

RULES OF CEDAR HEIGHTS COMMUNITY ASSOCIATION, INC.

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Revised April 14, 2009

RULES OF CEDAR HEIGHTS COMMUNITY ASSOCIATION, INC.

1. Assessment Collection Rule:

- 1.1 Common Assessments (sometimes called dues or maintenance fees) and the quarterly Special Road Fund Assessment, if any, are due and payable the first day of each calendar quarter (the Due Date), are delinquent if not paid within 30 days of the due date (this 30-day period shall be the “grace period”), and incur a late charge and bear interest as stated below. The Association shall send to owners, at least 30 days before the first quarterly assessment is due, a notice setting forth the Assessments and due dates for the year. The Association shall also send out quarterly invoices for Common Assessments and the quarterly Special Road Fund Assessment to property owners at least 15 days before the first date of each calendar quarter. Notices and invoices are mailed to the current mailing address on file with the Association. It is the owner’s responsibility to keep the Association informed of any address changes. Assessments are due on the scheduled date regardless of whether the invoice was received by the owner.
- 1.2 Special Assessment(s) other than the quarterly Special Road Fund Assessment are due and payable on the date or dates specified in the invoice(s) for the Special Assessment(s). Such Special Assessment(s) shall be delinquent if not paid within the grace period for such Special Assessment(s). The grace period for such Special Assessment(s) shall be a 30-day period measured from the due date of the Special Assessment(s).
- 1.3 Upon expiration of the grace period for either Common Assessments or Special Assessments, a “Past Due Notice” shall be sent. The “Past Due Notice” shall include a one-time late charge of \$10.00, applicable to that particular assessment unless such late charge is otherwise waived by the Board for cause.
- 1.4 If payment of the total amount due is not received within 15 days of the date of the “Past Due Notice”, a “Notice of Default” shall be sent to the property owner. The “Notice of Default” shall indicate that interest shall accrue and be payable at the rate of 8 percent per annum, retroactive from the due date, on any amount(s) in arrears beyond 10 days after the date of the “Notice of Default.”
- 1.5 The “Notice of Default” shall state that the dues and/or Special Assessment payment(s) is/are delinquent, that the owner has incurred a late charge, and that interest will begin accruing as outlined in paragraph 1.4. The “Notice of Default” shall further state that if payment of the total amount owed is not received within 20 days from the date of the “Notice of Default, legal proceedings for collections may commence. Before any legal action may begin, the owner must be notified by letter outlining the possible legal actions, including but not limited to turning the account over to the Association’s legal counsel or some other designated agent for collection, and that the property owner shall be responsible for the costs of collection and legal fees incurred by the Association. The letter shall state that failure to cure the default may result in foreclosure of the lien.

- 1.6 The Association may attempt to settle any outstanding payment issues through personal contact, if possible, with the Member. At any time prior to the 20-day period set forth in the "Notice of Default," the Association, through its Treasurer or its designated agent(s), may, subject to approval by the Board of Directors, enter into a payment plan agreed to in writing by the property owner. In the absence of such agreed-upon payment plan, the Association shall pursue other remedies, including but not limited to turning the matter over to the Association's legal counsel or some other designated agent for collection, the costs of which shall be borne by the property owner.
- 1.7 From the time the matter is turned over to legal counsel or some other designated agent for collection, the owner must communicate only with the law firm or the designated collection agency to pay or settle the account. In addition to the dues and/or assessment amount(s) in arrears, the owner must pay all late charges, interest, costs of collection, and legal fees incurred by the Association.
- 1.8 A property owner's payment of less than the full amount owed to the Association at any time shall be applied to pay the following (if applicable) in the order listed, from the oldest to most recent in each category:
- 1.8 (a) Attorney fees and legal costs and other costs of collection
 - 1.8 (b) Association costs and expenses
 - 1.8 (c) Late charges
 - 1.8 (d) Interest
 - 1.8 (e) Fines (if applicable)
 - 1.8 (f) Common Assessments
 - 1.8 (g) Special Assessments
- 1.9 Where a payment is received that is designated as payment for a particular quarter, it shall be applied first to past due amounts in the order listed in paragraph 1.8 above, regardless as to the designation on the payment.
- 1.10 The Association does not accept checks containing restrictive endorsements. If the Association negotiates a check containing a restrictive endorsement, the restrictive endorsement shall be deemed to be of no affect unless the Association subsequently affirms the restriction in writing.

2. Procedures for Adopting and Amending Rules:

- 2.1 After due consideration, the Board will draft or cause to be drafted proposed rules and/or revisions of the rules (“proposed rules”) for the Board’s proposed rulemaking.
- 2.2 The Board will cause notice of the proposed rulemaking and copies of the proposed rules or revisions to be announced via the website, newsletter, CHCA e-mail list, or other means of communication no less than 14 days prior to the Board meeting at which the Board will consider adoption of the proposed rules.
- 2.3 The notice of rulemaking will both request owners’ written comments on the proposed rules to the address specified in the notice, to be received no less than 2 days prior to the proposed rule-making meeting of the Board, and the owners’ personal oral comments to the Board at the rule-making meeting of the Board at the specified time, date, and place of meeting.
- 2.4 At its rule-making meeting, the Board will reasonably consider the owners’ written and oral comments on the proposed rules. After the Board has considered the owners’ comments, the Board will act upon the proposed rules upon proper motion, second, and discussion by the Board members only (and any others only as specifically requested by the Board) to adopt, reject, amend, or otherwise act upon the proposed rules, including, among other normal procedures of the Board, to adjourn the meeting from day to day or as otherwise specified by the Board.
- 2.5 Upon adoption of the final rules, as the rules may be amended by the Board, the Board shall mail by regular first class mail or hand deliver the rules as adopted to the owners at their addresses of record with the Association.
- 2.6 The date of adoption of the Rules or revisions shall be annotated on the front page of the Rules. The rules or any revisions shall become effective the date of passage unless otherwise noted.
- 2.7 The Association shall maintain the current, effective rules in an orderly manner so that owners and Board members may readily access the rules.

3. Enforcement of Governing Documents and Dispute Resolution Rule:

- 3.1 The Association shall be diligent in the enforcement of the governing documents consisting of the Declaration, Articles of Incorporation, Bylaws, and Rules. Some formal resolutions of the Board and resolutions of the Members, maintained in the minutes of the Association, may be considered governing documents. As stated in the governing documents, reasonable enforcement is intended to maintain the values of all the property in the community and to make the community a desirable place to live. The objective of the Association is to be fair, firm, and consistent in its enforcement.
- 3.2 This rule will not apply to situations where the Board of Directors determines that an emergency or other circumstance exists that justify immediate enforcement or remedial action.
- 3.3 Regardless of the language of the Association's governing documents, Federal and Colorado state law state that the governing documents are superseded by the following:
 - 3.3 (a) Flags no larger than 4 feet by 6 feet may be displayed on their property, in windows, or on homes and installed on flagpoles of no greater height than 12 feet.
 - 3.3 (b) Owner(s) or occupant(s) may display on the inside of their windows or doors a service flag (sometimes called blue star or gold star banner) of no more than 20 inches by 30 inches indicating the military service of a member of the owner's or occupant's immediate family during a time of war or armed conflict.
 - 3.3 (c) Owner(s) or occupant(s) may display one political sign on their property or in their window for each contested election and ballot issue from 45 days before through 7 days after an election. Each sign shall be no larger than 6 square feet.
 - 3.3 (d) A member of a volunteer fire department, and owner(s) or occupant(s) whose emergency service provider employer (as defined in Colorado Revised Statutes) requires such vehicle access, may park an emergency vehicle bearing an official emblem and weighing less than 10,000 pounds on the common interest community when it does not bar emergency access or other owners', occupants' or guests' reasonable use of streets.
 - 3.3 (e) Owner(s) may remove trees and shrubs around the home for fire prevention purposes if the removal complies with a written defensible space plan created by a governmental entity.
 - 3.3 (f) Owner(s) may replace cedar shake shingles with nonflammable shingles.
 - 3.3 (g) The governing documents cannot prohibit or limit xeriscape or require turf grass only or primarily.
 - 3.3 (h) The Association shall not enforce covenants against the owners during a period of water restrictions when the lawns have died as a result of water restrictions if the owners are complying with the restrictions.
 - 3.3 (i) Installation of Over the Air Reception Devices (antennae) is permitted under the federal Telecommunications Act of 1996 subject to restrictions in the Act and the Association's right to impose reasonable restrictions on such installations.
 - 3.3 (j) Installation of renewable energy generation devices or energy efficiency measures is permitted under C.R.S. 38-30-168 subject to the restrictions in the Statute and the Association's right to impose reasonable restrictions on such installations.
 - 3.3 (k) Amendments to existing law or new laws that are enacted from time to time.

- 3.4 If an Owner, or any Related User as that term is defined in the Declaration of Covenants, Conditions, Restrictions and Easements (including but not limited to residents, tenants, guests, visitors, contractors and service persons) of the community allegedly violates any of the governing documents (other than the requirement to pay Assessments, the subject of which is covered separately under the Declaration and in the Assessment Collection Rule), the Association will promptly give notice to the Owner (and resident, if a different person) of the apparent violation, requesting prompt compliance. The first notice may be made by personal contact if possible and then followed up by a written notice. The Association will set deadlines for compliance in accordance with its governing documents and the urgency of the situation. For purposes of this paragraph, "Association" means any of the CHCA Board of Directors or any of the CHCA committees appointed for enforcement of the governing documents. Ideally, resolution of violations will first be addressed by the appropriate committee.
- 3.5 If the Owner or Related User fails to comply, then, after approval by the CHCA Board of Directors, the Association may enforce the governing documents by any remedy provided in the governing documents, including the levying of fines and/or bringing of appropriate legal or injunctive actions in court against the violating parties. In such enforcement actions, the Association will seek to recover all of its costs of enforcement, including direct costs to the Association charged by agents, court costs, and costs of enforcement and collection, including attorney fees.
- 3.6 After the initial notification of a violation, the Association may also elect to pursue enforcement through imposition of fines. Any fines assessed will be assessed against the owner and/or Related User, after proper notice and the opportunity to be heard before an impartial decision-making body on each and every fine.
- 3.7 The impartial decision-making body shall consist of at least three members of the CHCA Board of Directors who, as a result of the outcome, will not derive any greater direct personal or financial benefit or detriment than will the general membership of the Association. A CHCA Board member shall not be one of the impartial decision-makers if he or she lives or owns property within five hundred feet of the exterior boundaries of the property upon which the alleged violation is occurring. If there are not at least three CHCA Board members eligible to serve on this impartial decision-making body, the CHCA Board may appoint other CHCA members as needed. Any such CHCA members so appointed will meet the same criteria for impartiality as applies to CHCA Board members.
- 3.8 Fines are levied on a case-by-case basis by the Board of Directors, acting as an impartial decision-maker in accordance with paragraph 3.7 to assist in the enforcement of the Declaration of Covenants, Articles of Incorporation, Bylaws, Rules and regulations, and other governing documents of the Association.
- 3.9 The Association will comply with the following fining procedure for Owner's or Related User's violation of Association governing documents:

First Action	When the Board has made the decision to consider imposing a fine, a representative of the Board may attempt a personal phone call to the Owner or Related User notifying them of the violation and trying to reach a settlement. A written warning will also be mailed to the Owner or Related User with two weeks to respond or comply from date of notice.
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Second Action If the violation has not been corrected within two weeks of the First Action, then the Board will again give notice through personal contact, if possible, and follow up with a written Notice of Hearing advising that the Board may levy a fine, not to exceed \$100.00. The Board shall determine which members will comprise the impartial decision-making body for purposes of this hearing. The hearing shall consist of a fair and impartial fact-finding process concerning whether the alleged violation actually occurred and whether the Owner or Related User is the one who should be held responsible for the violation. The Owner or Related User will have an opportunity to present any relevant facts at the hearing. If, as a result of this hearing, it is determined that the Owner or Related User should not be held responsible for the alleged violation, the Association may not recover any of the Association's costs or attorney fees incurred in asserting or hearing the claim

Third Action Following the hearing outlined in the "Second Action," if the violation has not been remedied within two weeks of the hearing or if a remedy has not been agreed to between the Owner or Related User and the Board, the Association attorney may give notice of impending legal action for any and all remedies under the governing documents, including collection of fines as assessments under the Declaration and the Colorado Common Interest Ownership Act. At the sole discretion of the Association's attorney, binding arbitration or other alternative dispute resolution methods may be proposed to the Association and the affected Owner or Related User, as a means to resolve the matter.

In its sole discretion, the Board may cease the fining process and take other appropriate legal or injunctive action.

3.10 In the event that the Owner or Related User satisfactorily resolves the violation within any of the two-week periods outlined in the above actions, and then, within a six-month period, has a recurrence of the same violation, the series of actions as outlined above will resume at the point where they were suspended because of the earlier resolution of the violation.

3.11 The Association shall provide proper notice and the opportunity to be heard at a specific impartial hearing at a set time, date, and location specified in the notice (sample form of notice letter for violation of a section of the Declaration follows as Exhibit A and is made a part hereof by this reference). Notices shall be mailed to the persons entitled to notice by regular first class mail. The Board may impose fines regardless of whether the violator attends the scheduled hearing or not. If the Board assesses a fine, the fine shall be posted to the appropriate owner's ledger as an amount payable in the same manner as dues or special assessments, with all the same Association remedies as provided for collection of assessments in the Association's governing documents.

Exhibit A

Enforcement of Governing Documents and Dispute Resolution Rule

CEDAR HEIGHTS COMMUNITY ASSOCIATION, INC.
2250 Black Canyon Road, Colorado Springs, CO 80904

HEARING NOTICE FOR POSSIBLE FINES BY ASSOCIATION

Date

Address

Notice of Hearing and Opportunity to be Heard

Dear Homeowner or Property Owner:

As a property owner in a community subject to governing documents, you have definite responsibilities to the Association and to the other property owners in the community. This includes compliance with covenants or agreements found in the governing documents, such as the Declaration, and certain owner obligations to maintain, repair, and/or correct the conditions on your property and/or the exterior of your home.

This is notice of a hearing on your apparent violation of **Section _____**,
_____, of the _____ as follows:

The Board has appointed an impartial decision-making body to hold a hearing to determine the existence of the violation(s), whether or not you committed the violation(s), and what action the Association will take under the governing documents, including possibly levying a fine against you in the amount of \$_____. You have the opportunity to attend, to hear any allegations against you, to present your side of the story, and to be heard at the hearing. Should you decide not to attend the hearing, the Board will proceed with the hearing of the matter under the violation procedures in place and take appropriate action within the Board’s power.

Board of Directors Hearing: Day of the week _____,
Date: _____, 200____
Time: _____
Location: _____

Board of Directors
Cedar Heights Community Association, Inc.

By _____

cc: Board of Directors
Owner / Occupant

4. Association Records and Information:

The Association will keep all records required by Colorado Statutes 38-33.3-209.4(2) and 38-33.3-317 (1) and (5) and C.R.S. 38-33.3-303(4)(b)(IV).

- 4.1 The Association may charge owners a fee, which shall not exceed the Association's actual cost to copy association records.
- 4.2 Members and owners are allowed to inspect and copy records during normal business hours, if the request is made in good faith and for a proper purpose and the records are described sufficiently and are relevant. The Association shall make the requested records available within five business days of the Member's or owner's request or at the next regularly scheduled Board meeting if the next regularly scheduled Board meeting is scheduled within thirty days of the request, in the sole discretion of the Board. The Board shall advise the Member or owner of the time and place of such inspection in writing within five business days of the Member's or owner's request. These records will be maintained at the principal address of the then current Secretary of the Association.
- 4.3 The secretary of the Association is responsible for maintaining records and fulfilling requests to inspect and copy the requested documents.
- 4.4 The Association shall maintain accounting records using generally accepted accounting principles.
- 4.5 Within 90 days of a change in the Association's address, designated agent, or management company, if any, the Association shall give written notice of the following items by first class mail, hand delivery, electronic mail or on the association's website:
 - 4.5 (a) Names of the Association and the common interest community
 - 4.5 (b) Name and address of the management company, if any
 - 4.5 (c) Physical address and phone number for the Association and the management company, if any
 - 4.5 (d) Date of recording of the Declaration and recording information.
- 4.6 Within 90 days after the end of each fiscal year, the Association will make the following information available to owners upon reasonable request:
 - 4.6 (a) Date the fiscal year begins = January 1 of each calendar year
 - 4.6 (b) Operating budget for the current year
 - 4.6 (c) List of current regular and special assessments for houses and for undeveloped lots
 - 4.6 (d) Annual financial statements, including reserves
 - 4.6 (e) Results of any financial audit or review for previous fiscal year
 - 4.6 (f) List of all Association insurance policies (property, general liability, director and officer liability, fidelity), including companies, policy limits and deductibles, additional insureds, and expiration dates
 - 4.6 (g) Association's Bylaws, Articles of Incorporation, and Rules
 - 4.6 (h) Minutes of board and Member meetings for prior fiscal year, with the exception of executive sessions of the Board
 - 4.6 (i) Association's "Responsible Governance Policies (contained in Bylaws and Rules)

- 4.7 In the event of any damage to the Association's common area, Members shall first inform the Association through its managing agent (if applicable) and its officers so the claim may be evaluated and coordinated for most efficient handling with Association's insurance company. Although Owners may file claims against the insurance policy of the Association as if owners were additional named insureds, Owners must first give the Association 15 days to respond and the insurance agent an opportunity to inspect the damage. Claims filed by Owners can have adverse impact on the Association's insurability or cost of insurance so the Board encourages Owners to coordinate claims through the Board.
- 4.8 The Association will provide free education annually to all Members on the general operations of the Association and the rights and duties of the Members, the Association, and the Board of Directors. The criteria for this education shall be determined from time to time by the Board.
- 4.9 The Association encourages education on good governance for the members of the Board. Upon submission prior to the seminar or course, the Board may approve payment of expenses for education for individual members of the Board if the education is directly related to good Association operations within the common interest community.

5. Financial Policies and Procedures:

- 5.1 Financial Soundness: It is the goal of the Association to be a financially sound organization.
- 5.2 Principles of Accounting: It is the policy of the Association that our financials be maintained according to Generally Accepted Accounting Principles. The Association will invest reserve funds in one or more accounts separate from the general operating account of the Association. The reserve funds shall be invested in conservative accounts with a small possibility of loss to the Association. The majority of the reserve funds shall be deposited in accounts and amounts that are fully insured against loss by an agency of the U.S. government.
- 5.3 Fiscal Responsibility: While the ultimate fiscal responsibility rests with the Board of Directors, the day-to-day responsibility rests with the Association's treasurer.
- 5.4 Bank Accounts: With the approval of the Board, the treasurer shall open and maintain such bank accounts as are needed for the transaction of business. The number of accounts shall be kept to a minimum. Whenever possible, the accounts shall be interest bearing accounts.
- 5.5 Separate Accounts: The Association's capital road fund account shall be kept separate and distinct from the Association's operating account(s). The Board may establish other separate accounts from time to time as it deems necessary.
- 5.6 Investment Policy: It is the goal of the Association to achieve an attractive rate of return on its funds while maintaining safety of principal. When the cash position of the Association permits, the treasurer shall place appropriate funds in reasonably liquid and safe interest-bearing money market instruments such as but not limited to Certificates of Deposit insured by the FDIC, or such other instruments fully insured against loss by an agency of the U.S. Government. The treasurer may also invest funds in other liquid, interest-bearing investments that are not insured, but that invest in financial instruments that are as safe as US Treasury Bills or US Treasury Bonds.
- 5.7 Reserve Policy: It is the goal of the Association to establish and maintain an operating reserve at least equal to one-fourth of a typical calendar year's operating budget.
- 5.8 Signature Requirements and Amount Limits: The only individuals authorized to draw funds and sign checks are the members of the Board of Directors and any agent(s) so authorized by the Board. Only one signature is required for withdrawal of funds or on checks written in the amount of less than \$5,000. Two signatures are required for withdrawal of funds or on checks written in the amount of \$5,000 or more except as expressly required for electronic funds transfers made for payroll, employee insurance benefits premiums and workers compensation insurance.
- 5.9 Annual Budget and Dues/Assessments: The Association's annual budget and the resultant dues/assessments are to be developed and proposed to the membership and acted upon according to the provisions set forth in the Bylaws and Declarations. The Board may spend more or less on any line item during the year. At its sole discretion, the Board may exceed the total approved budget amount in any given year provided that

the amount in excess of the approved budget does not exceed the current operating reserves that have been allocated for this purpose.

- 5.10 Compliance with the Federal Tax Code: For any year in which the Association has generated excess net income, the Board shall adopt a resolution for Revenue Ruling 70-604 Election as soon as possible after the final year-end financial reports have been compiled.

6. Disclosures in Purchases and Sales of Property:

- 6.1 It is the policy of the Association to disclose information about the Association in a full and forthright manner to our Members.
- 6.2 The president and secretary of the Association shall be the primary contacts for the Association; however, any member of the Board of Directors may answer questions and disclose information about the Association. In doing so, the director shall always mention that all the disclosure information about the Association required by Colorado law will be made available to the seller to give to the prospective buyer, as required by law.
- 6.3 Disclosure of information by a director shall be limited to information about the Association. No director shall discuss any specific property or make any representations about a specific property, unless it is a common area property owned by the Association. Any individual director shall not make representations on behalf of the Board except to convey actions previously taken by the Board. Owners should understand that the Board acts as a whole and not by actions of individual Board members.
- 6.4 The secretary of the Association shall maintain a current file of the information the law requires to be given to a prospective buyer by a seller. The Association shall use its best efforts to accommodate a request by the seller and provide the required Association documents in accordance with the instructions from the seller as soon as possible.

7. Policy on Smoking, Open Fires, and Fireworks:

- 7.1 All outdoor smoking is prohibited on Association properties, including Solitude Park and Echo Canyon Park.
- 7.2 There shall be no outdoor fires on any Lot or on the Association properties, except fires in barbecue, braziers and outside fireplaces contained within facilities or receptacles intended for such purposes.
- 7.3 No Owner shall permit any condition on such Owner's Lot, which creates a fire hazard or is in violation of fire prevention regulations.
- 7.4 Fireworks are prohibited on Association properties.

8. Parking Restrictions Rule:

- 8.1 As provided in the Declaration of Covenants in Section 5.16, no motor vehicles owned, leased, rented or used by Members or owners or Related Users shall be parked overnight on any street within the Community Area.

9. Rule Regarding Animals:

- 9.1 As provided in the Declaration of Covenants in Section 5.15, no animals except domesticated birds or fish and other small domestic animals permanently confined indoors and except an aggregate of four domesticated dogs and four domesticated cats shall be maintained in or on any Lot within the Community Area and then only if kept as pets.
- 9.2 No animal of any kind shall be permitted which in the opinion of the Association makes an unreasonable amount of noise or odor or is a nuisance.
- 9.3 No animals shall be kept, bred or maintained within the Community Area for any commercial purposes.
- 9.4 No dogs or other pets shall be chained or enclosed on a Lot outside of the Dwelling Unit for any extended period of time, except by means of underground electronic fences or other invisible barriers or fences.

10. Rule Regarding FireWise Slash Disposal:

- 10.5 Waste organic materials generated by cutting shrubs and trees in order to mitigate fire danger on personal property may not be placed near roadside curbs any earlier than one month prior to any scheduled date for removal or chipping. Moreover any material left curbside after a removal or chipping date will be subject to enforcement under Section 5.6 of the CHCA covenants.

11. Policy on Conduct of Meetings:

The conduct of Member meetings and Board meetings shall be as specified in Articles 2 and 3 of the Association Bylaws.

12. Policy on Conflict of Interest:

The policy on conflict of interest is specified in Article 7.4 of the Association Bylaws.

I, Lani Henneman, Secretary of the Cedar Heights Community Association, Inc., hereby certify that these Rules of Cedar Heights Community Association were adopted by a majority vote of the directors present at a meeting held April 14, 2009 and were effective upon passage at that meeting.

ATTEST:

Secretary