

THE HIGHLANDS HOMEOWNERS ASSOCIATION, INC.

POLICIES, PROCEDURES, RULES & REGULATIONS

(Apply to All Occupants and Owners)

(Dated October 2007)

Introduction. The Highlands Homeowners Association (the “Association”) complies with all federal, state and local laws. Each Owner of a Townhome in the subdivision shall read and comply with the Declaration of Covenants, Conditions and Restrictions, the Articles of Incorporation,, the Bylaws and these Policies, Procedures, Rules and Regulations (“the Association Documents”) of the Association. The Association’s Documents, and these Policies, Procedures, Rules and Regulations, shall include those matters required or allowed by the Colorado Common Interest Ownership Act. The Association’s Board of Directors (“the Board”) shall have the power to enforce the Association Documents and to amend these Rules from time to time. These Policies, Procedures, Rules & Regulations revise and replace all previous Rules and Regulations for the Association.

1. Association Management. The services of a management firm (the “Managing Agent”) have been contracted to handle the day-to-day enforcement of these Revised Policies, Procedures, Rules and Regulations (the “Revised Rules”), as well as the Declaration and Bylaws. The Managing Agent is authorized to take those actions necessary to ensure the compliance of all residents with the standards of the complex.

2. Leasing of a Dwelling Unit. An owner may rent his Dwelling Unit to an individual or a single family provided that the Dwelling Unit is rented pursuant to a lease or rental agreement which is (a) in writing, (b) for a term of at least 30 days, and (c) subject to all of the provisions of the Declaration and these Revised Rules. All leases shall provide that the Association may, on behalf of the owner, evict any tenant or occupant who is violating the Declaration or these Revised Rules. An owner who leases a unit shall be responsible for advising his tenants of the Declaration and these Revised Rules and shall be responsible for any violations or damages caused by the tenants.

3. Architectural Control.

a. No improvement shall be placed, erected, installed or permitted to occur or exist on any Lot, nor shall the exterior of any existing Improvements be altered, nor shall any construction be commenced on any improvements, unless and until the plans and specifications for such Improvements shall have been submitted to and approved by the Board of Directors through the Architectural Committee.

b. Decisions of the Board of Directors on the approval or denial of an owner’s application for architectural or landscaping changes shall be made in accordance with the standards and procedures set forth in these Revised Rules, the Declaration, and the Bylaws.

- c. Any "Fire Mitigation Plan" requiring the removal of trees, shrubs, or other vegetation around the unit must be registered with the Association before commencement of the work and the Association may require changes to the plan if the Association obtains consent of the person, official or agency that originally created the plan. Any such work shall comply with the Association's standards and procedures.

4. Architectural Guidelines.

The following have been adopted as the guidelines for the Springs Ranch Architectural Committee. These guidelines do not constitute the extent to which the Architectural Committee may approve or disapprove proposed Improvements as defined in Section 2.14 of the Covenants, and do not limit the scope of the Architectural Committee's authority. These guidelines are intended to aid as general standards by which the Architectural Committee will make its decisions, and are subject to change at the discretion of the Committee and the Board of Directors.

a. Landscaping.

- i. The AC Committee requires that landscaping plans consist of at least 40% turf in both the front and back yards throughout the property. Any exception based on the layout of the individual lot must be approved by the ACC Committee.
- ii. Changes in the grading pattern in the course of landscaping are prohibited per Section 5.9. This includes the use of retaining walls, which are permissible but must not be used to change the flow of drainage.
- iii. Extension of driveways to allow for parking of additional vehicles with gravel or concrete will not be approved as part of any landscaping plan. If gravel or other rock is incorporated into the landscaping plan in the area beside the driveway, it must contain shrubs, bushes, trees, landscape lighting or other landscape material to prevent parking in this area.
- iv. For liability reasons, the ACC Committee will not approve water features (i.e. ponds, waterfalls) as part of any front yard landscaping. The ACC will consider water features in secure rear yards.
- v. Xeriscaping. When water use restrictions have been imposed by one or more government entities, the Association shall not enforce any covenants that restrict or limit Xeriscaping or require the extensive use of turf grass, nor shall the procedure for approving proposed landscaping plans place additional requirements on unit owners who wish to use Xeriscaping. Once water restrictions have been lifted, owners shall have two months to revive their grass before the Association may require the owner to re-sod, unless the restrictions are lifted outside of a growing season, in which case the two months begins to run from the beginning of the next growing season. During a period of water use restrictions, the Association shall suspend any enforcement actions against owners whose landscaping dies as a result

of compliance with the imposed watering restrictions. will be considered on a case-by-case basis, but must contain organic material in the same proportion as a turfed landscaping plan and comply with Section i. above.

b. Fencing.

- i. Privacy Fencing will consist of 6' cedar fencing. The style of fencing (i.e. board-on-board, shadowbox, etc.) must be indicated in the application for AC approval.
- ii. The AC Committee will not approve other types of privacy fencing, such as wrought iron, masonry, etc.
- iii. The AC Committee will not approve double gates or gates whose width exceeds 4' (four feet).
- iv. The AC Committee will approve gates in the front wing fencing only.
- v. Color stains must be approved by the AC committee.
- vi. Privacy fences on lots adjacent to golf course fronting properties must not obstruct the golf course views of the neighboring lots.
- vii. All lots that are golf course fronting lots are restricted to white two-rail PVC fencing. There may also be some lots that are perimeter lots in a specific subdivision that are also restricted to white two-rail PVC fencing. These restrictions include the rear, side, and front wing fencing.
- viii. Some front-yard fencing may be allowed but will be approved on a case-by-case basis, and may be no higher than 2'.

c. Sheds.

- i. Maximum size of any shed shall be no greater than 100 square feet.
- ii. Maximum height of any shed at its tallest point shall be no higher than 8 feet.
- iii. No building extension shall be allowed on any shed (ie: porch, overhang, projection, cover, or roof ornamentation, etc.)
- iv. No shed shall be placed within the setbacks or easements established by the City of Colorado Springs (usually 5' on side yards, 7' in rear).
- v. Every effort shall be made to minimize the visual effects of a shed on neighboring sites beyond those reasonably to be expected in an urban residential area from considerate neighbors.
- vi. Construction of sheds shall adhere to the following standards
- vii. Exterior material shall be the same as the residence dwelling, or approved by the Architectural Committee.
- viii. The shed will be of the same color as the resident dwelling.
- ix. Roofs of sheds shall be of the same material as the residence dwelling, or as approved by the Architectural Committee.
- x. The flooring shall be constructed of certified (heavy-duty) decking or similar equivalent material approved by the Architectural Committee.

xi. Any electrical connections used in or at the shed shall be underground.

d. Color. Any proposed exterior color changes shall be submitted to the AC Committee for review. A color sample of the base and trim color shall be submitted. Each proposed color shall be labeled with regards to its specific application, i.e: house, trim, shutters etc. Exterior colors will be a neutral earth tone. Colors must be in harmony with adjacent homes and with the community as a whole. No bright or “offensive” colors will be approved. All of the exterior of the house to include paint will be kept in good repair.

5. Parking.

a. No motor vehicles owned, leased, rented or used by Owners or Related Users shall be parked overnight on any street within the Community Area. Overnight is defined as midnight to 6:00 am. Parking of vehicles will be in compliance with Section 5.11 (a) and (b) of the Declarations.

b. All vehicles shall meet local noise requirements, and automobiles or motorcycles without mufflers in good working order are prohibited.

c. Inoperative vehicles will be in compliance with Section 5.12 of the Declarations.

d. Vehicle repairs will be in compliance with Section 5.13 of the Declarations.

e. “Junk vehicles” are prohibited. A junk vehicle shall mean a vehicle which appears in the discretion of the Board to be in need of repainting or substantial repairs or lacks a current license plate or appears to be inoperable and damaged.

f. Notwithstanding the foregoing, emergency motor vehicles are permitted in the unit owner’s driveway, in Association’s streets, and guest parking spaces if the emergency motor vehicle meets each of the following requirements:

i. the emergency motor vehicle is required by the unit owner’s employer as a condition of employment;

ii. the emergency motor vehicle weighs ten thousand pounds or less;

iii. the unit owner is a member of a volunteer fire department or is employed by an emergency service provider;

iv. the emergency motor vehicle has some visible emblem or marking designating it as an emergency vehicle; and

v. the parked emergency motor vehicle does not block emergency access or prevent other unit owners from using the streets.

For the purpose of this rule, an “emergency service provider” is defined as a primary provider of emergency fire fighting, law enforcement, ambulance, emergency medical, or other emergency services. The parking of an emergency service vehicle shall not obstruct emergency access or interfere with any reasonable need of other unit owners to use the streets or driveways within the

Association, including without limitation extending into such streets, driveways, extending into other parking spaces or to denying other owners use of parking spaces or guest parking.

6. Animals.

a. Animals will be kept in compliance with Section 5.13 of the Declarations and all applicable ordinances. No owner or resident shall permit any pet to be outside the Lot unless on a leash in the hand of a responsible person. Pets shall not be permitted to defecate on the sidewalks, driveways, or landscaped areas in or about the Common Areas and in the event such shall occur, the pet owner must immediately pick up after the animal. The Association may adopt rules in the future to regulate or even prohibit any of the animals as defined in Section 5.13.

7. Signs, Displays, and Flags.

a. All signs will be in compliance with Section 5.14 of the Declarations.

b. No signs will be posted, placed, or displayed on the Association property, including fences or on Springs Ranch Community Association property.

c. Flags and Flag Poles.

i. American Flags. The American flag may be displayed on an owner's property or within the window of a unit, but may not be attached to the exterior of the unit in any manner except by a bracket or pole, which has been approved by the Association, or a flagpole located on the Lot. The flag must be displayed in a manner consistent with Federal and State Flag Codes. The flag may not be any larger than 36 inches by 48 inches or 36 inches by 60 inches if displayed from a flagpole.

ii. Service Flags. A Service flag bearing a star denoting the service of the unit owner or a member of unit owner's immediate family in the active or reserve military service of the United States during the war or on conflict may be displayed on the inside of a window or door of the unit owners home or beneath the American Flag on a flagpole. The Service flag may not exceed 36 inches by 48 inches.

iii. Flagpoles. There will be no more than one flagpole on a Lot. The pole will not exceed 20 feet in height.

iv. Political Signs. Except to the extent restricted by city, town, or county ordinance, an Owner may have one political sign, as defined by the statute, to be located on the Owner's property or in a window of the Owner's property, per political office or ballot issue that is in a pending election, with a maximum dimension of 36 inches by 48 inches, displayed no earlier than forty-five (45) days before an election day and no later than seven (7) days after an election day. A maximum of two political signs per Lot are authorized.

8. Assessments.

a. The annual assessment approved by the Board of Directors and ratified by the homeowners is due by January 10th of each year if paid in full or by the 10th day of the first month of each quarter if paid quarterly. Any payment which is not received by that date will be charged a late or administrative fee that is set by the Board and shall be owed by the Owner for each month such assessment is not paid. In addition, the Association shall be entitled to collect interest, reasonable attorney's fees, court costs, and all other expenses of collection on any delinquent payment.

b. Owners are responsible for making arrangements for the delivery of all payments whether by mail or direct deposits. The Association will impose an administrative fee for all returned checks. The Association or Managing Agent may collect a fee of seventy-five (\$75.00) dollars for the preparation of any certificate regarding assessments.

c. All payments shall be applied to outstanding balances in the following order of priority: (a) late charges, (b) interest, (c) attorney fees and costs, (d) returned check charges, (e) unpaid assessments beginning with the oldest unpaid assessment.

d. Failure to Pay Assessments.

i. Pursuant to the Association Documents, the Association may proceed by filing litigation against any Owner who has not paid his assessment and without affecting that remedy may also file a lien against the delinquent property, which may be foreclosed as provided in the Association documents. All attorney's fees, costs, and other expenses of such collection activity will be the responsibility of the Owner.

ii. The Association may charge for any notices sent to the Owners in connection with such delinquent assessments, but the Owners are responsible for ensuring that their payments are timely and fully made. Owners must notify the Association immediately of any change in mailing address or status.

iii. The Association may also deny rights to use recreational facilities, voting rights, or other rights in the Association until all assessments and other sums are paid in full. Any release of liens, restoration of voting or other rights, or termination of litigation shall require the payment in full of all assessments and other sums, including sums which arise after the collection process or after the Owner delivers a payment to the Association. The Association or its agent shall not be liable for any errors or omissions in any payment statement to the Owner.

iv. The Association's Board of Directors may invite a delinquent Owner to attend a Special Executive Session of the Board to explain any reason for the delinquent payment of assessments, fines or other sums levied by the Association. The Board, after such meeting, may decide in the Executive Session due to the possibility of litigation, what action may be taken by the Association whether entry into payment arrangements or proceeding to litigation and/or foreclosure of liens.

e. Late Fee and Lien.

i. The annual assessment approved by the Board of Directors and ratified by the homeowners is due by January 10th of each year if paid in full or by the 10th day of the first month of each quarter if paid quarterly. A late fee of \$15.00 will be charged on the 11th day of the first month of each quarter the assessment remains unpaid.

ii. The homeowner or individual responsible for paying the assessment will be notified in writing each quarter the assessment remains delinquent of the status of the account and the any additional late fees as appropriate.

iii. When the amount past due equals \$185.00 the homeowner or individual responsible for paying the assessment will be notified by Certified Mail of the status of the delinquent account and the Association's intent to file a lien on the property if there is no payment on the debt or response to the certified letter within 15 days.

iv. After the 15 day period in section iii. above, the Association will transfer the delinquent account to the attorney for a collection demand letter and/or an immediate filing of a lien on the property.

9. Rules Enforcement and Fines.

This following procedures shall apply to any alleged violation ("violation") of the Association's Declaration, Articles of Incorporation, Bylaws and Policies, Procedures, Rules and Regulations, except and excluding non-payment of assessments or other sums.

a. Notice.

i. First Notice of a violation may be in the form of a verbal notice from the Board of Directors ("the Board") or managing agent. If a verbal notice is given, a written notice or confirmation is sent to the homeowner to include details of the violation, reference as appropriate to the section of the governing document violated, and may include recommendations to correct the problem.

ii. Second Notice for the same or similar violation is sent in writing and contains the exact section of the governing documents in violation. The Board may offer suggestions for a resolution. Both first and second notices are sent by regular mail.

iii. Third Notice for the same or similar violation is sent in writing both by certified, return receipt requested mail and regular mail. This notice contains the exact section of the governing documents in violation. This is the homeowner's final notice prior to the scheduling of a formal hearing before the Board.

b. Notice of Hearing. If the Board decides that cause has been shown for a hearing, the Board, or its officers or agents, shall then send a written notice (the "Notice"), by regular mail and certified mail, return receipt requested, to the owner, and a copy may be sent to the alleged violator (if known) such as a tenant, contractor, guest or family member of the owner. The Notice shall indicate the time and place of the hearing, and any other information regarding violation which the Board deems appropriate in its discretion. The Notice shall be deemed received by the owner three (3) days after mailing. The Notice may

be sent to the unit if the owner has failed to register a current mailing address. The Notice may also be sent to the complaining party. See Attachment I.

c. Hearing.

i. Hearings shall be held in executive session because they may involve privacy and/or possible litigation issues. The Board may exclude any person other than the owner or alleged violator and witnesses, when testifying.

ii. At the hearing, the Board may consider any written or oral information produced by the owner, the alleged violator or other interested party. Any legal or statutory rule of evidence or procedure shall not apply to the hearing, and the Board may restrict testimony or proceed in any manner or order which it deems appropriate in its discretion. Generally, any relevant evidence may be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Hearsay evidence shall be sufficient in itself to support a finding. The Board may tape record or otherwise transcribe the hearing. The Board may proceed with the hearing even if the owner fails to appear or refuses to participate or to submit information. The owner may be represented by legal counsel so long as said owner gives the Board at least five (5) days prior written notice, in which case the Board's attorney may be present as well. Any participant may question any witnesses and examine any documents presented at the hearing. After hearing any information, witnesses, or documents presented at the hearing, the Board's decision shall be made by majority vote of the Board members present and a brief summary of the decision and the sanction, if any, should be sent by regular mail to the owner and, if necessary, to the alleged violator.

d. Extent of Violations. Each incident or each day of a continuing violation shall be consider a separate violation for which any maximum fine may be imposed. For example, each day during which a pet or a sign is permitted to remain is a separate violation. The Board may in its discretion impose increased fines for repeated or intentional violations.

e. Parties to Violations. Owners shall be responsible for violations committed by their contractors, guests, family members, and tenants, for example, pets kept by tenants or signs placed by real estate agents. The Board may proceed against both the owner and the alleged violator, simultaneously or separately, and actions against one shall not bar action against the other. The Board may contact the police, any regulatory or licensing authorities or other third parties regarding the alleged violation, but any action or decision by those parties shall not bar the Board from proceeding.

f. Fines.

i. Attached hereto is a "Schedule of Fines" adopted by the Board. See Attachment II.

ii. Any fine shall be both a personal obligation of the owner or the violator or both and shall also be an assessment creating a lien which may be recorded against the unit and may

be foreclosed as provided in the Declaration. The Board may notify any lender and credit agency of such obligation and lien. Additionally, the Board may bring legal action to enforce the violated provision and to recover the fine.

iii. Any violation shall entitle the Board to recover from the owner or violator or both, its reasonable attorneys fees, court costs, interest, and any other collection expenses, regardless of whether litigation is instituted or is successfully concluded. The Board may seek to recover such fees and costs by all legal remedies, including without limitation, charging such fees and costs to the owner's account with the Association.

iv. The Board, in its discretion, may waive fines, attorney fees, court costs, interest and other collection expenses.

g. Substantial Compliance. Technical irregularities or defects in the complaint, Notice or other compliance with this Rule shall not invalidate the proceedings or any fine or sanction imposed. This Rule shall be liberally construed to accomplish prompt, effective enforcement of the Association's Declaration, Articles of Incorporation, Bylaws and Rules.

10. Insurance.

a. The comprehensive project policy DOES NOT cover the contents of your home or liability growing out of guests on the premises. Each Lot owner and/or occupant should arrange for insurance coverage for all losses and risks growing out of the ownership and/or occupation of the premises and property.

b. If any owner files a claim against the Association's insurance policies, the homeowner must submit a claim in writing to the Board of Directors or Managing Agent. The Association has 15 days to respond. The homeowner must give the Association's agent a reasonable opportunity to inspect the damage and determine if the subject matter of the claim falls under the Association's insurance policy. Only then can the homeowner directly submit a claim against the Association's policy. That Owner shall be responsible for paying the deductible on that insurance policy as provided by the Association documents and further shall be responsible for any costs or loss as well as any costs of collection and reasonable attorney fees to the Association if the Owner, guest, or tenant of the Owner is responsible for the cause of the loss, or if the loss resulted from any equipment or item located within the Owner's home or property.

c. In order to assist in keeping the Association's insurance premiums down, it is requested that all Owners contact the Association—either its manager or Board members—prior to filing any claim on the Association's insurance policy.

d. Individual Owners are responsible for obtaining insurance on their own home or property to cover the interior of the unit and all personal belongings, which coverage is commonly known as Homeowner Insurance. Owners must consult with their own insurance agents as to appropriate coverages.

11. Reserve Fund. The Association's Reserve Fund (if appropriate) shall be invested as required by the Association Documents and Colorado laws and statutes. Such investments shall be based upon the reasonable business judgment of the Board of Directors with the advice of the Association's Managing Agent and any investment advisor.

12. Meetings.

a. Conducting Meetings.

i. Association meetings shall be conducted in accordance with the Association Documents, especially the Association Bylaws, and in accordance with the Colorado Common Interest Ownership Act and the Colorado Revised Nonprofit Corporation Act. In addition, all meetings shall be conducted in accordance with the most recent version of Robert's Rules of Order.

ii. At all meetings, Members are expected to maintain proper behavior and decorum, which requires that Members shall: Be respectful to others present and to the meeting process, refrain from name-calling, use of foul language, and other aggressive behavior, differentiate statements of opinion from statements of fact; and speak only when acknowledged by the Chair.

iii. If a member fails to observe the above standard, demonstrating inappropriate behavior which negatively impacts the Association's meeting(s), the Chair shall issue one warning to the Member. If inappropriate behavior continues, the Member may be asked to remove him- or herself from the meeting. If the Member refuses to comply, the meeting may be adjourned at that time, even though there are agenda items not yet heard, or the Chair may take other action, at the sole discretion of the Chair, including request for police assistance.

b. Owner Participation at Board Meetings.

i. All meetings of the Board of Directors, except the Executive Session, are open to attendance by any Owner or any person designated in writing by that Owner as the Owner's Representative.

ii. All Owners or designated representatives so desiring shall be permitted to attend, listen, and speak at an appropriate time during the deliberations and proceedings of the Board. The Board shall designate an appropriate time at the beginning of the meeting for all Owners or their representatives to speak on any matter shown on the agenda, but such period shall be assigned 5 minutes and shall not exceed a total of 20 minutes. Owners who wish to discuss a certain issue, complaint, or requests shall submit such in writing at least five days prior to the Board meeting. A reasonable number of persons may speak on each side of any issue. All or any Owners or designated representatives wishing to speak shall sign a sheet with the Secretary prior to the meeting and the Board's President shall allocate the time permitted among the various Owners or designated representatives who wish to speak. After the designated time, Owners who are not board members shall not participate in any deliberation or discussion of the Board unless expressly authorized by a vote of a majority of a quorum of the Board so present.

c. Owner Participation at Annual and Special Meetings of Owners.

- i. Any Owner or designated representative of Owner may speak at the designated time in the agenda upon any issue requiring a vote of the Owners.
- ii. The total length of any time for Owners or designated representatives speaking on a single issue of any meeting of the Owners shall not exceed the time set forth by the president at the beginning, usually 5 minutes, but not exceeding a time limit of 20 minutes per issue raised, and the President shall pro-rate that time among the various Owners who speak on the issue.
- iii. All issues, complaints, and requests shall be submitted to the Board in writing five days prior to the annual meeting.

d. Notice of Meetings.

- i. Board Meetings: Notice of Board Meetings shall be given in accordance with the Association Documents.
- ii. Homeowners Meetings: Notice of Homeowners Meetings shall also be given in accordance with the Association Documents, but in addition, notice of such may be given by electronic posting or electronic mail notices pursuant to CRS § 38-33.3-308.

e. Executive Session. The Association's Board may meet in executive closed sessions to discuss matters pertaining to employees, the managing agent's contract, consultation with legal counsel, investigative proceedings concerning possible or actual criminal misconduct, matters which are subject to specific constitution and statutory or judicially imposed requirements protecting the proceedings, any matter of disclosure which would constitute an unwarranted invasion of individual privacy, and a review and/or discussion relating to any written or oral communication from legal counsel. The Association Board Members and other members shall preserve attorney-client privilege regarding consultation and communications from legal counsel.

d. Election Procedure. The Association Secretary or the Managing Agent shall be in charge of providing secret ballots which protect the voters' privacy but also provide for the security of the election. Either the Association Secretary, or the Managing Agent, or both, shall constitute a neutral third party to count the ballots.

13. Conflicts of Interest.

a. The Board of Directors shall comply with all of Colorado's statutory provisions against conflict of interest as found in the Colorado Revised Nonprofit Corporation Act and the Colorado Common Interest Ownership Act. A "conflict of interest" is defined by the Colorado statutes, but generally means any action of the Board (except actions related to the Declarant by Board members appointed by the Declarant) which would provide direct, individual financial benefit to the Board member (and his or her relatives), as opposed to a general benefit to the

Board member as a homeowner. Examples of conflicts of interest include matters which affect only a Board member's unit or contracts with a Board member.

b. Each Board member is obligated by law to disclose, in an open Board meeting, any existing conflict of interest prior to any discussion or action on that issue, and the Board member shall not vote on such issue.

c. Board members appointed by the Declarant shall not be deemed to have any conflict of interest by voting on matters which may affect the Declarant, its property, or business, whether directly or indirectly.

d. The above notwithstanding, at any Board meeting, a Board member with a conflict of interest may be counted "present" for the purpose of determining whether a quorum exists.

e. Any Board member who violates this rule, or any other Association Document, may be removed from the Board by the other members of the Board.

f. The Association may require that all Board members sign a copy of this rule to acknowledge that they have read and understand it and will comply fully with it.

14. Records.

a. Member Rights.

i. Members of the Association are entitled to have made available to them copies of all governing documents of this Association (the "Association Documents"), including Declaration of Covenants, Conditions, Restrictions of the Association (the "Declaration"), Articles of Incorporation, Bylaws; and Policies, Procedures, Rules and Regulations

ii. Sellers within the Association are required by State law to provide copies of certain Association Documents to their buyers and obtain a written acknowledgment. Each owner/member is responsible for knowing the information in the Association Documents and for abiding with the standards for this Association, as set forth in the Association Documents.

b. Association Records Library. The following information should be available at the Management Office during standard business hours upon appointment for members to review. This information should be compiled in a "library binder," including the following details:

- i. The date of the Associations' fiscal year.
- ii. The Association's operating budget for the current fiscal year.
- iii. A list (organized by unit type) of the Association's current regular and special assessments.
- iv. The Association's annual financial statements.

- v. The results of any financial audit or review for the fiscal year preceding the current disclosure.
 - vi. A list of all Association insurance policies.
 - vii. The Association's Bylaws, Articles of Incorporation, and Policies, Procedures, Rules and Regulations.
 - viii. The Board meeting and Member meeting minutes for the fiscal year immediately prior to current annual disclosures.
 - ix. The Association's responsible governance policies adopted under Section 38-33.3-209.5 concerning the collection of unpaid assessments, handling of conflicts of interest involving Board members, conduct of meetings, Enforcement of covenants and rules, Inspection and copying of Association records by unit owners, Investment of reserve funds, and procedures for the adoption and amendment of policies procedures, rules and regulations.
- c. The Management Company should update the library binder periodically.
- d. Examination of Records.

i. Members have the right to examine certain records of the Association. The Association has compiled certain documentation which will provide a Member with a wide variety of Association information. It is the obligation of every Member to hold this information in appropriate confidentiality so that information is not released to other parties.

ii. Requests by Members to inspect documents must be made in good faith, for a proper purpose, and describe with reasonable detail what records are needed and why. Requested documents must also be relevant to the unit owner's stated purpose for the request. To be deemed "relevant," the requested documents must directly pertain to the unit owner's purpose. Members shall not exercise their inspection or copying rights in order to harass any other Member or the Management Company, nor for any commercial, illegal or improper purposes.

iii. Notwithstanding the foregoing, certain information has been deemed "not available" to the general membership for review or reproduction. This information includes files pertaining specifically to other units, delinquent account information, unless requested by the owner responsible for said account, attorney-client communications, information involving pending or anticipated litigation or contract negotiations, information involving the employment, promotion, or dismissal of Association employees or other personnel, and other privileged information.

e. The Association shall not be liable for the disclosure or copying of any materials which are required to be provided by statute or judicial proceeding. ***The Association does not warrant or represent the accuracy, completeness, or any other matter in the materials provided.***

- f. Process for Requesting Examination and/or Copies of Records.

i. Members who desire to examine and/or have copies made of Association records must make an appointment with the Management Company and submit the Document Request Form, (see Attachment III) Reasonable effort will be made to accommodate the Member within a reasonable period of time. When the appointment is made, the Owner will be asked to designate the amount of time they want to reserve the library.

ii. Members shall not remove any document from the Association's records, nor shall they remove records from the Association's place of business. Certain records may be copied, at the Member's expense. The Association's Management Company, on behalf of the Association, will make the copies. The Member requesting the copies shall reimburse the Association for the actual cost of copying, which may include labor and materials for copying, research, locating and retrieval.

iii. During an inspection, the Member may designate such records for copying by use of tab, clip, or Post-It note upon the pages desired.

iv. Copies should be available within ten (10) working days of receipt of the request, unless the condition or voluminous nature of the records makes this time frame impractical. In such cases, the copies should be made available as soon as is practical.

v. Depending on the number of pages requested, the Management Company may request that the Member return at a later date to pick up the requested copies, in order to allow personnel to set aside time to reproduce the documentation requested.

vi. Maintaining Association information is an important duty of the Association. Therefore, in order to ensure that records are not tampered with, removed, or destroyed, a staff member of the Management Company may remain present to observe Members while they examine Association records and the Association may charge for any labor of such staff member.

vii. All persons inspecting or requesting copies of records shall conduct themselves in a businesslike manner and shall not interfere with the operation of the Association's office where the inspection or copying is taking place.

g. Seller Requirements.

i. Colorado law requires that the seller of a unit in a common interest community MUST mail or deliver personally to the buyer copies of the most current version of the following records at seller's own expense; Association Bylaws and Rules, Declaration and/or covenants, any party wall agreements, minutes of the most recent annual owners' meeting and any executive board meetings that occurred within the six months immediately preceding the title deadline, Operation budget of the Association, Association's annual income and expenditures statement. and annual balance sheet of the Association.

ii. To request written copies of the above records, the seller or the seller's agent must follow the rules and procedures listed under Section f. above, and pay for the actual cost of the copying. If records are available on a website, the seller or seller's agent should use that website to obtain the documents.

iii. Furthermore, the seller has the responsibility to obtain from the buyer a signed acknowledgement of receipt of the required information and disclosure statement. The

seller is then responsible for delivering the signed acknowledgement to the Association as soon as possible after it is acquired. ***The Association uses reasonable efforts to provide copies, but shall have no liability for the information provided, nor for compliance with any deadlines or other contractual requirements.***

h. Enforcement of Inspection and Copying Rule.

i. Any violation of these rules shall cause the immediate suspension of the inspection or copying until the violator agrees in writing to comply herewith, as well as other remedies such as fines. The Association's Board or its representatives may take any available legal action to enforce this Rule.

ii. The Association will not honor any requests for inspection or copying that do not comply with this Rule, but the Association shall send a written notice to the person who made the request indicating the nature of any noncompliance. Any Association representative who receives an oral request for inspection or copying shall refer the person making the request to this policy, and the Association or its representatives will have no further obligation to respond until it receives a written request.

iii. The Association's Board shall be entitled to resolve any dispute regarding the Association's records based upon the Board's reasonable business judgment.

15. These Rules may be changed or added to by the Board of Directors of the Highlands Homeowners Association, Inc.

THE HIGHLANDS HOMEOWNERS
ASSOCIATION, INC.

By: _____

Dated: _____

Attachment I
Sample Notice of Hearing
To be sent via certified mail with return receipt
Requested & first class mail

Date

Mr. and/or Mrs. Homeowner
Street Address
Colorado Springs, CO 80922

Dear Mr. and/or Mrs. Homeowner:

This office is the managing agent for the Highlands Homeowners Association, Inc., a Colorado nonprofit corporation (hereinafter the "Association"). The Association was formed pursuant to that certain Declaration of Covenants, Conditions, Restrictions and Easements for Homeowner Association, Inc., recorded October 1, 1973, at Reception No. 20157, Book 2626, Page 779 of the El Paso County, Colorado real property records, and any subsequent recordings thereto, (hereinafter the "Covenants").

You have already been notified that you are in violation of the Covenants, yet the violation has continued. Therefore, pursuant to its rights granted by state law (Colorado Revised Statute C.R.S. 38-33.3-302(1)(k), and pursuant to its rights set forth in the Covenants (Section 11.11), the Board of Directors of the Association hereby notifies you of a hearing on the matter.

The hearing will be held before the Board of Directors on (Day), (Date) at (Time) at the (Location). At that hearing, you will be given an opportunity to be heard. The Board may then, upon a finding of the violation of the Covenants, levy a fine against you and your property. The Board further reserves the right to also pursue other rights and remedies simultaneously or subsequently.

If you have any questions about the hearing, please contact me. However, please reserve your comments and defenses, if any, regarding the violation for the hearing before the Board of Directors.

Sincerely,

HOA Manager

ATTACHMENT II

THE HIGHLANDS HOMEOWNERS ASSOCIATION
COVENANT VIOLATION FINE SCHEDULE

Covenant Section	Covenant Section Title	Violation Fine
3.1	Property Use	\$10 per day until rectified
3.2	Improvements	\$10 per day until rectified
4.2	Compliance with Law	\$10 per day until rectified
4.6	Antennae & Roof Projections	\$100 per month until rectified
4.8	Fences	\$50 per month for 2 months \$100 per month thereafter
5.1	Building and Grounds Conditions	\$100 per month until rectified
5.2	Maintenance Equipment	\$10 per day until rectified
5.3	Refuse	\$10 per violation
5.4	Nuisances	\$10 per first 5 violations \$25 per violation thereafter
5.5	Sound Devices	\$10 per day until rectified
5.6	Landscaping and Submittal of Landscaping Plan	\$50 per month for 2 months \$100 per month thereafter
5.7	Weeds	\$10 per day for 5 days \$25 per day thereafter
5.8	Mowing and Pruning	\$10 per day for 5 days \$25 per day thereafter
5.9	Grading Patterns	\$100 per month for 2 months \$250 per month thereafter
5.10	Animals	\$10 per first 2 violations \$25 per next 2 violations \$50 per occurrence thereafter
5.11 (a)	Parking of Vehicles	\$10 per first 5 violations \$25 per violation thereafter
5.11 (b)	Parking of Vehicles Boats, campers, trailers, etc	\$10 per day until rectified
5.12	Inoperative Vehicles	\$10 per day until rectified
5.13	Vehicle Repairs	\$10 per day until rectified
5.14	Signs	\$10 per day until rectified

The Board of Director may impose fines at a formal hearing for covenant violations not specifically listed above in accordance with the fine guidelines listed in the Violation Fine column.

ATTACHMENT III

**THE HIGHLANDS HOMEOWNERS ASSOCIATION
Document Request Form**

Name of Requesting Party: _____

Relation of Requesting Party to Unit: _____

Unit Address: _____

Daytime Phone: _____ Email: _____

I request to examine or copy the following:

Governing Documents:

- Declaration (Covenants)
- Bylaws
- Articles of Incorporation
- Design Guidelines
- Policies, Procedures, Rules and Regulations
- Board Resolutions (please specify):

Financial Documents:

- Operating Budget
- Financial Statement

Other:

- Please describe: _____

Pursuant to Colorado State Law and the Association's procedure regarding member access, inspection and copying of the Association's documents, I agree to pay the cost of copying, as set by the Association's property manager. Payment must be received at time of service, paid by certified funds or money order (no cash).

I certify that my request to review the books and records of the Association is for a proper purpose related to my membership in the Association, and that this request is not for commercial purposes or my personal financial gain or for any solicitation, illegal or improper purpose. Specifically, my reason for wanting to review the books and records of the Association is as follows: _____

_____.

Acknowledgement

This form must be received before any inspection or copying of records. Examination of books and records of this Association is available during normal business hours in accordance with state law. Certain information is required to be made available. However, the persons requesting the information are solely responsible for any legal liability or damages arising from or relating to their use of the information. The Association assumes no liability or responsibility for the information provided, nor its use or misuse. ***The Association does not warrant or represent the accuracy, completeness, or any other matter in the materials provided.*** The Requesting Party agrees that any information shall not be used for commercial, solicitation, illegal or improper purposes, and to indemnify the Association from any claims or expenses resulting from the use of such information. Any expense in fulfilling the Member's request shall be the expense of the Member and not the Association and shall be due at the time services are rendered.

Signature of Requesting Party: _____ Date: _____