

**RESOLUTION OF THE TERRACE CONDOMINIUMS HOMEOWNERS  
ASSOCIATION  
TO ENACT RESPONSIBLE GOVERNANCE POLICIES**

The Terrace Condominiums Homeowners Association (the "Association"), for the purpose of complying with C.R.S. § 38-33.3-209.5, hereby adopts the following responsible governance policies. The Condominium Declaration for Terrace Condominiums (the "Covenants"), the Bylaws of Terrace Condominiums Homeowners Association, Inc. (the "Bylaws") and the Rules and Regulations of Terrace Condominium Homeowners Association, Inc. (the "Rules") are collectively referred to as the "Governing Documents".

1. **Policy Regarding Collection of Unpaid Assessments.** Pursuant to Section 10.3 of the Covenants, the Association may record a statement of lien against the Owner's Unit in the Garfield County real property records for the delinquent amount, late payment fees, interest and cost of collection. The Association's failure to record any such statement of lien or any error or omission in the content of such statement of lien shall not defeat such lien of the Association nor affect its priority. If the assessment remains delinquent, the Association may file a lawsuit against the Owner or institute a foreclosure action against the Owner's Unit to collect all amounts due to the Association. The cost of any lawsuit and/or foreclosure action shall include the costs of collection, including attorney fees. The Association may also suspend the Owner's voting rights in the Association.

2. **Policy Regarding Board of Directors Conflicts of Interest.**

a. **Definitions.** As used in this section, "conflicting interest transaction" means: a contract, transaction, or other financial relationship between a the Association and a director serving on the Board (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. 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.

b. **Loans.** No loans shall be made by the Association to its Directors or officers. Any Director or officer who assents to or participates in the making of any such loan shall be liable to the Association for the amount of such loan until the repayment thereof.

c. **Not Void.** 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 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 Association's 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; or

(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 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

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

3. **Policy Regarding Conduct of Meetings.** This policy is not intended to take the place of or invalidate provisions contained in the Bylaws or the Colorado Revised Nonprofit Corporation Act, rather it is intended to incorporate provisions of Senate Bill 100 into the Association's procedures for meetings of the Owners and the Board.

a. **Owner Meetings.**

(i) **Meetings.** A meeting of the Owners shall be called at least once per year and in accordance with the provisions of the Colorado Common Interest Ownership Act ("CCIOA") and the Governing Documents, as applicable.

(ii) **Calling a Meeting.** A meeting of the Owners may be called by a majority of the Board or those Owners having not less than 10% of the total votes of all Owners.

(iii) **Notice of Meeting.** Notice of the meeting shall be in accordance with the Bylaws.

(iv) **Posting of Notice.** In addition to providing notice of a meeting of the Owners, the Association shall cause a notice of the Owners' meeting to be posted in a conspicuous place within the property to the extent feasible or practical. The Association may also post the notice electronically on a web site or transmit the notice via e-mail to those Owners who so request.

(v) **Order of Business.** All meetings of the Owners shall proceed on issues generally set forth in the notice of the meeting unless a majority of the Owners at the meeting vote to amend the order of business. All meetings of the Owners shall be conducted in accordance with Roberts Rules of Parliamentary Authority. At the commencement of each meeting, the secretary shall state how notice of the meeting was given and include such evidence of notice in the minutes of the meeting.

(vi) Open Meetings. All meetings of the Owners shall be open to attendance by all Owners or their duly appointed representatives.

(vii) Meeting Discussions. Each Owner, or a duly appointed representative of an Owner, may speak at the appropriate time during the deliberations at an Owner meeting based on the reasonable time restrictions imposed by the Board.

(viii) Proxy Voting. An Owner may vote by proxy in accordance with the Bylaws.

(ix) Adjourning a Meeting. Owners present may adjourn the meeting from time to time without notice other than announcement at the meeting, for a total period or periods not to exceed thirty (30) days after the date set for the original meeting. The location of the reconvened meeting shall be announced at the meeting prior to adjournment.

b. Board of Director Meetings.

(i) Meetings. A meeting of the Board shall be called in accordance with the provisions of the Colorado Common Interest Ownership Act ("CCIOA") and the Governing Documents, as applicable.

(ii) Meeting Agenda. Meetings of the Board shall proceed on issues as generally set forth in the agenda distributed for each meeting. The agenda will be made reasonably available to Owners and/or their duly appointed representatives at any time prior to the meeting of the Board.

(iii) Owner's Right to Attend and Participate in Board Meetings. Unless the Board is in an executive session pursuant to C.R.S. § 38-33.3-308, all meetings of the Board are open to attendance by all Owners or their duly appointed representatives. Unless a majority of the Board votes to allow the Owners to participate in a deliberation or discussion of the Board, the Owners may not participate in a meeting of the Board.

(iv) Owner's Right to Speak at Board Meetings. Notwithstanding the foregoing provision, unless a majority of the Board votes otherwise, the Owners shall be given an opportunity to speak on any issue presented on the agenda for the Board meeting at the beginning of the meeting. Reasonable time restrictions on an Owner's right to speak may be imposed by the Board.

4. Policy Regarding Enforcement of Covenants, Rule and Regulations, and Bylaws

a. Enforcement and Right of Action. Any complaint that alleges a violation of the Governing Documents shall be made in writing, and shall contain all information set forth in the approved Complaint Form. The Complaint Form will be made available on the Association's web site. Owner shall be notified of the complaint and alleged

violation by the Association, by delivery by mail. Such notification shall also include the fine imposed for such violation. Should Owner wish to be heard by the Board regarding the alleged violation, Owner may request a hearing within seven (7) business days after delivery of the Complaint Form by delivering such request to the Association's Management Company. A hearing shall be conducted not later than thirty (30) days after receipt of the request for a hearing. The determination of the Board after the hearing shall be final and binding on the Owner and the Association. If the Owner, or the Owner's tenant, is found to have violated the Governing Documents, the following fines shall be imposed:

First Violation:	\$25.00
Second Violation:	\$50.00
Third Violation:	\$100.00
Further Violation:	at discretion of the Board

b. Continuing Violations. A fine for a continuing violation will accumulate at a per day rate until the violation has been eliminated and the Association has received notice of cessation of the violation. Owner shall be responsible for damages and legal expenses and costs resulting from the violation(s). Such fines shall be paid within thirty (30) days following notice to the Owner.

c. Attorney's Fees and Fines. The provisions of this Resolution shall not limit, or be a condition precedent to, the Association's right to enforce the Governing Documents by any means available to the Association, including, but not limited to, commencement of a lawsuit to force compliance or seeking injunctive relief or damages. The Association shall be entitled to reimbursement of all attorney's fees and costs incurred by the Association in connection with any enforcement action, including any proceeding under the Governing Documents.

d. Business Judgment Rule. The decision of the Board to pursue enforcement action in any particular case shall be left to the Board's discretion, subject to the duty to exercise its business judgment, and not to be arbitrary or capricious in taking enforcement action.

e. No Waiver. Failure by the Board to enforce any covenant, restriction, rule or regulation, or any other provision of any of the Governing Documents shall in no event be deemed a waiver of the right to do so thereafter or preclude the Association from enforcing any other covenant, restriction, rule or regulation or provision of the Governing Documents.

f. Owner's Right to Enforcement. Action taken by the Association in accordance with this policy, or a decision to not take action, shall not affect an Owner's right to bring his own enforcement action.

5. Policy Regarding Inspection and Copying of Association Records by Unit Owners. The Association shall permanently retain the following records as required by

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

Further, the Association shall keep a copy of each of the following records (1) resolutions adopted by the Board, (2) all written communication within the past three (3) years to Owners, (3) a list of the names and business or home addresses of the Association's current directors and officers, (4) the Associations most recent annual report, if any, and (5) all financial audits or reviews conducted during the immediately preceding three years.

An Owner is entitled to inspect and copy, during regular business hours at the Association's principal office, any of the records of the Association described C.R.S. § 38-33.3-317 if the Owner gives the Association written demand at least five business days before the date on which the Owner wishes to inspect and copy such records. The inspection and/or copying of the records shall be at the Owner's expense, and may be collected by the Association in advance. Association documents/records shall not be used by Owners for (1) any purpose unrelated to an Owner's interest as an Owner, (2) any commercial purpose, (3) the purpose of distributing or selling such records to any person, (4) 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, and (5) any other improper purpose, determined in the sole discretion of the Board.

6. **Policy Regarding Investment of Reserve Funds.** The purpose of the Reserve Fund shall be to responsibly fund and finance the projected repair and replacement of those portions of the property that the Association is responsible for and for such other funding as the Board may determine.

a. **Investment of Reserves.** The Board of the Association shall invest funds held in the Reserve Fund account to general revenue that will accrue to the Reserve Funds account balance while minimizing risks and maximizing return rates.

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

c. **Investment Strategy.** The investment strategy of the Association should emphasize a long-term outlook by diversifying the maturity date of fixed-income instruments within the portfolio utilizing a ladder investment approach.

d. **Independent Professional Investment Assistance.** The Board may hire a qualified investment counselor to assist in formulating a specific investment strategy.

e. Review and Control. The Board shall review the Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.

f. Reserve Study. In order to determine funding of the Reserve Fund, the Board shall determine, with the assistance and advice of professionals, the life expectancy of those portions of the Property to be maintained by the Association and the anticipated costs of maintaining, replacing and improving those identified areas.

g. Good Faith. The Board 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 Board reasonably believes to be in the best interest of the Association and in accordance with the Colorado Revised Nonprofit Corporation Act.

7. Policy Regarding Adoption and Amendment of Policies, Procedures, and Rules. The Board of Directors may adopt, amend, repeal and enforce the Rules and Regulations and impose fines for violations thereof (after notice and an opportunity to be heard), as it deems desirable with respect to the interpretation and implementation of the Governing Documents.

a. Board Determination of Need for Rules. The Board may determine from time to time the need for certain Rules as it deems necessary or desirable with respect to the interpretation and implementation of the Governing Documents, the operation of the Association, the use and enjoyment of Association properties or other properties within the community or for any other purpose.

b. Notice of Proposed Rule. Once the Board has determined the necessity for the Rule, the Board shall in its discretion cause the Rule to be drafted and shall verify that the Rule is reasonable and to be uniformly applied. The Board shall cause notice of the Rule to be provided to the Owners.

c. Owner Comment. The proposed adoption of a Rule shall be included in the agenda for the Board meeting prior to adoption by the Board and the Board shall provide an opportunity for members of the Association to comment on the Rule in accordance with Colorado law.

d. Adoption of the Rule. Following Board discussion of the Rule and Owner comment, the Board may adopt the Rule. Any such Rules shall be effective only upon adoption of the Board and 15 days after the Association has provided the notice of adoption of the policy to the Owners.

e. Emergency. The Board may waive the notice of the proposed Rule and opportunity for member comment in the event that the Board determines in its sole discretion that providing notice and an opportunity to comment is not practical due to the emergency nature of the Rule.

8. **Policy Regarding Dispute Resolution.** Because the prompt, efficient, fair and non-belligerent resolution of any disputes is desirable, any controversy arising out of or relating to the Covenants, Rules and Regulations or Bylaws, or a breach thereof shall be resolved as set forth in this section.

a. **Direct Communication.** The parties to the disagreement shall set forth their respective positions in the dispute in correspondence. Each party shall respond within seven days after receipt of a letter from the other until agreement is reached.

b. **Mediation.** If the dispute cannot be resolved through direct communication of the parties, either party may request appointment of a neutral and properly credentialed mediator. Both parties shall participate in the mediation in good faith until the dispute is resolved for a period not to exceed thirty days with the consent of all parties. The cost of mediation shall be divided equally among the parties.

c. **Arbitration.** If the dispute cannot be resolved through mediation, the dispute shall be settled by arbitration before a single arbitrator in accordance with the Uniform Arbitration Act of 1975, Section 13-22-201 et seq., C.R.S. 1973, as amended. The results of the arbitration shall be final and binding, and not subject to appeal. Venue for arbitration shall be Garfield County, Colorado, unless otherwise mutually agreed. The arbitrator shall award to the prevailing party, if any, as determined by the arbitrator, all of its costs and expenses including any attorney's fees, arbitrator's fees and out-of-pocket expenses of any kind.

d. **Not Applicable to Association.** This Section is not applicable to the Association and the Association shall have the right to enforce all Covenants, Rules and Regulations and Bylaws as more particularly described in those documents and shall not be required to mediate or arbitrate its claims in such enforcement actions.

9. **Deviations and Amendment.** The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances. This Resolution may be amended from time to time by the Board.

The foregoing Resolution to Enact Responsible Governance Policies was adopted by the Board of Directors of the Association on the 23rd day of November, 2007<sup>9</sup>.

TERRACES CONDOMINIUM  
HOMEOWNERS ASSOCIATION

By: Julie S. Hanson  
President.