

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

RESPONSIBLE GOVERNANCE POLICIES ADOPTED PURSUANT TO THE REQUIREMENTS OF THE COLORADO COMMON INTEREST OWNERSHIP ACT (the "Act")

INTRODUCTION

C.R.S. § 38-33.3-209.5 of the Act states:

38-33.3-209.5 Responsible governance policies. (1) To promote responsible governance, associations shall:

- (a) Maintain accurate and complete accounting records; and
 - (b) Adopt policies, procedures, and rules and regulations concerning:
 - (I) Collection of unpaid assessments;
 - (II) Handling of conflicts of interest involving board members;
 - (III) Conduct of meetings, which may refer to applicable provisions of the nonprofit code or other recognized rules and principles;
 - (IV) Enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines;
 - (V) Inspection and copying of association records by unit owners;
 - (VI) Investment of reserve funds;
 - (VII) Procedures for the adoption and amendment of policies, procedures, and rules;
- and
- (VIII) Procedures for addressing disputes arising between the association and unit owners.

In order to implement these statutory requirements the North End Townhome Condominium Association (the "Association") by resolution of the Board of Directors of the Association (the "Board") adopts the following governance policies as part of the Association Rules. The Association Rules are provided for in the Declarations of Covenants, Conditions and Restrictions of North End Residential Planned Community, recorded July 18, 2008 as Reception No. 2943953 and the recorded amendments and supplements thereto (collectively the "Declaration"). The following Rules may be amended at any time by action of the Board.

POLICIES

1. COLLECTION OF UNPAID ASSESSMENTS.

Regular Assessments (as defined in the Declaration) are assessed annually and are collected in monthly installments due on the first day of each month. Any Assessment that has not been paid within 15 days following the applicable due date shall be considered late. In the event an Owner is late in the payment of any Assessment, the Owner will be obligated to pay a late fee and default interest as determined from time to time by the Board of Directors (the Board). The late fee is currently \$15.00 for each late assessment and default interest is currently set at 18% per annum. At any time after a default, the Board may provide written notice of default,

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

which shall be sent by certified mail, return receipt requested, to the Owner at the address of the subject Lot or Unit. The Notice will be deemed to be effective 5 days from the date of such mailing, irrespective of whether or when the letter is claimed, receipted for or otherwise delivered or received. The Notice shall specify (i) the due dates and principal amounts of the late assessment(s) (ii) the late fees and (iii) the default interest as of a specified date and the per diem thereafter. The Notice shall demand payment in full within thirty days of the effective date of such notice and shall state that if payment is not so made, (i) the Association may file a lien against the Unit and pursue other legal remedies, and (ii) that the Owner may become liable for costs and attorneys fees of enforcement. If the Assessment default is not cured and paid in full, including late fees and default interest, within such thirty day period, the Association may (i) record a lien against the subject Lot or Unit and (ii) pursue any other remedy available under the Declaration or Colorado law, including suit against the Owner and foreclosure of the assessment lien and sale of the subject property. The Owner is liable for all costs and attorneys' fees or other Costs of Enforcement, which may be added to the lien or become an Individual Assessment against the Owner and the Property. All Owners should be aware that, where enforcement and collection is required, the Owner may be liable for substantial costs and attorneys fees of enforcement.

2. HANDLING OF BOARD MEMBER CONFLICTS OF INTEREST.

C.R.S. § 38-33.3-310.5 of the Act provides:

38-33.3-310.5. Executive board - conflicts of interest - definitions.

(1) Section 7-128-501, C.R.S., shall apply to members of the executive board; except that, as used in that section:

(a) "Corporation" or "nonprofit corporation" means the association.

(b) "Director" means a member of the association's executive board.

(c) "Officer" means any person designated as an officer of the association and any person to whom the board delegates responsibilities under this article, including, without limitation, a managing agent, attorney, or accountant employed by the board.

C.R.S. § 7-128-501 provides:

7-128-501. Conflicting interest transaction.

(1) As used in this section, "conflicting interest transaction" means: A contract, transaction, or other financial relationship between a nonprofit corporation and a director of the nonprofit corporation, or between the nonprofit corporation and a party related to a director, or between the nonprofit corporation and an entity in which a director of the nonprofit corporation is a director or officer or has a financial interest.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

(2) No loans shall be made by a corporation to its directors or officers. Any director or officer who assents to or participates in the making of any such loan shall be liable to the corporation for the amount of such loan until the repayment thereof.

(3) No conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by a member or by or in the right of the nonprofit corporation, solely because the conflicting interest transaction involves a director of the nonprofit corporation or a party related to a director or an entity in which a director of the nonprofit corporation is a director or officer or has a financial interest or solely because the director is present at or participates in the meeting of the nonprofit corporation's board of directors or of the committee of the board of directors that authorizes, approves, or ratifies the conflicting interest transaction or solely because the director's vote is counted for such purpose if:

(a) The material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the board of directors or the committee, and the board of directors or committee in good faith authorizes, approves, or ratifies the conflicting interest transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors are less than a quorum; or

(b) The material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the members entitled to vote thereon, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the members entitled to vote thereon; or

(c) The conflicting interest transaction is fair as to the nonprofit corporation.

(4) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes, approves, or ratifies the conflicting interest transaction.

(5) For purposes of this section, a "party related to a director" shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or a party related to a director has a beneficial interest, or an entity in which a party related to a director is a director, officer, or has a financial interest.

The Association and the Board of Directors shall utilize these statutory provisions to review and address any potential conflicts of interest relating to the officers and directors of the Association. In the event these statutory provisions are amended, the Board may modify or otherwise amend these conflict of interest provisions.

At all times directors and officers have a fiduciary duty to make decisions in good faith, in the best interests of the Association and in a prudent manner.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

A director must disclose a conflict of interest during a board meeting in open session and cannot vote on the conflicting decision or contract. The conflicted director may participate in the discussion about a conflicting decision or contract unless a majority of the directors who are not conflicted determine such discussion would not be appropriate.

3. CONDUCT OF ASSOCIATION AND BOARD MEETINGS.

A. NOTICE. Notice of any meetings of the Board or Association will be provided in the following manner:

- i. posting at reasonably visible public or common area locations as determined by the Board.
- ii. E-mail to any Owner for which the Association has an e-mail address. The Directors and Association shall reasonably endeavor to obtain and maintain a current list of e-mail addresses for all Owners. Any Owner expressly desiring such notice shall periodically provide and confirm to the Association a current e-mail address. Owners are encouraged to forward any e-mail notice to any other Owners for which they have an e-mail address.
- iii. Mail to the Owners at the address of the Lot or Unit, and any other address for which the Owner has provided a written request that notice be sent.
- iv. Notices of Owners meetings will also be posted on the Associations web site.
- v. The notice of any meeting of the Owners will state the time and place of the meeting, items on the agenda, the general nature of any proposed amendment to the Declaration or Bylaws, and any proposal to remove an officer or member of the Board.

B. OPEN BOARD AND ASSOCIATION MEETINGS. All regular and special meetings of the Board and the Association will be open to attendance by all Owners and Owner's representatives. An "Owner's representative" shall mean a person designated in writing by a proxy or other document executed by an Owner and authorizing the Owner's representative to act for such Owner as designated in the authorization. Unless otherwise limited in scope, any such authorization shall remain in effect until withdrawn in writing by the Owner and the Board shall retain all such proxy's or other documents. The Board may limit or restrict attendance or participation by other third parties. The Board shall reasonably endeavor to schedule monthly meetings at a regular time and location each month, but may vary from that objective as it deems appropriate. All members are encouraged to attend and participate in the Board meetings or to provide written comments to the Board on pending issues prior to any such meeting. Association meetings shall be scheduled per the Declaration, Bylaws and as otherwise determined by the Board.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

C. AGENDAS. The Notice of Meeting will specify the anticipated agenda for all meetings, provided that such an Agenda shall not be deemed to exclude (i) other issues that the Board may wish to consider at Board meetings or (ii) other issues that the Board or Owners may wish to consider at Association meetings. Owners desiring further information or copies of an agenda should contact the Board or the Association Manager.

D. PARTICIPATION BY OWNERS AT BOARD MEETINGS AND AT OWNERS MEETINGS. At an appropriate time determined by the Board of Directors, but before the Board votes on an issue under discussion at a Board meeting that requires a vote of the Board, an Owner or an Owner's representative desiring to speak on the issue will be reasonably permitted to speak regarding that issue. The Board may place reasonable time restrictions on persons speaking during the Board meeting. If more than one person desires to address an issue and there are opposing views, the Board shall provide for a reasonable number of persons to speak on each side of the issue. Similarly, at meetings of Owners, if it becomes necessary, as determined by the reasonable discretion of the President of the Association, the President may set reasonable limits on the time an Owner may speak and the number of Owners who may speak regarding a particular issue. While free and open discussion is encouraged and desired at all times, the President and the Board may always consider other concerns affected by such discussion, including but not limited to, the impacts of such discussion on the other Owners and persons present at any meeting and the need for other business to be conducted at a meeting. The President of the Association will be the presiding officer at all meetings of the Board and of the Owners and in the absence of the President, the Vice President will serve as the presiding officer of the meeting. If neither the President nor the Vice President is able to be present at a meeting, the President may designate another member of the Board of Directors to be the presiding officer for the meeting. The Board may, in its discretion, hold private or confidential executive sessions to discuss confidential or sensitive issues, provided that all decisions and actions shall be publicly announced.

E. SECRET BALLOT. Contested elections of Board members, defined as elections in which there are more candidates than positions to be filled, will be conducted by secret ballot. Each Owner or Owner's representative entitled to vote pursuant to the Bylaws shall receive a ballot. The ballot shall contain no identifying information concerning the ballot holder. The proxy shall be kept and retained by the Association.

Uncontested elections of Board members, defined as elections in which the number of candidates is equal to or less than the positions to be filled, and all other votes taken at a meeting of the Owners shall be taken by such method as determined by the Board of Directors including acclamation, by hand, by voice or by ballot. Notwithstanding the above, at the discretion of the Board or upon the request of twenty percent (20%) of the Owners who are present at the meeting or represented by proxy, if a quorum has been achieved, a vote on any matter affecting the community on which all Owners are entitled to vote shall be by secret ballot.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

F. **RULES OF ORDER.** The Board shall determine all procedures and disputes related to the conduct of its own meetings. The President or other presiding officer shall determine all procedures related to the conduct of Association meetings, provided such procedures are reasonable and non-discriminatory.

4. ENFORCEMENT OF COVENANTS AND RULES/INDIVIDUAL ASSESSMENTS.

The Declaration contains certain covenants and requirements and authorizes the Board to adopt Rules and Regulations relating to the Project (the Requirements). The Requirements create restrictions on the use of Units, Common Areas and the Project and Declaration, prohibit certain actions, and create responsibilities and liabilities for Owners and other persons. The Declaration also provides that the Board may enforce the Requirements, recover Costs of Enforcement, including costs and attorneys' fees, and establish Individual Assessments to recover against an Owner who violates the Declaration or the Requirements. By statute, an Owner may be entitled to recover costs and attorneys fees if the Association itself wrongfully deprives the Owner of certain rights.

- a. Any person may report a violation of the Requirements. A report is best made to the Management Company for the Association, where applicable, but may be made to any Director or Officer. Any such report may be oral, particularly in early stages, but notice of any ongoing or significant violation should be in writing. A reporting person may request anonymity. However, any enforcement action may require direct proof of the violation, which, if not self-evident, may require witnesses willing to appear before the Board or in other proceedings. The Board has the discretion to determine whether to honor any such request for anonymity based on the needs of the Association as a whole.
- b. Upon any report the Management Company will attempt to reasonably investigate and resolve the issue without formal action. The Association believes that most violations of the Requirements will be clear and readily apparent upon examination of the Project Documents. The Association urges all Owners to recognize such requirements and promptly and reasonably comply. If a Management Company is not available, the Officers and Board will initially attempt to achieve a resolution without formal procedures.
- c. If an informal resolution is not achieved, the Board will make a formal written notice of violation and demand for compliance within an appropriate time frame as determined by the Board. If the violation is not duly cured, the Board may pursue a formal resolution of the issue pursuant to the Notice and Hearing procedures set forth in the Bylaws, a copy of which is attached Exhibit 1, or such other Notice and Hearing procedures as may be set forth in the Project Documents or subsequently established.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

- d. The Board has the authority to establish a schedule of fines, including, for violations of the Requirements, including increased fines for multiple or ongoing violations. The Board may establish different schedules of fines for different categories of violations in its discretion. The current Schedule of Fines is attached hereto as Exhibit 2. The Board may modify fine schedules in its discretion provided that (i) any fine schedule shall be adopted in writing and published on the Association website or otherwise delivered to the Owners (ii) any fine schedule so adopted shall remain in effect for not less than one year (iii) no change to fine schedules shall have retroactive effect (iv) changes shall be implemented by re-approval and notice of the entire fine schedule, in which case section (ii) shall apply to the entire fine schedule.
- e. The procedure for assessing fines shall be as follows. Whenever the Board determines that there is probable cause for the levy of a fine, it shall provide written notice of the proposed fine and the basis therefore to the affected Owner. The Owner shall have the right to request a hearing by written request to the Board submitted within ten days of the Notice of Fine. If there is no request for hearing, the Board may levy the fine in accordance with the Notice of Fine. If a hearing is requested, the hearing shall be conducted before the Board, provided that the Board may establish a separate Fine Enforcement Committee if the Board deems it appropriate. No members of the Board or Fine Enforcement Committee shall participate if such person has a direct financial or personal interest in the outcome. The Fine Enforcement Committee shall be Owners and may be Members of the Board or Architectural Control Committee. Notice of the hearing shall be given to Owners via the Association Website at least ten days prior to the hearing. The hearings shall be informal, and any Owner, including the affected Owner and members of the Board or Fine Enforcement Committee, may call witnesses or present evidence including calling third party witnesses. Formal rules of evidence shall not apply and the Board or Fine Enforcement Committee may consider any evidence they deem appropriate. Decisions of the Board or Fine Enforcement Committee shall be by majority vote, but the vote need not be disclosed. At the conclusion of the hearing, the Board or Fine Enforcement Committee shall set forth their decision in writing, including the reasons for the decision. If the determination of the Board or Fine Enforcement Committee is in favor of the affected Owner, such that a fine is not imposed at all, the Association shall not be entitled to assess the Owner with costs and attorneys fees of enforcement. Otherwise the terms of the Declaration shall apply.
- f. Depending on the nature of the violation and resolution, the decision of the Board may be final. In other circumstances, the Board action (i) may require further enforcement proceedings or (ii) may be subject to challenge. In either case, the Declaration provides that such disputes are to be submitted (i) to Mediation or (ii) if not resolved, to Binding Arbitration. The Mediation and Arbitration procedures and requirements are set forth

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

in the Mandatory Dispute Resolution requirements of the Declaration, including any applicable Arbitration Procedures (collectively the ADR Procedures). A copy of the ADR Procedures set forth in the Declaration is attached as Exhibit 3. Not all disputes are subject to the ADR Procedures, including claims to enforce and collect assessments. Enforcement actions available to the Association are provided for in the Act, the Declaration, the Bylaws, the Design Guidelines and the Association Rules. In any case, any violating Owner may be liable to the Association for all costs and expenses incurred by the Association, including reasonable attorneys' fees, to compel compliance with the Declaration or the Association Rules and all monies due to the Association shall be included in the amount of the lien against the Owner's Lot pursuant to the Declaration and the Act. Owners are cautioned to promptly comply, as, in the event of any enforcement proceeding, the Costs of Enforcement for which an Owner is liable may be substantial.

5. INSPECTION AND COPYING OF RECORDS.

The Association's current records (those which are from at least the three calendar years previous to the current calendar year) relating to minutes of meetings and certain financial information and the Association's governing documents will be available on the Association's web site and may be accessed and printed out by Owners at all times. The Board may establish reasonable security for the Website, provided that the security does not unreasonably interfere with proper access by Owners.

An Owner may make a written request to inspect and copy other Association records not available on the Association's website. The Association shall make such documents available for inspection and copying within a reasonable time. The Owner shall pay all copying charges in advance, which shall be at a reasonable rate established by the Board from time to time, but not to exceed the Association's actual cost of copying. The written request shall be delivered at least five (5) business days before the date on which an Owner wishes to inspect and copy any such records. All inspection and copying shall take place during regular business hours at the office of the Association or the Association Manager as determined at the discretion of the Board.

The request of an Owner entitled to inspect these records must also meet the following requirements: (a) the request must be made in good faith and for a proper purpose; (b) the request must describe with reasonable particularity the purpose and the records the Owner desires to inspect; and (c) the records must be relevant to the described purpose.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

Association records including membership lists shall not be used by any Owner for:

- (i) any purpose unrelated to an Owner's interest as an Owner;
- (ii) the purpose of soliciting money or property unless such money or property will be used solely to solicit the votes of the Owners in an election to be held by the Association;
- (iii) any commercial purpose;
- (iv) for the purpose of giving, selling, or distributing such Associations records to any person; or
- (v) any improper purpose as determined in the sole discretion of the Board.

6. INVESTMENT OF RESERVE FUNDS.

The officers and members of the Board of Directors shall make investment decisions in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the director or officer reasonably believes to be in the best interests of the Association in accordance with the Colorado Revised Nonprofit Corporation Act.

The purpose of the Association's reserve fund is to obtain, build-up and maintain adequate funds for the periodic maintenance, repair and replacement of portions of the Common Areas and to have adequate funds for a cash reserve for emergencies and other unanticipated contingencies.

Generally reserve funds shall be invested in a mixture of short term and long-term investments in FDIC insured institutions or other investments guaranteed by the U.S. Government. While the Association will always seek a reasonable rate of return on the investment based on the current market, safety of principal and accessibility of monies without undesired penalties will always be primary considerations.

The Board may periodically hire or consult with a qualified investment counselor to assist the Association in formulating investment strategies.

The Board, in conjunction with the Association Manager, will commission and obtain reserve studies not less often than every five years to determine the adequacy of current and the amounts of future reserve funds needed or desired for the Association. The reserve study shall include both a physical and financial analysis. Upon each reserve study, the Board shall evaluate funding for reserves and develop a funding plan for proposal to the Association to the extent reasonably necessary.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

The Board may not invest Association funds in any business, property or investment in which any officer or director (including and aggregated with the interests of any relative or affiliate thereof) holds any interest except where (i) where such investment is a share or interest in a company or fund traded on recognized national exchange and (ii) the interest of such officer or director (including and aggregated with the interests of any relative or affiliate thereof) is less than 1% of the total ownership in such business, property or investment.

7. ADOPTION AND AMENDMENT OF ASSOCIATION RULES.

The Association Rules and these governance policies procedures and rules (collectively the "Association Rules") may be amended from time to time by the Board of Directors. At such time as the Board proposes adopting Association Rules, the Board shall provide written notice of the proposed Association Rules to all Owners. The notice will also be posted on the Association's website. The notice shall include a copy of the text of the proposed Association Rules and the date of the Board of Directors meeting at which the Board proposes to adopt the Association Rules which date shall be not less than thirty days following the date the notice of the proposed Association Rules is sent to the Owners. The notice will also request that the Owners review the proposed Association Rules and provide comments on them to the Board at or in advance of the Board meeting specified in the notice.

The records of the Association kept at the office of the Association will contain a notebook containing all the currently adopted Association Rules and the Association Rules will also be posted on the Association's website.

8. ALTERNATIVE DISPUTE RESOLUTION.

In addition to any dispute resolution procedures set forth in the Declaration, any dispute between the Association and an Owner or Owners, and any dispute between Owners related to the Project, shall be submitted by the parties to mediation as a precondition to arbitration or litigation as applicable. Any applicable statute of limitation shall be tolled pending such mediation. The mediator shall be agreed to by the parties or, if they cannot agree, appointed through the mediation service available in connection with the Courts of the jurisdiction in which the Project is located. The Association and Owner(s) shall each pay one half of the mediation fee. If the parties do not resolve the dispute in mediation, each party may claim the paid mediation fee as a 'cost' for purposes of any further proceeding. The Association shall have the right to elect that any collection, enforcement or other proceeding be submitted to binding arbitration. The arbitrator, shall award costs and attorneys fees as provided in the Declaration of applicable law.

9. RECORD KEEPING POLICIES AND REQUIREMENTS.

A. Record of Meeting Minutes. The Association shall keep a permanent record of (a) minutes of all meetings of the Association and the Board, (b) all actions

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

taken by the Members of the Association or the Board by written ballot or written consent in lieu of a meeting, (c) all actions taken by a committee of the Board in place of the Board on behalf of the Association, and (d) all waivers of notices of meetings of Members of the Association, the Board, or any committee of the Board.

B. Record of Lot Owners. The Association or its agent shall maintain a record of Lot Owners in a form that permits preparation of a list of the names and addresses of all Lot Owners, showing the number of votes each Lot Owner is entitled to vote.

C. Other Required Records. In addition to all other records required to be kept by the Association under these Rules, the Association shall keep a copy of each of the following records at its principal office or at the office of the Manager of the Association, as determined by the Board of Directors:

- (1) Its Articles of Incorporation;
- (2) The Declaration;
- (3) Bylaws of the Association;
- (4) Resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of Owners or any class or category of Owners;
- (5) The minutes of all Owners' meetings, and records of all action taken by Owners without a meeting, for the past three years;
- (6) All written communications within the past three years to Owners generally as Owners;
- (7) A list of the names and business or home addresses of its current directors and officers;
- (8) Its most recent annual report, if any; and
- (9) All financial audits or reviews conducted during the immediately preceding three years.
- (10) accurate and complete accounting records of all Association transactions.

This information may be posted on the Association's website in a fashion that is only accessible to Owners, as may be determined by the Board of Directors.

D. Form of Records. The Association shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

10. INSURANCE CLAIM SUBMISSIONS.

The Declaration requires that the Association maintain certain insurance policies, as set forth therein. Such insurance is primarily intended to cover Common Elements or Common Facilities and may not cover various personal property and other items within an Owner's Lot or Unit. Each Owner is urged to review the insurance provisions of the Declaration and to procure all desired insurance for personal property as required by the Declaration or as otherwise desired to protect the Owner. To the extent that a loss occurs that is covered by Association insurance, pursuant and subject to C.R.S. § 10-4-110.8(5)(a), an Owner may file a claim against the policy of the Association to the same extent, and with the same effect, as if the Owner were an additional named insured on such policy after written notice to the Board of Directors that the Owner wishes to file a claim. In accordance with C.R.S. § 10-4-110.8(5)(a) the Owner must first notify the Board of Directors, in writing, of the nature of the claim and provide a description of the events that gave rise to the claim and thereafter shall allow the Board of Directors at least fifteen (15) days to respond and a reasonable opportunity to inspect the damage. The Board of Directors shall investigate the Owner's claim, ascertain whether the claim falls within the scope of the Association's insurance coverage and obligations and provide a response as promptly as possible to the Owner within said 15 day period or such longer period time as may be agreed to between the Owner and the Board of Directors

11. MISCELLANEOUS PROTECTED ACTIVITIES.

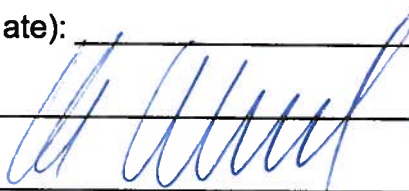
Notwithstanding the Declaration, certain activities are protected by state statute, including specified actions related to xeriscaping, flags and flagpoles, political signs, emergency vehicles, nonflammable roofing materials, all as generally set forth in C.R.S. 38-33.3-106.5 and 37-60-126. All Rules and Regulations and actions of the Board shall comply with such requirements. Each Owner is encouraged to become familiar with protected activities under the referenced statutes.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

ARCHITECTURAL REVIEW POLICY AND PROCEDURES.

The Declaration provides that no Improvements may be made within the Project without the consent and approval of the Design Review Committee. "Improvements" for this purpose includes virtually all physical changes to the property, including initial building construction; changes to existing structures; painting or re-roofing; construction or changes to outbuildings; fences; landscaping; affixed recreational equipment; site modification; and any other changes. **IF YOU MAKE OR CONSTRUCT ANY IMPROVEMENT WITHOUT THE REQUIRED APPROVAL, THE IMPROVEMENT WILL BE SUBJECT TO REMOVAL AT YOUR EXPENSE.** The Declaration includes specific policies, procedures and requirements for the design approval process, including submissions, review, decisions and appeals. Each application requires payment of an application and review fee as established from time to time by the Design Review Committee. A copy of the relevant section of the Declaration is attached hereto as Exhibit 3. The Design Review Committee or Board of Directors has also established Design Guidelines that contain more specific policies, some of which may reflect government requirements. The current Design Guidelines are attached as Exhibit 4. The Design Guidelines may be amended by the Design Review Committee and/or the Board of Directors from time to time.

Adopted (date): _____ 1/18/2012

By _____
 Michael Markel

North End Townhome Condominium Association
Board of Directors

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION

EXHIBITS

**EXHIBIT 1: NOTICE AND HEARING PROCEDURES PER THE ASSOCIATION
BYLAWS**

EXHIBIT 2: FINE SCHEDULE

EXHIBIT 3: ADR PROCEDURES FROM THE DECLARATION

EXHIBIT 4: DESIGN REVIEW REQUIREMENTS FROM THE DECLARATION

EXHIBIT 5: DESIGN GUIDELINES

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 1**

ARTICLE ELEVEN: NOTICE AND HEARING PROCEDURE

11.1 Procedure. The Board shall not impose a Fine, Individual Assessment, suspend voting rights, or infringe upon any other rights of a Member or other occupant for violations of Rules of the Association or of the Declaration unless and until the following procedure is followed:

(a) Demand for Abatement. Written demand to cease and desist from the alleged violation shall be personally served upon the alleged violator specifying:

- (i) the alleged violation;
- (ii) the action required to abate the violation; and
- (iii) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if the violation is a continuing one. If the violation is not a continuing one, a statement that any additional similar violation could result in the imposition of a sanction after notice and hearing.

(b) Notice. If the violation continues past the time period allowed in the demand for abatement or if the same violation subsequently occurs, the Board or its agent shall serve the violator with written notice of a hearing to be held by the Board. The notice shall contain:

- (i) the alleged violation;
- (ii) the time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;
- (ii) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and
- (iii) the proposed sanction to be imposed.

(c) Hearing. The hearing shall be held pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice and the invitation to be heard shall be placed in the minutes of the hearing. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery, is entered by the Officer, Director, or agent who delivered the notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the hearing.

Failure by the Owner to attend the hearing after due notice shall be considered a default and shall be subject to the sanctions set forth above.

In no event shall the Board suspend a Member's right to use the Planned Community amenities, or his or her voting rights for infraction of the Association's Project Documents for a period in excess of sixty (60) days from the date the infraction ceases.

11.2 Minutes. The minutes of the hearing shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The decision of the Board shall be final.

11.3 Nonpayment of Assessments. These procedures shall not be necessary in order to impose any sanction or penalty for nonpayment of Assessments.

North End Townhome Condominium Bylaws, Article 11. Posted online at www.associationonline.com and a copy kept at the office of the Homeowners Association.

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 2**

FINE SCHEDULE

1. If violation is not abated 14 days after written notice from the Homeowners Association and hearing, if requested = \$50.00

2. If violation is not abated 28 days after written notice from the Homeowners Association and hearing, if requested = \$150.00

3. If violation is not abated 42 days after written notice from the Homeowners Association and hearing, if requested = \$500.00.

4. For each subsequent 14-day period the violation is not corrected = \$500.00, suspension of the Unit Owner's voting privileges in the Association for a period of not more than sixty (60) days, suspension of the Unit Owner's right to use the common facilities for a period of sixty (60) days, undertaking of legal action against the unit Owner, and the assessment of the Association's costs and reasonable attorney's fees against the Unit Owner.

North End Townhome Condominium Resolution Relating to Procedures for Assessing Fines, Penalties and Other Enforcement Actions of Declaration and Rules, Page 1. Posted online at www.associationonline.com and a copy kept at the office of the Homeowners Association.

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 3**

ARTICLE THIRTEEN: MANDATORY DISPUTE RESOLUTION

The provisions of ARTICLE THIRTEEN are not intended to waive or alter the applicability of C.R.S. § 13-20-801 *et seq.*, to any action brought by Owners or by the Association, as the term "action" is defined by C.R.S. § 13-20-802.5(1). It is intended that Owners and the Association fully comply with all applicable provisions of both (1) ARTICLE THIRTEEN and (2) C.R.S. § 13-20-801 *et seq.*

13.1 Statement of Clarification. Without modifying or restricting the scope of this Article and as a statement of clarification only, nothing contained in this Article is intended to prevent the parties from attempting to resolve any differences between them through the normal course of business and communications. It is only when the parties are unable to resolve their differences and they wish to proceed further through the assertion of a "claim" as defined herein, that the Mandatory Dispute Resolution provisions contained in this Article are activated.

13.2 Alternative Method for Resolving Disputes. Declarant, the Association, its officers and directors, all Owners, design professionals, builders including any of their subcontractors and suppliers; and any Person not otherwise subject to this Declaration but who agrees to submit to this Article (each of the foregoing being referred to as a "Party"), agree to encourage the amicable resolution of disputes involving the Community and all of its improvements without the emotional and financial costs of litigation. Accordingly, each Party covenants and agrees to submit all Claims each alleges to have to the procedures set forth in this ARTICLE THIRTEEN and not to a court of law.

13.3 Claims. Except as specifically excluded in Paragraph 13.4, a "Claim" is any claim, dispute and other controversy arising out of or in any way relating to:

- (a) any agreement or contract for sale and purchase of a Unit between Declarant and any Owner;
- (b) the Property (as defined in any such agreement or contract) or the Unit or any portion of the Common Elements;
- (c) the purchase of the Property or the Unit;
- (d) the interpretation, application or enforcement of this Declaration;
- (e) the soils of any property that lies within the Community;
- (f) land development, design and/or construction of the improvements within the Community and/or any alleged defect therein;
- (g) any rights, obligations and duties of any Party under this Declaration;
- (h) any Limited Warranty Agreement between Declarant and any Owner and/or the Association; and/or
- (i) any breach of any of the foregoing referenced documents.

NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 3

Any claim shall be subject to and resolved by submitting the Claim to mediation and, if not resolved during mediation, shall be resolved by Mandatory Binding Arbitration all in accordance with this ARTICLE THIRTEEN of the Declaration and not in a court of law.

13.4 Claims Subject to Approval. Unless Declarant and Owners to whom at least sixty-seven percent (67%) of the votes in the Association are allocated agree to the contrary, the following shall not be Claims and shall not be subject to the provisions of this ARTICLE THIRTEEN:

(a) any suit by the Association against any Party to enforce the provisions of ARTICLE FIVE (Assessments);

(b) any suit by the Association or Declarant to obtain a temporary restraining order or injunction and such other ancillary relief as the court may deem necessary in order for the Association or Declarant to act under and enforce the provisions of ARTICLE SIX (Restrictive Covenants and Obligations);

(c) any suit by an Owner to challenge the actions of Declarant or the Association, or any other committee with respect to the enactment and application of standards or Rules; and

(d) any suit between or among Owners, which does not include Declarant or the Association as a party.

13.5 Notice of Claim. Any Party alleging a Claim ("Claimant") against any other Party ("Respondent") shall submit all of its Claims by written notification delivered to each Respondent, stating plainly and concisely:

(a) the nature of the Claim, including the Persons involved and the Respondent's role in the Claim;

(b) the legal or contractual basis of the Claim (i.e., the specific authority out of which the Claim arises); and

(c) the specific relief and/or proposed remedy sought.

13.6 Timely Initiation. All Claims shall be initiated by the Claimant within a reasonable time after the Claim has arisen, and in no event shall it be made after the date when institution of legal or equitable proceedings based on such Claim would be barred by the applicable statute of limitations or repose.

13.7 Right to be Heard. On receipt of a Claim and prior to the Association or any Owner asserting the Claim commencing any arbitration, judicial or administrative proceeding which may fall within the scope of this ARTICLE THIRTEEN, Declarant shall have the right to be heard by the Claimant, the affected Owners, and the Association in an effort to resolve the Claim.

13.8 Right to Inspect. If the Claim is based on the land development, design and/or construction of any Improvements within the Community then, subject to any affected Owner's prior written approval which shall not be unreasonably withheld, Declarant and

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 3**

any other Party shall have the right to access the affected area at a reasonable time(s) for purposes of inspecting the condition complained of including but not be limited to, any investigative or destructive testing.

The Association shall have the same right to inspect for any Claims by an Owner against the Association in accordance with the above.

In the exercise of the inspection rights contained herein, the party causing the inspection to be made ("Inspecting Party") shall:

(a) be careful to avoid any unreasonable intrusion on, or harm, damage or costs to the affected party including, without limitation, using its best efforts to avoid causing any damage to, or interference with, any improvements on the property being inspected ("Property");

(b) minimize any disruption or inconvenience to any person who occupies the Property;

(c) remove daily all debris caused by the inspection and located on the Property; and

(d) in a reasonable and timely manner, at the Inspecting Party's sole cost and expense, promptly remove all equipment and materials from the Property and repair and replace all damage, and restore the Property to the condition of the Property as of the date of the inspection, unless the Property is to be immediately repaired.

The repair, replacement and restoration work shall include, without limitation, the repair or replacement to any structures, driveways, landscaping, utility lines or other improvements on the Property that were damaged, removed or destroyed by Inspecting Party. In the event the Inspecting Party wishes to make appropriate and necessary repairs to resolve the subject matter of the Claim, the same shall be made on terms and conditions acceptable to all affected Parties.

The Inspecting Party shall not permit any claim, lien or other encumbrance arising from the exercise of its right to inspect to accrue against or attach to the Property. The Inspecting Party shall indemnify, defend and hold harmless the affected Owners and their tenants, Guests, employees and agents, against any and all liability, claims, demands, losses, costs and damages incurred, including court costs and attorney's fees, resulting from any breach of this Paragraph by the Inspecting Party.

13.9 Good Faith Negotiations. The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. Any Party may be represented by attorneys and independent consultants to assist such Party in negotiations and to attend meetings.

13.10 Mediation:

(a) If the Parties do not resolve the Claim through negotiations within thirty (30) days after the date of submission of the Claim to Respondent(s), as may be extended on agreement of all affected Parties, Claimant shall have thirty additional (30) days to submit the Claim to mediation under the auspices of an independent mediation

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 3**

service acceptable to all Parties. Such Mediation shall be a condition precedent to further proceedings, including arbitration as required below.

(b) Any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the Parties.

(e) Each Party shall bear its own costs, including attorney's fees, and each Party shall share equally all charges rendered by the mediator(s) and all filing fees and costs of conducting the mediation proceeding.

(f) If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with this ARTICLE THIRTEEN, such agreement shall be enforceable in any court of competent jurisdiction in the County. If any Party thereafter fails to abide by the terms of such agreement, then any other affected Party may file suit to enforce such agreement without the need to again comply with the procedures set forth in this ARTICLE THIRTEEN. In such event, the Party taking action to enforce the agreement shall be entitled to recover from the non-complying Party all costs incurred in enforcing such agreement, including, without limitation, attorney's fees and court costs.

13.11 Arbitration:

(a) If the Parties do not reach a settlement of the Claim through mediation or otherwise, the Claim shall be subject to mandatory binding arbitration in accordance with the Arbitration Procedures contained in Exhibit F hereof.

(b) The Parties agree that where any Claim, dispute or other controversy existing between them is submitted to arbitration, and any other Party may have liability with respect thereto, all parties including any third parties agree that the third parties may be joined as additional Parties in the arbitration, or if a separate arbitration or other proceeding exists or is separately initiated, to the consolidation of all proceedings. It is the intent of the Parties to resolve all rights and obligations of all interested Parties be resolved in a single proceeding to the extent practicable.

(c) The award rendered by the Arbitrator shall be final and binding, may be filed with any court of competent jurisdiction in the County in accordance with applicable law and judgment obtained thereon, and execution may issue.

13.12 Consensus for Association Action. The Association shall not commence any action, mediation or arbitration against Declarant for a Claim unless at least a majority of the Board of Directors and Owners to which at least sixty-seven percent (67%) of the votes in the Association are allocated agree to such proceedings.

13.13 Liability for Failure to Maintain an Action Against Declarant. No Director or officer of the Association shall be liable to any person for failure to institute or maintain or bring to conclusion a cause of action, mediation or arbitration for a claim against Declarant if the following criteria are satisfied: (a) the Director or officer was acting within the scope of his or her duties; (b) the Director or officer was acting in good faith; and (c) the act or omission was not willful, wanton or grossly negligent.

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 3**

13.14 Binding Effect. This ARTICLE THIRTEEN and the obligation to arbitrate shall be specifically enforceable under the applicable arbitration laws of the State of Colorado. The arbitration award shall be final and binding, and judgment may be entered on it in any court of competent jurisdiction in the County to the fullest extent permitted under the laws of the State of Colorado.

13.15 Utilization of Funds Resulting from the Cause of Action. In the event the Association receives funds as a result of any settlement, mediation, arbitration or judgment based on a cause of action, after payment of fees and costs incurred in connection with prosecution of such action, the Association shall: (a) deposit the proceeds in a special, interest-bearing account; and (b) utilize the proceeds only for the purpose of performing remedial or repair work on the conditions which were the subject of the Claim or otherwise for purposes of remedying the Claim.

13.16 Exclusive Remedy. The provisions contained in this Article shall be the sole and exclusive remedy that the Association and other Parties shall have against Declarant or any Party as defined above for any Claim. Should any Party commence litigation or any other action against any other Party, in violation of the terms of this Article, such Party shall reimburse the costs and expenses, including attorney's fees, incurred by the other Party seeking dismissal of such litigation or action.

13.17 Amendment. This ARTICLE THIRTEEN shall not be amended unless such amendment is approved by a majority of the Board of Directors and Owners to whom at least sixty-seven percent (67%) of the votes in the Association are allocated.

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 4**

9.4 Additions, Alterations, Improvements, and Replacements by the Unit Owners (Architectural Control). No Owner shall make any Improvements, structural additions, or alterations to his or her Unit, including paint or in any way altering the exterior of his or her Unit, including the doors, windows and light fixtures, or change the drainage pattern around the Unit from that established by the Declarant, without the prior written consent of the Board of Directors, the North End Residential Planned Community Design Review Committee and any required consent of the City of Louisville.

The Board of Directors shall respond to any request within a reasonable time. The Board of Directors may promulgate Rules to implement the provisions of this Paragraph, which Rules may provide for the payment of a fee to accompany each request for approval hereunder. The Owner applying for approval hereunder shall be responsible to apply for all permits and approvals required by the City and/or County.

9.5 Maintenance of Approved Exterior Modifications. In the event an Owner constructs an approved exterior modification to his or her Unit, the expense of repair, maintenance and reconstruction of the exterior modification shall be the responsibility of the Owner. As part of the design review process, an agreement shall be entered into between the Owner and the Board of Directors to reflect this responsibility that shall be recorded. In the event the exterior modification is not properly repaired, maintained or reconstructed by the Owner of the Unit, the Board of Directors, after Notice and Hearing, shall have the right to perform the work as is reasonably required to restore the exterior modification to a condition of good order and repair and charge the cost thereof to the Owner as an Individual Assessment in accordance with Paragraph 5.4(b) hereof.

**NORTH END TOWNHOME CONDOMINIUM ASSOCIATION
EXHIBIT 5**

North End Residential Planned Community Design Guidelines available online at www.associationonline.com, a copy provided to each owner at purchase and a copy kept at the office of the Homeowners Association.