

**TWO RIVERS HOMEOWNERS ASSOCIATION
GOVERNANCE POLICY FOR
ENFORCEMENT OF COVENANTS AND RULES**

(all capitalized terms used herein and not defined herein shall have the meaning given to them in the Declaration of Covenants, Conditions and Restrictions for Two Rivers Homeowners Association)

(a) The Board has a duty to enforce by legal means the provisions of the following Association documents: the Declaration, any Supplemental Declaration, Articles of Incorporation, By-Laws, Design Guidelines, Rules and Board Resolutions. The Board also has the duty to bring any proceeding which may be instituted on behalf of or against the Owners concerning the Association; however, the Association's enforcement obligations shall be conditioned and limited in the manner provided in the Master Documents. Enforcement through the judicial process may mean seeking an injunction, specific performance, or damages.

(b) The Board's duty of enforcement is tempered by its ability to exercise judgment as appropriate in the particular circumstances. The Board's enforcement decisions shall comply with the business judgment rule and the rule of reasonableness.

(c) The Board shall be responsible for a delinquency report listing all Owners who are delinquent in paying any assessments at the time of the report (any assessment or installment shall be considered to be delinquent on the 20th day following the due date unless the Board specifies otherwise by resolution). The delinquency report shall be sufficiently detailed to enable the Association to comply with the requirements of C.R.S. § 38-33.3-316(8).

(d) A complaint regarding alleged violations may be submitted by an Owner in writing, via the community intranet, e-mail, phone, fax, mail or personal delivery. The complaint must include the complainant's name and address.

(e) The Board shall timely investigate all complaints that comply with subsection (d) above. The Board retains the discretion to not investigate or respond to anonymous complaints.

(f) To the extent specifically required by the Declaration, the Board shall comply with the following procedures prior to imposition of sanctions:

(i) The Board or its delegate shall serve the alleged violator with written warning (a) describing the nature of the alleged violation, (b) stating the proposed sanction to be imposed, (c) stating that the alleged violator shall have 10 days to present a written request for a hearing before the Board; and (d) including a statement that the proposed sanction may be imposed as contained in the notice unless a hearing is requested within 10 days of the notice.

(ii) The alleged violator shall respond to the notice of the alleged violation in writing within such 10-day period, regardless of whether the alleged violator is challenging the imposition of the proposed sanction. If the alleged violator cures the alleged violation and notifies the Board in writing within such 10-day period the Board may, but shall not be obligated to, waive the sanction. If a timely request for a hearing is not made, a second violation notice shall be served resulting in a fine, according to Exhibit A attached hereto, provided the Board

may, but shall not be obligated to, suspend any proposed sanction if the violation is cured within the 10-day period.

(iii) Prior to the effectiveness of sanctions imposed, proof of proper notice shall be placed in the minutes of the Board. The notice requirement shall be deemed satisfied if the alleged violator or its representative requests and appears at the hearing.

(iv) If a hearing is requested within the allotted -10-day period, the hearing shall be held before the Board within 10 days of the request. The alleged violator shall be afforded a reasonable opportunity to be heard. The Board may adopt rules for the conduct of such hearings that may include, without limitation, rules that govern the presentation of evidence and witnesses and the ability of an alleged violator to question adverse witnesses. The minutes of the meetings of the Board, shall contain a written statement of the results of the hearing, (i.e. the Board's decision) and the sanction, if any, to be imposed.

(v) Any Board member who is incapable of objective and disinterested consideration, due to direct personal or financial interest in the outcome, on any hearing before the Association shall disclose such to the President of the Association prior to the hearing on the case, if possible, or, if advance notice is not possible, then such disclosure shall be made at the hearing, and the Board member shall be disqualified from all proceedings with regard to the hearing. If disqualification of any Board member(s) results in an even number of remaining Board members eligible to hear a case, the Presiding Officer may appoint an Association member, in good standing, to serve as a voting member of the hearing board.

(vi) After all testimony and other evidence have been presented to the Board at a hearing, the Board shall render its written findings and decision, and impose a reasonable sanctions and/or fines, if applicable, within 14 days after the hearing. A decision, either a finding for or against the Owner, shall be by a majority vote of the Board members present. The sanctions imposed may include monetary fines. Exhibit A attached hereto sets forth a schedule of fines that the Board may impose.

(g) The Board shall have the power and the discretion to impose the following sanctions for any violation of the Master Documents.

(i) After written notice and an opportunity for a hearing as described above, the Board may:

(1) impose reasonable monetary fines, which shall constitute a lien upon the violator's Unit. In the event any occupant, tenant, guest, or invitee of a Unit violates the Governing Documents and a fine is imposed, the fine may, but need not, first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board;

(2) suspend an Owner's right to vote (except that no hearing is required if the Owner is more than 90 days delinquent in paying any Monthly, Special or Default Assessment);

(3) suspend any Person's right to use any Master or Building Common Area facilities, as the case may be (A) for any period during which any charge against such Owner's Unit remains delinquent (except that no hearing is required if the Owner is more than 90 days delinquent in paying any assessment or other charge owed the Association); provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit or Lot;

(4) suspend services the Association provides (except that no hearing is required if the Owner is more than 90 days delinquent in paying any assessment or other charge owed to the Association);

(5) exercise self-help or take action to abate any violation of the Governing Documents in a non-emergency situation (including removing personal property that violates the Governing Documents);

(6) without liability to any Person, prohibit any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of the Declaration, including the Design Guidelines, from continuing or performing any further activities in the Community;

(7) levy Default Assessments to cover costs the Association incurs in bringing a Unit or a Lot into compliance with the Community Wide Standard or other requirements under the Governing Documents; and

(8) record a notice of violation with respect to any Lot or Unit on which a violation exists.

(ii) The Board may take the following actions to obtain compliance with the Master Documents without prior notice or a hearing:

(1) exercise self-help or take action to abate a violation on a Unit in any situation which requires prompt action to avoid potential injury or damage or unreasonable inconvenience to other persons or their property (specifically including, but not limited to, the booting or towing of vehicles that are in violation of the Governance Policy for Parking);

(2) exercise self-help or take action to abate a violation on the Common Area under any circumstances;

(3) require an Owner or a Building Association, at its own expense, to perform maintenance or to remove any structure or improvement on such Lot, Unit, or on the Building Association's property, respectively, that is in violation of the Community Wide Standard or other requirements under the Governing Documents and to restore the property to its previous condition (specifically including, but not limited to, fencing and sheds);

(4) enter the property and exercise self-help to remove or cure a violating condition if an Owner or Building Association fails to take action as required pursuant to subsection (3) above within 10 days after receipt of written notice to do so, and any such entry

shall not be deemed a trespass; or

(5) bringing suit at law for monetary damages or in equity to stop or prevent any violation, or both.

(iii) Fines will be imposed after the required notices and hearing have taken place. If the Board's finding is that there is still a violation, the violation must be cured within 10 days, otherwise, the first fine will become due immediately. Beginning 30 days after the first due date, and every 30 days thereafter, additional separate fines will automatically be levied if the infraction has not been remedied to the Association's satisfaction. If not paid on time, all fines will accrue late charges in the same manner used for monthly assessments in an amount determined by the Board computed from its due date at a rate of no more than 21% per annum or such other rate as the Board may establish subject to the limitations of Colorado law. Exhibit A attached hereto sets forth a schedule of fines that the Board may impose.

(h) The Board may determine not to enforce a particular provision within the Master Documents; however, such decision shall not prevent the Association from enforcing the same provision at a later time or prevent the enforcement of any other covenant, restriction or rule. The Board may determine that in a particular case:

(i) the Association's position is not strong enough to justify taking any or further action;

(ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

(i) All Persons subject to the Declaration agree not to file suit in any court with respect to a Claim, unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in the Master Documents in a good faith effort to resolve such Claim.

(j) In any action to enforce the Governing Documents the prevailing party shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action.

(k) The Association, by contract or other agreement, may enforce applicable city and county ordinances. In addition, the Town of Gypsum and the County of Eagle may enforce ordinances within the Common Interest Community.

This policy was adopted on by resolution of the Board of Two Rivers Homeowners Association on March 4, 2020 is effective of even date therewith, and complies with the Colorado Common Interest Ownership Act as of that date. If the policy contained herein becomes in conflict with the laws of the State of Colorado shall be rendered void. The governance policy set forth herein is not intended to enlarge or create any fiduciary duties. Except for acts of fraud or bad faith, no director shall incur any liability under this policy.

TWO RIVERS HOMEOWNERS ASSOCIATION,
a Colorado nonprofit corporation

EXHIBIT A

Schedule of Fines (if hearing is not requested)

1. First violation: Warning
2. Second violation: \$100.00 (10 days from warning)
3. Third violation: \$250.00 (10 days from second violation)
4. Violations after the third violation: \$500.00 every month until violation is cured (plus interest accruing on the outstanding amount at 1.75% per month (21% per annum)):

Schedule of Fines (if hearing is requested)

If a violation is not cured within 10 days after the Association renders its written findings and decision, the following additional fines shall be charged (plus interest accruing on the outstanding amount at 1.75% per month (21% per annum)):

After the initial violation hearing:

Due immediately: \$100

30 days after: \$200.00

60 days after: \$400.00

90 days after: \$600.00

Each and every 30 days thereafter: \$800.00 per 30-day period until violation is cured.

For purposes of determining fines, each violation of a specific provision of the Governing Documents shall be considered separately from any violation of any other specific provision. For example, fines levied for failure to complete back yard landscaping in the prescribed time frame will be applied and monitored separately from fines levied for a violation regarding parking rules.

Association's Legal Remedies. In the event an Owner fails to timely pay assessments, Late Charges, or any other charges or fees related to the fines, the following legal remedies shall be available to the Association to collect on the Owner's delinquent account: use of collections agency; lawsuit against the Owner; filing of a lien statement and foreclosure of the Association's lien on the Owner's Unit, with such lien to also secure reasonable attorneys' fees incurred for collection and enforcement of such lien; and any and all other remedies available under Colorado law and/or the Association's governing documents. The Association may choose to foreclose on its lien in lieu of or in addition to suing an Owner for a money judgment. The purpose of foreclosing is to obtain payment of all fines owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or other circumstances favor such action.