

**RESOLUTION  
OF THE  
COBBLESTONE CONDOMINIUM ASSOCIATION, INC.  
RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES**

**SUBJECT:** Adoption of policies and procedures for the Association regarding the following:

- I. RESERVE FUND POLICY
- II. COVENANT AND RULE ENFORCEMENT
- III. CODE OF CONDUCT
- IV. COLLECTION OF UNPAID ASSESSMENTS
- V. ADOPTION OF RULES, POLICIES, PROCEDURES OR GUIDELINES
- VI. COMPLIANCE POLICIES
- VII. DISPUTE RESOLUTION

**PURPOSES:** To comply with Colorado law (See also the Colorado Common Interest Ownership Act (CCIOA) which may be reviewed at the website set forth on the attached Addendum).

**AUTHORITY:** The Declaration, Articles of Incorporation, and Bylaws of the Association which together with all Association Rules and Policies are referenced as the "Governing Documents". (See also the CCIOA which may be reviewed at the website set forth on the attached Addendum).

**EFFECTIVE**

**DATE:** January 1, 2006

**RESOLUTION:** The Association hereby adopts the following Policies and Procedures subject to:

- Definitions: Unless otherwise defined, initially capitalized or terms defined in the Declaration shall have the same meaning herein.
- Supplement to Law. The provisions of this Resolution shall supplement the provisions of the Declaration and the law of the State of Colorado governing the Project.
- Deviations. The Board may deviate from any provision of this Resolution if in its sole discretion such deviation is reasonable under the circumstances.
- Amendment. The following policies may be amended from time to time by the Board of Directors.

## **I. POLICY FOR RESERVE PLANNING, FUNDING & MANAGEMENT**

A. Purpose. In order to keep the Project in good repair, and to sustain the market values of Cobblestone Condominium Units, the Board of Directors (the "Board") establishes this Reserve Fund policy.

B. Periodic Reserve Studies Required . Periodically the Board shall conduct a Reserve Study. The Study will:

1. Assign a reasonable useful life to each Common Element component to be maintained by the Association.
2. Assign a reasonable cost of repair or replacement to each component based on current costs for the area.
3. Set forth a 15 year repair & replacement schedule that identifies when work will be performed on each component, and which, in calculating the cost of each repair or replacement, takes into account the cost of inflation.
4. Establish a funding plan for the reserve account.
5. The Board may request assistance from the Property Manager or a reserve study analyst to prepare the Reserve Study.

C. Annual Updates . In each year that a Reserve Study is not conducted, an update shall be performed by the Property Manager or Board to reflect prevailing conditions, changes in costs, inflation, interest yield on invested funds, and any unexpected variations from the most recent Reserve Study.

D. Investment of Reserves . In order to minimize the amount of Member contributions, the Board shall invest the funds in the Account so as to generate interest revenue that will accrue to the Fund balance. All investments shall be in the name of the Association and shall not be commingled with the Association's general operating fund. The Board shall invest funds held in the Reserve Fund to generate revenue that will accrue to the Reserve Fund pursuant to the following goals listed in order of importance:

1. Safety of Principal. The long term goal is safety of the Reserve Fund's principal.
2. Liquidity and Accessibility. Structure maturities to ensure availability of projected and unexpected expenditures.
3. Minimal Costs. Investments costs (redemption fees, commissions, and other transactional costs) should be minimized.

4. Diversify. Mitigate the effects of investment volatility upon reserve assets.
5. Return. Invest funds to seek the highest level of after-tax return.

E. Limitation on Investments . Unless otherwise approved by the Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured, otherwise guaranteed by the United States Government.

F. Independent Professional Investment Assistance . The Board may hire an investment counselor to assist in formulating a specific investment plan.

G. Control and Review . All accounts and investment instruments shall be subject to the approval of, and may from time to time be amended by the Board as appropriate, and shall be reviewed at least annually.

## II. COVENANT AND RULE ENFORCEMENT

A. Reporting Violations. Complaints regarding alleged violations may be reported by an Owner or resident within the community; the Association's Manager, if any; or Board of Directors or committee member(s).

B. Complaints.

1. Owner. Complaints by Owners or residents shall be in writing and submitted to the Board of Directors. Each written complaint shall: identify the individual making the complaint (the "Complainant"); identify the alleged violator ("Violator"), if known; set forth a statement describing the alleged violation, including the specific provisions of the Governing Documents which are alleged to have been violated; when the violation was observed; and any other appropriate information. Non-written complaints, or written complaints failing to include any information required by this provision, may not be investigated or prosecuted at the discretion of the Association, and may be returned to the Complainant for revision and/or clarification.
2. Management. Complaints by a member of the Board of Directors, a committee member, or the Manager may be made in writing or by any other means deemed appropriate by the Board if such violation was observed by a committee member, Director or the Manager.

C. Investigation. Upon receipt of a complaint, the Board of Directors may investigate the alleged violation either in person, or by appointing a designated individual or committee. The Board shall have sole discretion in appointing an individual or committee to investigate the matter.

D. Initial Warning Letter. If an alleged violation is found to exist, a warning letter shall be sent to the Violator explaining the nature of the violation. Such letter shall be personally delivered, mailed to the Member at the Member's last known address by certified, return receipt requested mail or sent by e-mail to an Owner who has registered an e-mail address if the Owner confirms receipt of such e-mail notice. The Violator will have 10 days from the date of the letter to come into compliance.

E. Continued Violation After Initial Warning Letter. If the alleged Violator does not come into compliance within 10 days of the first warning letter, this will be considered a second violation for which a fine may be imposed following notice and opportunity for a hearing. A second letter shall then be sent to the alleged Violator as provided in Section D above, providing notice and an opportunity for a hearing, and explaining if a violation is found to exist, a fine may be imposed pursuant to this Policy. The letter shall further state that the alleged Violator is entitled to a hearing on the merits of the matter provided that such hearing is requested in writing within 10 days of the date on the second violation letter.

F. Notice of Hearing. If a hearing is requested by the alleged Violator, the Board, committee or other person conducting such hearing, as may be determined in the sole discretion of

the Board, shall serve a written notice of the hearing to all parties involved at least 10 days prior to the hearing date. At a minimum, the notice shall be served upon the Complainant, the Violator, and the Board of Directors, if the Board of Directors is not conducting the hearing.

G. Hearing. At the beginning of each hearing, the presiding officer shall introduce the case by describing the alleged violation and the procedure to be followed during the hearing. Each party or designated representative may, but is not required to, make an opening statement, present evidence and testimony, present witnesses, and make a closing statement. The presiding officer may also impose such other rules of conduct as may be appropriate under the circumstances. Neither the Complainant nor the alleged Violator is required to be in attendance at the hearing. The Board, Committee or person conducting the hearing shall base its decision solely on the matters set forth in the Complaint, results of the investigation and such other credible evidence as may be presented at the hearing. Unless otherwise determined by the Board, all hearings shall be open to attendance by all Owners. After all testimony and other evidence has been presented at a hearing, the Board, Committee or person conducting the hearing shall, within a reasonable time, not to exceed 10 days, render its written findings and decision, and impose a fine, if applicable. A decision, either a finding for or against the Owner, shall be by a majority of the Board Members present at the hearing. Failure to strictly follow the hearing procedure set forth above shall not constitute grounds for appeal of the hearing committee's decision absent a showing of denial of due process.

H. Failure to Timely Request Hearing. If the alleged Violator fails to request a hearing within 10 days of the second letter, or fails to appear at the hearing, the Board may make a decision with respect to the alleged violation based on the Complaint, results of the investigation, and any other available information without the necessity of holding a formal hearing. If a violation is found to exist, the alleged Violator may be assessed a fine pursuant to these policies and procedures.

I. Notification of Decision. The decision of the Board, committee or other person, shall be in writing and provided to the Violator and Complainant within 10 days of the hearing, or if no hearing is requested, within 10 days of the final decision.

J. Appeals. The Violator may file a written appeal of decisions of a Committee or other persons to the Board of Directors of any adverse decision of a hearing committee or individual within 10 days of the decision.

K. Fine Schedule. The following fine schedule has been adopted for all recurring covenant violations:

First violation	Warning letter
Second violation (of same covenant or rule)	\$ _____

Third violation  
(of same covenant or rule) \$\_\_\_\_\_

Fourth and subsequent covenant violations may be turned over to the Association's attorney to take appropriate legal action. Any Owner committing four or more violations in a six month period (whether such violation are of the same covenant or different covenants) may be immediately turned over to the Association's attorney for appropriate legal action.

L. Continuous Violations. Continuous violations are defined as violations of Owners obligations that are uninterrupted by time. Each day of non-compliance with such violations constitutes a separate violation. *For example: the failure to remove an unapproved balcony or terrace improvement or the continuous parking in a fire lane.*

If an Owner is determined as having a continuous violation, in accordance with the terms of this Policy, such Owner may be subject to a daily fine of \$\_\_\_\_\_ following a notice and opportunity for a hearing as set forth above. The Board need not issue a separate notice or have a separate hearing for each day of a continuous violation.

M. Waiver of Fines. The Board may waive all, or any portion, of the fines if, in its sole discretion, such waiver is appropriate under the circumstances. Additionally, the Board may condition waiver of the entire fine, or any portion thereof, upon the Violator coming into and staying in compliance with the Association Documents.

N. Other Enforcement Means. This fine schedule and enforcement process is adopted in addition to all other enforcement means which are available to the Association through the Governing Documents and Colorado law. The use of this process does not preclude the Association from using any other enforcement means.

O. Attorney Fees. A member will be responsible for reasonable attorney's fees and costs incurred by the Association incident to the violation of any provision of the Governing Documents by the Member or any occupant in the Member's Unit.

### **III. BOARD CODE OF CONDUCT**

A. **Purpose.** The Board of Directors of Cobblestone Condominium Association, Inc. has the authority and responsibility to make decisions for the benefit of the entire community. The Board wishes to ensure that it and its individual Members maintain a high standard of ethical conduct in the performance of the Association's business, and to ensure that the Association's Members maintain confidence in and respect for the entire Board.

B. **Board Members Shall Act in the Best Interests of the Association as a Whole.** Board Members serve for the benefit of the entire community, and shall, at all times, strive to do what is best for the Association as a whole. Board Members shall not use their positions as such for private gain, for example:

1. No Board Member shall solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of monetary value from a person who is seeking a contractual or other business or financial relationship with the Association.
2. No Board Member shall seek preferential treatment by the Board, any of its committees, or any contractors or suppliers.
3. No Board Member shall accept employment compensation, gifts or favors made with the intent of influencing a decision or action on any official matter.
4. No Board Member shall receive any compensation from the Association for serving on the Board.
5. No Board Member shall willingly misrepresent facts to advance a personal cause or influence the community to advance a personal cause.
6. No Board Member shall use his/her position to enhance his/her, or the Member's employer's financial status through the use of certain contractors or suppliers.

The above list of examples is offered for illustration purposes only, and is not intended to be exclusive.

C. **Board Members Shall Comply with Governing Documents and Relevant Law.** Board Members shall use their best efforts at all times to make reasonable decisions that are consistent with the Declaration, Bylaws, and other governing documents of the Association, and to be familiar with all such documents. Board Members shall likewise comply with and make decisions that are consistent with all applicable laws, including, but not limited to, refraining from discriminating against any person on the basis of race, color, religion, national origin, gender, family status, or mental or physical disability.

D. Board Members Shall Set High Standards for Themselves as Association Members. Board Members shall hold themselves to the highest standards as Members of the Association, and shall in all ways comply with the provisions of the Association's governing documents.

E. Board Members Shall Work Within the Association's Framework and Refrain From Unilateral Action. Board Members shall at all times work within the Association's framework and abide by the system of management established by the Association's governing documents and the Board. The Board shall conduct business in accordance with state law and the Association's governing documents, and shall act upon decisions duly made, and no Board Member shall act unilaterally or contrary to such decisions. Toward that end, no Board member shall seek to have a contract implemented that has not been duly approved by the Board, nor promise anything not approved by the Board to any contractor, supplier, or otherwise.

F. Board Members Shall Behave Professionally at Meetings. Board Members shall conduct themselves at all meetings, including Board meetings, annual meetings of the Members, and committee meetings, in a professional and businesslike manner. Personal attacks against other Board Members, Association Members, residents, officers, management, or guests are not consistent with the best interests of the community and will not be tolerated. Language at meetings shall be kept professional. Though differences of opinion are inevitable, they must be expressed in a professional and businesslike manner.

G. Board Members Shall Maintain Confidentiality When Appropriate. Board Members shall at all times maintain the confidentiality of all legal, contractual, personnel, and management matters involving the Association. Board Members shall also maintain the confidentiality of the personal lives of other Board Members, Association Members, residents, and management staff.

H. Board Members Shall Refrain From Defaming Anyone in Community. Board Members shall not engage in defamation, by any means, of any other Board Member, Association member, resident, or management staff member. The Association shall deem any Board Member who engages in defamation to be acting outside the scope of his authority as a Board Member.

I. Board Members Shall Refrain From Harassing Association Members or Residents. Board Members shall not in any way harass, threaten, or otherwise attempt to intimidate any other Board Member, Association member, or resident. The Association shall deem any Board Member who harasses, threatens, or otherwise attempts to intimidate other Association Members or residents to be acting outside the scope of his authority as a Board Member.

J. Board Members Shall Refrain From Interfering With Management Staff and Contractors. No Board member shall interfere with the duties of management staff or any contractor executing a contract in progress. All communications with contractors must go through one designated Board Member or management, or must otherwise be in accordance with Board policy.

K. Violations of Code. Violations of the Code of Conduct shall be brought to the Hearing Board, which shall be comprised of designated Board Members. In addition, the Board may



elect, at its sole discretion, to appoint as Advisory Hearing Board Members, other Board Members, as well as the Association attorney, manager, and/or accountant. Any Board Member who violates this Code of Conduct agrees that the Board may seek injunctive relief against him/her, following a hearing before the Hearing Board, unless circumstances necessitate the issuance of injunctive relief prior to such hearing. The Board Member also agrees that the Association shall be relieved of posting bond as a condition to its injunctive remedy. Such Board Member must pay the attorney's fees incurred by the Board in any enforcement effort.

#### **IV. COLLECTION OF UNPAID ASSESSMENTS**

A. **Purpose of Cobblestone Condominium Association, Inc. Collection Policy.** One of the many advantages of living in a community association is sharing with other Members the costs of certain maintenance, repairs, and amenities that are often too expensive for a single Owner. All Cobblestone Condominium Association Members are legally bound to share those costs. To properly maintain the Association's Common Elements, it's imperative that all assessments, whether regular or special, be paid in full and on time. Delinquencies throw the association's entire budget off course and negatively affect all Members' property values and lifestyles. To adequately maintain our community, state statutes and our Governing Documents give Association's Board of Directors the authority to impose and collect assessments and other allowable charges from Members. In fact, the Board owes a duty to all Members to make sure everyone pays. The Association has adopted the following policy to fulfill its duty in a fair, systematic, and impartial manner.

1. **Common Expenses.** The term "common expense" refers to any amount a member must pay to Cobblestone Condominium Association, Inc. Among the charges it includes are regular annual assessments, special assessments, rules violation fines, late fees, common area repairs, and any other fees, interest, or charges imposed under this policy.
2. **Where to Send Payment.** Deliver all payments to the Association as follows:  
  
Cobblestone Condominium Association, Inc.  
\_\_\_\_\_  
\_\_\_\_\_
3. **When Common Expenses Are Due.** Assessments are due in advance on the first day of each year. For convenience, Members may pay their annual assessments in equal monthly installments on the first day of each month. Unless otherwise stated, other common expenses are due ten (10) days after of notice of Members' obligation to pay. If a member does not pay in full any common expense by its due date, that payment is delinquent.
4. **Collection Process.**
  - i. After an installment of an annual assessment or other charges due to the Association becomes more than 30 days delinquent, the Manager shall send a written notice of non-payment ("First Notice"). The First Notice shall state the amount past due; that interest and late fees have accrued and the amount thereof, and shall request immediate payment.
  - ii. After an installment of an annual assessment or other charge due to the Association becomes more than 60 days delinquent, the Manager shall send a second written notice of non-payment ("Second Notice").

The Second Notice shall state the amount past due, that interest and late fees have accrued and the amount thereof; shall provide notice of the Association's intent to file a lien; and shall request immediate payment. The Association shall also report to any encumbrancer who has furnished written notice to the Association of such encumbrance, the amount of the unpaid assessments.

- iii. After an installment of an annual assessment or other charge due to the Association becomes more than 90 days delinquent, the Manager shall turn the account over to the Association's attorney for collection. Upon receiving the delinquent account, the Association's attorney shall file a lien and send a letter to the delinquent Owner demanding immediate payment for past due assessments or other charges due. Upon further review, the Association's attorney may file a lawsuit or pursue other remedies authorized by this Resolution or the Governing Documents. A delinquent Owner must pay reasonable attorney's fees incurred by the Association together with costs, applicable interest and late fees, whether or not suit is initiated.

5. Late Payments. Once a common expense is delinquent, the Board may take any or all of the following actions:

- i. Accelerate the balance for the rest of the year. In the event that any Member's monthly assessment remains unpaid for more than thirty (30) days after the due date, Association may, in its discretion, and in addition to any other remedies that may exist with respect to such delinquency, declare the entire remaining balance of such Member's annual assessment for that fiscal year immediately due and payable upon ten (10) days' written notice to the Member to that effect.
- ii. Late fees and Interest. If Cobblestone Condominium Association, Inc. does not receive payment for any common expense in full on or before fifteen (15) days after it becomes due, the delinquent member shall pay liquidated damages for the Association's time, inconvenience, and overhead in collecting the late payment, as follows:
  - (a) a \$ \_\_\_\_\_ per month late fee; and
  - (b) Interest at an 18% Annual Percentage Rate from the original due date until the date of payment.

These charges will be treated as common expenses.

- (iii) Returned check and electronic funds transfer fees and bank charges. In addition to any late fee that may be applicable, for each check or electronic funds transfer to Cobblestone Condominium Association, Inc. that is returned by a bank for any reason, the member who wrote the check or issues the electronic funds transfer shall pay the following charges:
  - (a) liquidated damages in the amount of \$\_\_\_\_; and
  - (b) any related bank charges that Cobblestone Condominium Association incurs because of the returned check or returned electronic funds transfer.

These charges will be treated as special assessment. .

- (iv) Suspend privileges and access to amenities. If an account contains delinquencies for more than sixty (60) days or has an outstanding balance of \$\_\_\_\_ or more, the Association will give the member thirty (30) days' notice of intent to suspend any or all of the following privileges:
  - (a) Voting privileges;
  - (b) Use of any recreational amenities;
  - (d) Parking privileges; and/or
  - (e) Association-provided utilities.

Unless the Association receives full payment by the end of the notice period, the privileges or amenities listed in the notice will be suspended.

- 6. Crediting Late Payments. All delinquent accounts remain delinquent until paid in full. No partial payments will waive the Association's right to pursue full payment and/or to enforce the provisions of this policy. The Association will apply partial payments to the outstanding balance in the following order:
  - i. Fines, late fees, and interest;
  - ii. Court costs, attorney's fees, and other costs of collection;
  - iii. Special assessments; and

- iv. Regular assessments, with payment being applied to the oldest balance first.
  
- 7. Acceleration and Deceleration of Assessments. The Board reserves the right to accelerate and call due the entire unpaid annual or special assessment of any delinquent account. Such acceleration shall result in the entire unpaid annual assessment being due to the Association immediately. The Board also reserves the right to decelerate any accelerated assessment.
  
- 8. Certificate of Status of Assessment. The Association shall furnish to an Owner or such Owner's designee within fourteen (14) days after written request to the Association's agent, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's Unit for a \$\_\_\_\_\_ fee. However, if the account has been turned over to the Association's attorney, such request may be handled through the attorney.
  
- 9. Bankruptcies and Foreclosures. Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any Unit within the Association, the Manager shall notify the Association's attorney of the same and turn the account over to the Association's attorney, if appropriate.
  
- 10. Notices. The Association shall cause a collection or demand letter or notice to be hand delivered or sent to a delinquent Owner at the registered or last known address by regular mail. The Association may, but shall not be required to send, an additional copy of that letter or notice by e-mail or certified mail.
  
- 11. Appointment of a Receiver. The Association may seek the appointment of a receiver if an Owner becomes delinquent in the payment of assessments pursuant to the Declaration and Colorado law. A receiver is a disinterested person, appointed by the court who manages the rental of the property, 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 property.
  
- 12. Judicial Foreclosure. The Association may choose to foreclose on its 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.

13. Waivers. The Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association shall determine appropriate under the circumstances.
14. Communication with Owners. All communications with a delinquent Owner shall be handled through the Association's attorney once a matter has been referred to the attorney. Neither the Manager nor any member of the Board of Directors 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.
15. Defenses. Failure of the Association to comply with any provisions in this Policy shall not be deemed a defense to payment of assessment fees or other charges, late charges, return check charges, attorney fees and/or costs as described and imposed by this Policy.

## **V. ADOPTION OF RULES, POLICIES, PROCEDURES OR GUIDELINES**

A. **Scope** . The Board of Directors of the Association may, from time to time, adopt rules, policies, procedures or guidelines (“Policies”) as may be necessary to facilitate the efficient operation of the Association, including the clarification of ambiguous provisions in other documents, or as may be required by law. In order to encourage Owner participation in the development of such Policies and to insure that such Policies are necessary and properly organized, the Board shall follow the following procedures with adopting any Policy.

B. **Drafting Procedure** . The Board shall consider the following in drafting the Policy:

1. Whether the Governing Documents or Colorado law grants the Board the authority to adopt such a Policy.
2. Does the policy make sense?
3. Is this the least restrictive way to approach the issue?
4. Is this policy still needed?
5. Does it address a current problem?
6. Is it acceptable to residents?
7. Is the policy enforceable?

C. **Notice and Comment** . Notice of the proposed Policy shall be provided to all Owners or posted on the Association’s website, if any, and Owners shall be allowed a minimum of 3 days to provide comment and/or feedback on the proposed Policy. Notice of the proposed Policy will also be given on the Board’s regular or special meeting agenda.

D. **Emergency** . The Board may forego the notice and opportunity to comment in the event the Board determines in its sole discretion that providing notice and opportunity to comment is not practical given the emergency nature of such Policy.

E. **Adoption Procedure** . After the period for Owner comment expires, the Board may adopt any Policy. Upon 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 website (if any) or mailing.

F. **Policy Book** . The Board of Directors shall keep copies of any and all adopted Policies in a book together with all other Governing Documents.

## VI. COMPLIANCE POLICIES

The policies adopted hereunder are adopted in conformity with the 2005 and 2006 amendments to the Colorado Common Interest Ownership Act, 38-33.3-101, et seq, C.R.S., which are generally known as SB 100 and SB 89. It is the Association's intent that the policies set forth in this Resolution and Colorado law will prevail over contrary provisions in the Association's Governing Documents.

The Association adopts the following policies with regard to the following items addressed in SB 100 and 89:

A. Prohibitions Contrary to Public Policy - Xeriscape: The Board shall not adopt any regulation or take any action that prohibits or limits xeriscape, prohibits or limits the installation or use of drought-tolerant vegetative landscapes, or requires cultivated vegetation to consist exclusively or primarily of turf grass, all as more specifically set forth and defined in Section 37-60-126, C.R.S.

B. Prohibitions Contrary to Public Policy - Patriotic and Political Expression. The Association shall not prohibit any of the following:

1. The display of the American flag by a Member on that Member's property, in a window of the Member's residence, or on a balcony adjoining the Member's property if the American flag is displayed in a manner consistent with the federal flag code, P.L. 94-344; 90 stat. 810; 4 U.S.C. 4 to 10. The Association may adopt reasonable rules regarding the placement and manner of display of the American flag. The Association rules may regulate the location and size of flags and flagpoles, but shall not prohibit the installation of a flag or flagpole.
2. The display by a Member of a service flag bearing a star denoting the service of the Member or a member of the Member's immediate family in the active or reserve military service of the United States during a time of war or armed conflict, on the inside of a window or door of the Member's residence. The Association may adopt reasonable rules regarding the size and manner of display of service flags; except that the maximum dimensions allowed shall be not less than nine inches by sixteen inches.
3. The display of a political sign by a Member or in a window of the Member's Lot; except that the Association may prohibit the display of political signs earlier than forty-five days before the day of an election and later than seven days after an election day. The Association shall permit at least one political sign per political office or ballot issue that is contested in a pending election, with the maximum dimensions of thirty-six inches by forty-eight inches, on a Member's property.



As used in this subparagraph 3, "political sign" means a sign that carries a message intended to influence the outcome of an election, including supporting or opposing the election of a candidate, the recall of a public official, or the passage of a ballot issue.

C. Prohibitions Contrary to Public Policy - Parking of Emergency Vehicles: The Association shall not prohibit the parking of a motor vehicle by a Lot occupant on a street, driveway, or guest parking area if the vehicle is required to be available at designated periods at the occupant's residence as a condition of employment and all of the following criteria are met:

1. The vehicle has a gross vehicle weight rating of ten thousand pounds or less;
2. The occupant is a bona fide member of a volunteer fire department or is employed by a primary provider of emergency fire fighting, law enforcement, ambulance, or emergency medical services;
3. The vehicle bears an official emblem or other visible designation of the emergency service provider; and
4. Parking of the vehicle can be accomplished without obstructing emergency access or interfering with the reasonable needs of other Lot Owners to use streets and driveways within the common interest community.

D. Prohibitions Contrary to Public Policy - Fire Prevention - Vegetation Removal: The Association shall not prohibit the removal by a Lot owner of trees, shrubs, or other vegetation to create defensible space around a dwelling for fire mitigation purposes, so long as such removal complies with a written defensible space plan created for the property by the Colorado state forest service, an individual or company certified by a local governmental entity to create such a plan, or the fire chief, fire marshal, or fire protection district within whose jurisdiction the unit is located, and is no more extensive than necessary to comply with such plan. The Lot owner shall register such plan with the Association before the commencement of work. The Association may require changes to the plan if the Association obtains the consent of the person, official, or agency that originally created the plan. The work shall comply with all applicable Association standards regarding slash removal, stump height, revegetation, and contractor regulations, if any.

E. Prohibitions Contrary to Public Policy – Fire Prevention - Roofing Materials: The Association shall not prohibit the replacement by a Lot owner of cedar shakes or other flammable roofing materials with nonflammable roofing materials for fire prevention or fire suppression purposes. The Association may adopt reasonable standards for the color, appearance, and general type of nonflammable roofing materials that are used to replace flammable roofing materials, but may not require the use of nonflammable materials that exceed the replacement cost of the flammable materials for which they are being substituted.

F. Amendments to Declaration: Regardless of the provisions of Section 20 of the Declaration, and in accordance with Section 38-33.3-217, C.R.S., the Declaration may be amended by an affirmative vote of no less than 67% of the Owners.

G. Audit/Review of Association's Financial Records:

1. Audit: The books and records of the Association shall be subject to an audit by a certified public accountant, using generally accepted auditing standards, upon the following conditions:
  - a. At the discretion of the Board;
  - b. The Association has annual revenues or expenditures of at least two hundred fifty thousand dollars, and an audit is requested by the owners of at least one-third of the Lots represented by the Association.
2. Review: The books and records of the Association shall be subject to a review by an independent and qualified person selected by the Board upon the conditions set forth below. The person selected to conduct a review need not be a certified public accountant, but 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, and shall use statements on standards for accounting and review services. A review shall be conducted upon the following conditions:
  - a. At the discretion of the Board;
  - b. A review is requested by the owners of at least one-third of the Lots represented by the Association.
3. The audit or review report shall cover the Association's financial statements, which shall be prepared using generally accepted accounting principles or the cash or tax basis of accounting.
4. Copies of any audit or review shall be made available upon request to any unit owner beginning no later than thirty days after its completion.

## **VII. DISPUTE RESOLUTION AND LIMITATION ON LITIGATION**

Declarant, the Association and its officers, directors, and committee Members, all Members and persons subject to the Declaration and any person not otherwise subject to this Declaration who agrees to submit to this policy (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Project without the emotional and financial costs of litigation. Accordingly, each Bound Party may not file suit in any court with respect to a Claim described below unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth below and engaged in a good faith effort to resolve such Claim.

A. Claims. As used in this policy, the term "Claim" refers to any claim, grievance, or dispute arising out of or relating to:

1. the interpretation, application, or enforcement of the Governing Documents;
2. the rights, obligations and duties of any Bound Party under the Governing Documents; or
3. the design, modification or construction of improvements within the Project, other than matters of aesthetic judgment, which shall not be subject to review;

except that the following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth below:

- i. any suit by the Association to collect assessments or other amounts due from any Owner;
- ii. any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the Court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of the Governing Documents;
- iii. any suit between Owners, which does not include the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
- iv. any suit in which any indispensable party is not a Bound Party;
- v. any suit as to which any applicable statute of limitations would expire within 60 days of giving the Notice required to assert a claim, unless

the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article; and

- vi. Any Covenant or Rule Enforcement action by the Association as provided in Section III, except that prior to commencement of any civil action Mediation will occur as provided below.

B. Dispute Resolution Procedures.

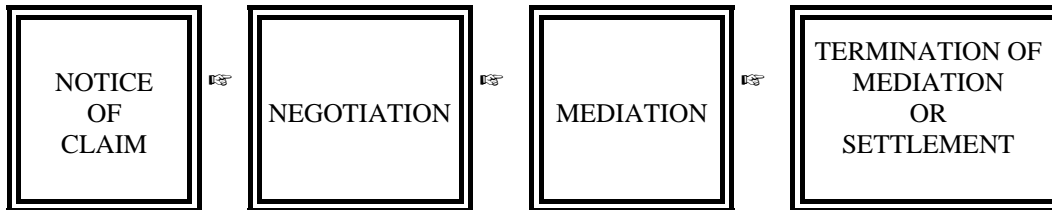
1. Notice. The Bound Party asserting a Claim (“Claimant”) against another Bound Party (“Respondent”) shall give written notice to each Respondent and to the Board stating plainly and concisely:
  - i. the nature of the Claim, including the Persons involved and the Respondent’s role in the Claim;
  - ii. the legal basis of the Claim (*i.e.* the specific authority out of which the Claim arises);
  - iii. the Claimant’s proposed resolution or remedy; and
  - iv. the Claimant’s desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.
2. Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.
3. Mediation. If the parties have not resolved the Claim through negotiation within 30 days of the date of the notice described in subsection 1 above (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an entity designated by the Association (if the Association is not a party to the Claim) or to an independent agency providing dispute resolution services in Colorado.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorneys' fees and each Party shall share equally all fees charged by the mediator.

4. Alternative Dispute Resolution Process



5. Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In the event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

6. Litigation - Attorney Fees. If a lawsuit is initiated to enforce or defend any provision of CCIOA or the Governing Documents, the court shall award the prevailing party reasonable attorney's fees and costs of collection. If a Unit Owner prevails in any civil action, the Association may not assess the successful litigant for attorney fees or costs incurred by the Association.

**COBBLESTONE CONDOMINIUM ASSOCIATION, INC.**

\_\_\_\_\_  
By: \_\_\_\_\_, President  
Dated: \_\_\_\_\_

## ADDENDUM

- A. Colorado Common Interest Community Ownership Act. CRS §38-33.3-101 et seq. Log onto [www.dora.state.co.us/real-estate](http://www.dora.state.co.us/real-estate) click on Real Estate Commission on right hand side of the screen, click on Manual on left hand side of screen, click on Chapter 4, CCIOA starts on Page 28 and ends on Page 44.
- B. Conflicting Interest Transactions, CRS §7-128-501 (attached).
- C. Proxies, CRS §7-127-203 (attached).

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