

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY REGARDING COLLECTION OF UNPAID ASSESSMENTS**

The Policy of Sky Legend at Cotton Ranch Association ("Association") with respect to unpaid Assessments is set forth in Article 7 of the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration"). All terms not otherwise defined in this Policy shall be as defined in the Declaration.

Section 7.7 of the Declaration provides that if any installment of annual or special Assessments shall not be paid within 15 days after it is due, then the Executive Board may assess a late charge on the installment in the amount of 15% of the amount outstanding or such other charge as the Executive Board may fix by rule from time to time to cover the expenses involved in handling such delinquent Assessment installment. Section 4.12.8 confirms the authority of the Executive Board to enforce this late charge..

Section 7.8 of the Declaration provides that all fines or expenses for which an Owner is liable shall become liens against the Owner's Unit. Notice of the amount and due date of such default Assessment shall be sent to the Owner at least 30 days prior to the due date.

Section 7.9 of the Declaration states that the annual, special, transfer and default Assessments (including installments of the Assessments) arising under the provisions of the Declaration (together with any and all interest, costs, late charges, expenses, and reasonable attorneys' fees, including legal assistants' fees) shall be burdens running with, and a perpetual lien in favor of the Association upon, the specific Unit to which such Assessments apply. Such lien attaches without notice at the beginning of the first day of any period for which any Assessment is levied.

Section 7.10 of the Declaration provides that if any annual, special, transfer or default Assessment (or any installment of the Assessment) is not fully paid within 30 days after the same becomes due and payable, then as often as the same may happen, (i) interest shall accrue at the Maximum Rate on the amount of the Assessment which was not paid within such 30-day period or on the amount of Assessment in default, (ii) the Association may declare due and payable all unpaid monthly or other installments of the annual Assessment or any special Assessment otherwise due during the fiscal year during which such default occurred, (iii) the Association may thereafter bring an action at law or in equity, or both, against any Owner personally obligated to pay the same, and (iv) the Association may proceed to foreclose its lien against the particular Unit in the manner and form provided by Colorado law for foreclosure of real estate mortgages.

Section 4.12 of the Bylaws of the Association authorizes the Executive Board to enforce these Policies regarding assessments.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado governing the existing Policy on unpaid Assessments:

1. Collection Process.

- A. After an installment of an annual Assessment or other amount due to the Association becomes more than **fifteen (15)** days delinquent, the Association or Manager for the Association may assess a late charge in the amount of fifteen percent (15%) of the outstanding amount or such other charge as the Executive Board may fix from time to time. The Association or Manager may, but shall not be obligated to, send a written notice ("Notice") of non-payment, specifying the amount past due, that late fees have accrued and that request is made for immediate payment.
- B. After an installment of an annual Assessment or other amount due to the Association becomes more than **thirty (30)** days delinquent, the Association or Manager for the Association may start assessing interest to the delinquent Owner at the Maximum Rate. The Association or Manager may send a Notice of non-payment, specifying the amount past due, that late fees and/or interest have accrued and that request is made for immediate payment.
- C. After an installment of an annual Assessment or other amount due to the Association becomes more than **sixty (60)** days delinquent, the Association or Manager may send a Notice of non-payment, specifying the amount past due, that late fees and/or interest have accrued, that the Association intends to turn the account over to Association's attorney and that request is made for immediate payment.
- D. After an installment of an annual Assessment or other amount due to the Association becomes more than **ninety (90)** days delinquent, the Association or Manager may turn the account over to the Association's attorney for collection. The attorney, in consultation with the Association's Manager and/or the Executive Board, is authorized to take whatever action is necessary and determined to be in the best interests of the Association to collect all delinquent amounts, including sending a letter to the delinquent Owner demanding immediate payment for past due Assessments or other charges due and filing a lien. The Association's attorney may also file a lawsuit. After an account has been referred to an attorney, the

account shall remain with the attorney until the account is settled, has a zero balance or is written off. The attorney is to consult with the Association as necessary to determine if payment has been arranged or what collection procedures are appropriate. If a judgment or decree is obtained, including without limitation a foreclosure action, such judgment or decree shall include reasonable attorney's fees together with the cost of the action and any applicable interest and late fees.

The following is a summary of the dates applicable in the collection process:

Due Date (date payment due)	First day of the month or quarter (as applicable)
First Notice (notice that late charges have accrued)	15 Days after Due Date
Second Notice (notice that late charges and/or interest have accrued)	30 Days after Due Date
Third Notice (notice that late charges and/or interest have accrued; notice of intent to turn over to attorney for collection)	60 Days after Due Date
Delinquent account may be turned over to Association's attorney for collection	90 Days after Due Date

2. Return Check Charges. In addition to any and all charges imposed under the Declaration or other governing documents of the Association, any Owner whose check or other instrument of payment for amounts owing to the Association is not honored by the Owner's bank or is returned for any reason whatsoever, including insufficient funds, shall be charged the amount of \$25.00 or such other amount as the Executive Board may determine from time to time. This returned check charge shall be due and payable immediately, upon demand. If two or more of an Owner's checks are returned unpaid by the bank within any fiscal year of the Association, then the Association may require that all of the Owner's future payments, for a period of one (1) year, be made by certified check or money order. The Association shall also be entitled to any additional remedies as may be provided for in the Declaration, the other documents governing the Association or by law.

3. Waiver of Compliance. The Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association shall determine appropriate under the circumstances. The Executive Board may deviate from the procedures set forth in this Policy, if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
4. Defenses. Failure of the Association to comply with any provision in this Policy shall not be deemed a defense to payment of Assessments or other charges, late charges, return check charges, attorney's fees and/or costs as described and imposed by this Policy.
5. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b) (I).

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY ON HANDLING CONFLICTS OF INTEREST
INVOLVING MEMBERS OF THE EXECUTIVE BOARD**

The following sets forth the Policy on handling conflicts of interest involving members of the Executive Board of the Sky Legend at Cotton Ranch Association ("Association"). All terms not otherwise defined in this Policy shall be as defined in the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration"). In accordance with Section 4.11 of the Bylaws of the Association, the Executive Board has the powers and duties necessary for the administration of the Association. The Executive Board may do all such acts and things which are not specifically required to be done by the members of the Association by law, the Declaration, the Articles of Incorporation, or the Bylaws. All Directors on the Executive Board shall exercise their powers and duties in good faith and in the best interest of the Association. All Directors on the Executive Board shall comply with all lawful provisions of the Declaration and the Association's Articles, Bylaws, and Rules and Regulations.

1. Definition of Conflicting Interest Transaction. A "Conflicting Interest Transaction" is defined as a contract, transaction, or other financial relationship between the Association and a Director on the Executive Board, or between the Association and a party related to a Director, or between the Association and an entity in which a Director of the Association is a director or officer or has a financial interest. 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 beneficial interest.
2. No 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 thereof.
3. Consequence of Conflicting Interest Transaction. 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 Association, solely because the Conflicting Interest Transaction involves a Director of the Association or party related to a Director or an entity in which a Director of the Association 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 Association's Executive Board or of the committee of the Executive Board 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 Executive Board or the committee, and the Executive Board 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 Association.

Common or interested Directors may be counted in determining the presence of a quorum at a meeting of the Executive Board or of a committee which authorizes, approves, or ratifies the Conflicting Interest Transaction.

- 4. Conformance to C.R.S. Section 7-128-501. The foregoing Sections 1, 2 and 3 are specifically intended to conform to the terms of C.R.S. Section 7-128-501 (regarding Corporations), which is deemed to apply to the Association per C.R.S. Section 38-33.3-310,5 (the Common Interest Ownership Act). If at any time, C.R.S. Section 7-128-501 is modified but still applies by virtue of C.R.S. Section 38-33.3-310.5, then this Policy shall be deemed to be automatically modified to reflect any such change to C.R.S. Section 7-128-501.
- 5. Practical Application. If a Director becomes aware of a potential Conflicting Interest Transaction, the Conflicting Interest Transaction and the material facts thereof shall be verbally disclosed in open session at the first open meeting of the Executive Board or members of the Association at which the interested Director is present prior to any discussion or vote on the matter. The minutes of the meeting shall reflect the disclosure made, the approval or disapproval of the Conflicting Interest Transaction, the abstention of the Director from voting if applicable, the composition of the quorum and the voting record.
- 6. Code of Ethics. In addition to the above, each Director and the Executive Board as a whole shall adhere to the following Code of Ethics:
 - A. No Director shall use his position for private gain, including for the purpose of enhancement of his financial status through the use of certain contractors or suppliers.
 - B. No contributions will be made to any political parties or political candidates by the Association.
 - C. No Director shall solicit or accept, directly or indirectly, any gifts, gratuity, favor,

- entertainment, loan or any other thing of monetary value from a seeking to obtain contractual or other business or financial relations with the Association.
- D. No Director shall accept a gift or favor made with intent of influencing a decision or action on any Association matter.
 - E. No Director shall receive any compensation from the Association for acting as a volunteer.
 - F. No Director shall willingly misrepresent facts to the members of the Association for the sole purpose of advancing a personal cause or influencing the members to place pressure on the Executive Board to advance a personal cause.
 - G. No Director shall interfere with a contractor engaged by the Association - while a contract is in progress.
 - H. No Director shall harass, threaten, or attempt through any means to control or instill fear in any member, Director or agent of the Association.
 - I. No promise shall be made by any Director to any subcontractor, supplier, or contractor during negotiations on any matter not approved by the Executive Board as a whole.
 - J. Any Director convicted of a felony shall automatically be deemed to have resigned from his position.
 - K. Language and decorum at Executive Board meetings will be held to a professional level. Personal attacks against Owners, residents, managers, service providers and Directors are prohibited and are not consistent with the best interest of the community.
7. Supplement to Governing Documents and Law. The provisions of this Policy shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado governing the Association.
 8. Waiver of Compliance. The Executive Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
 9. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(II).

**SKY LEGEND AT COTTON RANCH
ASSOCIATION POLICY REGARDING
CONDUCT OF MEETINGS**

The Policy of the Sky Legend at Cotton Ranch Association ("Association") with respect to membership, meetings, voting, quorum and proxies of the Association members is set forth in Article 3 of the Bylaws of Sky Legend at Cotton Ranch Association ("Bylaws"), and the Policy of the Association with respect to meetings of the Executive Board is set forth in Article 4 of the Bylaws. Such Articles provide for, among other things, the timing of, notice for, requirement of quorum, voting at, and proxies for such meetings.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration"), Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado with respect the existing Policy on conduct of meetings (all terms not otherwise defined in this Policy shall be as defined in the Declaration or the Bylaws, as applicable):

1. Notice of Association Meetings. In addition to any notice required in the Bylaws of the Association or required by Colorado law, notice of any meeting of the members of the Association (stating the time, place and items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws, any budget changes and any proposal to remove an officer or Director) shall be physically posted in a conspicuous location within Sky Legend at Cotton Ranch prior to such meeting, but only to the extent that such posting is feasible and practicable or required by law. To the extent that an Owner has delivered an electronic mail address to the Manager or other party as required by the Association, the Owner has requested notice of meetings by this method, and the Association elects to use or is required by law to use electronic mail for Association purposes, such Owner will also receive an electronic mail notice of any regular or special meeting at least twenty-four (24) hours in advance of the meeting or such other time as may be required by law. Finally, to the extent the Association has a website, notice of Association meetings shall be posted on the website.
2. Rules of Conduct Applicable to Member and Executive Board Meetings. Notwithstanding any provision in the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association to the contrary, and except as otherwise provided by law, all meetings are open to Owners, or to any person designated by an Owner in writing as the Owner's representative (provided such

designation is presented to the Secretary of the Association or the Secretary's designee). All member and Executive Board meetings shall be governed by the following general rules of conduct and order:

- A. The President of the Association or the President's designee will act as the chairperson (the "Chair") for all member and Executive Board meetings.
 - B. The Chair may conduct member and Executive Board meetings in accordance with Roberts Rules of Order, as revised, or establish such additional rules of order as may be necessary from time to time.
 - C. Anyone wishing to speak must first be recognized by the Chair.
 - D. Only one person may speak at a time.
 - E. Each person who speaks shall first state his or her name and address.
 - F. Any person who is represented at the meeting by another person, as indicated by a written instrument, will be permitted to have such person speak for him.
 - G. Those addressing the meeting shall be permitted to speak without interruption as long as the Association rules and this Policy are followed.
 - H. Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting, Comments are to be relevant to the purpose of the meeting.
 - I. Each person shall be given up to a maximum of three minutes to make a statement or to ask questions. Such time limit may be increased or decreased by the Chair, but shall be uniform for all persons addressing the meeting. The Executive Board may decide whether or not to answer questions at that time. Each person may only speak once. Yielding of time by a speaker to another individual shall not be permitted.
 - J. All actions and/or decisions will require a first and second motion.
 - K. Once a vote has been taken, there will be no further discussion regarding that topic.
 - L. So as to allow for and encourage full discussion, no meeting may be recorded by audio, video or other means. Minutes of actions taken shall be kept by the Association.
 - M. Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order." Anyone who does not come to order will be requested to immediately leave the meeting.
3. Rules of Conduct Specifically Applicable to Member Meetings.
- A. All Owners and persons who attend a meeting of the Owners will sign in, present any proxies and receive ballots as appropriate (see section below regarding voting).
 - B. If requested by the Executive Board, the Chair or any person having authority at the meeting, any person desiring to speak at the meeting shall sign up on the list

provided at check in and indicate if he is for or against an agenda item.

4. Voting at Association Meetings. All votes taken at member meetings shall be taken as follows:

- A. Votes for contested positions on the Executive Board shall be conducted by secret ballot. Votes shall also be made by secret ballot on any matter affecting the common interest community on which all Owners are entitled to vote at the discretion of the Executive Board or upon request of twenty percent (20%) of the Owners who are present at the meeting or represented by proxy, if a quorum has been achieved.
 - B. If any issue is being voted by secret ballot, each Owner entitled to vote pursuant to the Bylaws shall receive a ballot. The ballot shall contain no identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the Secretary of the Association or the Secretary's designee, the Owner shall receive a secret ballot to cast the vote of the Owner who provided the proxy. The proxy shall be kept and retained by the Association.
 - C. Written ballots shall be counted by a neutral third party or by a committee of volunteers. Such volunteers shall be Owners who are selected or appointed at an open meeting, in a fair manner, by the Chair or another person presiding during that portion of the meeting. The volunteers shall not be members of the Executive Board and, in the case of a contested election for an Executive Board position, shall not be candidates. The individual(s) counting the ballots shall report the results of the vote to the Chair by indicating how many votes were cast for each individual or how many votes were cast in favor and against any issue. The results of a vote taken by secret ballot shall be reported without reference to the names, addresses or other identifying information of Owners participating in such vote.
 - D. All other votes taken at a meeting of the Owners shall be taken in such method as determined by the Executive Board including acclamation, by hand, by voice or by ballot, unless otherwise required by law.
5. Rules of Conduct Specifically Applicable to Executive Board Meetings. Meetings of the Executive Board of Directors of the Association shall be called pursuant to the Bylaws of the Association. Agendas for meetings of the Executive Board shall be made reasonably available for examination by all members of the Association or their representatives. All Executive Board meetings shall be governed by the following rules of conduct and order:
- A. All persons who attend a meeting of the Executive Board shall be required to sign in, listing their name and address.
 - B. At an appropriate time during a meeting as determined by the Executive Board,

but before the Executive Board votes on an issue under discussion, Owners or their designated representatives shall be permitted to speak regarding that issue. The Executive Board may place reasonable time restrictions on persons speaking during the meeting. If more than one person desires to address an issue and there are opposing views, the Executive Board shall provide for a reasonable number of persons to speak on each side of the issue. If requested by the Executive Board, the Chair or any person having authority at the meeting, any Owner wishing to speak shall so indicate so at the time of sign in.

- C. The Executive Board may hold an executive or closed door session and may restrict attendance to Executive Board members and such other persons requested by the Executive Board during a regular or specially announced meeting or a part thereof. The matters to be discussed at such an executive session shall include only those matters permitted by law to be discussed at an executive session.
- 6. Waiver of Compliance. The Executive Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
- 7. Amendment. This Policy may be amended at any time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(III).

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY REGARDING ENFORCEMENT OF COVENANTS
AND RULES AND REGULATIONS**

The Policy of the Sky Legend at Cotton Ranch Association ("Association") with respect to enforcement of Association Documents (defined in Section 2.6 of the Declaration of Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception No. 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration")) as: the Declaration, the Articles of Incorporation of the Association, the Bylaws of the Association and any procedures, rules, regulations, or policies relating to the Association adopted under such documents by the Association or the Executive Board) is set forth in Section 5.12 of the Declaration. All terms not otherwise defined in this Policy shall be as defined in the Declaration.

Section 5.12 of the Declaration provides that the Association or any aggrieved Owner may take judicial action against any Owner to enforce compliance with the rule and regulations of the Association and with the other provisions of the Association Documents to obtain damages for noncompliance or for injunctive relief, or both, all to the extent permitted by law. In addition, at its own initiative or upon the written request of any Owner and subject to the hearing procedures set forth in Section 4.14 of the Bylaws (except for parking violations and rules that require an immediate remedy), the Association may provide for enforcement of the Association Documents through reasonable and uniformly applied fines and penalties, through exclusion of violators from the Common Area or from enjoyment of any Functions, or otherwise.

The Executive Board is granted the power and duty to administer and enforce the provisions of the Declaration in Section 4.12 of the Bylaws of the Association. The Board is required to follow the hearing procedures set forth in Section 4.14 of the Bylaws prior to imposing a fine, suspending voting or other rights for violations.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Policies of the Association and the laws of the State of Colorado governing the existing Policy on enforcing covenants and rules:

1. Reporting Violations. Complaints regarding alleged violations may be reported by the Manager, an Owner, or a tenant by submission of a written complaint to the Association's Manager or the Executive Board.
2. Complaints. The complaining Manager, Owner or tenant shall have observed the alleged violation, identify the alleged violator, and set forth a statement describing the alleged violation, when the alleged violation was observed and any other pertinent information. Complaints which are not in writing or fail to include any information required by this

provision may not be investigated or prosecuted; it is left to discretion of the Executive Board.

3. Fine Schedule. In accordance with the authority granted in Section 4.14(b) of the Declaration, the following fine schedule has been adopted for all recurring covenant violations:

First Violation	\$50 fine that is void if compliant within 10 days of receipt of the first violation letter
Second violation (of same covenant or rule)	\$100 fine
Third violation (of same covenant or rule)	\$500 fine
Fourth and subsequent violations (of same covenant or rule)	\$500 fine

Fourth and subsequent covenant violations may be turned over to the Association's attorney to take appropriate legal action. Any Owner committing three or more violations in a six month period (whether such violations are of the same covenant or different covenants) may be immediately turned over to the Association's attorney for appropriate legal action.

4. Waiver of Fines. The Executive Board may waive all, or any portion, of the fines discretion, such waiver is appropriate under the circumstances. Additionally, the Executive Board may condition waiver of the entire fine, or any portion thereof, upon the violator coming into and staying in compliance with the Declaration, the rules or other documents governing the Association.
5. Other Enforcement Means. The fine schedule and enforcement process is adopted in addition to all other enforcement means which are available to the Association through its Declaration, Bylaws, Articles of Incorporation, rules, and Colorado law. The use of this process does not preclude the Association from using any other enforcement means.
6. Waiver of Compliance. The Executive Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
7. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(IV).

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY REGARDING INSPECTION AND COPYING
OF ASSOCIATION RECORDS**

The Policy of the Association with respect to rights to inspect and copy Association records is set forth in Section 5.7 of the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration") and Section 12.1 of the Bylaws of the Association. All terms not otherwise defined in this Policy shall be as defined in the Declaration. The foregoing provisions provide that the books and records of the Association shall be available for inspection during convenient weekday business hours by the Owners and their lenders or authorized agents, and to holders, insurers or guarantors of First Mortgages at the principal office of the Association, where copies may be purchased at reasonable cost.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado with respect to the existing Policy on inspection and copying of, Association records:

1. Inspection/Copying Association Records. An Owner or his/her authorized agent is entitled to inspect and copy any of the books and records of the Association, subject to the exclusions, conditions and requirements set forth below:
 - A. The inspection and/or copying of the records of the Association shall be at the Owner's expense.
 - B. The Owner shall give the Association's Manager a written demand, stating the purpose for which the inspection and/or copying is sought, at least **five (5) calendar days** before the date on which the Owner wishes to inspect and/or copy such records. Except as provided in Section 7.13 of the Declaration and in Section 12.2 of the Bylaws relating to requests for a statement of account for a specific Unit (which shall be delivered within **fourteen (14) calendar days** of notice), if necessary, the Association shall have until the next regularly scheduled member meeting to make the records available if the meeting occurs within **thirty (30) days** after the request.
 - C. The Association reserves the right to have a third party present to observe during any inspection of record by an Owner or the Owner's representative.
 - D. No Owner shall remove any original book or record of the Association from the place of inspection nor shall any Owner alter, destroy or mark in any manner, any original book or record of the Association.

2. Proper Purpose/Limitation. Without the consent of the Executive Board, Association records shall not be used by any Owner for:
 - A. any purpose unrelated to an Owner's interest as an Owner;
 - B. 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;
 - C. any commercial purpose;
 - D. the purpose of giving, selling, or distributing such Association records to any person; or
 - E. any improper purpose as determined in the sole discretion of the Executive Board.

Documents that are privileged, confidential or containing personal information that would result in an invasion of privacy if distributed shall NOT be available for inspection and/or copying.

3. Fees/Costs. Any Owner requesting copies of Association records shall be responsible for all actual costs incurred by the Association, which have been determined to be \$.20 per page for copies and \$30.00 per hour to search, retrieve, and copy the record(s) requested. For copy requests estimated to be over \$25.00, the Association may require a deposit equal to the anticipated actual cost of the requested records. Failure to pay the deposit shall be valid grounds for denying an Owner copies of such records. If after payment of the deposit it is determined that the actual cost was more than the deposit, the Owner shall pay such amount prior to delivery of the copies. If after payment of the deposit it is determined that the actual cost was less than the deposit, the difference shall be returned to the Owner with the copies. There shall be no cost to any Owner accessing records which are required to be disclosed by Colorado law at no cost to Owners.
4. Creation of Records. Nothing contained in this Policy shall be construed to require the Association to create records that do not exist or compile records in a particular format or order.
5. Waiver of Compliance. The Executive Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
6. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(V).

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY REGARDING INVESTMENT OF RESERVE FUNDS**

The Policy of the Association with respect to reserves is set forth in Section 7.3 of the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration"), which provides that the Executive Board may within its discretion apply surplus funds remaining after payment of Common Expenses to reserves. All terms not otherwise defined in this Policy shall be as defined in the Declaration.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado with respect to the existing Policy on reserve funds:

1. Purpose of the Reserve Fund. The purpose of the reserve fund shall be to responsibly fund and finance the projected repair and replacement of the Common Area for which the Association is responsible. In order to properly maintain such areas which are the responsibility of the Association, to comply with state statutes, to manage reserve funds, and to protect the market value of Owners' Units, the Executive Board determines that it is necessary to have Policies and procedures for the investment of reserve funds.
2. Investment of Reserves. The Executive Board of the Association shall invest funds held in the reserve account(s) to generate revenue that will accrue to the accounts' balances pursuant to the following goals, criteria and Policies:
 - A. to promote and ensure the preservation of the reserve accounts' principal;
 - B. to structure maturities to ensure availability of assets for projected or unexpected expenditures;
 - C. to minimize investment costs (redemption fees, commissions, and other transactional costs);
 - D. to mitigate the effects of interest rate volatility upon reserve assets; and
 - E. to seek a high rate of return within the boundaries of the Association's risk tolerance.

Unless otherwise approved by the Executive Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured and/or guaranteed by the United States Government. The Executive Board may hire a qualified investment counselor to assist in formulating a specific investment strategy. The Executive Board shall review reserve

account investments periodically to ensure that the funds are receiving competitive yields and shall make prudent adjustments as needed.

3. Standards. In accordance with C.R.S. Section 38-33.3-303(2)(b) (2.5), for so long as such statute is in force, with regard to the investment of reserve funds of the Association, the Directors on and officers of the Executive Board shall be subject to the standards set forth in C.R.S. Section 7-128-401, which generally say that the Directors and officers shall discharge their responsibilities 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 interest of the Association.
4. Waiver of Compliance. The Executive Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
5. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(VI).

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY REGARDING PROCEDURES FOR THE ADOPTION AND AMENDMENT
OF POLICIES, PROCEDURES AND RULES**

The Policy of the Association with respect to the adoption, amendment and enforcement of rules and regulations is set forth in Section 5.2 of the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration") and Section 4.12.2 of the Bylaws of Sky Legend at Cotton Ranch Association ("Bylaws"). All terms not otherwise defined in this Policy shall be as defined in the Declaration.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado with respect to the existing Policy on procedures for adopting and amending Association Policies, procedures and rules:

1. Policy for Adoption or Amendment of Policies, Procedures, Rules and Regulations. The Executive Board of the Association may, from time to time, adopt certain Policies, procedures, rules and regulations as may be necessary to facilitate the efficient operation and governance of the Association, including the clarification of ambiguous provisions in the Declaration, Bylaws, or other documents, or as may be required by law.

The Executive Board shall consider the following in drafting or amending any Policies, procedures, rules or regulations:

- A. whether the Association Documents or Colorado law grants the Executive Board the authority;
- B. the need for such proposed Policies, procedures, rules or regulations based upon the scope and importance of the issue and whether the governing documents adequately address the issue;
- C. the immediate and long-term impact and implications; and
- D. whether such Policies, procedures, rules or regulations are controversial or subjective in its terms so as to benefit from or require Owner notice and hearing prior to adoption.

If the Executive Board determines in its reasonable discretion that no Owner notice and hearing is beneficial or necessary for the adoption or amendment of Policies (such as a

Policy created specifically in response to a requirement set forth in or a change to the Act or other statute or regulation), procedures, rules or regulations, then the Executive Board shall be entitled to adopt or amend the same by meeting or written action as more fully described in the Bylaws. In all cases, the draft Policies, procedures, rules or regulations shall be placed on an Executive Board agenda for review at a regular or special Executive Board meeting. Copies of the proposed item shall be made available to any Owner or its representative(s) prior to or at the Executive Board meeting. Comments may be communicated in writing prior to the meeting or at the designated time during the Executive Board meeting. The Executive Board is expressly authorized to forego any notice and hearing for Owners if the Executive Board determines in its sole discretion that providing notice and hearing is not practical given the emergency nature of the matter. The actions of the Executive Board in adopting or amending Policies, procedures, rules and regulations shall be deemed final so long as the Executive Board is acting in good faith, and treatment of all Owners or within classes of Owners under the Policies is consistent.

If the Executive Board determines in its reasonable discretion that it will provide to Owners advance notice and opportunity to be heard at a meeting with respect to the adoption or amendment of any Policies, procedures, rules or regulations, then the Executive Board will follow the notice procedures for member meetings as set forth in the Bylaws.

2. Notice to Owners. Upon adoption or amendment of any Policies, procedures, rules or regulations, a copy of the same shall be mailed, or otherwise delivered to Owners by any reasonable method as determined by the Executive Board in its sole discretion, including but not limited to posting on the Association's website or with the next mailing to all Owners for any purpose.
3. Policies, Procedures, Rules and Regulations to be Maintained with Association Records. The Executive Board shall keep copies of any and all adopted Policies, procedures, rules and regulations and label them as such in the records of the Association for review and copying by Owners. The Executive Board may from time to time categorize documents and matters as Policies, procedures, rules and regulations but shall not be required to do so.
4. Waiver of Compliance. The Executive Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
5. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(VII).

**SKY LEGEND AT COTTON RANCH ASSOCIATION
POLICY REGARDING PROCEDURES FOR ADDRESSING DISPUTES,
INCLUDING THOSE BETWEEN THE ASSOCIATION AND OWNERS**

The Policy of the Association with respect to dispute resolution, including disputes between the Association and Owners, is set forth in Article 21 of the Declaration for Sky Legend at Cotton Ranch recorded on April 12, 2005 at Reception Number 911878 in the Office of the Clerk and Recorder of Eagle County, Colorado ("Declaration"). Article 21 contains the procedures mandated when parties are unable to resolve disputes through the normal course of business and communications. Such Article provides for notice of the dispute, rights of inspection, good faith negotiation, mediation and arbitration if mediation is not successful. Reference is made to Article 21 for the detailed Policy of the Association on dispute resolution.

The following provisions shall be in addition to and in supplement of the terms and provisions of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, and Policies of the Association and the laws of the State of Colorado with respect to the existing Policy on dispute resolution:

1. Waiver of Compliance. The Executive Board may deviate from the procedures set-forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances and permitted by law.
2. Amendment. This Policy may be amended from time to time by the Executive Board in accordance with the procedures established by the Executive Board for amending Policies.

The foregoing Policy satisfies the requirements of C.R.S. Section 38-33.3-209.5(b)(VIII) and Section 38-33.3-124(b).