

**RESOLUTION OF THE BOARD OF DIRECTORS OF
HIGHLAND MEADOWS HOMEOWNERS ASSOCIATION ADOPTING
POLICIES**

At a regular/special meeting of the Board of Directors held on December 14, 2007, by motion and vote, the Board of Directors adopted the following resolution concerning policies and compliance with SB 05-100 AND SB 06-089:

WHEREAS, SB 05-100 and SB 06-089 require Common Interest Communities to adopt certain policies; and

WHEREAS, the Association Board agrees that policies are beneficial in that they provide information to members concerning management procedures implemented by the Board.

THEREFORE, it is hereby resolved:

Policies for collection of assessments, Board member conduct, conduct of meetings, enforcement of covenants, inspection of records, investment of reserve funds, alternative dispute resolution and for the adoption of policies and rules, as attached hereto, are enacted as the policies of the Association on the effective date set forth below.

BY THE BOARD OF DIRECTORS OF
HIGHLAND MEADOWS HOMEOWNERS
ASSOCIATION

President _____, as
Warren Hancock

The undersigned hereby attests that the above resolution was properly adopted at the referenced meeting as reflected in the minutes of said meeting.

Secretary _____, as
Leslie Hancock

Effective date: December 14, 2007

POLICY ON COLLECTION OF UNPAID ASSESSMENTS

Pursuant to the Declaration for the Association, assessments are due annually 30 days after the invoice date. Any assessment not received by the Association by the due date is delinquent.

Any assessment and past due balances not paid within 30 days of the due date will result in a late charge of \$15.00. If the assessment and other charges are not paid within thirty days after the due date, interest will be assessed against the delinquent amount at the rate of eighteen percent per annum from the due date, which will be assessed against the Owner and added to the Owner's account balance. Late fees will be assessed for each month that the account remains in arrears. Payments received from an owner will be applied first to the oldest outstanding charges.

Where an Owner's account is current but then becomes one month delinquent, the Owner will be sent a reminder notice the following month with their ledger statement advising the Owner that the account is delinquent.

If an Owner's account becomes two month's delinquent, the owner will be sent a reminder notice the following month with their ledger statement. A lien will be filed against the property if the account is delinquent after 60 days. A copy of the lien statement will be sent to the Owner to advise the Owner of that action being taken. All costs and fees associated with the filing of the lien will be assessed against the Owner and added to the Owners account. This includes a \$90 fee to reimburse the Association's representative for time in preparation and filing of the lien.

When the Owner's delinquent account becomes \$1000, the Association's attorney will be instructed to initiate collection on the account. Collection may take the form of a personal suit against the Owner, foreclosure on the lien to have the property sold or the appointment of a Receiver to take over the property to generate income. All costs and fees incurred by the Association in any collection action will be assessed against the Owner.

A grace period beginning January 1, 2008 until May 15, 2008 is in effect for any outstanding past due balances. Penalties and interest will be applied to any outstanding balance beginning May 16, 2008.

Any Owner experiencing financial difficulties is encouraged to contact the Association rather than let the account become more and more delinquent. The Association has some latitude in working with Owners to bring accounts current.

POLICY ON BOARD MEMBER CONDUCT

The Colorado Revised Nonprofit Corporation Act imposes upon Directors and Officer obligations regarding their conduct and dealing with conflicts of interest. This policy incorporates those statutory provisions as well as imposing additional requirements.

Standards of Conduct:

A Board member and Officer shall discharge their duties in good faith, with the care that an ordinarily prudent person would exercise in a like position and under similar circumstances, and in a manner that he/she reasonably believes to be in the best interests of the Association.

The duty of care includes the following:

- Knowledge of the provisions in the Declaration of Covenants and Restrictions, Association's Articles of Incorporation, Bylaws and Rules and Regulations and policies.
- Board members act through the Board as a governing body and have no authority to make decisions or authorize action without having been given express authority to do so by the Board.
- Board members should attend board and membership meetings and diligently pursue any duties or tasks they are directed or volunteer to complete.
- Officers are designated certain duties by the Association bylaws and should fulfill those duties and other duties normally associated with that office. Where an officer is uncertain as to authority to act in that capacity, he should seek guidance from the Board.

Standards of Behavior:

Board members and officers are acting in a professional capacity and must understand that they are managing a business. Their behavior should be professional. Professional behavior includes courtesy towards Association members, Association managers and Association vendors. Professional behavior includes the avoidance of profanity or other inappropriate language or conduct, whether at meetings or in other places. Professional behavior includes putting the interests of the Association ahead of any personal agenda the director or officer may have.

Conflicts of Interest:

“Conflicting Interest Transaction” means any relationship, whether contractual, financial, familial, or ownership, between a director/officer and the Association, between a person related to a director/officer and the Association or between an entity in which the director/officer has an interest and the Association.

The Association will make no loans to any director or officer or any other entity.

Where the Association is considering entering into a transaction that would constitute a Conflicting Interest Transaction, any director or officer who has the relationship that creates the Conflicting Interest Transaction shall disclose to the Board of Directors the material facts as to that relationship. Where an director or officer is uncertain as to whether they have a conflict, they should err on the safe side and disclose material facts regarding the relationship.

The Association shall enter into Conflicting Interest Transactions only if the following are met:

1. The Conflicting Interest Transaction is fair to the Association
2. The material facts of the relationship giving rise to the Conflicting Interest Transaction have been made known to the Board
3. The Board acting in good faith and by majority vote without the participation of the conflicted director, approves the Conflicting Interest Transaction.

Directors and Officers need to be diligent in determining if a conflict exists. Conflicts can be subtle such as where improvements are being made to certain units, one of which is that of a director.

POLICY ON CONDUCT OF MEETINGS

Meetings of Members:

Annual meetings of members are held primarily for the purpose of the election of members to the Board of Directors but may include such other matters as may properly come before membership pursuant to the Declaration or Bylaws.

Special meetings of members may be called pursuant to the Bylaws.

Notice:

1. Notice of membership meetings shall be given pursuant to the Bylaws by first class prepaid postage in the U.S, mail, mailed to the member's address of record with the Association. **It is critical that if members change their address, they update the address of record by notifying the Association manager or secretary. The Association is not obligated to try to find the current address of the owner but can rely on its records.**

2. If the Association has a web page, notice will also be posted on the web page.

3. Notice will also be posted at each mailbox complex on the Association property.

If a member desires to receive notice by electronic mail, the member must request to receive notice by electronic mail and must provide the Association with their e-mail address. The request should be in writing and notice to cease e-mail notification should likewise be in writing.

Procedures for conduct of membership meetings:

1. Colorado law requires that the election of Board members be by secret written ballot where their positions are contested. Any other matter may be conducted by secret ballot upon the request of twenty percent of owners who are present in person or by proxy at the meeting.

2. Votes are to be counted by a neutral third party or by a committee of volunteers. Such volunteers shall be unit owners, but not Board members or candidates for Board positions, who are selected in a fair manner by the presiding officer.

3. Members may vote at meetings without attending by appointing a proxy to vote for them. Proxy forms will be included with the notice of meeting. While other forms can be used, it is recommended that the Association form be used to avoid the possibility of the proxy being determined invalid.

4. The Association will use a simplified form of Robert's Rules of Order in the conduct of meetings. Members shall have the opportunity to speak on any topic during the discussion period prior to voting. The Board may place limitations on the length of time members are allowed to speak.

Meetings of the Board of Directors:

1. Meetings of the Board of Directors are open for attendance by members or their properly designated representatives.

2. At the beginning of each meeting, members in attendance will be given agendas for the meeting. After the meeting is called to order and after the routine matters such as officer reports has been taken care of, members shall have an opportunity during a “Members’ Forum” period to make comments or voice concerns on any matter on the agenda or other matters of concern to them. The Board may limit the length of time any particular member may speak on a topic. If the number of members in attendance is large, The Board may limit the number of members entitled to speak on any one topic.

3. Other than comments during the Members’ Forum, members may not participate in deliberation or discussion of matters before the Board unless expressly authorized to do so by a majority of the Board. If a matter not on the agenda comes up for formal action by the Board and was not previously addressed by members in attendance, the Board will allow members to comment on the topic before the Board takes any action.

4. Members in attendance at Board meetings shall conduct themselves appropriately. Speaking out when not authorized or interruption of the Board deliberations will not be permitted. Name-calling, use of foul language or any form of aggressive behavior will not be permitted. If a member cannot properly conduct themselves, law enforcement will be contacted to remove the member and/or the meeting may be postponed.

POLICY ON ENFORCEMENT OF COVENANTS AND RULES

The following policy applies to routine covenant or rules enforcement. It does not apply to collection of assessments, in emergency situations or in any other situation where the Board determines that deviation from the policy is appropriate.

The Association manager and members of the Board are not available on the property 24 hours a day and, therefore, rely on members to report incidents of covenant or rule violation. When any person observes a covenant violation and desires to report it, the report must be in writing and given to the Association manager or a member of the Board. At a minimum, the report must contain the following information:

1. Name of violator if known or unit number if known.
2. Date and time incident was observed
3. Description of the incident; photographs are welcome
4. Name of the person reporting the incident

If a member is not willing to put the report in writing, the Board will take the position that the violation was not sufficiently severe to warrant enforcement. In taking enforcement action on any violation, the Board must be able to prove that the violation occurred. Whether it can prove the violation will in most cases depend on the person observing the incident and their willingness to come forward.

The Board will keep the name of the person reporting the violation confidential until and unless it becomes necessary as part of enforcement proceedings for that person to be identified.

When a violation is reported, the Association will take the following actions:

1. Send a notice by regular mail to the owner of the violating unit. The responsibility to solve the violation will remain solely with the owner. The notice will state the particulars of the violation and request that the violation be corrected within ten days or the Board contacted within that time with an explanation of the owner's position on the violation.
2. If the violation has been corrected within the ten days, no further action will be taken.
3. If the violation has not been corrected or if the owner has contested the particulars of the report, the Board will investigate the matter further.
4. If the Board determines that the violation has occurred and has not been corrected, a second notice will be sent to the owner and resident if different from the owner and if known to the Association. The notice will inform the owner that the Board has investigated and has verified that the violation occurred. The notice shall further inform the owner of a time and place (hearing) where the owner may appear before the Board to set forth any defenses or explanations the owner may have. The non-

appearance of an owner at the hearing will not prevent the Board from considering the violation and determining what enforcement action to take. After the hearing, the Board shall then consider the circumstances in closed session and determine if a fine or other enforcement action is necessary. The owner shall be informed of the Board's decision subsequent to the hearing by written notice, sent certified and regular mail. Notice shall be deemed received three days after mailing.

5. Fines levied shall be determined according to the following schedule:

Serious violations: Initial \$100.00 plus \$20.00 per day after receipt by the owner of the notice for every day the violation has not been rectified.

Regular violations: Initial \$50.00 plus \$10.00 per day after receipt by the owner of the notice for every day the violation has not been rectified.

6. Whether a violation is a serious or regular violation will be based on the violation's impact on the Association, to be determined in the sole discretion of the Board.

7. When fines accrue against an owner to the amount of \$250.00, the Board shall take the position that the imposition of fines is ineffective in accomplishing compliance and will then determine what further enforcement action is necessary.

8. Nothing in this policy requires the Board to assess fines before taking other forms of enforcement.

9. Any fines assessed shall be added to amounts due by the owner and shall be a lien against the unit and enforceable as a lien pursuant to the Declaration and Colorado law.

10. Additional forms of enforcement include the Association taking corrective action at the expense of the owner, the filing of a covenant enforcement action in court, and foreclosure on the owner's unit. If legal action is necessary, the owner will be responsible for all attorneys' fees and costs.

POLICY ON RECORDS INSPECTION AND COPYING

The following documents will be maintained in a binder at the principal office of the Association and are available for inspection after five days written notice:

1. The Governing Documents (Articles of Incorporation, Bylaws, Declaration of Covenants and Rules and Regulations)
2. The Association's operating budget for the current fiscal year, including identification of the Association's fiscal year
3. Annual financial statements for the year preceding the current fiscal year
4. Results of any financial audit or review for the preceding fiscal year
5. List of regular and special assessments
6. List of all the Association's insurance policies to include company names, policy limits, policy deductibles, additional named insureds and expiration dates
7. Minutes of the Board and Member meetings for the preceding year
8. Association's Governance Policies

If a member desires copies of any of the above documents, copies will be made and mailed to the member at the cost for such copying and mailing. The cost must be paid in advance.

If a member desires to inspect or copy any Association records other than those listed above, the member must put the request in writing providing for the following:

1. The notice must be received by the Association at least five days prior to the requested inspection date.
2. If the requested inspection date is not available for the Association, the member will be contacted to schedule a different date.
3. Inspection must occur during normal business hours.
4. The request must set forth the purpose for the inspection. If the Board determines that the purpose is not proper or the records are not relevant to the purpose, inspection and copying will not be allowed.
5. The request must specify the records to be inspected and copied.

The policy for copying any records inspected is the same as that above for records maintained in the binder.

Colorado law now imposes disclosure requirements on an owner when they sell their unit. The Association will cooperate in making documents available to the seller under the same copy cost requirements set forth above.

POLICY ON ADOPTING AND AMENDING POLICIES, PROCEDURES AND RULES

The Board believes that to involve the membership in the procedure for adoption of policies, procedures and rules would involve an inordinate amount of time that would either require additional volunteer time from Board members or additional billed time from the paid manager. The Board desires to avoid the expenditure of volunteer time or cost to the Association and therefore adopts the following policy

The Board shall promulgate policies, procedures and rules at its regular Board meetings, taking into account any comments from members at the meetings. The policies, procedures and rules shall then be published to members with a designated effective date.

Any member who believes a policy, procedure or rule to be unwise, unworkable or otherwise improper, may address the Board with their concerns at any regular Board meeting or may put their concerns in writing to the Board. The Board will then consider the concerns of the member and if it deems the concerns valid will amend the policy, procedure or rule with publication to membership. The Board welcomes comment from membership at any time.

POLICY ON INVESTMENT OF RESERVE FUNDS

The purpose of reserve funding is to assure that funds are available for capital replacement when the need arises. To that end, investment of such funds should combine liquidity with maximum return while avoiding risk that could deplete the funds.

The Board therefore determines that all reserve funds shall be invested in accounts or instruments guaranteed, insured or backed by the Government of the United States. Funds should be invested so as to achieve maximum return while at the same time being available for capital repair or replacement pursuant to the Association's Reserve Study.

POLICY ON ALTERNATIVE DISPUTE RESOLUTION

One of the Executive Board's goals in managing the Association is to foster a sense of community. Alternative dispute resolution, as opposed to harsh covenant enforcement, is one of the means for accomplishing community. The Executive Board has adopted policies on collections and covenant enforcement. Both policies give owners ample notice of problems and numerous opportunities to contact the Association's Executive Board itself to work out a resolution. When there are neighbor-to-neighbor disputes, we encourage homeowners to contact their neighbor and try to resolve any issues. If this cannot be accomplished, the Executive Board will investigate the complaint. The Executive Board will determine if the facts warrant HOA involvement based on our covenants. The Executive Board encourages owners to contact the Executive Board prior to enforcement action being taken to explain any circumstances that the owner believes should mitigate enforcement action. The Executive Board adopts no formal mediation or other alternative dispute resolution requirement but believes in the policies of the Association to accomplish that purpose.

Highland Meadows Homeowners Association Mailbox Key Policy

The Highland Meadows Homeowners Association supplies mailboxes for its owners. The mailboxes correspond to the address of the lot, so that mail can be addressed to the physical location of the owner's property.

One person who is a full-time resident in Summit County will be in charge of the mailbox keys, the "Mailbox Key Coordinator". That person is entitled to take vacation or be away from their residence for short periods of time up to one month without assigning a temporary replacement.

Only persons listed as owners or their assigned representatives may request mailbox key(s).

For each lot, a \$10 mailbox key fee is collected for the initial mailbox key request. A check for \$10 should be made out to "Highland Meadows HOA" and sent to the mailing address on the Highland Meadows HOA's web site. After the check is received, the Mailbox Key Coordinator will arrange a time and place for the requestor to receive 2 mailbox keys. The Mailbox Key Coordinator will also provide the requestor with the box number that corresponds to the mailing address.

After the initial 2 mailbox keys for a lot have been distributed, additional keys may be requested. The Mailbox Key Coordinator will charge a deposit, equivalent to the cost of having a locksmith replace the key or lock and key. A check should be made out to "Highland Meadows HOA" in the amount requested and delivered to the Mailbox Key Coordinator. The Mailbox Key Coordinator will then provide the master key for the requested address/box. The requestor will use the master key to have duplicate key(s) made. If the requestor prefers, blank keys can be purchased for \$10 each. For blank key(s), a check must be made out to "Highland Meadows HOA" and sent to the mailing address on the HOA's web site. Only after the check is received may the Mailbox Key Coordinator issue blank keys.

A master key must be returned to the Mailbox Key Coordinator within 14 days, or the deposit will be placed into the HOA's bank account, and may be used to hire a locksmith to replace the master key and/or mailbox lock and key, at the discretion of the Mailbox Key Coordinator.

Mailbox keys must be given to new property owner(s) at the time of closing when a property title is transferred.

If the Highland Meadows HOA accepts alternate forms of payment at the time the mailbox keys are needed, those forms of payment may be substituted for the word "check" in this document, and paid to accounts or payees named at the direction of the Mailbox Key Coordinator.