

**RULES AND REGULATIONS  
OF THE SANCTUARY HOMEOWNERS ASSOCIATION  
(EFFECTIVE 9/1/05)**

**THE SANCTUARY HOMEOWNERS ASSOCIATION**, a Colorado nonprofit corporation (the "Association") by virtue of authority provided in the Protective Restrictions, Covenants, Limitations, Easements and Approvals for The Sanctuary recorded at Book 671, Page 1615 of the Routt County records (hereinafter called the "Covenants"), and in the Articles of Incorporation and Bylaws of the Association, does hereby publish and declare the following as rules and regulations respecting the Sanctuary Lots and all other property located within the Sanctuary subdivision.

1. **Purpose.** These rules and regulations are made pursuant to paragraph 7(d) of the Covenants for the purpose of promoting the best interests of Owners and occupants of Lots, to protect and enhance the property values of the Sanctuary, to protect persons and property against injury or damage, and in general to promote the health, safety and general welfare of the Owners and occupants of Lots.

2. **Definitions; Applicability.**

A. Throughout these rules and regulations, capitalized terms not otherwise defined herein shall have the meanings set forth in the Covenants and articles of incorporation and bylaws of the Association.

B. This instrument shall be deemed in addition to, and not in lieu of, all applicable provisions of the Covenants, articles of incorporation and bylaws, which shall control in the event of any inconsistency with the provisions of this instrument.

C. Each Owner of a Lot is responsible and liable for the acts or omissions of such Owner's tenants, guests, agents and invitees respecting compliance with these rules and regulations and the Covenants, articles of incorporation and bylaws. The Association or its manager or managing agent will make reasonable efforts to warn Owners, tenants, guests, agents and invitees of Lots of infractions of these rules and regulations, but failure to so warn shall not be an excuse for or defense of such infraction. The Covenants provide that, where these Rules and Regulations provide for fines in favor of the Association for specific violations, the failure by an Owner or his guests, or tenants or invitees of a Lot to comply with such applicable Rules and Regulations shall cause, at the option of the Association and on notice to the Owner and after opportunity for hearing, such fines to be levied and to constitute a special Common expense assessment against such Owner's Lot, for which the Association shall have a lien and collection rights specified in Paragraph 9 of the Covenants. Therefore, in all cases, an Owner IS LIABLE FOR ALL FINES FOR VIOLATIONS OF THESE RULES AND REGULATIONS BY SUCH OWNER AND BY THE GUESTS, TENANTS AND INVITEES OF SUCH OWNER. The Association reserves all remedies for collection of such fines as are specified in Paragraph 9 of the Covenants, including foreclosure of the lien therefor against an Owner's Lot.

D. All provisions of these rules and regulations apply to the Lots and to the Owners, occupants, guests, tenants and invitees thereof and to all other property within the Sanctuary, including all designated preservation areas.

E. The Association may, pursuant to the Covenants, adopt additional rules or regulations, whether like or unlike this instrument, which regulate and apply to the Lots and/or Common Elements.

F. The Association may, pursuant to the Covenants, amend or delete any of these rules and regulations.

3. **Tenants of Lots.** Each Owner that rents its Lot should advise the Association or its manager or managing agent in writing of such fact, so that the Association may make these rules and regulations available to the tenant.

4. **Fines.** For each and every violation or infraction of any rule or regulation specified now or hereafter adopted by the Association or for violation of any provision of the Covenants or the Association's Articles of Incorporation or Bylaws, the fine which may be assessed by the Association on written notice to the Owner shall be \$200.00, and where a violation or infraction is a continuing one, the continuation thereof for each day shall be deemed a separate and distinct violation and infraction resulting in a separate fine of \$200.00, commencing on the date of commencement of such violation and increasing to \$500.00 per day if such violation or infraction does not cease within ten (10) days following commencement. The Association shall promptly notify the Owner of a Lot in writing of the assessment of any fine, and such assessment shall be promptly paid by such Owner. The Association shall have a lien upon the Lot of the Owner who, or whose tenants, guests or invitees, violated any such Rule or Regulation, to secure payment of fines assessed to such Lot, and the Association may foreclose such lien, all in the manner and as described in the Covenants.

5. **Timeshare.** Paragraph 15(k) of the Covenants prohibits timeshare ownership of any Lot within the Sanctuary. Timeshare ownership of any Lot within the Sanctuary is also declared to be a violation of these Rules and Regulations. For purposes of the Covenants and these Rules and Regulations, "timeshare ownership" shall mean timeshare ownership as defined by the Colorado Real Estate Regulations, any timeshare estate under the statutes of the State of Colorado, timeshare as defined by the Steamboat Springs Revised Municipal Code and the ownership of residential real estate by a company or other entity where the shareholders, members or other owners of such company by virtue of such ownership are allocated the right to exclusively occupy such residential real estate for a defined period of time or during specific dates notwithstanding the fact that such dates or length of occupancy may vary from time to time.

These rules and regulations supersede and replace all rules and regulations of the Association with respect to the Lots, which were adopted and were effective prior to this date.

DATED: August 19, 2005.

**THE SANCTUARY HOMEOWNERS ASSOCIATION**

By: Gertrude L. Fike  
Gertrude L. Fike, Secretary

(8/17/05)

**RESOLUTION OF THE  
SANCTUARY HOMEOWNERS ASSOCIATION  
TO ENACT  
RESPONSIBLE GOVERNANCE POLICIES**

The Sanctuary 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. Unless otherwise defined in these governance policies, terms defined in the Protective Restrictions, Covenants, Limitations, Easements and Approvals for the Sanctuary ("Declaration") and the Association's Articles of Incorporation ("Articles"), Bylaws ("Bylaws") and Rules and Regulations ("Rules and Regulations") shall have the same meaning herein. The Declaration, Articles, Bylaws and Rules and Regulations shall hereafter be collectively referred to as the "Governing Documents."

**A. Procedures for the Adoption and Amendment of Policies, Procedures and Rules.**

Article (IV)(B)(7) of the Articles of Incorporation grants the Association the power to make and enforce rules and regulations with respect to activities within the Subdivision that are subject to the Association's powers or control. Article 7(d) of the Declaration states that the Association may from time to time establish, adopt, alter, repeal and amend rules and regulations which shall be binding on Owners and their family, guests, invitees and agents. Article V Sections (3) and (4) of the Bylaws grants the Board of Directors (hereafter the "Board") the authority, acting through the Association's Officers, to adopt, amend and repeal from time to time, and to enforce compliance with such reasonable rules and regulations as the Board deems necessary for the operation, use and occupancy of the Project.

Pursuant to the above referenced authority, and for the purpose of adopting a standard procedure to be used when adopting policies, rules, regulations and guidelines (hereafter "Policies" or "Policy"), the Association hereby adopts the following procedures to be followed in adopting Policies of the Association:

1. The Board shall consider the following in drafting any Policy:
  - (a) whether the Governing Documents or Colorado law grants the Board the authority to adopt the proposed Policy;
  - (b) the need for the Policy based on the scope and importance of the issue and whether the Governing Documents currently address the issue adequately; and
  - (c) the immediate and long-term impact of the Policy
2. Notice of any proposed Policy shall be posted on the Association's website or sent via First Class Mail or email to each Owner. Owners shall be allowed thirty (30) days to provide comments to the Board regarding the proposed Policy. After the thirty (30)

day period for Owner's comment has elapsed, the Board may adopt the proposed policy by way of a meeting of the directors or by way of written unanimous consent.

3. 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.
4. After adoption of any Policy, a copy of the Policy or notice of the 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 Associations website. A copy of the Policy shall also be placed in the binder containing the records and documents of the Association, which shall be available for inspection and copying pursuant to the Board's policy regarding inspection and copying of documents.

#### **B. Policy Regarding Board of Directors Conflicts of Interest**

Any contract, decision or other action taken by or on behalf of the Board that would financially benefit any member of the Board or any person who is a parent, grandparent, spouse, child or sibling of a member of the Board or parent or spouse of any of those persons shall be deemed a conflict of interest.

All conflicts of interest:

1. Shall be disclosed by the member to the other directors in an open meeting, prior to any discussion or action on that issue.
2. After disclosure of the conflict of interest, the member may participate in discussions on the issues but may not vote on that issue.
3. Any contract entered into in violation of this policy shall be void and unenforceable.

#### **C. Assessment Collection Policy**

The Owner of each Ownership unit shall pay the Owner's share of the common expenses allocated to such Ownership unit as general assessments and the full amount of any special assessments assessed specifically against such Owner's Ownership unit.

The Association shall send notices of general (regular) and special assessments and other charges via invoices. All invoices are due and payable on the date or dates specified in the invoice, or if payment date(s) are not specified, within thirty (30) days after the date of the invoice. Assessments or other charges not paid within thirty (30) days after the due date shall be considered past due and delinquent and the Association may assess a later payment fee of \$50.00 and interest on the past due amount from the date due until paid at a rate of 16%. All checks returned by the Owner's bank for any reason

whatsoever, including but not limited to insufficient funds, shall incur a \$30.00 returned check charge. All late fees, interest, returned check charges and cost of collection, including court costs and attorney fees, shall be a special assessment against the delinquent Owner(s) and such Owner(s) Ownership unit.

**Collection Process:**

1. After any assessment or other charge becomes more than fifteen (15) days delinquent, the Association may send a written notice of non-payment to the Owner.

2. After any assessment or other charge becomes more than thirty (30) days delinquent, the Association may record a statement of lien against the Owner's Unit in the Routt County real property records, against the Owner's Ownership unit, for the delinquent amount, late payment fees, interest and cost of collection. The Association's failure to record any such state 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.

3. After any assessment of other charge becomes more than forty-five (45) days delinquent, the Association may refer the matter to the Association's attorney who may file a lawsuit against the Owner or institute a foreclosure action against the Owner's Ownership 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 delinquent Owner's voting rights in the Association after sending the three day notice required, pursuant to Article III, Section 3 of the Bylaws ("Suspension Notice"). The Owner's voting rights in the Association may be suspended three (3) days after mailing of the Suspension Notice and the suspension shall remain in effect until the Owner pays all of his outstanding balance owed to the Association.

**D. Policy Regarding the Inspection and Copying of Documents.**

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 unit 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 unit 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.

Within ninety (90) days after assuming control from the Declarant and within ninety days after the end of each fiscal year thereafter, the Association shall make the following information available to Owners: (1) the date on which the Association's fiscal year commences, (2) the operating budget for the current fiscal year, (3) a list, by unit type, of the Association's current assessments, including both regular and special assessments, (4) the Association's annual financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure, (5) the results of any

financial audit or review for the fiscal year immediately preceding the current annual disclosure, (6) a list of all Association insurance policies, including, but not limited to, property, general liability, association director and officer professional liability and fidelity policies (this list shall also include the company names, policy limits, policy deductibles, additional named insured and expiration dates of the policies), (7) the Association's Declaration, Articles, Bylaws and Rules and Regulations, (7) the Minutes of any Board meeting or meeting of the members for the fiscal year immediately preceding the current annual disclosure and (8) the responsible governance policies, adopted pursuant to C.R.S. §38-33.3-209.5.

Further, the Association shall keep a copy of each of the following records (1) Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations and obligations of Owners or any class or category of Owners, (2) the minutes of all Owners' meetings, and records of all action taken by Owners without a meeting, for the past three (3) years, (3) all written communications within the past three (3) years to Owners generally as Owners, a list of the names and business or home addresses of the Association's current directors and officers, (4) the Association's most recent annual report, if any, and (5) all financial audits or reviews conducted during the immediately preceding three years.

In order to provide the greatest latitude of disclosure to the Owners, the Association may maintain a website containing a majority of the documents/records listed above, available for download on the website. The website shall consist of a public area, available to the public, and a private area, limited to Owners and requiring a password to enter. The Board shall use its discretion as to which documents/records are posted on the website and therefore many of the above listed documents/records may not be available on the website.

The Association (or its managing agent) shall also have available for inspection and copying, at the Association's office, a binder containing all of the above listed documents. The Board encourages Owners to access the documents via the website, but will allow copying and inspection at the Association's office of the Association's attorney, Weiss and Van Scoyk, 600 S. Lincoln Avenue, Suite 202, Steamboat Springs, Colorado 80487, subject to the following conditions:

- (a) The inspection and/or copying of the records shall be at the owner's expense.
- (b) The inspection and/or copying shall be by appointment only during Association's office hours. The binder containing the Association's documents and records shall at all times remain at the Association's office and shall not be removed by any Owners, for any reason.
- (c) Owners shall complete, sign and submit a written request for inspection and/or copying ("Association Request Form") at least three (3) business days prior to inspection/copying. A copy of the Association Request Form may be downloaded from the Association's website or will be provided to the Owners upon verbal or

written request. Certain documents of the Association will not be available for inspection/copying: documents and records protected by the attorney-client privilege, those records that are deemed confidential or those protected by federal or state privacy laws.

- (d) 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) any other improper purpose, determined in the sole discretion of the Board.
- (e) The cost of copying any record is \$1.00 per page. The cost of copying must be paid in full prior to the Association releasing the copies to an Owner. There shall be no cost for downloading and printing any document provided on the Association's website.

#### **E. Policy Regarding Investment of Reserves of the Association:**

Section 9(b) of the Declaration authorizes the Association to fix, determine, levy and collect general and special assessments from the Owners to fund and contribute to any reserves deemed appropriate by the Board, including (without limitation) a capital reserve for repairs, maintenance, replacement and acquisition of Association property, to fund and contribute to any contingency reserve to meet unanticipated common expenses and to fund and contribute to the reserve pursuant to Section 17(c) to pay the Association's costs and expenses, including attorneys' fees, in connection with the enforcement of the Declaration, Articles, Bylaws or Rules and Regulations of the Association (hereafter "Reserve Accounts").

In order to preserve and protect the principal of the Reserve Accounts:

- 1. All Reserve Accounts shall be deposited in a FDIC insured interest bearing savings or checking account. When possible, Reserve Accounts shall be deposited in interest-bearing accounts.
- 2. Reserve Accounts shall only be used for the purposes for which the Reserve Account in question was established,
- 3. Withdrawal of funds from the Reserve Accounts shall require the prior authorization and approval of the Board.

#### **F. Policy Regarding Procedures for Conducting Owner and Board of Directors Meetings**

The purpose of this policy is to establish a uniform and systematic protocol for conducting meetings of the Association, including Owners and Board meetings; to ensure notice of meetings is given pursuant to Colorado law; to ensure equitable participation by Owners while permitting the Board to conduct the business of the Association; and to



memorialize the circumstances under which the Board may meet in executive or closed door sessions.

1. Meetings. Meetings of the Owners, as the members of the Association, shall be held at least once a year. Special meetings of the Owners may be called by the President, by a majority of the Board, or by Owners having at least twenty percent of the votes in the Association
2. Notice. Notice of Owner meetings shall be hand delivered or sent prepaid by US Mail at least ten days prior to but not more than fifty days in advance of any meeting of the Owners or as required by C.R.S. §38-33.3-308 as amended. Notice of any meeting shall also be given in the following manner:
  - a) Notice shall be posted on the Association website within 24 hours of the mailing of notice to Owners.
  - b) Notice shall be physically posted in a conspicuous place on the Property.
  - c) Notice shall be provided via email to any Owner who has requested that the Association provide notice via email and has provided the Association with a valid email address. Electronic notice of a special meeting shall be given as soon as possible but at least twenty-four hours before the meeting.

All notices shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendments to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Board.

3. Voting. All votes taken at Owner meeting shall be taken as follows:
  - a) Votes for positions on the Board shall be taken by secret ballot. Also, upon the request of one or more Owners, a vote on any other matter affecting the Project and for which all Owners are entitled to vote shall be by secret ballot. The secret ballot shall contain no identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the secretary of the association, the Owner shall receive a secret ballot to cast the vote of the Owner who has provided the proxy. The proxy shall be kept and retained by the Association.
  - b) All votes, other than those taken by secret ballot, shall be taken in such method as determine by the Board and pursuant to the Bylaws, including by hand, voice or by ballot, unless otherwise required by law.
  - c) Written ballots, including secret ballots, shall be counted either by (1) a neutral third party or (2) an Owner who is not a candidate for a current position on the Board, who attends the meeting at which the vote is held, and who is

selected at random from a pool of two or more such Owners. The President or chair shall specify the procedure for randomly selecting the Owners. The results of any vote by secret ballot shall be reported without reference to names, addresses or other identifying information

4. Proxies. Votes allocated to an Ownership unit may be cast pursuant to a proxy duly executed by an Owner. A proxy shall not be valid if obtained through fraud or misrepresentation. Unless otherwise provided in the Declaration, Bylaws, Articles or Rules and Regulations of the Association, appointment of proxies may be made substantially as provided in C.R.S. § 7-127-203. All proxies shall be reviewed by the Association's secretary as to the validity of the signature, signatory's authority to sign for the Owner, authority of the Owner to vote, conflicting proxies and expiration of the proxy.
5. Open Meetings. All regular and special meetings of the Associations and Board, or any committee thereof, shall be open to attendance to all Owners of the Association, or to any person designated by an Owner in writing as the Owner's representative. All Owners or designated representative shall be permitted to attend, listen and speak at an appropriate time during the deliberations and proceedings. Owners who desire to speak are requested to notify the Association office in advance of the meeting, or on the meeting sign-in sheet, so the Board can plan the agenda accordingly. Owners will be recognized to speak at the appropriate point on the agenda; either during discussion of an agenda item or, for items not on the agenda, during open forum. Owners who have not signed up to address an item will be allowed to speak at the end of the meeting, time permitting. The President or acting chair shall, to the best of his/her ability, allocate time to each Owner for comment so as to allow as many Owners as possible to speak.
6. Meeting Sign-in. In order to manage the meeting effectively, Owners are asked to list any item(s) they wish to address when they sign-in at the meeting. The Owners' sign-in sheet will be available at the meeting and include: name, address, neighborhood and any items they wish to address.
7. Open Forum. The agenda for all meeting shall follow the order of business determined by the Board, which shall include an Owner open forum during which any Owner who wishes to speak will have the opportunity to do so, subject to the provisions of this policy. The Board shall have the right to determine the length of time of the open forum. The open forum should be used by Owners to speak about items that are not on the agenda.
8. Agenda Items. During the discussion of an agenda item, the President or acting chair will recognize Owners who have signed-up to address that item. The Board may place reasonable time restrictions on those persons speaking during the discussion and shall provide for a reasonable number of persons to speak on each side of an issue.

9. Owner's Right to Speak before Board Action. The Board shall permit Owners to speak before the Board takes formal action on any item under discussion, in addition to any other opportunities to speak. The Board may place reasonable time restrictions on those persons speaking during the meeting and shall provide for a reasonable number of persons to speak on each side of an issue.
10. Additional Owner Input. At the end of the meeting, at the Board's discretion, Owners who did not sign up to speak may be given the opportunity to address items that were discussed at the meeting.
11. Time Limit to Speak; Protocol. The President or acting chair of the meeting may place reasonable limitation upon the time given to each Owner seeking to comment, to allow sufficient time for as many Owners as possible to comment within the time permitted. Unless otherwise determined by the President or acting chair, the time limit will be three minutes per Owner. Owners should refrain from repeating other Owner's comments. Owners will only be allowed to speak one time per agenda item.
12. Extended Discussion. If it becomes evident that discussion of a particular issue will exceed the time allocated on the agenda, the Board may schedule a special session to further address the issue. Time will not be taken during the meeting to repeat information previously discussed. If an Owner requires history or other background information on a complex topic that has been previously discussed, an Association representative will contact the Owner after the meeting. Owners requesting additional information on a topic shall leave a name, phone number and/or email address with a Board member.
13. Conduct of Participants. No Owner is entitled to speak until recognized by the President or acting chair. Owners will be asked to identify themselves by their name, address and lot number. There shall be no interruptions of anyone who has been recognized by the chair, except by the chair. All Owners and/or Owner's delegates should avoid side conversations. Specific time limits set for speakers shall be strictly observed. Personal attacks, whether physical or verbal, and offensive language will not be tolerated. All comments are to be directed to the chair and not to other individual participants. All comments are to be restricted to the agenda items being discussed. Meeting participants must behave courteously and be respectfully to others.
14. Curtailement of Member Conduct. Should the President or acting chair determine that any Owner has spoken for the allocated amount of time or longer, or determine that the Owner is in violation of the provisions of this policy, the President or acting chair shall have the authority to instruct that Owner to yield the floor, and that Owner will be obligated to comply with the President's or acting chair's instruction.

15. Disruptive or Unruly Behavior. If an Owner refuses to stop talking after his/her allotted time has ended, or otherwise disrupts the meeting, or is otherwise in violation of the provisions of this policy, the following procedure will be followed:
- (a) The President or acting chair will issue an oral warning that if the Owner continues to speak, disrupt the meeting, or otherwise act in violation of the provisions of this policy than that person will be asked to leave the meeting.
  - (b) If the Owner continues to speak, disrupt the meeting, or otherwise act in violation of the provision than the President or acting chair will call a recess and have the Owner escorted out of the meeting. The meeting will than resume as normal.
16. Executive or Closed Door Sessions. Notwithstanding the foregoing, the Board or a committee thereof may hold an executive or closed door session and may restrict attendance to Board members and other persons specified by the Board; provided that any such executive or closed door session may only be held in accordance with the provisions and requirements of C.R.S. §38-33.3-308(4), as amended, or other applicable laws. The matters to be discussed at such an executive session are limited to:
- (a) Matters pertaining to employees of the Association or the managing agent's contract or involving the employment, promotion, discipline or dismissal of an officer, agent, or employee of the Association;
  - (b) Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
  - (c) Investigative proceedings concerning possible or actual criminal misconduct;
  - (d) Matters subject to specific constitutional, statutory or judicially imposed requirements protecting particular proceedings or matters from public disclosure;
  - (e) Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy;
  - (f) Review of or discussion relating to any written or oral communication from legal counsel.

Prior to the time the members of the Board convene in executive session, the President or acting chair shall announce the general matter of discussion as enumerated in paragraphs (a) to (f) above. No rule or regulations of the Board

shall be adopted during the executive session. A rule or regulations may be adopted only during a regular or special meeting or after the Board goes back into regular session following an executive session.

**G. Policy and Procedures for the Enforcement of Covenants and Rules and Regulations.**

Pursuant to Articles (7)(d) and (17)(a) of the Declaration, Article IV of the Articles of Incorporation and Article (V)(4) of the Bylaws and other provisions of the Governing Documents and applicable law the Association, through its Board, shall have the power and the duty to adopt rules and regulations, hear and make decisions regarding violations and written complaints filed with the Board and impose fines or other sanctions for the enforcement of the Governing Documents.

The Board may determine enforcement action on a case by case basis and take other actions as it may deem necessary and appropriate to ensure compliance with the Governing Documents. These enforcement provisions may be in addition to other specific provisions outlined in the Governing Documents, and the Association is not required to follow these enforcement provisions before seeking such other remedies. The Association may choose a legal remedy or seek assistance from other enforcement authorities, such as police, fire, or animal control, as it deems appropriate.

The following procedures shall be followed when the Association enforces the Governing Documents as a result of complaints regarding Owners or occupants made to the Board by an Owner, occupant or management company,

1. Complaint. All complaints, whether by an Owner, occupant or by the management company shall be in writing and submitted to the Board. The complaint shall state the specific provision(s) of the Governing Documents alleged to have been violated and as many specifics as are available as to the date, time, location and persons involved ("Respondent(s)"). The complaint shall also state the name of the complainant.
2. Investigation. Upon receipt of a complaint, the Board shall determine whether the allegations in the complaint are sufficient to constitute a violation of the Governing Documents and whether action by the Association is warranted. The Board may, at its sole discretion appoint an individual or committee to investigate the matter.
3. Association Action. If the Board determines that the allegations in the complaint are sufficient to constitute a violation of the Governing Documents and that action is warranted or, the Board shall send a notice ("Demand for Abatement") to the Respondent, by certified mail, return receipt requested addressed to the mailing address of the Respondent of file in the records of the Association at the time of such mailing. The Demand for Abatement shall advise the Respondent of (1) the alleged violation, (2) the action required to abate the violation and (3) a time

period of not less than ten (10) days during which the violation may be abated without further sanction, if such violation is a continuing one, or a statement that any additional similar violations may result in the imposition of a sanction after notice and hearing, if the violation is not continuing. This subsection three (3) shall also apply to any complaint(s) initiated by the Board.

4. Notice of Hearing. If the Respondent does not comply with the Demand for Abatement, within the time allotted by the Demand for Abatement or if the same violation occurs within eighteen (18) months from the date of the Demand for Abatement, the Board shall mail the Respondent a written notice of hearing ("Notice of Hearing") to be held by the Board. The Notice of hearing shall contain (1) the nature of the alleged violation, (2) the time and place of the hearing, which time shall not be less than ten (10) days from the date of the Notice of Hearing, (3) an invitation to attend the hearing and produce statements, evidence and witnesses on Respondent's behalf, or provide a written response prior to the date of hearing, and (4) the proposed sanction to be imposed.
5. Hearing. The hearing shall be held pursuant to the Notice of Hearing affording the Respondent a reasonable opportunity to be heard. Prior to imposing any sanction, proof that the Notice of Hearing was duly given to the Respondent shall be included in the minutes of the hearing. Such proof shall be deemed adequate if a copy of the Notice of Hearing, together with a statement of the date and manner of deliver, is entered by the officer, director or agent who delivered such notice. The notice requirement shall be deemed satisfied if the Respondent appears at the hearing.

The Board may: (a) exercise its discretion as to the specific manner in which a hearing shall be conducted, (b) question witnesses and review evidence and (c) act as it may deem appropriate or desirable to permit the Board to reach a just decision. Each hearing shall be open to attendance by all members of the Association.

6. Decision. If the Respondent appears at the hearing or provides a written response, after all testimony and other evidence has been presented to the Board at a hearing, the Board shall render its decision(s), taking into consideration all of the relevant facts and circumstances. The decision of the Board shall be final and shall be effective on the date specified by the Board. If the Board does not inform the Respondent of its decision at the time of the hearing, the Board will provide a written decision to the Respondents address of record, via first class mail, within five (5) days after the hearing. The minutes of the hearing shall contain a written statement of the results of the hearing and sanction, if any, imposed.
7. Enforcement, Attorney's Fees and Fines/Sanctions. The provisions of this policy shall not limit, or be a condition precedent to, the Association's right to enforce the Association's Governing Documents by any means available, 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 reasonable attorneys' fees and cost incurred by the Association in connection with any enforcement action, including any proceeding under this policy. If a violation involves damages to Association property, the violator shall pay the costs of repair or replacement. The procedures set forth in this policy shall not be necessary in order to impose any sanction or penalty for nonpayment of a delinquent assessment.

Pursuant to Article 4 of the Rules and Regulations as amended or as authorized by the Board, the following fine schedule has been adopted for all violations or infractions of any Rule and Regulations or provision of the Declarations:

First Violation	Warning Letter
Second Violation (of same rule or provision of the Declaration)	\$200.00
Third and subsequent violations (of same rule or provision of the Declaration)	\$500.00

Where the violation or infraction is a continuing one, the continuation thereof for each day shall be deemed a separate and distinct violation and infraction resulting in a separate fine of \$200.00, commencing on the date of commencement of such violation and increasing to \$500.00 per day if such violation or infraction does not cease within ten (10) day following commencement. The Association shall promptly notify the Owner of a Lot in writing of the assessment of any fine, and such assessment shall be promptly paid by such Owner. The Association shall have a lien upon the Lot of the Owner who, or whose tenants, guests or invitees, violated any such Rule or Regulation or provision of the Declaration, to secure payment of fines assess to such Lot, and the Association may foreclose such lien, all in the manner as described in the Declaration and/or the Association's Collection Policy.

8. Violations of Offenses that Constitute a Present Danger. If, in its sole discretion, the Board deems that any violation is or may be an immediate or substantial threat to the health, safety or welfare of the community, Project or an individual, the Board may impose any appropriate sanction as necessary to abate the threat to health safety or welfare of the community, Project or individual without prior compliance with Sections 1 through 7 above.
9. 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, Without limiting the generality of the foregoing, the Board

may determine that, under the circumstances of a particular case: (i) the Association's position is not strong enough to justify taking any or further actions; (ii) the covenant, rule, regulation or restriction being enforced is, or is likely to be construed as, inconsistent with applicable law; (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or (iv) that it is not in the Association's best interest, based on hardship, expense or other reasonable criteria, to pursue the enforcement action.

10. 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.
11. 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 pursuant to Article 17(a) of the Declaration.

*[remainder of page intentionally left blank]*



The foregoing Resolution to Enact Responsible Governance Policies was adopted by the Board of Directors of the Association on the 9<sup>th</sup> day of ~~March~~, 2006.

May, 2006. *Correct*

THE SANCTUARY HOMEOWNERS ASSOCIATION

By: \_\_\_\_\_

*Martin Hart*  
Martin Hart, President

**A RESOLUTION OF THE SANCTUARY HOMEOWNERS ASSOCIATION TO ENACT A POLICY AND  
PROCEDURE FOR ADDRESSING DISPUTES ARISING BETWEEN THE ASSOCIATION AND OWNERS  
(ADR POLICY)**

The Sanctuary Homeowners Association ("Association"), for the purpose of (i) encouraging the Association and Owners to work together in an attempt to resolve disputes without litigation, (ii) facilitating the prompt resolution of such disputes in a manner that respects and builds upon the relationship between the Association and Owners, and (iii) complying with C.R.S. §38-33.3-124 and §38-33.3-209.5(1)(b)(VIII), hereby adopts the following policy setting forth the Association's procedures for addressing disputes arising between the Association and the Owners ("ADR Policy").

Unless otherwise defined in these governance Policies, terms defined in the Declaration, Articles, Rules and Regulations, and the Dispute Resolution Act, C.R.S. §13-22-301 et seq. ("Dispute Resolution Act"), shall have the same meaning herein.

1. General Policy. It is the general policy of the Association to encourage the use of mediation as an Alternative Dispute Resolution ("ADR") procedure to resolve disputes involving the Association and an Owner.
2. Negotiation. Unless either party determines that a meeting between them would serve no useful purpose, the parties to any dispute involving the Association and an Owner shall first make a reasonable effort to meet in person and confer for the purpose of resolving the dispute by good faith negotiation.
3. Mediation. Pursuant to C.R.S. §38-33.3-124, any controversy between the Association and an Owner arising out of the provisions of the Colorado Common Interest Ownership Act may be submitted to mediation by either party to the controversy prior to the commencement of any legal proceedings. Any such mediation shall be subject to the applicable provisions of the Dispute Resolution Act and C.R.S. §38-33.3-124. In addition to the foregoing:
  - (a) Subject to the limitations set forth in this policy, mediation shall be required if any party to the dispute requests mediation by giving notice to the other party at least fifteen (15) days prior to the commencement of litigation.
  - (b) Mediation shall not be required in connection with disputes involving the collection of assessments by the Association, including foreclosure of the Association's lien or disputes involving the disapproval of any plans or specifications by the Architectural Control Committee under paragraph 4 of the Declaration.
  - (c) Mediation shall not be required if time constraints in resolving the dispute, such as the expiration of a statute of limitations, prevent accomplishing proper mediation.

- (d) Either party to the mediation may terminate the mediation process upon notice to the other without prejudice.
- (e) Mediation shall be conducted through a mediator who is familiar with governance of Colorado common interest community associations or is otherwise acceptable to the parties.

4. Selection of Mediator. If the parties to the mediation cannot agree on a mediator within fifteen (15) days of the request for mediation, there shall be no obligation to mediate.

5. Costs. All costs associated with mediation, including, but not limited to, filing costs, attorneys' fees and the mediator's fees, shall be shared equally by the parties to the dispute, unless otherwise agreed by the parties.

6. Deviations. The Association may deviate from the procedures set forth in this ADR Policy if in the sole discretion of the Association's Executive Board such deviation is reasonable under the circumstances.

7. Amendment. This Policy supersedes and replaces any prior policy regarding ADR and may be amended from time to time by the Executive Board.

The forgoing resolution was adopted by the Board of Directors of the Association on the \_\_\_\_\_ day of \_\_\_\_\_, 2008.

THE SANCTUARY HOMEOWNERS  
ASSOCIATION

By: \_\_\_\_\_  
President