

**RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES  
FOR  
TMVRC OWNERS' ASSOCIATION, INC.  
(Effective as of July, 2018)**

FOR PURPOSES of complying with the responsible governance provisions of the Colorado Common Interest Ownership Act, C.R.S. §38-33.3-101, *et seq.* (the “**Act**”), the following policies and procedures (the “**Policies and Procedures**”) shall govern the addressed matters for the TMVRC OWNERS' ASSOCIATION, INC. (the “**Association**”) and have been adopted by the Association's Board of Directors (the “**Board**”). Any capitalized terms not defined herein shall have the same meaning as in the controlling documents (the “**Community Documents**”) of the Telluride Mountain Village Resort Condominiums, a condominium common interest community (the “**Community**”).

**1. Collection of Unpaid Assessments**

(a) Unpaid Assessments (“**Unpaid Assessments**”) shall be deemed to include, but are not limited to, past due payments for Common Expenses, Special Assessments, Special Individual Assessments and any other charge, fine, penalty, interest or fee attributable to a Unit and/or Owner. Unpaid Assessments shall accrue interest at a rate of 1.5% per month, compounded monthly on the previous month's balance of total amounts owed (the “**Interest Assessments**”). Interest Assessments shall begin to accrue on the day following the date that the Unpaid Assessments payment became due, regardless of whether such date is a Saturday, Sunday or legal holiday. In addition to Interest Assessments accruing upon Unpaid Assessments, a late charge of \$50.00 shall be assessed on any Unpaid Assessments amounts not paid when due (the “**Late Charge**”).

(b) After any Unpaid Assessment becomes 30 days past due, the Board may (but need not) direct a letter to be sent to the Owner responsible for the Unpaid Assessment, setting forth the amounts due to date, including accrued Interest Assessments and any Late Charges (collectively, the “**Unpaid Charges**”), and demanding payment thereof.

(c) If Unpaid Assessments are not paid within 60 days after the date they become due (irrespective of any further notice), then the Board may elect, at its option, to pursue all legal means available to collect the Unpaid Charges including, without limitation, collection/foreclosure procedures.

(d) Prior to any foreclosure action against a Unit, the Board on behalf of the Association shall comply with the requirements of § 38-33.3-316(11) of the Act.

(e) In collecting Unpaid Charges, the Board, on behalf of the Association, shall comply with the requirements of § 38-33.3-316.3 of the Act.

(f) The Board may elect, at any time after an Owner's Unpaid Assessments become more than 60 days past due, to enter into an escrow agreement with the holder of any mortgage on the Unit subject to the Unpaid Charges to combine the entire amount of the Unpaid Charges with the Owner's mortgage payment, pursuant to §38-33.3-315(7) of the Act.

(g) Other provisions regarding the collection of Unpaid Assessments may be contained in the Rules and Regulations of the Association, and/or in a specific policy or policies adapted by the Board.

## **2. Procedures for Owner-Created Costs**

The Board reserves the right to assess and seek reimbursement (without commencing legal proceedings), as a Special Individual Assessment, from any Owner inflicting extraordinary legal, accounting, and/or maintenance fees upon the Association (“**Owner-Created Costs**”). The amount of such Special Individual Assessment for Owner-Created Costs shall be determined by the Board and shall consist of a reasonable fine, collection costs, attorney fees, and other costs, as permitted under the Act and/or the pertinent Association and community documents. To the extent that an Owner asserts that an Owner-Created Cost resulted from violations of nonmonetary covenants, restrictions or other obligations - and is not related to Owner requests or directions or other similar actions - the Owner shall have the right to receive written notice from the Association and have an opportunity to be heard pursuant to the Rules and Regulations of the Association.

## **3. Conflicts of Interest Involving Board Members**

Directors serving on the Board shall adhere to the provisions of the Act, the Colorado Revised Nonprofit Corporation Act (the “**Nonprofit Act**”), and specifically those set forth in C.R.S. §7-128-501 as required by §38-33.3-310.5 of the Act governing conflicts of interest involving board directors and the Community Documents (the “**CCIOA Conflicts Regulations**”). In adopting these policies and procedures regarding Director conflicts of interests, the Board hereby states and confirms its desire and intention to ensure that Directors use their good business sense in exercising efforts to further and pursue the economic well-being and financial interests of the Unit Owners, the Association and/or the Community as a whole.

## **4. Conduct of Meetings**

The provisions of Part 2 of Article 128 of the Nonprofit Act shall govern procedures for meetings of the Association and of the Board. In the event that these provisions of the Nonprofit Act do not provide adequate direction, then the most recent edition of Roberts Rules of Order shall control.

## **5. Inspection and Copying of Association Records**

The provisions of §38-33.3-317 of the Act shall govern inspection and copying of Association records by and/or on behalf of Owners.

## **6. Investment of Reserve Funds**

Any reserve funds approved by the Board and collected by means of Assessments (including Special Assessments and/or Special Individual Assessments), or otherwise, shall be deposited in an interest-bearing account and administered at the discretion of the Board, subject to applicable requirements of the Community Documents, the Act and applicable tax and/or other laws/regulations. All of the foregoing shall be undertaken so as to ensure, to the best of the Board’s ability, that no adverse income or other tax consequences result to the Association and/or its Members.

Proof of deposit in such account and a schedule of interest accrual shall be made available to any Owner pursuant to the procedures for Inspection and Copying of Association Records identified in Paragraph 5 above.

**7. Adoption and Amendment of Policies, Procedures and Rules**

Amendments to these Policies and Procedures may be appropriate and/or desired and/or necessary from time-to-time. Any such amendments shall be undertaken and adopted by the Board, subject to any applicable requirements of the Community Documents and/or the Act.

**8. Disputes Arising Between the Association and Owners**

In the event of any dispute between the Association and an Owner, for which a method, policy, or procedure to address such dispute is not otherwise provided by the Community Documents (and, specifically, not with respect to (i) disputes involving payment of Association assessments which do not otherwise require notice and the opportunity to be heard under the Act or (ii) emergency or similar circumstances requiring immediate relief), neither party shall be permitted to file or pursue any formal judicial proceedings before first submitting the matter to a Hearing process provided in the Rules and Regulations of the Association.

**9. Reserve Study Policy**

At least annually, the Board shall make a determination as to (i) whether to have a reserve study prepared for the portions of the portions of the Community maintained, repaired, replaced, and/or improved by the Association, and (ii) the timing for such a reserve study, if any. In the event that the Board determines a reserve study is necessary, such reserve study may be (i) performed by an outside consultant or may be prepared internally; and (ii) based on a physical examination of the Community, a financial analysis, or both, all as determined by the Board (in its sole and absolute discretion). The Board may update, supplement or amend a previously conducted reserve study.

In the event that the Board determines a reserve study or update thereof is necessary, the Board also shall establish a plan for funding any work recommended by such reserve study (or any portion thereof deemed appropriate by the Board). In doing so, the Board (in its sole and absolute discretion) may consider funding for any such work to come from any or all of the following sources: (i) cash then on hand, including the Association’s operating and/or reserve accounts; (ii) Annual Assessments; (iii) Special Assessments; (iv) loans obtained by the Association; (v) any additional source as determined by the Board; and/or (vi) any combination of the foregoing.

**10. Year End Excess Fund Balance Tax Treatment**

On the first day of any Association fiscal year, should funds and/or positive account balances remain in any Association accounts that derive from the previous fiscal year’s operations, those funds shall be deemed to be “*unrestricted fund balances,*” and shall be so classified and treated for all federal, state and/or other income tax purposes. Further, all Association “*reserve,*” “*capital*” and/or similar accounts shall at all times be deemed to be “*unrestricted fund balances,*” and shall be so classified and treated for all federal, state and/or other income tax purposes.

**11. Mandatory Arbitration of Disputes**

Any Owner having a dispute with the Association must first enter into binding arbitration proceedings with the Association in order to seek a resolution of the dispute prior to the filing of any lawsuit. Arbitration shall be conducted in San Miguel County, Colorado, in accordance with the rules and regulations established by the American Arbitration Association and shall be governed by the laws

of the State of Colorado. In no event shall an Owner have the right to commence a lawsuit against the Association prior to receiving a written ruling from an arbiter through the binding arbitration process described herein.

## **12. Reporting of Maintenance Issues**

Should any Owner discover that any portion of the Community requires maintenance or repair, the Owner shall inform the designated Maintenance Manager, who will then bring the issue to the attention of the Board. No Owner shall undertake any repairs or maintenance to the Community, except for those repairs or maintenance to his or her Unit as permitted by the Community Documents or engage a third party to perform any repairs or maintenance, without written permission from the Board.

## **13. Emergency Key Policy**

The Board shall keep a copy of the entrance keys (“**Emergency Keys**”) to all Units within the Community for the express purpose of accessing the Unit(s) in case of emergency, which shall include, but not be limited to, tire safety issues (including fire alarm tests) and plumbing and/or water issues. The Community Maintenance Manager shall maintain the Emergency Keys at the offsite office, and the Board and its Directors shall have the authority to access the Emergency Keys in the event of an emergency. The Board and its Directors shall use their best, good faith efforts to (1) use the Emergency Keys as minimally as possible; and (2) notify, prior to usage, the Owner(s) that the Emergency Keys will be used for access into the Unit(s), with the understanding that such notice may not always be possible and/or practical in the event of an emergency.