

SAGEWOOD PROPERTY OWNERS ASSOCIATION, INC.
REVISED RULES & REGULATIONS

Dated May 31, 2008

1.0 INTRODUCTION

A. Governance

These Rules are designed to protect the common interests of every Owner and Lot occupants and to collectively assure the rights of all Owners and occupants of real property in the Sagewood Subdivision, Filings #1 and #2 by the Sagewood Property Owners Association, Inc., a Colorado non-profit corporation (hereinafter the "Association"). These Rules and Regulations ("Rules") are adopted by the Executive Board ("Board") of the Sagewood Property Owners Association, Inc. ("Association") in accordance with Article II, 2.07 of the First Amended Covenants, Conditions and Restrictions for Sagewood Subdivision as Amended from time to time and Section 2.2(a) of the Bylaws, and applicable provisions contained within C.R.S. 38-33.3-et. seq including those which took effect January 1, 2006, by the adoption of Colorado Senate Bill 05-100 (hereinafter "SB 05-100").

B. Applicability

These Rules and Regulations are applicable to all Lot Owners and shall be deemed in addition to, and not in lieu of, all governing documents of the Association, including but not limited to applicable provisions of the Declaration, Articles of Incorporation, Bylaws, and Rules and Regulations of the Association, if any, and which shall control in the event of any inconsistency with the aforesaid governing documents. Each such Lot Owner is responsible for the acts or omissions of the respecting compliance of these Policies. These Rules replace and incorporate all prior existing Rules of the Association.

C. Violations

Appropriate legal action as authorized by the Governing Documents may be taken for infractions hereof. Violations may be reported by any occupant or Owner or by a Manager's representative by signing and delivering a written explanation of the asserted violation to the Association's Registered Agent.

D. Documents

The Association will make copies of these Rules and all other Governing Documents available to any Owner or occupant requesting the same at the Manager's office or otherwise as the Board shall provide in accordance with the Governing Documents and applicable law including posting on an Association Website.

E. Owner Acknowledgment

A signed and dated acceptance form from each Owner and occupant indicating that each has read, understands, and agrees to abide by these Rules shall be kept

on file in the Manager's office. The name and address of the Manager of the Association shall be made known to all Property Owners.

F. Definitions

“Articles” means the Articles of Incorporation of the Association.

“Assessments” is defined in Section 3.01 of the Declaration.

“Executive Board” means the Board of Directors of the Association.

“Bylaws” means the Bylaws of the Association.

“Declaration” means the Covenants, Conditions and Restrictions for Sagewood Subdivision, Phases I and II, as may be amended from time to time.

“Annual Assessments” is defined in Section 3.01 of the Declaration.

“Permittee” means a Person, other than an Owner, rightfully present on or in rightful possession of a Lot, including, without limitation, (i) a tenant of an Owner or the Association or (ii) an agent, employee, customer, contractor, licensee, guest or invitee of an Owner, the Association, or a tenant of either of them.

“Person” means a natural person, corporation, partnership, limited liability company, trust or other entity, or any combination of them.

“Owner” means an “Owner” as defined in the Declaration.

“Rules” means these Rules and Regulations of the Association, as may be amended from time to time.

“Special Assessments” is defined in Section 3.01 of the Declaration.

Capitalized terms not defined in these Rules are intended to have the same meaning as in the Governing Documents

2.0 ASSESSMENT

- A. The assessment and collection of Assessments, other charges, costs, interest, fees, fines, and other Assessments are governed by the Governing Documents, including Section III of the Declarations and Section 2.2 of the By-Laws as well as the Colorado Common Interest Ownership Act (CCIOA) as amended from time to time. These Rules and Regulations provide procedures by which Assessments shall be made known to and paid by the Owners in accordance with CCIOA and Section 3.03 of the Declarations.

1) Annual Budget Preparation

The annual budget for operations and reserve funds shall be prepared for the following year by the Treasurer and presented to the Board at an official

Board meeting in Routt County at least 45 days prior to the Annual Meeting. All property owners/members shall be notified of this meeting by e-mail or first class mail if no e-mail address is available. At such time as the Board completes and adopts the annual budget, it shall be sent to all property owners/members in the same manner as the meeting notice.

2) Owner Ratification

At the annual meeting, or such other special budget meeting that may be called, the property owners/members may reject the budget in which case the prior year's budget would continue until such time as a new budget is approved.

3) Assessment and Collection

- a. The Association shall send notices of general (regular) and special assessments and other charges via invoices. All invoices are due and payable to the Sagewood Property Owners Association, Inc. ("The Association") 30 days after the date of the invoice.
- b. Assessments or other charges more than 30 days past due shall be considered delinquent and the Association shall assess interest on the past due amount in accordance with Section 3.03 of the Declarations.
- c. 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.
- d. Any Common Expense assessment or fine not paid within ninety (90) days after the same is billed shall incur a late payment charge of \$50.00 in addition to interest.
- e. After any assessment or other charge becomes more than ninety (90) days delinquent, the Association may record a statement of lien in the Routt County real property records, against the Owner's Lot, 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.
- f. 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 Lot 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.
- g. The Association may also suspend the delinquent Owner's voting rights in the Association until the Owner(s) pays all of his/her outstanding balance owed to the Association.

3.0 FINES

A. Scope

- 1). The Association may, in accordance with the provisions of the Governing Documents including these Rules and Regulations, levy fines against Owners

and occupants who violate any provision of the Governing Documents (including these Rules). Such fine may be levied following prior written notice sent by first class mail or personal service providing the Owner or occupant an opportunity to be heard before the Board on the subject violation. Fines shall be in accordance with the Governing Documents.

- 2). All such fines shall become an expense of the subject Lot and shall be due and payable in the same manner as other invoices.
- 3). All such fines may be filed as a lien on the subject Lot in the manner provided in the Declaration, and may be referred for legal action; and interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such fine.

B. Schedule of Fines

- 1) The following fine schedule has been adopted for all violations or infractions of the Rules and Regulations or provision of the Declarations:
 - a) First Violation = Warning Letter
 - b) Second Violation (of same rule or provision of the Declaration):
 - Violation of Residential Use Covenants (Section IV)- \$75 per day
 - Rules and Regulations Violations - \$100 per violation per month.
 - By Law Violations \$100 per incident per month.
 - Violation of Architectural Control (Section VII) - \$100 per day
 - c) Third and subsequent violations (of same rule or provision of the Declaration) - Double the initial fine.
- 2) 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 commencing on the date of commencement of such violation.

C. Warning

The Association's Board or agent may or may not, in the sole discretion of the Association, provide a warning to a Lot Owner, Tenant or Resident concerning a violation of the governing Documents. Prior to levying any fine, the Board shall follow the notice and hearing procedure set forth in the Governing Documents.

D. Notice

- 1) 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 Real Property of the Owner who, or whose tenants, guests or invitees, violated any such Rules or

Regulation or provision of the Declaration, to secure payment of fines assess to such Lot, and the Association may foreclose such lien.

4.0. ENFORCEMENT OF GOVERNING DOCUMENTS

- A. These Rules and Regulations supplement Articles II, §2.06, Article VII, §7.09 and Article VIII, §8.02 of the Declarations. 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.

5.0. HANDLING OF OWNER COMPLAINTS

- A. 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, in 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 delivery, is entered by the officer, direction 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 Respondent’s 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.

- 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, Subdivision 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 the Governing Documents or Colorado law.

6.0. EMERGENCY VEHICLES

- A. The Association permits the parking of a motor vehicle on a street, driveway, or guest parking area in the community if the Lot Owner is required by their employer to have the vehicle at their residence during designated times, providing the following conditions are met:
 - 1) The vehicle weighs ten thousand pounds or less; and

- 2) The vehicle has an official emblem or other visible markings of an emergency service provider; and
- 3) Parking the vehicle will not obstruct emergency access or interfere with the reasonable needs of the other residents to use the community's streets and driveways.

7.0. OWNER RESPONSIBILITY

- A. OWNERS ARE IN ALL CASES RESPONSIBLE FOR ANY AND ALL INFRACTIONS OF THESE RULES AND THE OTHER GOVERNING DOCUMENTS COMMITTED BY THEMSELVES AND THEIR FAMILIES, GUESTS, INVITEES, AND LICENSEES. OWNERS ARE RESPONSIBLE FOR ANY AND ALL INFRACTIONS COMMITTED BY THEIR TENANTS AND THE GUESTS, INVITEES, AND LICENSEES OF THEIR TENANTS. OWNERS ARE RESPONSIBLE FOR THE BEHAVIOR OF ANY CHILDREN LIVING WITH THEM OR VISITING THEM, ANY FINES AS A RESULT OF THEIR ACTIONS WILL BE ASSESSED AGAINST THE OWNER RESPONSIBLE.**

8.0 GENERAL AND MISCELLANEOUS

- A. Investment of Funds**

Funds of the Association shall be invested only in Banks insured by the Federal Deposit Insurance Corporation.
- B. Availability of Required Records**

All records required to be available by CCIOA to Lot Owners shall be maintained on a web site with appropriate access controls. If not available, said documents shall be made available within 2 business days at a cost to the person requesting of 7 cents per page.
- C. Sellers Disclosure Documents**

When requested by a seller, the Association shall provide the documents the seller is required to disclose to the buyer that are within the Association's control, Therefore, the Association will make the documents listed in CRS 38-33.3-223 available as a "Seller's Disclosure Package." If authorized by the seller, the Association shall provide the Seller's Disclosure Package directly to the buyer upon payment to the Association of the usual fee in Article 3.06 charged by the Association to a seller for the Seller's Disclosure Package. Documents available on the Association's website, if any, shall not be included in the package.
- D. Owner Education**

The Association shall provide, or cause to be provided, education to owners at no cost on at least an annual basis as to the general operations of the Association and the Rights and Responsibilities of Owners, The

Association, and its Executive Board under Colorado Law. The criteria for compliance shall be determined by the Board.

9.0 ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

- A. These Rules and Regulations shall be made operational and in full force and effect upon approval of at least a majority of the Executive Board. The Policies shall be made operational and in full force effect, by statute, as a matter of law. From time to time, and subject to the governing documents of the Association, the Board of Directors may adopt, amend and repeal Association Rules and Regulations and regulations relating to the Association (“Association Rules and Regulations”), for purposes including (for example and not by way of limitation) the following: the prevention of fire hazards; the prevention of disorder or disturbances of the peace; the regulation of pedestrian and vehicular traffic; the protection of wildlife; the protection of property and property rights; and the promotion of the general health, safety, and welfare

10.0 INTERPRETATION OF THE RULES AND REGULATIONS

- A. These Rules and Regulations, the Declaration, the Articles and Bylaws (collectively, the “Governing Documents”) shall be enforceable by the Board and the Manager on behalf of the Association.
- B. The interpretation of the Rules will be in the sole discretion of the Board.
- C. No failure of the Board to insist on the strict adherence to any provision of these Rules shall constitute a waiver of such provision. Failure to enforce any provision of these Rules and Regulations shall not prevent the Board from exercising any of the remedies found in these Rules and Regulations or any of the other Governing Documents for subsequent breach.

Dated, effective the first day above written.

Carrie Kleckler, Secretary, Executive Board