

RESPONSIBLE GOVERNANCE POLICIES OF THE GREENSTONES OWNERS ASSOCIATION

(adopted as of _____, 2011 pursuant to the requirements of
the Colorado Common Interest Ownership Act (the "Act"))

INTRODUCTION

C.R.S. § 38-33.3-209.5 of the Act states:

38-33.3-209.5 Responsible governance policies. (1) To promote responsible governance, associations shall:

- (a) Maintain accurate and complete accounting records; and
- (b) Adopt policies, procedures, and rules and regulations concerning:
 - (I) Collection of unpaid assessments;
 - (II) Handling of conflicts of interest involving board members;
 - (III) Conduct of meetings, which may refer to applicable provisions of the nonprofit code or other recognized rules and principles;
 - (IV) Enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines;
 - (V) Inspection and copying of association records by Unit owners;
 - (VI) Investment of reserve funds;
 - (VII) Procedures for the adoption and amendment of policies, procedures, and rules; and
 - (VIII) Procedures for addressing disputes arising between the association and Unit owners.

In order to implement these statutory requirements the The Greenstones Owners Association (the "Association") by resolution of the Board of Directors of the Association (the "Board") adopts the following governance policies as part of the Association Rules. The Association Rules are provided for in the **CONDOMINIUM DECLARATION OF THE GREENSTONES** recorded _____ as Reception No. _____ (the "Declaration"). See Paragraph 1.48 of the Declaration. These Rules regarding responsible governance policies shall be deemed to supplement the Declaration and the Articles of Incorporation and Bylaws of the Association. To the extent these Rules are inconsistent with the Declaration, Articles or Bylaws, those documents shall control, as applicable, except where otherwise required by the Colorado Common Interest Ownership Act. The following Rules may be amended at any time by action of the Board.

POLICIES

1. COLLECTION OF UNPAID ASSESSMENTS.

The Common Expense Assessments (as defined in the Declaration) are assessed annually and are collected in monthly installments due on the first day of each month. Any Assessment that has not been paid within ten (10) days following the applicable due date shall be considered late. In the event an Owner is late in the payment of any Assessment, the Owner will be obligated to pay a late fee and default interest as determined from time to time by the Board of Directors (the Board). The late fee is currently \$25.00 for each late assessment and default interest is hereby set at 12% per annum by the Board of Directors pursuant to Paragraph 5.6 of

the Declaration. A charge of \$50.00 may be imposed by the Association on an Owner in the event an Owner's check or other payment to the Association is returned unpaid after deposit by the Association or is otherwise unpaid by the Owner's bank because of insufficient funds or any other reason attributable to the conduct or neglect of the Owner.

At any time after a default, the Board may provide written notice of default, which shall be sent by certified mail, return receipt requested, to the Owner at the address of the subject Unit or such other address of record of the Owner. The Notice will be deemed to be effective five (5) days from the date of such mailing, irrespective of whether or when the letter is claimed, receipted for or otherwise delivered or received. The Notice shall specify (i) the due dates and principal amounts of the late assessment(s), (ii) the late fees and (iii) the default interest as of a specified date and the per diem thereafter. The Notice shall demand payment in full within thirty days of the effective date of such notice and shall state that if payment is not so made (i) the Association may file a lien against the Unit and pursue other legal remedies and (ii) that the Owner will become liable for costs and attorneys fees of enforcement. If the Assessment default is not cured and paid in full, including late fees and default interest, within such thirty day period, the Association may (i) record a lien against the subject Unit and (ii) pursue any other remedy available under the Declaration or Colorado law, including suit against the Owner and foreclosure of the assessment lien and sale of the subject property. The Owner is liable for all Court costs, attorneys' fees or other costs of collection, which together with all unpaid assessments are secured by the lien or become an Individual Assessment against the Owner and the Property. All Owners should be aware that, where enforcement and collection is required, the Owner may be liable for substantial costs and attorneys fees of enforcement.

2. HANDLING OF BOARD MEMBER CONFLICTS OF INTEREST.

C.R.S. § 38-33.3-310.5 of the Act provides:

38-33.3-310.5. Executive board - conflicts of interest - definitions.

(1) Section 7-128-501, C.R.S., shall apply to members of the executive board; except that, as used in that section:

(a) "Corporation" or "nonprofit corporation" means the association.

(b) "Director" means a member of the association's executive board.

(c) "Officer" means any person designated as an officer of the association and any person to whom the board delegates responsibilities under this article, including, without limitation, a managing agent, attorney, or accountant employed by the board.

C.R.S. § 7-128-501 provides:

7-128-501. Conflicting interest transaction.

(1) As used in this section, "conflicting interest transaction" means: A contract, transaction, or other financial relationship between a nonprofit corporation and a director of the nonprofit corporation, or between the nonprofit corporation and a party related to a director, or between the nonprofit corporation and an entity in which a director of the nonprofit corporation is a director or officer or has a financial interest.

(2) No loans shall be made by a corporation to its directors or officers. Any director or officer who assents to or participates in the making of any such loan shall be liable to the corporation for the amount of such loan until the repayment thereof.

(3) No conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a member or by or in the right of the nonprofit corporation, solely because the conflicting interest transaction involves a director of the nonprofit corporation or a party related to a director or an entity in which a director of the nonprofit corporation 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 nonprofit corporation's board of directors or of the committee of the board of directors that authorizes, approves, or ratifies the conflicting interest transaction or solely because the director's vote is counted for such purpose if:

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

(b) 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 members entitled to vote thereon, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the members entitled to vote thereon; or

(c) The conflicting interest transaction is fair as to the nonprofit corporation.

(4) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes, approves, or ratifies the conflicting interest transaction.

(5) For purposes of this section, 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.

Pursuant to Section 7.12 of the Bylaws of The Greenstones Owners Association (the "Bylaws"), the Association and the Board of Directors shall utilize these statutory provisions to review and address any potential conflicts of interest relating to the officers and directors of the Association. In the event these statutory provisions are amended, the Board may modify or otherwise amend these conflict of interest provisions.

A director must disclose a conflict of interest during a board meeting in open session and cannot vote on the conflicting decision or contract. The conflicted director may participate in the

discussion about a conflicting decision or contract unless a majority of the directors who are not conflicted determine such discussion would not be appropriate.

3. CONDUCT OF ASSOCIATION AND BOARD MEETINGS.

A. NOTICE. See ARTICLE FIVE of the Bylaws, in particular, Section 5.4 and 5.5 of the Bylaws.

B. OPEN BOARD AND ASSOCIATION MEETINGS. All regular and special meetings of the Board and the Association will be open to attendance by all Owners and Owner's representatives. An "Owner's representative" shall mean a person designated in writing by a proxy or other document executed by an Owner and authorizing the Owner's representative to act for such Owner as designated in the authorization. Unless otherwise limited in scope, any such authorization shall remain in effect until withdrawn in writing by the Owner and the Board shall retain all such proxy's or other documents. All members are encouraged to attend and participate in the Board meetings or to provide written comments to the Board on pending issues prior to any such meeting. Association meetings shall be scheduled per the Declaration, Bylaws and as otherwise determined by the Board.

C. AGENDAS. Owners desiring further information or copies of an agenda should contact an officer of the Association.

D. PARTICIPATION BY OWNERS AT BOARD MEETINGS AND AT OWNERS MEETINGS. At an appropriate time determined by the Board of Directors, but before the Board votes on an issue under discussion at a Board meeting that requires a vote of the Board, an Owner or an Owner's representative desiring to speak on the issue will be reasonably permitted to speak regarding that issue. The Board may place reasonable time restrictions on persons speaking during the Board meeting. If more than one person desires to address an issue and there are opposing views, the Board shall provide for a reasonable number of persons to speak on each side of the issue. Similarly, at meetings of Owners, if it becomes necessary, as determined by the reasonable discretion of the President of the Association, the President may set reasonable limits on the time an Owner may speak and the number of Owners who may speak regarding a particular issue. While free and open discussion is encouraged and desired at all times, the President and the Board may always consider other concerns affected by such discussion, including but not limited to, the impacts of such discussion on the other Owners and persons present at any meeting and the need for other business to be conducted at a meeting.

The Board may, in its discretion, hold private or confidential executive sessions in accordance with C.R.S. § 38-33.3-308 and other applicable Colorado Law.

E. SECRET BALLOT. See Section 4.6 of the Bylaws. To the extent required, the Association will comply with C.R.S. § 38-33.3-110 regarding the need and procedure for a secret ballot.

Uncontested elections of Board members, defined as elections in which the number of candidates is equal to or less than the positions to be filled, and all other votes taken at a meeting of the Owners shall be taken by such method as determined by the Board of Directors including acclamation, by hand, by voice or by ballot. Notwithstanding the above, at the discretion of the Board or upon the request of 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 community on which all Owners are entitled to vote shall be by secret ballot.

F. RULES OF ORDER. The Board shall determine all procedures and disputes related to the conduct of its own meetings. The President or other presiding officer shall determine all procedures related to the conduct of Association meetings, provided such procedures are reasonable and non-discriminatory.

4. ENFORCEMENT OF COVENANTS AND RULES/INDIVIDUAL ASSESSMENTS.

The Declaration contains certain covenants and other requirements and authorizes the Board to adopt Rules and Regulations relating to the “Condominium Community” as defined in the Declaration. The Declaration creates restrictions on the use of Units and the Common Elements, prohibits certain actions, and creates responsibilities and liabilities for Owners and other persons. The Declaration also provides that the Board may enforce the Declaration, recover costs of enforcement, including costs and attorneys’ fees, and assesses Individual Assessments to recover against an Owner who violates the Declaration. By statute, an Owner may be entitled to recover costs and attorneys fees if the Association itself wrongfully deprives the Owner of certain rights.

- a. Any person may report a violation of the Declaration to the Association. A report may be made to any Director or Officer. Any such report may be oral, particularly in early stages, but notice of any ongoing or significant violation should be in writing.
- b. Upon any report the Board of Directors will attempt to reasonably investigate and resolve the issue without formal action.
- c. If an informal resolution is not achieved, the Board will make a formal written notice of violation and demand for compliance within an appropriate time frame as determined by the Board. If the violation is not duly cured, the Board may pursue a formal resolution of the issue pursuant to the Notice and Hearing procedures set forth in the Bylaws.
- d. The Board has the authority to establish a schedule of fines, including, for violations of the Requirements, including increased fines for multiple or ongoing violations. The Board may establish different schedules of fines for different categories of violations in its discretion.

- e. Depending on the nature of the violation and resolution, the decision of the Board may be final. In other circumstances, the Board action (i) may require further enforcement proceedings or (ii) may be subject to challenge. In either case, the Declaration provides that such disputes are to be submitted (i) to Mediation or (ii) if not resolved, to Binding Arbitration. The Mediation and Arbitration procedures and requirements are set forth in the Mandatory Dispute Resolution requirements of the Declaration, including any applicable Arbitration Procedures (collectively the ADR Procedures). Not all disputes are subject to the ADR Procedures, including claims to enforce and collect assessments. Enforcement actions available to the Association are provided for in the Act, the Declaration, the Bylaws, the Design Guidelines and the Association Rules. In any case, any violating Owner may be liable to the Association for all costs and expenses incurred by the Association, including reasonable attorneys' fees, to compel compliance with the Declaration or the Association Rules and all monies due to the Association shall be included in the amount of the lien against the Owner's Unit pursuant to the Declaration and the Act. Owners are cautioned to comply promptly as, in the event of any enforcement proceeding, the Costs of Enforcement for which an Owner is liable may be substantial.

- f. At all times the Board shall encourage neighborly resolution of disputes through alternative dispute resolution such as mediation or if that fails by arbitration. The Board may adopt additional dispute resolution procedures to further implement these provisions.

5. INSPECTION AND COPYING OF RECORDS.

The Association's current records (those which are from at least the three calendar years previous to the current calendar year) relating to minutes of meetings and certain financial information and the Association's governing documents will be available from the Association's secretary.

See Section 10.3 of the Bylaws regarding an Owner's rights to inspect and copy records.

In accordance with C.R.S. § 38-33.3-317(2), Association records including membership lists shall not be used by any Owner for:

- (i) any purpose unrelated to an Owner's interest as an Owner;
- (ii) the purpose of soliciting 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;
- (iii) any commercial purpose;

- (iv) for the purpose of giving, selling, or distributing such Associations records to any person; or
- (v) any improper purpose as determined in the sole discretion of the Board.

6. INVESTMENT OF RESERVE FUNDS.

With regard to the investment of reserve funds of the Association, the Officers and members of the Board of Directors shall make investment decisions in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director or officer reasonably believes to be in the best interests of the Association in accordance with the Colorado Revised Nonprofit Corporation Act and Section 8.3 of the Bylaws.

7. ADOPTION AND AMENDMENT OF ASSOCIATION RULES.

The Association Rules and these governance policies procedures and rules (collectively the “Association Rules”) may be amended from time to time by the Board of Directors. At such time as the Board proposes adopting Association Rules, the Board shall provide written notice of the proposed Association Rules to all Owners. The notice will also be posted on the Association’s website, if there is one. The notice shall include a copy of the text of the proposed Association Rules and the date of the Board of Directors meeting at which the Board proposes to adopt the Association Rules which date shall be not less than thirty days following the date the notice of the proposed Association Rules is sent to the Owners. The notice will also request that the Owners review the proposed Association Rules and provide comments on them to the Board at or in advance of the Board meeting specified in the notice.

The records of the Association kept by the Secretary of the Association will contain a notebook containing all the currently adopted Association Rules and the Association Rules will also be posted on the Association’s website, if there is one.

8. ALTERNATIVE DISPUTE RESOLUTION.

All disputes between the Association and Owners must be addressed in compliance with the Mandatory Dispute Resolution procedures set forth in the Declaration, as may be applicable and any alternative dispute resolution procedures adopted by the Association except for those disputes or claims that are specifically exempted from those procedures. The collection by the Association of Assessments or other monies owed to the Association is specifically exempted from the alternative dispute resolution procedures.

9. RECORD KEEPING POLICIES AND REQUIREMENTS.

See ARTICLE TEN and ARTICLE FOURTEEN of the Bylaws.

10. INSURANCE CLAIM SUBMISSIONS.

The Declaration requires that the Association maintain certain insurance policies. Such insurance covers only the Common Elements and does not cover various personal property and other items within an Owner's Unit. Each Owner is urged to review the insurance provisions of the Declaration and each Owner shall be responsible to procure all insurance required of an Owner by the Declaration or that an Owner desires to protect the Owner or the Owner's property. To the extent that a loss occurs that is covered by Association insurance, pursuant and subject to C.R.S. § 10-4-110.8(5)(a), an Owner may file a claim against the policy of the Association to the same extent, and with the same effect, as if the Owner were an additional named insured on such policy after written notice to the Board of Directors that the Owner wishes to file a claim. In accordance with C.R.S. § 10-4-110.8(5)(a) the Owner must first notify the Board of Directors, in writing, of the nature of the claim and provide a description of the events that gave rise to the claim and thereafter shall allow the Board of Directors at least fifteen (15) days to respond and a reasonable opportunity to inspect the damage. The Board of Directors shall investigate the Owner's claim, ascertain whether the claim falls within the scope of the Association's insurance coverage and obligations and provide a response as promptly as possible to the Owner within said 15 day period or such longer period time as may be agreed to between the Owner and the Board of Directors.

11. MISCELLANEOUS PROTECTED ACTIVITIES.

Notwithstanding the Declaration, certain activities are protected by state statute, including specified actions related to xeriscaping, flags and flagpoles, political signs, emergency vehicles, nonflammable roofing materials, all as generally set forth in C.R.S. §§ 38-33.3-106.5 and 37-60-126. All Rules and Regulations and actions of the Board shall comply with such requirements. Each Owner is encouraged to become familiar with protected activities under the referenced statutes.

12. ARCHITECTURAL REVIEW POLICY AND PROCEDURES.

The Declaration provides that certain improvements or changes proposed to be made by an Owner to the Owner's Unit or the Common Elements within the Condominium Community shall require the review and approval of the Board of Directors. See Paragraph 9.4 of the Declaration.

IF YOU MAKE OR CONSTRUCT ANY IMPROVEMENT TO PROPERTY WITHOUT THE REQUIRED APPROVAL, THE IMPROVEMENT MAY BE SUBJECT TO REMOVAL AT YOUR EXPENSE. The Declaration includes procedures and requirements for design review. The Board of Directors may adopt Design Guidelines and additional Rules that govern the design

review required by the Declaration. *All Owners are strongly encouraged to review the Design Review provisions of the Declaration and the Design Guidelines adopted by the Board of Directors, if any. Copies of the Declaration and any Design Guidelines are available from the Board of Directors upon the request of an Owner. They will also be available on the Association's website, if any.*