirty (30) days after delivery of the Delinquency Notice, then the Association shall be permitted to turn over the account to an attorney or collection agency and the Association shall have all rights available to it under Colorado law to collect the indebtedness owed by the Owner, including, but not limited to:

- (a) Filing a suit against the delinquent Owner for a money judgment;
- (b) Instituting a judicial foreclosure action of the Association's Lien;
- (c) Filing necessary claims, documents and motions in bankruptcy court in order to protect the Association's interests; and
- (d) Filing a court action seeking appointment of a receiver.

If a judgment or decree is obtained against the Owner, including, without limitation, a foreclosure action, such judgment or decree shall include reasonable attorneys' fees, together with the cost of the action and any applicable interest and late charges.

In addition to the steps outlined above, the Association may elect to suspend the voting rights of any Owner whose account is past due at the time of such voting.

10. *Acceleration/Deceleration of Assessments*. The Board may accelerate and call due the entire unpaid Assessment on any delinquent account, including all Common Expense Assessments due for the remainder of the budgeted year. Such acceleration shall result in the entire unpaid Assessment being due to the Association immediately. The Board also reserves the right to decelerate any such accelerated Assessment. In the event notice of acceleration is given to a delinquent Owner, the Owner shall also be charged any Costs of Enforcement incurred by the Association in giving notice of such acceleration.

11. *Appointment of a Receiver*. The Association may seek the appointment of a receiver if an Owner becomes delinquent in the payment of Assessments. A receiver is a disinterested person appointed by the Court who manages the rental of the Unit, collects the rent and disburses the rents according to the Court's order. The purpose of a receivership for the Association is to obtain payment of current Assessments, reduce past due Assessments, and prevent the waste and deterioration of the Unit.

13. *Judicial Foreclosure*. The Association may choose to foreclose on the Association Lien in lieu of or in addition to suing an Owner for a money judgment. The purpose of foreclosing is to obtain payment of all Assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or other circumstances favor such action, as determined by the Board in its discretion.

Notwithstanding the foregoing, the Association may not foreclose its Assessment Lien unless (a) the amount of Assessments and other amounts due to the Association is equal to or greater than six (6) months of Common Expense Assessments against the Unit, and (b) there is a recorded vote of the Board authorizing the foreclosure of the specific Unit being foreclosed. The Board authority to initiate a foreclosure cannot be delegated to the Managing Agent, an attorney or any other Person, nor can the Association have a policy of automatically requiring foreclosure when an Owner becomes six (6) months delinquent.

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

15. *Communication with Owners*. All communication with a delinquent Owner shall be handled through the Association's attorney once the matter has been referred to the attorney. Neither the Managing Agent nor any member of the Board shall 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.

The provisions of this Section IV.A constitute the Association's responsible governance policy regarding the collection of unpaid Assessments as required by §209.5(1)(b)(I) of the Act and §209.5(5) of the Act. The provisions herein shall apply to the Association and to any Person who is a holder or assignee of the Association's debt.

B. Abatement.

The violation of any provisions of the Project Documents shall give the Board the right, after Notice and Hearing, except in case of an emergency, in addition to any other rights set forth in the Project Documents:

1. To enter the Unit or Limited Common Area in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Unit) that is existing and creating a danger to the Common Areas or another Unit contrary to the intent and meaning of the provisions of the Project Documents. The Board shall not be deemed liable for any manner of trespass by this action; or

2. To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

C. Fine for Violation.

Pursuant to the procedures set forth herein, the Board may levy fines for violations of the Project Documents.

D. Notice and Hearing.

Except as otherwise expressly stated in the Project Documents, the Board shall not impose a Fine, suspend voting rights, or infringe upon other rights of an Owner for violations of the Project Documents unless the Notice and Hearing procedures set forth herein are followed; *provided, however*, such procedures shall not be necessary in order to impose any sanction or penalty, or pursue any remedy, for non-payment of Assessments.

ARTICLE V INDEMNIFICATION

A. Actions Other Than By or in the Right of the Association

The Association shall indemnify any Person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he or she is or was a member of the Board or Committee or officer of the Association, who is or was serving at the request of the Association in such capacity, against expenses (including expert witness fees, attorneys' fees and costs), judgments, fines, amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding, if he or she acted in good faith and in a manner which such individual reasonably believed to be in the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. Determination of any action, suit or proceeding by judgment, order, settlement or

conviction, or upon a plea of *nolo contendere* or its equivalent, shall not of itself create a presumption that the Person did not act in good faith and in a manner he or she reasonably believed to be in the best interests of the Association and, with respect to any criminal action or proceeding, had reasonable cause to believe his or her conduct was unlawful.

B. Actions By or in the Right of the Association.

The Association shall indemnify any Person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure judgment in its favor by reason of the fact that such Person is or was a member of the Board or Committee or officer of the Association or is or was serving at the request of the Association in such capacity, against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if such Person acted in good faith and in a manner which he or she reasonably believed to be in the best interests of the Association; but no indemnification shall be made in respect of any claim, issue or matter as to which such Person has been adjudged to be liable for negligence, recklessness, or willful misconduct in the performance of his or her duty in the Association unless, and to the extent that the Court in which such action or suit was brought determines upon application that, despite the adjudication of liability, but in view of all circumstances of the case, such Person is fairly and reasonably entitled to indemnification for such expenses if such Court deems proper.

C. Successful on the Merits.

To the extent that a member of the Board or Committee or any Managing Agent, officer, project manager, employee, fiduciary or agent of the Association has been wholly successful on the merits in defense of any action, suit or proceeding referred to in Sections V.A or V.B above, or in defense of any claim, issue or matter therein, such Person shall be indemnified against expenses (including expert witness fees, attorneys' fees and costs) actually and reasonably incurred by him or her in connection therewith.

D. Determination Required.

Any indemnification under Sections V.A or V.B above (unless ordered by a Court) and as distinguished from Section VC above, shall be made by the Association only as authorized by the specific case upon a determination that indemnification of the member of the Board or Committee or officer of the Association is proper under the circumstances because such individual has met the applicable standard of conduct set forth in Sections VA or V.B above. Such determination shall be made by the Board by majority vote of a quorum consisting of those members of the Board who were not parties to such action, suit or proceeding or, if a majority of disinterested members of the Board so directs, by independent legal counsel or by members entitled to vote thereon. Such determination shall be reasonable, based on substantial evidence of record, and supported by a written opinion. The Board shall provide a copy of its written opinion to the officer or Board member seeking indemnification upon request.

E. Payment in Advance of Final Disposition.

The Association shall pay for or reimburse the reasonable expenses incurred by a former or current member of the Board or Committee or officer of the Association who is a party to a proceeding in advance of final disposition of the proceeding if (1) the member of the Board or Committee or officer of the Association furnishes to the Association a written affirmation of the individual's good faith belief that he or she has met the standard of conduct described in Sections V.A or V.B above, (2) the Board or Committee member or officer furnishes to the Association a written understanding, executed personally or on the Board or Committee member's or officer's behalf to repay the advance if it is ultimately determined that the Board member or officer did not meet the standard of conduct, and (3) a determination is made that the facts then known to those making the determination would not preclude indemnification under this Article V. The undertaking required in this Section V.E shall be an unlimited general obligation of the Board but need not be accepted by the Board member or officer or may be accepted without reference to the financial ability to make repayment.

F. No Limitation of Rights.

The indemnification provided by this Article V shall not be deemed exclusive of nor a limitation upon any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of the members or disinterested members of the Board, or otherwise, nor by any rights which are granted pursuant to the Act and the Nonprofit Act. Upon a vote of the Board, the Association may also indemnify a member appointed by the Board to serve on a committee (when such committee member is not also a member of the Board) upon such terms and conditions as the Board shall deem just and reasonable.

G. Directors' and Officers' Insurance.

The Association shall purchase and maintain insurance on behalf of any Person who is or was a member of the Board or an officer of the Association against any liability asserted against him or her and incurred by such individual in any such capacity or arising out of his or her status as such, whether or not the Association would have the power to indemnify such individual against such liability under the provisions of this Article V.

ARTICLE VI BOOKS AND RECORDS

A. Required by §317 of the Act.

1. The Association must maintain the following, all of which shall be deemed to be the sole records of the Association for purposes of document retention and production to Owners:

(i) Detailed records of receipts and expenditures affecting the operation and administration of the Association;

(ii) Records of claims for construction defects and amounts received pursuant to settlement of those claims;

(iii) Minutes of all meetings of the Owners and Board, a record of all actions taken by the Owners or Board without a meeting, and a record of all actions taken by any committee of the Board;

(iv) Written communications among, and the votes cast by, members of the Board that are (a) directly related to an action taken by the Board without a meeting pursuant to Article 128, §202 of the Nonprofit Act, or (b) directly related to an action taken by the Board without a meeting pursuant to these Bylaws;

(v) The names of the Owners in a form that permits preparation of a list of the names of all Owners and the physical mailing addresses at which the Association communicates with them, showing the number of votes each Owner is entitled to vote;

(vi) The Project Documents;

(vii) Financial statements as described in Article 136 of the Nonprofit Act, for the past three (3) years and tax returns of the Association for the past seven (7) years, to the extent available;

(viii) A list of the names, electronic mail addresses, and physical mailing addresses of its current members of the Board and officers of the Association;

(ix) Its most recent annual report delivered to the Colorado Secretary of State, if any;

(x) Financial records sufficiently detailed to enable the Association to comply with §316(8) of the Act concerning statements of unpaid Assessments;

(xi) The Association's most recent reserve study, if any;

(xii) Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two (2) years;

(xiii) Records of Board actions to approve or deny any requests for design or architectural approval from Owners, if any;

(xiv) Ballots, proxies, and other records related to voting by the Owners for one (1) year after the election, action, or vote to which they relate;

(xv) Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Owners or any class or category of Owners; and

(xvi) All written communications within the past three (3) years to all Owners generally as Owners.

2. Subject to Subsection VI.A.3, Subsection VI.A.4 and Subsection VI.A.5 below, all records maintained by the Association must be available for examination and copying by an Owner or the Owner's authorized agent. The Association may require Owners to submit a written request, describing with reasonable particularity the records sought, at least ten (10) days prior to inspection or production of the documents, and may limit examination and copying times to normal business hours or the next regularly scheduled Board meeting if the meeting occurs within thirty (30) days after the request. Notwithstanding any provision of the Project Documents to the contrary, the Association may not condition the production of records upon the statement of a proper purpose.

Notwithstanding the foregoing paragraph, a membership list or any part thereof may not be obtained or used by any Person for any purpose unrelated to an Owner's interest as an Owner without consent of the Board. Without limiting the generality of the foregoing, without the consent of the Board, a membership list or any part thereof may not be (i) 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 to be held by the Association, (ii) used for any commercial purpose, or (iii) sold to or purchased by any Person.

3. Records maintained by the Association may be withheld from inspection and copying to the extent that they are or concern (i) architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs, (ii) contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation, (iii) communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine, (iv) disclosure of information in violation of law, (v) records of an executive session of the Board, or (vi) individual Units other than those of the requesting Owner.

4. Records maintained by the Association are not subject to inspection and copying, and must be withheld, to the extent that they are or concern (i) personnel, salary, or medical records relating to specific individuals, or (ii) personal identification and account information of Owners, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

5. The Association may impose a reasonable charge, which may be collected in advance and may cover the costs of labor and material, for copies of Association records. The charge may not exceed the estimated cost of production and reproduction of the records.

6. A right to copy records under this Section VI.A includes the right to receive copies by photocopying or other means, including the receipt of copies through an electronic transmission if available, upon request by an Owner.

7. The Association is not obligated to compile or synthesize information.

8 Association records and the information contained within those records shall not be used for commercial purposes.

B. Required by §209.4 of the Act.

1 Within ninety (90) days after assuming control from Declarant pursuant to §303(5) of the Act, the Association shall make the following information available to Owners upon reasonable notice:

- (i) The name of the Association;
- (ii) The name of the Association's designated agent or Managing Agent, if any;
- (iii) A valid physical address and telephone number for both the Association and the designated agent or Managing Agent, if any;
- (iv) The name of the Project;
- (v) The initial date of recording of the Declaration; and
- (vi) The reception number or book and page for the map document that constitutes the Declaration.

In addition, if the Association's address, designated agent, or Managing Agent changes, the Association shall provide all Owners with an amended notice within ninety (90) days after the change.

2 Within ninety (90) days after assuming control from Declarant pursuant to §303(5) of the Act, and within ninety (90) days after the end of each fiscal year thereafter, the Association shall make the following information available to Owners upon reasonable notice:

- (i) The date on which its fiscal year commences;
- (ii) Its operating Budget for the current fiscal year;
- (iii) A list, by Unit type, of the Association's current Assessments, including both Common Expense Assessments and Special Assessments;
- (iv) Its annual financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure;
- (v) The results of its most recent available financial audit or review;
- (vi) A list of all Association insurance policies, including, but not limited to, property, general liability, Association director and officer professional liability, and fidelity

policies. Such list shall include the company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies listed:

(vii) All of the Association's Bylaws, Articles, and Rules;

(viii) The minutes of the Board and Owner meetings for the fiscal year immediately preceding the current annual disclosure; and

(ix) The Association's responsible governance policies which are all set forth in these Bylaws.

It is the intent of this Section V.B to allow the Association the widest possible latitude in methods and means of disclosure, while requiring that the information be readily available at no cost to Owners at their convenience. Disclosure shall be accomplished by one (1) of the following means: posting on an internet web page with accompanying notice of the web address via first-class mail or e-mail; the maintenance of a literature table or binder at the Association's principal place of business; or mail or personal delivery. The cost of such distribution shall be accounted for as a Common Expense.

C. Required by §303 of the Act.

At the discretion of the Board or upon request pursuant to this Section VI.C, the books and records of the Association shall be subject to an audit, using generally accepted auditing standards, or a review, using statements on standards for accounting and review services, by an independent and qualified Person selected by the Board. Such Person need not be a certified public accountant except in the case of an audit. A Person selected to conduct a review shall have at least a basic understanding of the principles of accounting as a result of prior business experience, education above the high school level or bona fide home study. The audit or review report shall cover the Association's financial statements, which shall be prepared using generally accepted accounting principles or the cash and tax basis of accounting.

An audit shall be required under this Section VI.C only when both of the following conditions are met:

1. The Association has annual revenues or expenditures of at least Two Hundred Fifty Thousand and *Noll* 00 Dollars (\$250,000); and

2. An audit is requested by the Owners of at least one-third (1/3) of the Units represented by the Association.

A review shall be required under this Section VI.Only when requested by the Owners of at least one-third (1/3) of the Units represented by the Association.

D. Books and Records.

The provisions of this Article VI constitute the Association's responsible governance policy regarding the inspection and copying of Association records by Owners as required by §209S(1)(b)(V) of the Act.

**ARTICLE VII
MISCELLANEOUS**

A. Notices.

All notices to the Association or the Board shall be delivered to the Managing Agent, if any, and if there is no Managing Agent, then to the registered agent for the Association on file in the Office of the Secretary of State, State of Colorado. Except as otherwise provided herein or in the Declaration, all notices to any Owner shall be sent to the Owner's address as it appears in the records of the Association. In the event any Unit is owned by multiple Owners, any one (1) of the Owners may be designated for notice purposes. All notices shall be deemed to have been given when mailed, except notices of changes of address, which shall be deemed to have been given when received.

B. Fiscal Year.

The fiscal year of the Association is hereby set as the calendar year.

C. Waiver.

No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

D. Office.

The initial principal office of the Association shall be as provided in the Articles. Any future principal office of the Association shall be on the Property or at such other place as the Board may from time to time designate.

E. Reserves.

1. As a part of the adoption of the Budget, the Board shall include an amount which, in its reasonable business judgment, will establish and maintain an adequate reserve fund for the replacement of improvements to the Common Areas and those Limited Common Areas that it is obligated to maintain, based upon the Project's age, remaining life and the quantity and replacement cost of major Common Area improvements.

All transactions involving reserve funds shall require prior approval by the Board, and such approval shall be documented in the Board's meeting minutes. Audits conducted

pursuant to Section VI.C above should be used in reviewing the adequacy of reserves, as well as the spending of reserve funds.

All actions by the Board regarding the investment of any reserve funds shall be made in good faith with the care an ordinarily prudent person in a like position would exercise, and in a manner the Board reasonably believes to be in the best interests of the Association. The officers and members of the Board shall be subject to the standards set forth in C.R.S. 7-128-401, except that, as used in that section: "Corporation" or "nonprofit corporation" means the Association; "Director" means a member of the Board; and "Officer" means any person designated as an officer of the Association and any Person to whom the Board delegates responsibilities under this Section VII.E.1, including, without limitation, a Managing Agent, attorney or accountant employed by the Board.

In investing any reserve funds, the Board shall consider the Association's short term and long term needs, as well as the Association's financial requirements and goals and the Association's purpose. The Association's overall objective with respect to any investment of reserve funds shall be the protection of the principal reserve funds invested and not maximization of returns on the investment. The Board may delegate investment authority, provided reasonable care and skill is used in selecting the agent, directing the agent and reviewing the agent's performance. The reserve funds investment policies stated herein shall be communicated in writing to such agent. The Board shall engage only licensed, insured, and bonded brokers and agents in investing any reserve funds.

The provisions of this Section VII.E.1 constitute the Association's responsible governance policy regarding the investment of reserve funds as required by §209.5(l)(b)(VI) of the Act.

2. The Board may consider conducting a reserve study with the assistance of a reserve study specialist. Any such reserve study will include both a physical analysis and a financial analysis as follows:

i. The physical analysis should include:

A. A component inventory identifying those portions of the Project the Association is obligated to maintain, including the useful life of each component.

B. A condition assessment of each component on the component inventory by on-site inspection.

C. Estimates of the remaining useful life and replacement costs of each component.

ii. The financial analysis shall include:

A. An analysis of the funds currently held in the Association's reserve fund in relation to the expected needs of the Association per the reserve study.

B. A future funding plan to meet the requirements of the reserve study.

If and when the Association determines to conduct a reserve study, it will cause the reserve study to be periodically reviewed and updated as necessary, and will determine whether to use a reserve study specialist at that time. Any review will determine increases in replacement costs and decreases in remaining useful lives of the components of the reserve study to adequately address changes to be made to the reserve study.

The provisions of this Section VIIE.2 constitute the Association's responsible governance policy regarding the requirements for a reserve study as required by §209S(1)(b)(IX) of the Act.

F. Adoption of Policies.

The Board may from time to time adopt certain policies as may be necessary to facilitate the efficient operation of the Association, including the clarification of ambiguous provisions in the Project Documents, or as may be required by law; *provided, however*, in the event that the policy requires an amendment to the Declaration, the amendment procedures of the Declaration shall apply. Within fifteen (15) days after the adoption of a policy, the policy or notice of such policy, including the effective date shall 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 web site (if any) or mailing.

The provisions of this Section VIT.F constitute the Association's responsible governance policy regarding the adoption and amendment of policies as required by §209.S(1)(b)(VII) of the Act.

ARTICLE VIII ENFORCEMENT

Except for the enforcement of Assessments, as a precursor to utilizing the dispute resolution procedures described in Article Fourteen of the Declaration (if applicable), any complaint which alleges a violation of the Project Documents shall be made in writing and shall contain substantially the same information as that set forth in the Witness Statement attached hereto as **Exhibit A**. At a minimum, the complaint shall set forth:

- A. The name, Unit number and phone number of the complaining witness.
- B. The name and Unit number of the violator.
- C. The specific details or description of the violation, including the date, time and location where the violation occurred.
- D. A statement by the complaining witness that he or she will cooperate in the enforcement

procedures and will provide testimony at any proceedings, hearings or trial which may be necessary.

E. The signature of the complaining witness and the date on which the complaint is made.

The Owner shall be notified of the complaint and alleged violation by the Association or its duly authorized agent. If the complaint is based on the conduct of the Owner's tenant, the tenant shall also be notified of the alleged violation. The notification shall be in a manner prescribed by the Board in a form similar to that which is attached hereto as **ExhibitB ('Notice of Violation')**.

Except as otherwise provided in the Project Documents, any Owner charged with a violation of the Project Documents is entitled to an opportunity for Notice and Hearing. If the Owner desires a hearing, the Owner must proceed as follows:

i. Within seven days after the Notice of Violation has been delivered to the Owner, the Owner must complete the Request for a Hearing form, which is attached to the Notice of Violation (see **ExhibitB-2**), and return it to the Association or its Managing Agent.

ii. If a Request for a Hearing is timely filed, a hearing on the complaint shall be held before the Board. The hearing shall be conducted no later than twenty-one (21) days after receipt of the Request for a Hearing, as determined by the Board. An Owner may request an expedited hearing.

m. At any such hearing, the Board shall hear and consider arguments, evidence or statements regarding the alleged violation. Following a hearing, the Board shall issue its determination regarding the alleged violation. The decision of the Board shall be final and binding on the Owner and Association.

iv. Notification of the Board's determination shall be made in a form similar to that which is attached hereto as **ExhibitC**.

If no Request for a Hearing is filed within seven (7) days, a hearing will be considered waived, the allegations in the Notice of Violation shall be deemed admitted by default, and appropriate sanctions shall be imposed at a meeting of the Board. The Owner shall be notified by the Association of any such determination using the same form and in the same manner as if a hearing had been conducted.

If an Owner is found to have violated personally or is otherwise liable for a violation of the Project Documents, the following shall occur:

1. If found to be guilty of a first violation of a provision of the Project Documents, the Owner shall be notified of the finding by the Board or its duly authorized agents that a first violation has occurred. The first violation, at the discretion of the Board, may be considered a warning that if any further violations occur a fine for the violation will be imposed. In the alternative, the Board may elect to assess a Fine.

2. If found to be guilty of a second or continuing violation of the same provision of the Project Documents, the Owner shall be notified of the finding by the Board or its duly authorized agents. The Owner shall be assessed a Fine.

3. Where a Fine is imposed, unless expressly provided in another section of the Project Documents, it shall be in the amount of One Hundred and No/100 Dollars (\$100.00) for a single incident of violation of a given provision of the Project Documents, One Hundred Fifty and *Noll* 00 Dollars (\$150.00) for a second single incident of violation of the same provision of the Project Documents, and Two Hundred and *NollOO* Dollars (\$200.00) for a third or subsequent single incident of violation of the same provision of the Project Documents; or the sum of Fifty and *Noll* 00 Dollars (\$50.00) per day for a violation of a continuing nature. A FINE FOR A VIOLATION OF A CONTINUING NATURE WILL CONTINUE UNTIL THE VIOLATION HAS BEEN ELIMINATED AND THE BOARD HAS RECEIVED NOTICE OF IT.

4. If found to be guilty of any violation, including a first violation, the notice of determination may also require the Owner to pay for any damage or any unauthorized condition on the Property for which the Owner has been found responsible, to pay the costs of any repairs which have previously been made or will be made by the Association, or to pay any legal expenses and costs incurred by the Association as a result of the violation. Any damage to the Common Areas, which has been repaired by the Owner, must be inspected by the Board's representative to verify that the repair has been properly done. The cost of such inspection and any necessary repairs shall be assessed to the Owner as part of their share of the Common Expenses.

Any Owner assessed herein shall pay any charges imposed within thirty (30) days of notification that such charges are due. Failure to make the payment on time shall subject the Owner to all of the legal or equitable remedies necessary for the collection thereof.

Time is of the essence of this policy. Notices are deemed delivered either:

- X. At the time of delivery if by personal delivery; or
- Y. On the second business day after deposit in the U.S. Mail.

The remedies provided for herein are not exhaustive, and the Board may, in addition, take any action provided at law, in equity, or in the Declaration or Bylaws to prevent or eliminate violations of the Project Documents. This Article VIII is and shall constitute the Association's responsible governance policy regarding the enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines as required by §209.5(1)(b)(IV) of the Act.

**ARTICLE IX
DISPUTE RESOLUTION**

Except as otherwise set forth in the Project Documents, including, but not limited to, Article Fourteen of the Declaration and Article VIII hereof, any disputes between the Association and an Owner shall be resolved in accordance with Article Fourteen of the Declaration which shall constitute the Association's responsible governance policy required by 209.5(1)(b)(VIII) of the Act.

**ARTICLE X
RESPONSIBLE GOVERNANCE POLICIES**

The responsible governance policies required by C.R.S. 38-33.3-209.5 are addressed in the following Articles/Sections of these Bylaws:

- A. Collection of unpaid Assessments - Article IV
- B. Handling of Board conflicts of interest - Section T.M
- C. Conduct of meetings - Article I and Article II
- D. Enforcement of covenants and rules -Article VIII
- E. Inspection and copying of records - Article VI
- F. Investment of reserve funds - Section VII.E
- G. Adoption and amendment of policies - Section VII.F
- H. Addressing disputes - Article IX
- I. Reserve study - Section VILE

**ARTICLE XI AMENDMENTS
TO BYLAWS**

A. The Bylaws may be amended by vote of a majority of Board; *provided, however*, that no amendment shall be made to impair any Declarant Rights without the written consent of Declarant.

B. Notwithstanding the foregoing, amendments to these Bylaws are subject to the provisions of the Articles and the Declaration.

[SIGNATURE FOLLOWS]

The undersigned President hereby certifies that these Bylaws have been approved by at least 60% of the votes in the Association, and a majority of directors.

Exhibit A

VIOLATION COMPLAINT - WITNESS STATEMENT

PLEASE PRINT OR TYPE. Complete all the information you know. If unknown, please state so. Attach additional sheets if necessary.

INFORMATION CONCERNING WITNESS(ES) TO VIOLATION

Reporting Witness Name _____ Date _____
Unit# _____ Area Code - Phone number _____

ADDITIONAL WITNESSES

Name & Address _____ Area Code - Phone Number _____
Name & Address _____ Area Code - Phone Number _____

INFORMATION CONCERNING THE VIOLATOR

Violator's Name _____ Area Code - Phone Number _____
Unit# _____
Owner's Name, Address & Phone No. if different than the Violator _____

INFORMATION CONCERNING THE VIOLATION

Violation Date _____ Time _____ Location _____
Section(s) of Project Documents that was violated _____
Reporting Witness' Observations: _____

Were any photographs or sound recordings made? Yes _____ No _____ By whom? _____
Include any audio or videotapes or photographs with this form or forward as soon as possible. Include the name of the person who made the tape or photograph(s), the date it was made, the location it was made and the name of an one else who was present.

I HAVE MADE THE ABOVE STATEMENTS BASED ON MY PERSONAL KNOWLEDGE AND NOT UPON WHAT HAS BEEN TOLD TO ME. I WILL FULLY COOPERATE WITH THE ASSOCIATION AND ITS ATTORNEYS TO PROVIDE ADDITIONAL STATEMENTS OR AFFIDAVITS, AND IN THE EVENT A HEARING OR TRIAL IS NECESSARY, I WILL APPEAR TO TESTIFY AS A WITNESS.

Signature _____

EXHIBIT B NOTICE OF VIOLATION

(Owner/Tenant)

NOTICE OF VIOLATION

Re: Violation of Project Documents

You are hereby notified, as the Owner/Tenant of Unit # _____ at (Address, City) _____, Colorado that you violated the Project Documents of The Shores at The Highlands Association, Inc. The actions complained of occurred on or about _____, 20____ and are described as follows:

UNDER THE ASSOCIATION'S BYLAWS, IF YOU FAIL TO REQUEST A HEARING WITHIN SEVEN DAYS OR FAIL TO APPEAR AT A HEARING ON THESE CHARGES, YOU WILL BE FOUND GUILTY BY DEFAULT. AND FINES, CHARGES, COSTS, EXPENSES AND LEGAL FEES MAY BE ASSESSED AGAINST YOU AND ADDED TO YOUR MONTHLY ASSESSMENT.

IF A VIOLATION EXISTS, WHICH HAS NOT ALREADY BEEN CORRECTED AND YOU FAIL TO MAKE AN APPROPRIATE CORRECTION, THE ASSOCIATION MAY CORRECT THE VIOLATION AT YOUR EXPENSE.

Please consult the Association's Bylaws for further details.

You may request a hearing by signing, dating and returning the attached Request for a Hearing form within seven days to the Association at the address below.

Very truly yours,

The Shores at The Highlands Association, Inc.

Address

City, State, Zip

Area Code and Phone #

**EXHIBIT B-2
REQUEST FOR A HEARING**

REQUEST FOR A HEARING

I hereby request a hearing on the statements made against me as contained in the Notice of Violation dated _____, 20_ , alleging a violation of the Project Documents of The Shores at The Highlands Association, [nc.

Owner/Tenant's Name (printed)

Address

City, State, Zip

Area Code and Phone #

Signature

Date

EXHIBIT C
NOTICE OF DETERMINATION

Date:

(Owner/Tenant)

NOTICE OF DETERMINATION REGARDING VIOLATION

On _____ 20__ you were notified of a violation of the Project Documents of The Shores at The Highlands Association, Inc. Pursuant to the Association's Bylaws:

- () A hearing was held at your request regarding the alleged violation.
- () You have admitted to the violation by default and waived your right to request a hearing.

After considering the complaint and evidence, the following determination has been made and the following action(s) will be taken:

- () You were found not guilty and no action will be taken.
- () A 1st, 2nd, 3rd or subsequent violation (circle one) of the Project Documents has occurred and a fine in the amount of\$ _____ is now due.
- () A violation of the Project Documents of a continuing nature has occurred and a fine in the amount of\$ _____ per day from _____, 20__ is now due. A FINE FOR A CONTINUING VIOLATION WILL CONTINUE UNTIL THE VIOLATION HAS BEEN ELIMINATED AND THE ASSOCIATION HAS BEEN NOTIFIED.
- () Damages & expenses in the amount of\$ _____ have accrued and are due.
- () Legal expenses in the amount of\$ _____ have been incurred by the Association and are due.
- () Damages have occurred or an architectural violation exists, as charged in the complaint. The Association will proceed to have the damages or violation corrected or repaired at your expense.
- () As a result of a second or subsequent violation, we have instructed our attorneys to inform you that legal proceedings will be instituted if further violations occur, and the fees and expenses incurred will be assessed to you.

The Shores at The Highlands Association, Inc.

By:

Title: _____
Address: _____

