

**MOUNTAIN VALLEY ESTATES PROPERTY OWNERS ASSOCIATION, INC.
RULES AND REGULATIONS, AND
RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES**

In compliance with the applicable provisions of the Colorado Common Interest Ownership Act, the Board of Directors of Mountain Valley Estates Property Owners Association, Inc. (the “Association” or “Board”) hereby adopts these Rules and Regulations, and Responsible Governance Policies and Procedures, incorporating a uniform and systematic procedure to amend and adopt policies, procedures and rules of the Association.

The goal of the Association shall be to keep the subdivisions desirable, attractive, and provide for the mutual benefit and protection of the owners of the real property, and specifically, its aesthetic and market value. This can be achieved by allowing only construction that is mutually compatible and complimentary to the existing homes, including physical and aesthetic features, architectural design, layout, placement, material selection, composition, and environmental harmony.

I. DEFINITIONS AND PROCEDURE

1. Definitions.

- A. A policy is a course or principle of action adopted to guide the Board of Directors.
 - B. A procedure is an established or official way of conducting a course of action.
 - C. A rule is defined as a regulation or requirement governing conduct or behavior.
 - D. All other terms used herein shall be given the same definition as set out in the other Association documents, including the Declarations (and amendments thereto), Bylaws, and Articles of Incorporation.
2. Policies and procedures, in general, shall govern the activities of the Board in the operation of the Association.
3. Rules and regulations, in general, shall govern the use of property within Mountain Valley Estates (the “Community”) and the behavior of residents and/or their guests while in the Community.
4. The Board shall have the authority to adopt policies, procedures and rules to the extent they do not conflict with the Declaration, Articles of Incorporation, and Bylaws of the Association, at an open Board meeting and documented in the minutes or in a formal resolution.

5. The Board shall have authority to amend those policies and procedures which govern Association operation. Such policies and procedures shall be amended at an open Board meeting and documented in the minutes or in a formal resolution.

II. COLLECTIONS

1. Due Dates, Late Charges, Interest, Suspension of Rights.

- A. Due Dates. Yearly installments of the annual assessment are due and payable on the 1st day of each month. Payments shall be deemed received and shall be posted on the date the payments received in the Association's office or the Association's payment processor's office. Any installment not paid in full when due shall be considered past due and delinquent. All payments should be payable to "MVEPOA" and should be mailed, unless otherwise directed by the Board, to: John H. Parker, II, Navajo Development Co., Inc., PO Box 709, Creede, CO 81130
- B. Late Charge. A late charge in the amount of \$5.00 shall be imposed without further notice to the Owner on assessments, fines or other charges not paid within 10 days of the due date. Such late charge is a personal obligation of the Owner and a lien on the Lot.
- C. Interest. Interest at the rate of 12% per annum shall accrue on any delinquent assessment, fine or other charge from the due date without further notice to the Owner. Interest may be added to the Owner's account 30 days following the due date. Such interest is a personal obligation of the Owner and a lien on the Lot.
- D. Suspension of Voting Rights. An Owner's voting rights shall be automatically suspended without notice if an assessment or other charge is not paid within 10 days of the due date.
- E. Payments received from Owners shall be applied to the Owner's account in the following order:
 - 1. Attorney's fees and costs incurred by the Association and for which the Owner is responsible pursuant to the Act or the Governing Documents;
 - 2. Interest which has accrued on all unpaid amounts;
 - 3. Fines, late charges or other monetary charges or penalties;
 - 4. Past due Special Assessments;
 - 5. Past due installments of Assessments;
 - 6. Current Special Assessments, and;
 - 7. Current Assessments.

2. Return Check Charges.

- A. If any check or other instrument payable to or for the benefit of the Association is not honored by the bank or is returned by the bank for any reason, including, but not limited to insufficient funds, the Owner is liable to the Association for one of the following amounts, at the option of the Association.
 - (i) An amount equal to the face amount of the check, draft, or money order and a return check charge of \$20.00 or an amount equal to the actual charges incurred by the Association levied by the party returning the check, whichever is greater; or
 - (ii) If notice has been sent as provided in C.R.S. § 13-21-109 and the total amount due as set forth in the notice is not paid within 15 days after such notice is given, the person issuing the check, draft or money order maybe liable to the Association for collection for three times the face amount of the check, but not less than \$100.00.
- B. Any returned check shall cause an account to be past due if full payment of the monthly installment of the annual assessment or of any other charge is delinquent.
- C. If two or more of an Owner's checks are returned unpaid by the bank within any fiscal year, the Association may require that all of the Owner's future payments, for a period of one year, be made by certified check or money order.

3. Attorney Fees. The Association shall be entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent Owner pursuant to the terms of the Declaration and Colorado law. Attorney fees incurred by the Association shall be considered part of the assessments and shall be due and payable immediately when incurred, upon demand.

4. Application of Payments. All payments received on account of any Owner or the Owner's property, may be applied first to post-judgment attorney's fees, costs and expense; then to costs and attorneys fees not reduced to a judgment; then to interest; then to late charges; then to return check charges; then to fines and other amounts levied pursuant to the Declaration; then to delinquent assessments; then to current assessments not reduced to judgment; and finally to amounts reduced to judgment.

5. Delegation of Authority to Sign Notice of Lien. The Board of Directors delegates authority to the Association's attorney to sign and acknowledge the Notice of Assessment Lien. This delegation may be withdrawn at any time. In the event the delegation is

withdrawn, the Board will send written notice to the Association's attorney of the withdrawal.

6. Time Frames. The following time frames shall be followed in the collection of monthly installments of the annual assessment and for collection of other charges:

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| Due date | 1st day of June of each year, or 10 days after notice of assessment or charge for all other assessments, fines and charges. |
| Late Fee date | 30 days after due date |
| Interest accrues | 30 days after due date |
| Notice of Intent to Lien | 60 days after due date |
| Lien filed | 90 days after due date |
| Delinquent account turned over To Association's attorney; Demand letter sent to Owner | 120 days after due date |

Notwithstanding the time frames set forth above, if a lien holder with priority over the Association's lien (i.e., first mortgagee) takes title to a Lot through foreclosure or deed in lieu of foreclosure, the Association may file a lien on the Lot for any delinquent payment.

Once accounts are turned over to the Association's attorney, Owners shall make payment to the Association at the address of the Association's attorney. The Association's attorney shall consult with the Association regarding collection procedures and payment arrangements.

7. Notices: Use of Certified Mail/Regular Mail. In the event the Association shall cause a collection or demand letter or notice to be sent to a delinquent Owner by regular mail, the Association may also cause, but shall not be required to send, an additional copy of that letter or notice by certified mail.

8. Referral of Delinquent Accounts to Attorneys. Upon referral of a delinquent account to the Association's attorneys, the attorneys shall take appropriate action to collect the accounts referred. After an account has been referred to the Association's attorney, the account shall remain with the attorney until the account is settled, has a zero balance or is written off. The Association's attorney is authorized to take whatever action is necessary, in consultation with the President of the Board of Directors or other person designated by the Board, believed to be in the best interest of the Association, including, but not limited to:

- A. Filing a lien against the delinquent Owner's property to provide record notice of the Association's claim against the property, if not already filed;
- B. Filing suit against the delinquent Owner for a money judgment. The purpose of obtaining a personal judgment against the Owner is to allow the Association to pursue remedies such as garnishment of the Owner's wages or bank account to collect judgment amounts;
- C. Instituting a judicial action of foreclosure on the Association's lien. 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 assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or in other circumstances that may favor such action;
- D. Filing necessary claims, documents, and motions in Bankruptcy Court to protect the Association's claim; and
- E. Filing a court action seeking appointment of a receiver. A receiver is a disinterested person, appointed by the court, who manages rental of the Owner's property, and collects the rents according to the court's order. The purpose of a receivership for the Association is to obtain payment of current assessments, reduce past due assessments, and prevent waste and deterioration of the property.

All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney.

Upon referral of any matter to the Association's attorney, the Association shall pay the Association's attorneys their usual and customary charges as well as any costs incurred by the attorney on the Association's behalf, promptly upon receipt of the monthly invoice from the attorney.

9. Notification to and Communication with Owners. This Collection Policy shall be made available to all Owners by the Association as required by Colorado law. After a delinquent account has been referred to the Association's attorney, all communication with the delinquent Owner shall be handled through the Association's attorney. Neither the manager, if any, nor any member of the Board shall discuss the collection of the account directly with an Owner after it has been turned over to the Association's attorney unless the attorney is present or has consented to the contact. However, the Association has the option and right to continue to evaluate each delinquency on a case by case basis.

10. Certificate of Status of Assessment/Estoppel Letter. The Association shall furnish to an Owner or such Owner's designee upon written request, delivered personally or by certified mail, first-class postage prepaid, return receipt, to the Association's registered agent, a written statement setting forth the amount of unpaid assessments currently levied

against the Owner's Lot. The statement shall be delivered within 14 calendar days after receipt of the request personally or by certified mail, first-class postage prepaid, return receipt requested for a fee that shall be assessed in accordance with the management company's fee schedule for such statements, which fee shall become an assessment. If the Owner's account has been turned over to the Association's attorney, such statement shall be handled through the Association's attorney and shall include any attorney fees incurred in providing the statement.

11. Bankruptcies and Public Trustee Foreclosures. Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any Lot within the Association, the Association shall advise the Association's attorney of the same and turn the account over to the Association's attorney.

12. Waivers. The Association may alter the time for the filing of lawsuits and liens, or otherwise modify the procedures contained herein, as the Association shall determine appropriate under the particular circumstances. Any such accommodation shall be documented in the Association's files with the conditions of relief. Failure of the Association to require strict compliance with this Collection Policy shall not be deemed a waiver of the Association's right to require strict compliance and shall not be deemed a defense to payment of assessment fees or other charges, late charges, return check charges, attorney fees and/or costs as described and imposed by this Collection Policy.

13. Amendment. This Collection Policy maybe amended from time to time by the Board of Directors.

III. CONDUCT OF MEETINGS

1. Board Meetings.

A. Board Meetings.

(i) Organizational Meeting. The organizational meeting of the Board shall be held within 30 days of the election of the Board. The meeting may be set at the annual meeting and no further notice is required provided that a majority of the Board members are present at the annual meeting.

(ii) Regular Board meetings. Regular Board meetings shall be held upon at least three days prior to the meeting. Notice shall be delivered personally, by mail, telephone or e-mail. If a schedule is set for regular Board meetings, no notice beyond the schedule need be given.

B. All Board meetings shall be open to attendance by members of the Association, or their representatives, provided that the Board may go into executive session for any purpose allowed by law. Members may be

excluded from executive session. Prior to going into executive session, the chair of the meeting shall announce the purpose for the executive session.

- C. The meeting agenda shall be made reasonably available for examination by members of the Association or their designated representatives.
- D. There shall be a members' forum at the beginning of each regular Board meeting. The Members' forum shall be for up to 30 minutes, although the Board may extend this time in its discretion. The rules for Member participation during the meetings are as follows.
 - (i) Each Member who wishes to address the Board on an agenda item or on any other matter will be given up to three minutes to speak, provided the chair may extend this time in its discretion. After other members have had an opportunity to speak, then a member who has already spoken will be given another opportunity, time permitting;
 - (ii) Each member who wishes to speak must be recognized by the chair. Once recognized, the member shall state his/her name and address;
 - (iii) All comments must be delivered in a businesslike and professional manner. Personal attacks or inflammatory comments will not be permitted.
 - (iv) A member who wishes to speak about any matter on the agenda of the Board meeting, including items that will require a Board vote, shall do so only during the members' forum;
 - (v) To facilitate free and open discussion members shall not record meetings on audiotape or videotape;
 - (vi) The Board is not obligated to take immediate action on any item presented by a member.
- E. Following the conclusion of the members' forum, the Board will proceed with the business portion of the meeting. Members who attend or remain may not participate in deliberation or discussion during this portion of the Board meeting unless expressly authorized by a vote of the majority of a quorum of the Board.
- F. Items shall be discussed pursuant to the meeting agenda, provided that items may be taken out of order if deemed advisable by the chair. Items not on the agenda may be discussed once all other items have been concluded, time permitting. If items that are not on the agenda will require a Board vote, members shall be given a reasonable opportunity to comment in accordance with the terms of Paragraph D. above.

- G. Any director may make a motion. All motions shall be recorded in the minutes. The minutes shall record the number of votes in favor, votes against, and abstentions. If any director requests his/her vote in favor or against or his/her abstention be recorded in the minutes, the minutes shall so reflect.
 - H. Board meetings are not required to be held in accordance with Robert's Rules of Order.
2. Annual Member Meetings/Special Member Meetings.
- A. Notice of a Membership meeting shall be sent to each Member not less than 15 or more than 50 days prior to the meeting. Notice shall also be posted on the property, in a conspicuous location. If a Member requests notice by e-mail only and provides an e-mail address, notice will be provided by e-mail.
 - B. Each Member will sign in prior to the meeting for himself/herself and for any proxies he/she holds. Voting rights of delinquent members are suspended and such members shall not be given ballots. If an election or vote is to be held, the Member will be given the appropriate number of ballots.
 - (i) Secret ballots are required for the following: any ballot for election of a contested position on the Board of Directors; and any ballot for other matters if so requested by at least 20% of the members present in person or by proxy at the meeting.
 - (ii) If secret balloting is not required, the Association may indicate the number of proxies held on the ballot itself.
 - C. The President of the Board, or other person directed by the Board, will call the meeting to order and conduct the meeting. The meeting shall proceed in the order set forth in the agenda.
 - D. Each member who wishes to speak will be given a reasonable time to speak, provided the chair may impose reasonable time limits to facilitate member participation. Members may not speak a second time until everyone who wishes to speak has been given an opportunity to speak once. Members may not speak more than twice on any one topic, subject to the chair's discretion.
 - E. Members must maintain decorum and refrain from addressing the membership or Board until recognized by the chair. Upon being recognized, the member must state his/her name and address.

- F. Members may not interrupt anyone who validly has the floor, or otherwise disrupt the meeting. Members may not engage in personal attacks on either Board members or other Association members. All comments and questions are to be delivered in a businesslike manner and comments shall be confined to matters germane to the agenda item being discussed. No member may use abusive, rude, threatening, vulgar or crude language. To facilitate free and open discussion members shall not record meetings on audiotape or videotape.
- G. Members must obey all orders made by the meeting chair, including an order to step down.
- H. Any member who refuses to follow the above rules will be asked to leave the meeting.
- I. Any motions must be seconded prior to discussion and voting. Because the nature of a motion and vote may be outside the members' authority, the Board reserves the right to determine whether a motion will be considered binding on the Association or a recommendation for proceeding. Such determination may be made following consultation with legal counsel.
- J. Meetings are not required to be held in accordance with Robert's Rules of Order.

IV. CONFLICT OF INTEREST

- 1. Definitions.
 - A. "Conflicting interest transaction" means a contract, transaction or other financial relationship between: (I) the Association and a director, or (ii) between the Association and a party related to a director, or (iii) between the Association and an entity in which a director of the Association is a director or officer.
 - B. "Party related to a director" means a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or 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.
 - C. "Officer," for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

2. Disclosure; Participation and Voting. Any conflicting interest transaction on the part of any Director or party related to a Director shall be verbally disclosed to the other Directors in open session at the first open meeting of the Board at which the interested Director is present, prior to any discussion or vote on the matter. After disclosure, the Director may participate in the discussion and may vote on the matter. The minutes of the meeting shall reflect the disclosure made, the composition of the quorum and record who voted for and against.

3. Approval of Transaction. No conflicting interest transaction shall be voidable by an Owner or on behalf of the Association if:

- A. The facts about the conflicting interest transaction are disclosed to the Board, and a majority of the disinterested directors, even if less than a quorum, in good faith approves the conflicting interest transaction;
- B. The facts about the conflicting interest transaction are disclosed to the Owners entitled to vote on the matter, and the conflicting interest transaction is authorized in good faith by a vote of the Owners entitled to vote on the matter; or
- C. The conflicting interest transaction is fair to the Association.

4. Loans. No loans shall be made by the Association 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 Association for the amount of such loan until the repayment of the loan.

5. If the interested director fails to disclose the financial interest in violation of this resolution and of Colorado law, any contract entered into by the Association will be void and unenforceable. The interested director shall be responsible for any damages arising from the failure to disclose.

6. Each director may be required to sign an acknowledgment of this policy within 30 days of becoming a director, as set out below:

ACKNOWLEDGMENT OF CONFLICT OF INTEREST POLICY

I, _____, hereby acknowledge and confirm that I have read the Conflict of Interest Policy adopted _____ and agree to disclose any conflict of interest which may arise during my term as a director in compliance with the policy. I further acknowledge and agree that I will be responsible for any damage to the Association arising from my failure to disclose a conflict as required by the policy.

Dated this _____ day of _____, 200 ____.

Signature

Printed Name

V. COVENANT AND RULE ENFORCEMENT

1. Enforcement Procedure. The Board shall not impose fines unless and until the Association has sent or delivered written notice to the Owner as provided below. However, compliance with the notice and hearing procedure set forth below is not required for the following:

(i) late charges on delinquent assessments; (ii) suspension of voting rights if an Owner is shown on the Association's records to be delinquent in payment of assessments, in which case suspension shall be automatic; or (iii) legal action.

- A. Complaint. Any Owner within the Community may send the Association a formal, written complaint via either electronic mail or regular mail of a covenant or rule violation, with as much information as is known. Complaints may also be initiated by the Manager, any member of the Board of Directors or of the Architectural Control Committee. Complaints that cannot be independently verified by a Board member or the Association's management agent must be in writing. The Board shall have no obligation to consider oral complaints or anonymous complaints. The Board shall have the authority to determine whether a written complaint is justified before continuing with the Notice and Hearing Procedure.
- B. Notice of Alleged Violation. A Notice of Alleged Violation of any provisions of the Declaration, Bylaws, Rules and Regulations, or Resolutions shall be provided in writing to the applicable Owner as soon as reasonably practicable following the receipt of a complaint or discovery by the Board of such violation. The Board may also, at its option, provide a copy of such notice to any non-Owner violator. The notice shall describe the nature of the violation and the possible fine that may be imposed, the right to request a hearing before the Board to contest the violation or possible fine, and may further state that the Board may seek to protect its rights as they are specified in the governing legal documents. All notices shall be delivered by messenger or sent by regular first class mail, postage-prepaid.
- C. Request for Hearing. If an Owner desires a hearing to challenge or contest any alleged violation and possible fine, or to discuss any mitigating circumstances, the Owner must request such hearing, in writing, within 14 days of the date of the Notice of Alleged Violation. The request for

hearing shall describe the grounds and basis for challenging the alleged violation or the mitigating circumstances. In the event a proper and timely request for a hearing is not made as provided herein, the right to a hearing shall be deemed forever waived. If a hearing is not requested within the 14 day period, the Board shall determine if there was a violation based upon the information available to it, and if so, assess a reasonable fine as set forth in the fine schedule, within 30 days of the expiration of the 14 day period. The Board of Directors shall give written notice of said fine to the applicable Owner.

- D. Board of Directors to Conduct Hearing. The Board shall hear and decide cases set for hearing pursuant to the procedures set forth herein. The Board may appoint an officer or other Owner to act as the Presiding Officer at any of the hearings. The Board shall determine whether a violation exists and impose fines.
- E. Conflicts. Any Board member who is incapable of objective and disinterested consideration 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.
- F. Hearing. The Board shall inform the Owner of the scheduled time, place and date of the requested hearing by regular first class mail, postage-prepaid. The Presiding Officer may grant continuances for good cause. At the beginning of each hearing, the Presiding Officer shall establish a quorum, explain the rules, procedures and guidelines by which the hearing shall be conducted and shall introduce the case before the Board. The complaining parties and the Owner shall have the right, but not the obligation to be in attendance at the hearing. Each party may present evidence, testimony, and witnesses. The decision of the Board at each hearing shall be based on the matters set forth in the Notice of Alleged Violation and Hearing, Request for Hearing, and such evidence as may be presented at the hearing. Unless otherwise determined by the Board of Directors in accordance with the terms of the Colorado Common Interest Ownership Act, all hearings shall be open to attendance by all members of the Association. If a complaining party is unable to attend the Hearing, he or she may instead submit a letter to the Board explaining the basis of the complaint.

G. Decision. 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 fine, if applicable, within 30 days after the hearing. A decision, either a finding for or against the Owner, shall be by a majority vote of the Board of Directors or hearing body. The Board may also issue and record with the Clerk and Recorder, a Notice of Violation. Upon notice of satisfactory compliance with the Association's governing documents, the Notice of Violation may be released by the Association issuing and recording a Release of Notice of Violation.

2. Fine Schedule.

A. The following fines are guidelines for violation of the provisions of the Declaration, Bylaws, Rules and Regulations and Resolutions of the Association:

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|-----------------------------------|-----------------|
| First violation: | \$ 50.00 |
| Second violation: | \$100.00 |
| Third violation: | \$200.00 |
| Fourth and subsequent violations: | \$400.00 |
| Continuing violations: | \$10.00 per day |

The Board reserves the right to fine for first violations of rules that involve health and safety issues and other violations where a warning may not be deemed necessary by the Board in its reasonable discretion. Additionally, upon prior written notice, the Board reserves the right to levy fines in excess of the above referenced schedule, if the fines set forth in this schedule are not likely to provide effective incentives to induce compliance.

The Board may waive all, or any portion, of the fines if, in its reasonable discretion, such waiver is appropriate under the circumstances. Additionally, the Board may condition waiver of the entire fine, or any portion thereof, upon the violator coming into compliance with the Declaration, Bylaws or rules.

B. All fines shall be due and payable upon notice of the fine and will be late if not paid within 10 days of the date that the Owner is notified of the imposition of the fine. An interest charge of 8% shall be invoked, plus a late charge in accordance with the terms of the Collection policy. All fines and late charges shall be considered an assessment and may be collected as set forth in the Declaration. Fines shall be in addition to all other remedies available to the Association pursuant to the terms of the Declaration and Colorado law, including the Association's right to collect attorney fees as authorized by Colorado law.

3. Additional Enforcement Rights.

- A. Legal Action. The Association, at any time, may pursue legal action against an Owner to enforce the provisions of the Declaration, Bylaws, rules or resolutions without first following the preceding notice and hearing procedures, if the Board determines that such action is in the Association's best interests.
- B. Special Assessments. In addition to fines, the Board may levy a Special Assessment against any Owner and Owner's Lot for those purposes set forth in the Declaration, including for maintenance and repair caused by the willful or negligent act of an Owner or the Owner's family guests or tenants.
- C. Suspension of Right to Vote. The right of an Owner to vote shall be automatically suspended if the Owner is more than 10 days delinquent in payment of any assessment, fee, or other charge.
- D. Failure to Enforce. Failure of the Association to enforce the Declaration, Bylaws, rules and resolutions will not be deemed a waiver of the right to do so for any subsequent violations or of the right to enforce any of the above referenced governing documents for the Association.

VI. INVESTMENT OF RESERVES

1. Standard of Care. With regard to investment of reserve funds, directors and officers shall be subject to the standard of care outlined below. Officers, for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

- A. Each director and officer shall perform their duties regarding investment of reserves in good faith, in a manner the director or officer reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In the performance of their duties, a director or officer shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (i) one or more officers or employees of the Association whom the director or officer reasonably believes to be reliable and competent in the matters presented; (ii) legal counsel, professional property manager, public accountant, or other persons as to matters which the director or officer reasonably believes to be within such person's professional or expert competence; or (iii) a committee of the Association on which the director or officer does not serve if the director reasonably believes the committee merits confidence.

- B. A director or officer shall not be considered to be acting in good faith if the director or officer has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A director or officer shall not be liable to the Association or its members for any action the director or officer takes or omits to take as a director or officer if, in connection with such action or omission, the director or officer performs his duties in compliance with this policy. A director or officer, regardless of title, shall not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association.

2. Investment Vehicles. Reserves may be invested in certificates of deposit, money market deposit accounts, money market funds, U.S. treasury and government obligations, municipal bonds and other state obligations, and other investments pursuant to the Association's investment goals. No funds shall be deposited or invested except in authorized investment funds. All investments must be insured by FDIC, SIPC or comparable insurance.

3. Investment Goals. The reserve funds shall be invested to achieve the following goals, in descending order of importance.

- A. Promote and ensure the preservation of principal;
- B. Structure maturities to ensure liquidity and accessibility of funds for projected or unexpected expenditures;
- C. Mitigate the effects of interest rate volatility upon reserve assets;
- D. Seek the highest level of return that is consistent with preserving the principal and accumulated interest;
- E. Minimize investment costs.

4. Criteria. The Board may consider the following circumstances in investing reserve funds.

- A. General economic conditions.
- B. Possible effect of inflation or deflation.
- C. Expected tax consequences.
- D. Role that each investment plays in the overall investment portfolio,
- E. Other resources of the Association.

5. Review Authorization and Records.

- A. The Board of Directors shall establish the amount, if any, to be transferred to reserve funds on an annual basis.
- B. All accounts, instruments and other documentation of such investments shall be subject to the approval of, and may from time to time be amended

by, the Board of Directors as appropriate, and shall be reviewed at least once per year.

- C. The President, Treasurer or Manager, if authorized by the Board, shall be authorized and empowered to purchase, invest in, acquire, sell or assign any and all types and kinds of investments meeting the goals in paragraph 3; and to enter into agreements, contracts and arrangements with respect to such security transactions and to execute, sign or endorse agreements on behalf of the Association. To withdraw or transfer funds, the signature of two of the aforementioned persons shall be required.
- D. The Association's manager or other person designated by the Board shall maintain monthly statements, including detailed accounting of current values, income and all transactions.

6. Insurance. The Association shall carry fidelity insurance to protect against theft or dishonesty from anyone with access to the reserve funds.

VII. RECORDS INSPECTION

- 1. The Association shall maintain, at a minimum, the following records:
 - A. financial records sufficiently detailed to enable the Association to provide statements of unpaid assessments in accordance with the Colorado Common Interest Ownership Act;
 - B. minutes of membership meetings, minutes of Board meetings, a record of all actions taken by the members or Board by written ballot or written consent in lieu of a meeting, a record of all actions taken by a committee of the Board in place of the Board on behalf of the Association, and a record of all waivers of notices of meetings of members and of the Board or any committee of the Board;
 - C. a record of members in a form that permits preparation of a list of names and addresses of all members, showing the number of votes each member is entitled to vote ("Membership list");
 - D. the Articles of Incorporation, Declaration, Covenants, Bylaws, rules and regulations, and resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations, and obligations of members;
 - E. written communications within the past three years to members generally;
 - F. a list of the names and business or home addresses of its current directors and officers;

- G. its most recent annual report, if any; and
 - H. all financial audits or reviews conducted pursuant to the Colorado Common Interest Ownership Act during the immediate preceding three years;
2. Records shall be made reasonably available for inspection and copying by a member or the member's authorized agent. "Reasonably available" means available during normal business hours upon notice of 5 business days, to the extent that:
- A. the request is made in good faith and for a proper purpose;
 - B. the request describes with reasonable particularity the records sought and the purpose of the request; and
 - C. the records are relevant to the purpose of the request.
3. A Membership list may not be:
- A. used to solicit money or property unless such money or property will be used solely to solicit votes of the members in an election held by the Association;
 - B. used for any commercial purpose;
 - C. sold to or purchased by any person; or
 - D. used for any other purpose prohibited by law.
- Any member requesting a Membership list shall be required to sign an agreement indicating that he/she will not use the list for the purposes stated above.
4. Upon receipt of a request, the Association shall make an appointment with the Owner, at a time convenient to both parties, to conduct the inspection. Unless otherwise agreed, all records shall be inspected at a location that is mutually acceptable to the Owner and the Association's management agent. All appointments for inspection will be limited to two hours. If additional time is needed, another appointment will be made within two weeks, at a time convenient to the Owner and the Association's management agent.
5. At the discretion of the Board of Directors or Manager, records will be inspected only in the presence of a Board member, management company employee or other person designated by the Board.
6. During inspection, an Owner may designate pages to be copied with a paperclip, post-it note, or other means provided by the Association. Copies will be made at a cost

based on the standard schedule of fees charged by the Association's management agent, which charges shall include retrieval costs for off-site files. The Owner shall be responsible for paying the total copying cost prior to receiving the copies.

7. Records may not be removed from the office in which they are inspected without the express written consent of the Board.

8. The following records will not be available for inspection without the express written consent of the Board:

- A. documents which are privileged or confidential between attorney and client or which concern pending or imminent court proceedings;
- B. documents related to investigative proceedings concerning possible or actual criminal misconduct;
- C. documents which, if disclosed, would constitute an unwarranted invasion of individual privacy;
- D. documents which the Association is prohibited from disclosing to a third party as a matter of law; and
- E. inter-office memoranda, preliminary data, working papers and drafts, and general information or investigations which have not been formally approved by the Board.

9. i. The Association may pursue any Owner for damages or injunctive relief or both, including reasonable attorney fees, for abuse of inspection and copying rights, including use of any records for a purpose other than that stated in the Owner's request.

VIII. DISPUTE RESOLUTION

1. Disputes between Association and Owners Regarding Collection and Covenant and Rule Enforcement Matters. Disputes between the Association and Lot Owners regarding assessment collection matters and covenant and rule enforcement matters are addressed in the Collection policy and the Covenant and Rule Enforcement policy.

2. Disputes Between Residents. The Association encourages Owners or residents with disputes among themselves to resolve such disputes without court proceedings. The Association may take reasonable steps to facilitate negotiation or mediation between Owners and/or residents, but will have no responsibility for any costs incurred by the parties to the dispute resolution process. For any step in the dispute resolution process, the parties are not waiving their right to employ legal counsel at their own expense to assist them.

3. Required Dispute Resolution Procedure.

- A. Prior to filing a lawsuit against the Association, the Board, or any officer, director, or property manager of the Association, an Owner must request and attend a hearing with the Board of Directors. Any such request shall be in writing and shall be personally delivered to any member of the Board of Directors or the Association's property manager.
 - B. Upon receiving a request for a hearing, the Board shall give notice of the date, time and place of the hearing to the person requesting the hearing. The Board shall schedule this hearing for a date not less than 10 or more than 30 days from the date of receipt of the request.
 - C. The Owner, in such request and at the hearing, shall make a good faith effort to explain the grievance to the Board and resolve the dispute in an amicable fashion, and shall give the Board a reasonable opportunity to address the Owner's grievance.
 - D. If the dispute cannot be resolved, the parties may utilize the discretionary mediation procedure set forth below, but shall not be required to do so.
4. Discretionary Dispute Resolution Procedures. The procedures set forth below may be used in disputes between Owners and residents. At its discretion, the Board may utilize the procedures set forth below to resolve disputes with Owners prior to filing litigation.
- A. Negotiation. A request for dispute resolution by negotiation may be initiated by an Owner or the Association. Any such request shall be in writing stating the nature and details of the dispute and shall be personally delivered to the other party. So long as the other party agrees to negotiate, a meeting shall be held between the parties to begin a good faith attempt to negotiate a resolution not less than 10 or more than 30 days of receipt of such request, unless otherwise extended by written agreement. Through negotiation, the parties will communicate directly with each other in an effort to reach an agreement that serves the interests of both parties. Should the dispute pertain to property issues, each party will be granted the right to inspect the alleged defects or problems at a time convenient to everyone involved.
 - B. Mediation. If the dispute is not resolved by negotiation, any party may request in writing that the issue be submitted to mediation. If the parties agree to mediate the dispute prior to seeking other remedies, they shall participate in good faith in the mediation. The role of the mediator is to facilitate further negotiation between the parties. The mediator will not have power to decide how to resolve the dispute but will use recognized, accepted mediation techniques to assist the parties in making that decision. The mediator shall be selected by a consensus of the parties involved within 15 days of the receipt of the request. Any cost of mediation will be

shared equally among the parties unless they and the mediator agree otherwise.

IX. LOT USAGE AND MAINTENANCE

- a. Creede Haven No. 2, Block E Lot 15 and Creede Haven No. 3, Block G Lot 32 will be for the use of Lot Owners (and their guests, as long as a member of the Lot Owner's family is present) between 8:00a.m. and 10:00p.m. No artificial lighting will be permitted. No sound amplification or speaker systems of any kind will be permitted except for individual systems with ear plugs or head phones. No loud or continuous noise which would disturb other Owners will be permitted. Violating these conditions shall result in action against the Owner as set out above,
- b. The Board is solely responsible for any improvements to the Common Area and all improvements must be approved by the ARB. The Board will be responsible for irrigation in accordance with the any applicable augmentation plan, and care and maintenance of the common area, and will keep it clean, safe, good repair and aesthetically pleasing. Access to the well and pump house with adequate room to maneuver for repairs & maintenance has been granted to Navajo Development Co. Inc. or their successors, including but not limited to Deep Creek Water and Sanitation District, who will be responsible to maintain the well house and related equipment in good repair. Mountain Valley Estates may irrigate .125 acre on Creede Haven 2, Lot 15, Block E.
- c. No temporary structure, excavation, basement, or construction trailer shall be permitted within any Lot or Common Area except as may be necessary during construction of approved improvements or as authorized by the Board. No trailer or recreational vehicle shall be used as a residence on any Lot, except for: (1) usage by guests on a short-term basis (no more than three weeks per year) in a trailer or recreational vehicle owned by Lot Owner, and only after the residence has been completed or (2) only by a Lot Owner during the construction of the single family residence. Only those structures approved by the ARB may be constructed on any Lot.
- d. The owner of each Lot shall, at their own expense, keep and maintain that portion of the easement within their own property line at all times in clean and neat condition, and neither erect nor permit the erection of any building, structure or storage of any kind within said easement which might interfere in any way with the proper maintenance, use, operation, repair, construction or patrol of any utility service located therein.
- e. Any building or improvement which has been damaged by fire or other casualty causing the same to be unsightly shall be repaired or removed within one year from the date of such casualty.
- f. No sound shall be emitted from any Lot after 10:00 p.m. or at other times which is unusually loud or annoying, however, this section shall not apply to any reasonable, usual noise or other activity involving construction of any improvements approved by the ARB

between 7:00 a.m. and 10:00 p.m.; and no odor shall be emitted from any Lot which is noxious or offensive to others.

g. No activities shall be conducted on any Lot, and no improvements shall be constructed on any Lot which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged; fireworks, bows and arrows, explosives, air or pellet guns, paint ball guns, sling shots or any similar device shall be used in the community. No open fires shall be lighted or permitted within any Lot except in a contained barbecue unit while attended and in use for cooking purposes or except in a safe and well-designed interior fireplace or approved fire pit. Firewood must be stacked neatly behind a structure within one week of arriving on the property.

h. No lot shall be used for the purpose of mining, quarrying, drilling, boring, exploring for, or removing water, oil, gas, other hydrocarbons, minerals, rocks, stones, gravel, or earth.

i. The Board will maintain a current list of noxious weeds in the area. If a listed noxious weed is present on a Lot the Lot owner will remove it in the proscribed manner set forth by the Board within two weeks upon notification by the Board or the Board may remove it at the owner's expense. In order to reduce the fire hazard each lot will be cut grasses to a height no more than 4" every fall.

j. The burning of refuse out of doors shall not be permitted. No incinerators or other devices for burning of refuse indoors shall be constructed, nor shall any wood stove be used for that purpose. During construction all scrap material and trash must be placed in a covered trash receptacle, a 6 yd trash dumpster for a manufactured home or a roll off for stick construction. When the 6 yd lid will not close it must be dumped. The roll off or lid-less 6 yd trash dumpster must be loaded in a way that prevents wind from blowing materials.

k. Parking passenger vehicles with current licenses for highway use on any lot is permitted only within parking spaces constructed pursuant to plans submitted and approved by the ARB. Only guest parking shall be permitted upon platted streets of the subdivision. Other vehicles and all articles and implements, including without limitation tractors, campers not mounted on pickup trucks, snow removal equipment, snowmobiles, unlicensed motorcycles, and maintenance equipment, shall be parked or stored on the Lot only in an approved enclosed structure. The above may not be parked on the streets. Snowmobiles, ATVs, motorcycles and boats maybe stored outside an enclosed structure if they are mounted on top of a "street legal" licensed trailer within the designated approved graveled parking area. There maybe only two trailers of any type stored in the parking area.

l. Except for a brief warning bark when a person approaches the Lot, no dogs shall be allowed to bark, whine or otherwise make noise which disturbs those on nearby lots. No dog shall be allowed to growl or act in a vicious or threatening manner unless the

owner is in emanate physical danger, to fight another dog or dogs, to harass, threaten, injure or kill livestock, wildlife, a pet or other animal. The dog owner and the lot owner are jointly and severally responsible.

m. All animals shall be kept confined to the Owners lot or attached to a leash or other suitable control device at all times. The owner of any animal and/or the Owner of any lot which the animal is visiting, including contractors shall at all times be personally liable and responsible for all actions of such animal and any damage caused by such animal.

n. No agricultural activity shall be undertaken for any business or commercial purpose and no animals, livestock or poultry of any kind shall be raised, bred or kept upon any lot in the subdivision for business or commercial purposes.

o. No unlawful use may be made of the Property; Unit Owners shall comply with and conform to all applicable laws and regulations of the United States and of the State of Colorado and all ordinances, rules and regulations of the County of Mineral. The violating Unit Owner shall hold harmless the Association and other Unit Owners from all fines, penalties, costs and prosecutions for any violation or noncompliance.

X. ARCHITECTURAL CONTROLS

a. All Lot Owners shall submit to the ARB for approval a specification sheet stating the type, materials, and colors of all exterior surfaces to include but not limited to windows, doors, siding, exposed stem wall, if any, trim, roof, for house, garage, fences, storage sheds. The ARB reserves the right to receive sample of any of these items prior to final approval. Any exposed foundation materials must be veneered, stained or painted as approved.

b. Any changes made to any approved aspects of a structure during construction or repair & maintenance including exterior colors at any subsequent time must be approved in writing by the ARB.

c. All buildings shall have a pleasing appearance in harmony with the natural features of the surrounding environs. No bright colors or other construction techniques which would unnecessarily call attention to the buildings and detract from the environs will be permitted.

d. Exterior wall colors should be natural warm earth colors. Complimentary bright or dramatic colors may be used as accent and then only sparingly. The roof shall not be reflective.

e. When the foundation is backfilled prior to framing or setting of manufactured home, the entire Lot will be scrapped clean and smooth and all rocks removed from the Lot unless the rocks are part of an already approved landscape plan.

f. At the same time as back filling the foundation, the parking area and driveway designated on the sketch plan provided to the ARB will be covered with no less than 2” of gravel over the entire designated area. The Lot owner will maintain at least 2” of gravel at all times. If the Lot owner fails to do so the Board may do so at the Lot owner’s expense. All vehicles and construction equipment must be parked on the graveled surfaces except while being actively used in the construction process.

g. If the exterior of the house is completed from May to August 1st, the entire lot will be raked and cleared of any rocks larger than 1” on the surface, unless the rocks are part of the approved ARB landscape plan. If the exterior of the house is not completed by August 1st, the Lot Owner will have until May of the following year to comply with this provision. The Lot Owner will keep all weeds cut to less than 4” tall until the grass is established on the entire Lot.

h. The Lot Owner is responsible to plant low grow grass mix supplied by the Board in the following manner and establish coverage to 70% of the surface area. After clearing the Lot of all rocks larger than 1”, the low grow native seed mix supplied by the Association will be generously broadcast on the entire Lot, then raked and incorporated into the soil. The entire Lot should be irrigated with the sprinkler to bind the seed to the soil and prevent the seeds from blowing away. The seeds should be watered daily during the first year of planting. Due to water regulations, they can only be watered for the first year. Seed, caster, rake, hose and sprinkler are available from the Board if requested at least 48 hours in advance.

i. No building may exceed 26 feet in height from the ground measured from the ground’s highest elevation along the foundation. The ARB requires only one-story construction with roof slope between 5/12 and 12/12. Dormer windows are permitted, and living space under the roof line and dormers is allowed.

j. Manufactured Homes built to IRC and HUD Code shall be permitted by the ARB but only to the extent such conforms to the building criteria in this Declaration. All structures but especially those in Block B must conform to height restrictions imposed by the Mineral County Airport. Starting at the boundary fence (North of Emperious Drive) there is 1 one foot vertical height permitted for each 7 seven feet horizontal. The ARB may grant an exemption on the roof design in Block B because of this restriction. No variance will be granted in Block B of Creede Haven 2 for the Mineral County rear set-back requirement, due to the location of the water line.

k. No owner or other person shall interfere with or redirect the natural course of any water drainage and runoff so as to cause an unnatural flow onto or across the land of another.

l. All construction, reconstruction, alterations, painting or improvements shall be prosecuted diligently to completion and shall be completed within twelve months of the commencement thereof, unless an exception is granted by the Board for good cause. No construction material may be stored on the lot, unless it is for an approved project.

m. Outdoor lighting maybe used to light outdoor use areas, patios, decks only when they are in use from 6Am to 10PM. Only “Complete Cut-Off Shielded” lighting shall be used therefore exterior lighting shall not be installed where its direct source is visible from above or off the lot unless the bulb is 25 watts or less. Exterior lighting shall be incandescent light except colored lighting used for Holiday decoration. Blinking, flashing and lights changing intensity prohibited except for Holiday lighting (December and first week of January only).

n. All TV and internet dishes will be mounted on the side of the house furthest from view from the street, unless the Lot Owner receives a written exception from the ARB.

o. No mercury vapor or similar lighting shall be allowed. No lights maybe higher than the eaves.

p. Each Lot Owner is responsible to contact the ARB in order to determine if the owner must install a 24’ X 18” culvert. The culvert is to be maintained in good condition and free of blockage. If the Lot owner fails to do so the Board may do so at the Lot owner’s expense.

q. The Owner may also construct one garage or shed attached to or within ten (10) feet of the residence, provided said garage is constructed of suitable material and design so as to be aesthetically compatible with the dwelling and approved by the ARB. The Lot owner may purchase an adjoining Lot for the purpose of constructing a garage with the condition that that lot is combined with the lot where the house was previously constructed. The lots will be combined in the assessor’s office and become as one and may not be separated at any time in the future. A garage may not be constructed on an individual lot unless it is combined with a previously constructed house on the same or joined lot. The lots must be combined before the construction of the garage may be started. The garage must be esthetically identical or complementary in design and material to the existing house and must be approved by the ARB. The combined lots will pay all Board, water & sewer bills as if they were two separate lots.

r. Items that may be stored outside include: firewood stacked neatly after a maximum of one week after arriving on the Lot, bicycles stored in the rear of buildings, BBQ, approved fire pit, children’s toys (which will be arranged in a limited space at least once a week), and patio furniture designed for outside use.

s. An Owner may purchase two lots and combine them into one lot with the above restrictions and build one house and garage that conform to the county setbacks as though it was only one lot.

t. Fences, walls and barrier devices may be used for privacy and screening purposes within the building site, but must be incorporated into the total residential structural design; The ARB shall review the design, appropriateness, size, materials, color and construction of all fences in relation to the proposed residence and its neighboring sites.

No fence may be constructed on any easement. White plastic privacy fences will not be permitted, recommend color is tan. They must be maintained in good condition, if not the Board reserves the right to do so at the owners expense.

u. During construction all residential units must have a street number sign located at the intersection of the driveway entry and the street. Upon completion of the exterior of the house, the street number sign must either remain at the intersection of the driveway entry and the street or be installed on the house, with the numbers at least three inches in height and visible from the street. Any light source must be shielded from view off the property. Signs shall be a minimum of one square foot and a maximum of four square feet and will identify the street number and may identify the lot owner. The only exception would be a standard size real estate sign advertising property for sale.

v. Wood Burning devices: The maximum number of wood burning devices per lot shall be two. Such wood burning devices shall be designed to reduce polluting emissions. All stoves shall comply with Colorado Regulation No. 4 of the Colorado Air Quality Control Commission. All fireplaces shall be Rumford Masonry fireplaces, or equivalent. All stoves and fireplaces, including make, model, outside chimney design, material, color and cap design, shall be approved by the ARB.

w. Connection to sewer mains may only be done after the Tap fees have been paid to Deep Creek and the City of Creede and a Waiver and Release of Liability for the City of Creede has been signed and Notarized (The Release of Liability for the City of Creede runs with the land after the original Tap. All subsequent owners of the house are bound by the waiver but do not have to sign it.) When Deep Creek has been notified in writing by the City of Creede that Tap Fees have been paid, the Deep Creek Tap Fees have been paid, and the waiver received, the sewer tap may proceed. Deep Creek Water and Sanitation District is only a sewer collection facility. The City of Creede actually processes the affluent. The majority of the sewer Tap and Development Fee goes directly to the City of Creede. Sewer Service lines shall be installed as shown in Detail contained here in. The materials and installation must be approved by Deep Creek Water and Sanitation before it is covered. Notice of installation must be given to Deep Creek Water and Sanitation District 48 weekday hours prior to installation., and a utility locate must be obtained before digging to tap into either the water or sewer lines. Soil in this area is Class C therefore extreme care must be taken with trenching and OSHA standards must be followed. Because of the depth of the sewer main it is recommended that the tap be completed and the service line is installed prior to foundation work. The lot owner is responsible for repair and maintenance of the sewer service line including the tap.

If it can be proven that a Lot Owner or their occupant entered any material into the system which is illegal to put in sewer lines by OSHA or CDPHE, they will be responsible for all repairs and fines from Deep Creek, City of Creede or State of Colorado. If the Lot Owner or their occupants put any solid material into the sewer system not normally expected which causes harm to the main or lift station pumps the Lot owner will be responsible for all expenses to repair.

A Water Tap Fee must be paid to Deep Creek Water and Sanitation District or assigns prior to connection to water system. Lot Owner is responsible for the repair and maintenance of the water service line from the curb stop to the home. Deep Creek Water and Sanitation District or assigns must be notified 48 week day hours prior to installation. Deep Creek Water and Sanitation District or assigns may cut water to a house at the curb stop if a leak is determined to be in the service line or in the house

x. Dormers can be used to add interest and maximize upper floor space. They can be of a shed, gable or hip form. Swooped dormers are not permitted. Dormers can be placed at the roof eave or within the field of the roof.

y. Gambrel roof design and barn shape are prohibited.

z. All utilities shall be located underground with exception of Propane tanks, Meter Pedestals for SLVREC, and telephone pedestals.

aa. The appearance of every lot governed hereby shall be maintained in a neat and attractive manner.

bb. All vegetation on the lot will be kept less than 4” tall for neatness and fire protection unless the vegetation is a tree, part of approved landscape plan, or is within the 180 sq. ft. irrigation plot. A weed whacker, goggles and ear protection are available from the Board if requested at least 48 hours in advance.

cc. No exterior walls shall consist of sheet metal, T-111 or similar material, composition shingles, or unplastered cement or similar block or any other material deemed unsuitable by the ARB.

dd. No Lot Owner may operate any Fire Hydrant. Any damage caused by such use to distributions lines, lot owner service lines, appliances or residences will be at the expense of the Lot Owner responsible for such unauthorized use.

XI. ARCHITECTURAL REVIEW BOARD APPLICATION

a. No Single family residence, building or improvement shall be commenced, constructed, erected or maintained upon any lot, nor shall exterior addition, change or alteration including colors be made, until the plans and specifications have been submitted to the ARB in accordance with the attached “Checklist.” Approval shall constitute a set of plans signed and dated by the ARB, as well as an Approval letter. A copy of the checklist must also be given to each Lot Owner’s builder prior to starting any construction.

b. No improvements of any kind will be permitted on a Lot without the following procedure being completed: four (4) copies of all written material requested on the attached check list and, if requested by the ARB, one set of sample building material

shall be submitted to the ARB. The ARB will send a letter confirming all required materials have been received. The ARB will have up to 45 days from the date of that letter to respond to the application (which time period may be extended if the ARB has asked for additional information, if necessary). Failure to do so will mean the plans are approved. Any changes after approval is granted prior to construction or during construction or subsequent maintenance and repairs to any exterior aspects, including but not limited to structure(s), location, parking area, colors, or fences must be approved in writing by the ARB.

c. Upon receipt of all the required items the ARB will immediately send a letter to the lot owner confirming all material has been received thus starting the 45 day clock for a written response or the plans are automatically approved. Any failure of the ARB to act shall not be deemed a waiver of any right to withhold approval or consent for a similar proposal submitted in the future.

XII. ARCHITECTURAL REVIEW BOARD COMPOSITION AND AUTHORITY

a. The ARB shall consist of three persons. The Declarant, Navajo Development Co., Inc., shall have the right to appoint and reappoint the members until 75% of the Units have been conveyed to the first Unit Owner thereof (other than Declarant). In addition, Declarant may terminate its right of appointment by providing written notice to the Board. Thereafter members shall be appointed by the Board for three year terms (except terms for the initial ARB appointed by the Board shall be one year for one member and two years for one member and three years for one member). All members appointed by the Board to the ARB must be Owners and shall not be entitled to any compensation for their service. Any restrictions imposed by the ARB shall apply to all Units.

b. The decision of the ARB shall be made within forty-five (45) days after receipt of all materials and plans required to be submitted to the ARB. The decision shall be in writing and, if the decision is not to approve a proposed improvement, the reasons therefor shall be stated. The decision shall be promptly mailed to the applicant at the address furnished by the applicant. A majority vote of the ARB shall constitute action by the ARB. In the event of a tie vote, the request shall be treated as having been denied.

c. The ARB shall have the right to disapprove any application which is not suitable or desirable for aesthetic or other reasons, and the ARB shall have the right to take into consideration the suitability of the proposed improvement, the materials of which it is to be built, the color, the site upon which it is proposed to erect the same, the harmony thereof with the surroundings, the topography of the land, the effect of the proposed improvement on adjacent or neighboring property, and if the improvement is in accordance with all of the provisions and intent of this Declaration, the Basic Specifications set forth in Section J. herein below, and any design guidelines to be adopted under Section K. hereinafter set forth. The application may be rejected if the plans and specifications submitted are incomplete. The ARB may condition its approval of any application upon such terms, conditions and changes as the ARB may deem appropriate.

d. If the ARB denies approval of a proposed improvement, the applicant may appeal to the Board by giving written notice of such appeal to the Board within ten (10) days after such denial. The Board shall hear the appeal with reasonable promptness after reasonable notice of such hearing to the applicant and the ARB and shall decide, with reasonable promptness, whether or not the request shall be approved. The decision of the Board shall be final and binding upon all parties.

e. In the event the ARB is not properly formed or ceases to exist, all functions of the ARB shall be taken over by the Board.

f. If the Board or ARB finds that any improvement has been done without obtaining the necessary approval under this Article, or was not done in compliance with the plans and specifications furnished by the applicant, the applicant shall be notified in writing of the noncompliance. Upon receipt of said notice, the applicant shall remedy or remove the improvement or portion which is in noncompliance within fifteen (15) days of the date the written notice of noncompliance was mailed. The applicant may appeal a notice of noncompliance within ten (10) days of the mailing of the notice by filing a written request for review with the Board. Upon receipt of said written notice of review, the Board shall decide as soon as reasonably possible whether there has been noncompliance, with the decision of the Board being binding on all parties. In reviewing the matter, the Board may review any information it deems pertinent and request that any additional materials be supplied for its review.

g. In the event the applicant or any Owner fails to remedy any noncompliance, the Board may take any and all steps it deems necessary to effectuate such a remedy or to remove the noncompliance including all rights under law. The Board may remove the noncomplying improvement from the property and assess the costs of removal against the Owner. In addition, the Board may, at its discretion, levy a fine or individual Assessment against said Owner for all costs and expenses incurred, including reasonable attorneys' fees in the matter or in the removal of any noncomplying improvement.

h. No member of the ARB, nor any member of the Board nor the Declarant shall be liable for any loss, damage or injury arising out of or in any way connected with the performance of the duties of the ARB or Board unless it be due to the willful misconduct or bad faith of the party to be held liable. In reviewing any matter, the ARB shall not be responsible for reviewing, nor shall its approval of an improvement or plan be deemed approval from the standpoint of safety, or imply that said improvement is in conformance with building codes or other governmental laws or regulations.

XIII. WATER

a. Paragraph 26 of the Findings of Fact, Conclusions of Law and Decree entered on October 12, 2004 by the District Court, Water Division No. 3 provides as follows:

For Creede Haven Nos. 2-5, the Applicant shall establish a homeowners association or other appropriate organization which shall be responsible for ensuring that no more than the 0.25 acres of lawn in Creede Haven No. 2 and two trees per lot in Creede Haven Nos. 2-5 are watered unless the homeowners association or individual homeowners obtain additional augmentation water from a source and in an amount acceptable to the division engineer. The homeowners association shall designate a point of contact and alternate point of contact for the Division Engineer and Water Commissioner to contact in the event it becomes necessary to enforce the terms of this paragraph regarding lawn and tree watering. The rules and regulations of the homeowners association shall require compliance with the terms of this paragraph and expressly require all unit owners to refrain from watering lawns, shrubs and gardens other than as provided in this paragraph. The rules and regulations shall further provide for a fine of one hundred dollars (\$100) per day of violation of the terms of this paragraph.

b. In the event of a violation of the terms of paragraph 26 of the Findings of Fact, Conclusions of Law and Decree entered on October 12, 2004 by the District Court, Water Division No. 3 by any Owner, the Owner shall be fined \$100.00 per day for each day the violation continues.

c. Each Owner may irrigate no more than two trees or one tree and 180 square feet of grass, shrubs or flowers. The time of irrigation shall be limited to 30 minutes per day. Any Owner violating this rule shall be fined \$100 per day for each day the violation continues and that Owner shall be required to install a totalizing flowmeter in the line serving the Owner's unit, at Owners expense. Thereafter, the Association may, upon notifying the Owner, read the flowmeter and record the reading. If the total amount used by any unit in Mountain Valley Estates in a twelve month period exceeds 96,700 gallons, the Owner shall be fined \$5.00 for each excess gallon. Owner will also install a proper backflow device if a sprinkler system is installed. Any plumbing connection which requires a back flow device must be approved by the ARB and shall be subject to annual inspection.

d. If Owner obtained water rights from a third party to do additional outside watering, Owner must provide written proof of the water right to the Association. Owner must also install a water meter on the water line in the street easement outside the property line, provide the annual usage reading from the meter to the Association, and provide inspection access to the Association to ensure that the meter works properly.

e. The point of contact for the Division Engineer, until further notice, shall be:

John H. Parker, II
Navajo Development Co., Inc.
2043 S. Washington St.
Denver, CO 80210

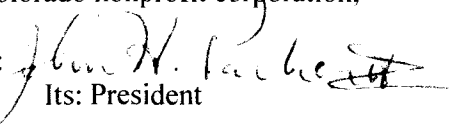
f. Any questions relating to water from an Owner shall be addressed, in writing, to:

John H. Parker, II
Navajo Development Co., Inc.
2043 S. Washington St.
Denver, CO 80210


IN WITNESS WHEREOF, the undersigned certify that the foregoing Rules and Regulations, and Responsible Governance Policies and Procedures have been adopted by resolution of the Board of Directors of the Association 5th day of September, 2007.

**MOUNTAIN VALLEY ESTATES PROPERTY OWNERS
ASSOCIATION, INC.**

a Colorado nonprofit corporation,

BY: 
Its: President

ATTEST:

By: 
Secretary