

**RULES, REGULATIONS AND POLICIES  
OF  
SAGE CREEK CANYON PROPERTY OWNER'S ASSOCIATION, INC.**

The Sage Creek Canyon Property Owner's Association, Inc. (AAssociation@) has adopted these Rules, Regulations and Policies (ARules@) pursuant to the Declaration of Covenants, Conditions and Restrictions for Sage Creek Canyon Subdivision First Filing recorded with the Summit County, Colorado Clerk and Recorder on August 9, 2002 at Reception No. 692790, as that document may be amended from time to time, (ADeclaration@). These Rules are in addition to the Community Construction Regulations adopted by the Association. All capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Declaration.

1. Purpose and Scope. The primary functions of the Association are to manage the Common Areas and enforcement of the Declaration, including adopting these Rules in connection with such management and enforcement responsibility.

2. Common Areas. All areas used in common by Owners and Occupants shall not be obstructed or used for any purpose other than access to and from Lots or other purposes for which they are intended.

3. Noise. No Owner or Occupant shall make or permit any noise within a Lot that will disturb or annoy the Occupants of any other Lot.

4. Signs and Flags. No sign, notice, or other advertisement shall be placed in any window, on any deck, balcony or patio, on any Lot, except as set forth in this Paragraph and Section 22 of the Declaration.

- A. An Owner or occupant is allowed to display one political sign per political office or ballot issue with the maximum dimensions of such sign limited to the lesser of: (a) 36" by 48" inches, or (b) the maximum size allowable by any applicable local ordinance that regulates the size of political signs on residential property. Any political sign shall be displayed only in a window of the Owner=s Lot and shall not be displayed earlier than forty-five (45) days before an election, or later than seven (7) days after an election day.
- B. An Owner or Occupant may display an American flag in a window of the Owner=s Lot, or on any balcony, deck or patio appurtenant to the Owner=s Lot, only if the American flag is displayed in a manner consistent with the applicable sections of the federal flag code and does not exceed 36" by 48".
- C. An Owner or Occupant may display a service flag bearing a star denoting the service of the Owner or Occupant, or a member of the Owner's or Occupant=s immediate family in the active or reserve military service of the United States during a time of war or armed conflict, on the inside of a window or door of the Lot. The maximum size of a service flag shall be 9" by 16".

5. Emergency Vehicle Parking. The Association shall not prohibit the parking of a motor vehicle in the community if the Owner or Occupant of the Lot is required by its employer to have the vehicle at his residence during designated times, and:

- A. The vehicle weighs less than 10,000 pounds;
- B. The Owner or Occupant is a bona fide member of a volunteer fire department, or is employed by an emergency service provider;
- C. The vehicle bears an official emblem or other visible designation of the emergency service provider; and
- D. Parking of the vehicle will not obstruct emergency access or interfere with the reasonable needs of the other Owners or Occupants to use parking areas and driveways within the Project.

6. Entry of Lots. Pursuant to Section 47 of the Declaration, in the case of emergency originating in or threatening any Lot, regardless of whether the Owner is present at the time of such emergency, the Association or anyone authorized by it, as well as fire, police and other emergency personnel, shall have the right to enter such Lot for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate. The Association also has the right to access any Lot for maintenance and repair purposes, as set forth in Section 47 of the Declaration.

7. Liability Insurance. Each Owner shall obtain liability insurance to have a combined single limit of not less than \$500,000 in respect to any one accident or occurrence.

8. Insurance Claims by Owners. Subject to the provisions of C.R.S. ' 10-4-110.8(5), as they may be amended, an Owner shall have the right to file a claim against the policy of the Association. The Association's insurer, when determining premiums to be charged to the Association, shall not take into account any request by an Owner for clarification of coverage. In making such a claim against any insurance policy of the Association, the Owner must follow this procedure:

- A. The Owner must first contact the Board in writing regarding the subject matter of the claim;
- B. The Owner must give the Association at least fifteen (15) days to respond in writing, and give the Association a reasonable opportunity to inspect the damage;
- C. The Owner will only be allowed to make a claim if the subject matter of such claim falls within the responsibility of an insurance policy of the Association.

9. Assessment of Insurance Deductibles. When the Association, or an Owner, settles a property insurance claim with any insurance policy of the Association, the Association shall have the power to assess the negligent Owners causing the loss or Owners benefiting from the repair or restoration all deductibles paid by the Association. If more than one Lot is damaged by a loss, the Association, in its reasonable discretion, may assess each Owner a pro-rata share of any deductible paid by the Association. Any such deductible shall be levied and collected as an assessment against the Lot of the responsible Owner.

10. Investment of Reserve Funds. Pursuant to Article 14 of the Bylaws, if the Board of Directors is to invest the assessment reserves to generate revenue that will accrue to the balance of such assessment reserves, such investment shall be made in accordance with the following policies, listed in order of their priority:

- A. Safety of Principal. Promote and ensure the preservation of the principal of any assessment reserves.
- B. Liquidity and Accessibility. Structure maturities to ensure availability of assets for projected or unexpected expenditures.
- C. Minimal Costs. Minimize investments costs, such as redemption fees, commissions, and other transactional costs.
- D. Diversify. Mitigate the effects of interest rate volatility upon assessment reserves.
- E. Return. Invest funds to seek the highest level of return.

11. Collections. The following provisions constitute the policy of the Association for the collection of past due assessments, in addition to those provisions set forth in Article VII of the Declaration.

- A. Late Charges. The Association shall be entitled, but is not required, to impose a late charge of not less than fifty dollars (\$50.00) on each past due and delinquent installment that is over 30 days delinquent, in addition to interest at the rate of 18% per annum as provided for in the Declaration. All late charges shall be due and payable immediately, without notice, in the manner provided for payment of Assessments.
- B. Attorney Fees on Delinquent Accounts. The Association shall be entitled to recover its attorney fees and collection costs incurred in the collection of Assessments or other charges due the Association from a delinquent Owner.
- C. Application of Payments. The Association reserves the right to apply all payments received on account of any Owner first to payment of any and all legal fees and costs

(including attorney fees), then to costs and expenses of enforcement and collection, late charges, interest, returned check charges, lien fees, and other costs owing or incurred with respect to such Owner, and any remaining amounts shall be applied to the Assessments due with respect to such Owner.

- D. Collection Letters. If payment in full for the common Assessment or other charge owed to the Association is not received within thirty (30) days of when due, the Association may, but is not required, to send a notice of delinquency to the Lot Owner who is delinquent in payment.
- E. Liens. If payment in full, for any Assessment or other charge, is not received within thirty (30) days of when due, the Association shall be entitled to file a notice of lien against the property of the delinquent Owner. The lien shall include fees, charges, late charges, attorney fees, fines and interest owed by the delinquent Owner. The statement of lien shall be served upon the delinquent Owner by mail to the Owner's address as the Association may have in its records for the Owner.
- F. Referral of Delinquent Accounts. The Association may, but shall not be required to, refer delinquent accounts to its attorneys for collection. After consultation with the Board of Directors and/or the Association's managing agent, the attorneys shall be entitled to exercise all available remedies to collect the amounts due, including judicial foreclosure and appointment of a receiver of the delinquent Owner's property. In addition, the Association may, but shall not be required to, assign delinquent accounts to one or more collection agencies for collection.
- G. Waiver and Modification of Procedure. The Association has the option and right to continue to evaluate each collection issue on a case by case basis. The Association may grant a waiver of any provision herein. Such relief granted to an Owner shall be appropriately documented. In addition, the Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association may determine appropriate under the circumstances.

12. Enforcement of Association's Documents. The Board of Directors shall have the power and duty to hear and make decisions regarding violations and written complaints filed with the Board of Directors and impose fines or other sanctions including fines and sanctions imposed in accordance with the Community Construction Regulations enacted by the Association, pursuant to this policy. The Board of Directors may act as an impartial decision maker as that term is defined in C.R.S. § 38-33.3-209.5 ("Impartial Decision Maker"), determine enforcement action on a case by case basis, and take other actions as it may deem necessary and appropriate to assure compliance with the Declaration, Articles of Incorporation, Bylaws, and any rules, regulations and policies promulgated thereunder (hereafter collectively the Association's Documents), and to create a safe and harmonious living environment.

- A. Complaint. A proceeding to determine if the Association=s Documents have been violated and any enforcement measures and remedies that may apply shall be initiated by the filing of a written complaint with or by the Board of Directors. The complaint shall state the specific provision(s) of the Association=s Documents alleged to have been violated and as many specifics as are available as to time, date, location and persons involved including the name of the complainant.
- B. Notice of Violation; Demand for Abatement. Upon receipt of a complaint, the Association shall determine that the allegations in the complaint are sufficient to constitute a violation of the Association=s Documents and that if action is warranted, the Association shall send a notice. The Association will send a notice (ADemand for Abatement@) to the Owner, by certified mail, return receipt requested addressed to the mailing address of the Respondent on file in the records of the Association at the time of such mailing. The notice shall advise the Owner of the following: (1) the alleged violation; (2) the action required to abate the violation; (3) a time period, not less than ten 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 violation may result in the imposition of a sanction after notice and hearing, if the violation is not continuing.
- C. Notice of Hearing. At any time within twelve months of date of the Demand for Abatement, if the violation continues past the period allowed in the Demand for Abatement without penalty or if the same violation subsequently occurs, the Board or its agent, not less than ten (10) days before the date of any hearing, shall mail the Owner a written notice of a hearing (ANotice of Hearing@) to be held by the Board of Directors. The Notice of Hearing shall contain: (a) the nature of the alleged violation; (b) the date, time and place of the hearing, which time shall not be less than ten days from the date of the Notice of Hearing; (c) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and the proposed sanction to be imposed; and (d) shall contain the following statement: The Board of Directors may determine that the Owner=s failure to respond or appear at the hearing constitutes a no-contest plea to the complaint, and enforce the provisions of the Association=s Documents.
- D. Conflicts; Impartial Decision Maker. Any member of the Board who has a direct personal or financial interest in the outcome of a hearing and, therefore, is incapable of acting as an Impartial Decision Maker, shall disclose such interest to the other members of the Board. The remaining members of the Board not having a direct personal or financial interest in the outcome of the hearing will determine if such Board member is disqualified as an Impartial Decision Maker and, therefore, from participating in the hearing. A Board member shall not be deemed to have direct personal or financial interest in the outcome if he will not, as the result of the outcome, receive any greater benefit or detriment than will the general membership

of the Association. If disqualification of Board members results in an even number of remaining Board members eligible to make a decision, the Board may appoint a member of the Association in good standing to serve as an Impartial Decision Maker. If disqualification of Board members results in no eligible Board members, the Board may appoint one or more members of the Association in good standing to serve as Impartial Decision Makers.

- E. Hearing and Fine. The hearing shall be held pursuant to the Notice of Hearing affording the alleged violator or a representative a reasonable opportunity to be heard. Each hearing shall be open to attendance by all Members of the Association. If the Board of Directors determines by a majority of the Directors present at the hearing that a violation occurred, the Board of Directors may assess a reasonable fine, including such fines as set forth in the Community Construction Regulations, suspend the Owner's voting rights for a period not to exceed ninety days, or both, and shall provide the Owner with written notice of its action. If the Owner does not pay the fine within thirty (30) days after receipt of the notice, the fine shall accrue interest at eighteen percent (18%) annually, and shall become a statutory lien upon the Owner's Lot, without the necessity of recording a lien, pursuant to C.R.S. ' 38-33.3-316.
  
- F. Decision. If the Owner appears at the hearing or provides a written response, after all testimony and other evidence has been presented to the Board of Directors at a hearing, the Board of Directors shall render its decision(s), taking into consideration all of the relevant facts and circumstances. The decision of the Board of Directors shall be final. Except as provided herein, the Board of Director's decision shall have an effective date no sooner than five (5) days after the hearing. If the Board of Directors does not inform the Owner of its decision at the time of the hearing, or if no hearing is held, the Board of Directors will provide a written decision to the Owner'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
  
- G. Waiver and Modification of Procedure. The Association has the option and right to continue to evaluate each enforcement issue on a case by case basis. The Association may grant a waiver of any provision herein. Such relief granted to an Owner shall be appropriately documented. In addition, the Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association may determine appropriate under the circumstances. In addition, the Association is hereby authorized to modify any of the procedures contained herein, as the Association may determine appropriate under the circumstances.

13. Dispute Resolution. Except in connection with an enforcement proceeding in accordance with these Rules for the collection of any past due assessments, if a dispute ever arises between an Owner and the Association, or between two or more Owners, the parties shall use the procedures set forth in the following provisions for any dispute that does not involve an imminent threat to the peace, health, or safety of the Project.

- A. Negotiation. The Owner and the Association, or the Owners, shall attempt in good faith to resolve any dispute promptly by negotiations between persons who have authority to settle the controversy ("Representatives"). Any party may give another party written notice of any dispute not resolved in the normal course of business. Within twenty (20) days after receipt of said notice, Representatives of the parties to the dispute shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. If the matter has not been resolved within sixty (60) days of the notice of dispute, or if the parties fail to meet within twenty (20) days, any party to the dispute may initiate mediation of the controversy as provided below.
- B. Mediation. If the dispute has not been resolved by negotiation as provided above, either party may give written notice to mediate (AMediation Notice@) and the parties shall endeavor to settle the dispute by mediation between their respective Representatives with a neutral third party mediator. If the parties encounter difficulty in agreeing on a neutral third party, each of the Owner and the Association may appoint a neutral third party, and such third parties shall appoint a neutral third party to mediate.
- C. Arbitration. Any dispute which has not been resolved by mediation as set forth above within sixty (60) days of the date of the Mediation Notice, shall be finally settled by binding arbitration conducted in accordance with the terms of this subparagraph, upon written demand for arbitration made by any party (AArbitration Demand@) provided, however, that if one party has requested the other to participate in mediation and the other has failed to participate, the requesting party may make demand for arbitration before expiration of such sixty (60) days.
  - (i) As soon as reasonably possible following the Arbitration Demand, but not later than fifteen (15) days after the date of such Demand, the parties, in good faith, shall attempt to select a mutually acceptable arbitrator to hear and decide the matter or matters in controversy. In the event the parties cannot agree on a mutually acceptable arbitrator within thirty (30) days after the date of such Demand, each party shall appoint an unrelated third party within forty (40) days after the date of such Demand and, within fifteen (15) days of the date of the appointment of the last of such unrelated third parties, such third parties shall appoint an arbitrator to hear and settle the dispute in accordance with the terms and provisions hereof. If any party does not appoint an

unrelated third party in a timely manner or if such third parties cannot or do not appoint an arbitrator in a timely manner, then any party may make application to the District Court for Summit County, Colorado for appointment of an arbitrator.

- (ii) The arbitration shall be conducted by a single arbitrator and the decision of the arbitrator shall be final, enforceable, binding and unappealable to any court or tribunal, except as otherwise may be provided by Colorado law. Such decision shall be enforceable with the same force and effect as if issued by any court of competent jurisdiction. The decision of the arbitrator shall be based upon the evidence and facts presented by the parties and shall be in accordance with Colorado law. The arbitrator is not empowered to award damages in excess of compensatory damages.
- (iii) The costs of the arbitration, including reasonable attorney fees, shall be awarded to the prevailing party. If there is no prevailing party, such fees and costs may be awarded at the discretion of the arbitrator who, in making such award, shall assess the relative good or bad faith of the parties throughout the dispute.
- (iv) All arbitration proceedings shall be conducted to expedite resolution and minimize cost. Disclosures shall be required and discovery shall be allowed and both shall be governed by Rules 26-37 of the Colorado Rules of Civil Procedure, as amended, except that upon application of either party, the arbitrator, in the interest of justice and efficiency, may limit discovery as such arbitrator deems appropriate.
- (v) The place of arbitration shall be Summit County, Colorado.

- D. Provisional Remedies. The procedures specified in this paragraph entitled Dispute Resolution shall be the sole and exclusive procedures for the resolution of disputes between an Owner and the Association, or between two or more Owners; provided, however, that a party may seek a preliminary injunction or other provisional judicial relief if in its judgment such action is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the parties will continue to participate in good faith in the procedures specified herein.
- E. Performance to Continue. Each party is required to continue to perform its obligations under the Declaration and Rules, Regulations and Policies pending final resolution of any dispute.
- F. Extension of Deadlines. All deadlines specified in this paragraph may be extended by mutual agreement.

G. Costs. Each party shall pay its own costs with respect to negotiation and mediation. The prevailing party in any arbitration or provisional judicial relief shall be entitled to reimbursement from the other party for all reasonable costs and expenses, including attorney fees in connection with such arbitration or provisional judicial relief.

H. Notices. All notices or demands under this paragraph shall be in writing and provided in accordance to the addresses required to be provided by the Association, and the address of the Owner required to kept on file by the Association.

14. Amendment. The foregoing Rules, Regulations and Policies are subject to amendment as more fully provided for in Article 16 of the Bylaws.

#### Certification

The undersigned certifies that the foregoing Rules, Regulations and Policies were adopted by the Board of Directors of Sage Creek Canyon Property Owner's Association, Inc. as of the \_\_\_\_ day of \_\_\_\_\_, 2008.

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Secretary