

**GOVERNANCE POLICIES AND PROCEDURES  
FOR  
COBBLESTONE TOWNHOME OWNERS' ASSOCIATION, INC.**

WHEREAS, Cobblestone Townhome Owners' Association, Inc. (the Association), hereby adopts the following responsible governance policies and procedures pursuant to C.R.S. 38-33.3-209.5 of the Colorado Common Interest and Ownership Act (the "Act"). Definitional terms used herein shall correspond to the Act or the definitions in used in the Declaration.

**ARTICLE 1  
COLLECTION OF UNPAID ASSESSMENTS**

A. Procedure for Collection of Assessments.

1. Due Date. Any assessment (General, Special or Specific) not paid by the 15th day after the due date provided on the invoice is delinquent. All payments are payable to the Association and are mailed as directed by the Board of Directors or property manager, if applicable.

2. Late Fees and Interest. Any assessment, fee or charge, which is not fully paid by the 10<sup>th</sup> day after the date when due shall bear interest at the rate of 18% per annum. In addition, a late fee of \$20.00 per month shall be imposed on any assessment, fee or charge that is delinquent.

3. Suspension of Voting Rights. When an Owner fails to pay an Association assessment 30 days after its due date, the Owner's voting rights in the Association shall be suspended until the delinquent assessment has been paid in full.

4. Notification to Owner. Before the Association can turn over a delinquent account to a collection agency or authorize an attorney to commence collections, foreclosure or file a lien against the property, the Association will send the Owner a letter or notice of delinquency (the notification letter may be sent by the property manager or attorney for the Association) specifying:

- a. Total amount due with an accounting or ledger showing amounts owed.
- b. The amount necessary to cure the delinquency.
- c. The name and contact information of the person to whom payment should be made.
- d. The opportunity to enter into a one-time payment 6-month plan and the instructions for contacting the Association for doing so.
- e. A listing of legal remedies of the Association, including foreclosure.

5. Application of Payment; Definition of Assessment. Any fine, late charge or other monetary charge or penalty levied by the Association pursuant to the Declaration or the Act, including attorney's fees and costs incurred by the Association and for which the Owner is liable, shall be collectible as an Assessment as that term is defined by the Act. Payments received from an Owner shall be applied to the Owner's account in the following order:

- a. Attorney's fees and costs incurred by the Association and for which the Owner is responsible pursuant to the Act or the Declarations;
- b. Interest which has accrued on all unpaid charges;
- c. Fines, late charges or other monetary charges or penalties;
- d. Past due annual assessments;
- e. Past due special assessments;
- f. Past due specific assessments;
- g. Current specific assessments;
- h. Current special assessments; and,
- i. Current general assessments.

B. Work-Out Plan. The Board of Directors of the Association, or its designated representative, has the authority to negotiate work-outs and payment plans with an Owner. The following rules for work-outs or payment plans shall apply:

1. Six (6) Month Payment Plan. At a minimum, the Association will offer the Owner the opportunity to pay off the deficiency in equal installments over a period of at least six months. The deficiency amount may include any general, special or specific assessments, late fees, attorneys' fees, fines and interest. The six month payment plan shall commence no later than 60 days after the date of the delinquency notice to the Owner. The Association will provide the Owner with the six month payment schedule and the dates upon which the payments are due.

2. The Owner shall remain current with any general assessments that may come due during the payment plan period.

3. If the Owner fails to make an installment payment under the payment plan or fails to remain current with the general assessments during the payment plan period, the Owner is in default of the plan and the Association may pursue its remedies including, but not limited to, filing a lien, foreclosure, and filing a lawsuit and obtaining a judgment.

4. The Association is not required to enter into any future payment plans with the Owner if the Owner fails to comply with the terms of the initial payment plan offered by the Association.

5. The Association is not required to enter into a payment plan if the Owner does not occupy the Unit or if the Owner obtained the title by foreclosure or deed in lieu of foreclosure.

6. A waiver of interest and/or late fees or agreement to a payment plan in one instance shall not operate as a waiver of any future payment obligations nor shall such waiver or agreement constitute a precedent for the Board of Directors.

C. Remedies At Law. In addition to the above, the Association may bring an action in law or in equity, or both, against any Owner personally obligated to pay such overdue assessment, charges, or fees and may also proceed to foreclose its lien against such Owner's Unit. Any action at law or in equity by the Association against an Owner to recover a money judgment for unpaid assessment, charge or fees may be commenced and pursued by the Association without foreclosing, or in any way waiving, the Association's lien therefore.

D. Foreclosure. Before an Association may foreclosure on its lien, the following two requirements must be met:

1. The balance due from the Owner must equal or exceed six months of budgeted common expense assessments allocated to the delinquent Owner's Unit.

2. The Board of Directors must vote to approve the commencement of foreclosure against the delinquent Unit Owner.

**ARTICLE 2  
HANDLING CONFLICTS OF INTEREST INVOLVING  
BOARD OF DIRECTORS MEMBERS**

If any contract, decision or other action taken by or on behalf of the Board of Directors would financially benefit any member of the Board of Directors or any person who is a parent, grandparent, spouse, child, sibling or otherwise is a family-member related to a member of the Board of Directors or a parent or spouse of any of those persons, that member of the Board of Directors shall declare a conflict in an open meeting, prior to any discussion or action on that issue. After making such declaration, the member may participate in the discussion but shall not vote on that issue. If a Board member does not voluntarily make a declaration as to a conflict, the remaining Board members (i.e., those members of the Board of Directors who do NOT have a conflict) may, by majority vote, determine whether or not a conflict exists according to the standards set forth in the Colorado Nonprofit Corporations Act, at C.R.S. 7-128-501. The Board of Directors, by majority vote (excluding the member of the Board with the conflict) shall also determine whether or not the conflicting interest transaction is void, voidable, must be enjoined, set

aside or gives rise to an award of damages or other sanctions in accordance with the criteria set forth in C.R.S. 7-128-501(c).

### **ARTICLE 3 CONDUCT OF MEETINGS**

A. Open Meeting. All meetings of the Association are open to every Owner, or to any person designated by an Owner in writing as the Owner's representative, subject to the right of the Board of Directors to conduct executive sessions as provided in the Declaration and the Act.

B. Restrictions on Speaking. In any Board of Directors' meeting, at an appropriate time determined by the Board of Directors, but before the Board of Directors votes on an issue under discussion, Unit Owners or their designated representatives shall be permitted to speak regarding that issue. The Board of Directors 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 Board of Directors shall provide for a reasonable number of persons to speak on each side of the issue.

C. Owner Conduct. When speaking at a meeting, Owners shall abide by the following:

- No Owner is entitled to speak until recognized by the chair.
- Comments are to be restricted to the agenda item being discussed.
- Owners are expected to behave courteously. Personal attacks, physical actions, yelling, and pounding on tables will not be tolerated and the chair may terminate the Owner's comment period.
- Owners shall not interrupt when another Owner has the floor.
- Owners should avoid repetition of comments already made other than to endorse what has already been said.

D. Disruptive or Unruly Behavior. If an Owner unreasonably disrupts a meeting, refuses to stop speaking when requested, or is otherwise in violation of the provisions of this policy, the President or other officer or meeting chair may make a motion to take any appropriate action to bring the meeting under control, including, asking the disruptive person to leave, calling a recess, or adjourning the meeting.

The conduct provisions of subsections C and D above shall also apply to members of the Board of Directors.

E. Executive Sessions. The Board of Directors may enter into an executive session at any time, in accordance with the Act.

1. Limitation. Matters for discussion by an executive or closed session are limited to:

- a. Matters pertaining to employees of the Association or the managing agent's contract or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association;
- b. Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;
- c. Investigative proceedings concerning possible or actual criminal misconduct;
- d. Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure;
- e. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; and,
- f. Review of or discussion relating to any written or oral communication from legal counsel.

2. **Attorney-Client Privilege.** Upon the final resolution of any matter for which the Board of Directors received legal advice or that concerned pending or contemplated litigation, the Board of Directors may elect to preserve the attorney-client privilege in any appropriate manner, or it may elect to disclose such information, as it deems appropriate, about such matter in an open meeting.

3. **Announcement of Executive Session.** Prior to the time the Members of the Board of Directors, or any committee thereof, convene in executive session; the chair of the body shall announce the general matter of discussion as enumerated in paragraph 1 of this subsection of this policy.

4. **No Rules or Regulations Adopted in Executive Session.** No rule or regulation or policy and procedure of the Board of Directors or any committee thereof shall be adopted during an executive session. A rule or regulation or policy and procedure may be validly adopted only during a regular or special meeting or after the body goes back into regular session following an executive session.

#### **ARTICLE 4**

#### **ENFORCEMENT OF COVENANTS AND RULES, INCLUDING NOTICE AND HEARING PROCEDURES, SCHEDULE OF FINES**

A. **Abatement and Enjoinment of Violations by Owners.** The violation of any of the terms and conditions of the Declarations, the Bylaws, or any Rules and Regulations or Policies and Procedures adopted by the Board of Directors (the "Association Documents") or the breach of any of the Association Documents shall give the Board of Directors the

right, after prior written notice to the Owner of the violation (except in case of an emergency), in addition to any other rights set forth in these Bylaws:

1. To enter a Unit, or authorize law enforcement to enter a Unit, in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist on that Unit) that is existing and creating a danger to the Common Elements contrary to the intent and meaning of the provisions of the Association Documents. The Board of Directors shall not be deemed liable for any manner of trespass by this action; or

2. To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

B. Notice and Hearing Procedures – Violations of Association Documents.

1. The following procedures for notice and hearing shall apply in the enforcement of the Declarations, Bylaws, Rules and Regulations and Policies and Procedures adopted by the Association.

a. Actions prior to initiation of formal special resolution process. Any Owner and the Board of Directors has the authority to request that an Owner or an Owner's guests or tenants cease or correct any act or omission which appears to be a violation of the Association Documents ("Alleged Violation"). Such informal request may be made (and is encouraged) before the formal process (as described herein) is initiated.

b. Written statement. If the actions described in B(1) above prove unsuccessful, the violation procedures process shall be initiated upon filing a written statement (which shall include a statement made by way of email) by any Owner or by any officer or member of the Board of Directors. Such written statement may be acted upon by the Board of Directors. The written statement shall set forth in ordinary and concise language, the names of persons involved and the acts or omissions which the author believes occurred and shall include as many specifics as are available as to time, date, location and persons involved, so that the complaint may be investigated and verified.

c. Notice to Owner. If it is determined that an Alleged Violation has occurred, the Board of Directors shall send written notice (via mail or email) regarding same to the Owner. The notice shall require the Alleged Violation cease within such period of time as the Board of Directors deems reasonable, based upon the nature of the Alleged Violation. The notice, if mailed, shall be mailed to the last known address of the Owner, via certified mail. The notice, if emailed, shall be emailed to the last known email address provided.

- d. Imposition of Fine. If the Alleged Violation has not ceased within the manner and period of time set forth in the letter to Owner, the President, or other authorized representative of the Board, shall notify the Owner that the Board of Directors shall proceed to levy a fine (as described below), charge attorney fees or take such other actions as authorized by the Association Documents.
- e. Dispute by Owner. In the event an Owner disputes the Alleged Violation, the Owner may request a hearing from the Board of Directors within fifteen (15) days of the date of the letter to Owner. Such request for hearing shall be in writing and addressed to the President of the Board of Directors. The Board of Directors shall send a second notice to the Owner then informing the Owner of the time and place at which the Board of Directors will hear the matter; that the Owner has an opportunity to attend (in person or by telephone) and be heard at such meeting; and that the Board of Directors has the authority, upon determination that a violation has occurred, to levy fines, charges, attorney's fees and other monies, and to take such other action as is authorized by the Association Documents and Colorado law. At the discretion of the Board of Directors, fines may be retroactive to the date of the original imposition of said fine.
- f. Constraints on the Board of Directors. It shall be incumbent upon each member of the Board of Directors to make a determination as to whether he or she is able to function at the hearing in a disinterested fashion. If such member is incapable of objective consideration in the case, he or she shall disclose such to the committee and remove himself or herself from the proceedings and have it so recorded in the minutes.
- g. Hearing. The hearing will not be conducted according to technical rules relating to evidence and witnesses. Generally, any relevant evidence may be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Decisions of the Board of Directors may be made "under advisement," i.e. at a later date and time but not to exceed 7 days from the date of the hearing. All decisions of the Board of Directors are effective three days after written notice is sent to the Owner (via regular, first class mail or by email if an email address has been provided by the Owner).
- h. Failure to Attend. If the accused party, or his or her authorized agent, fails to attend the hearing (in person or by telephone), and there are no reasonable extenuating circumstances to justify the non-appearance, the violation shall be deemed to have occurred and the Board of Directors shall be authorized to impose the fine, charges and/or attorney's fees, or

take such other action as authorized by the Association Documents or Colorado law.

2. Joint and Several Liability. If there are multiple Owners, each shall be jointly and severally liable for any fine or other monetary penalty imposed pursuant to the enforcement of the Association Documents, including, but not limited to, all attorney's fees, expert witness fees and costs incurred by the Association resulting from or in any way related to the violation or the collection of fines.

3. Remedy. Each remedy set forth in this Policy shall be in addition to all other remedies, whether available at law or in equity, and all such remedies, whether or not set forth in the Association Documents, shall be cumulative and nonexclusive.

C. Fines. The Board of Directors may levy a fine of \$250.00 for each violation of the Association Documents for each day that such violation persists. In the discretion of the Board of Directors, the \$250 fine may be increased or decreased depending upon the facts and circumstances of each violation; however, Owners should be prepared to pay a minimum \$250 fine. The Board of Directors, in its discretion, may adopt a "schedule of fines" to be applied for particular violations. The Schedule of Fines may be adopted in conjunction with Rules and Regulations of the Association or by separate policy.

## **ARTICLE 5 INSPECTION AND COPYING OF RECORDS**

### **I. Association Records.**

A. Records To Be Maintained. In addition to any records specifically defined in the Association's Declaration or Bylaws or expressly required by Section 38-33.3-209.4, the Association must maintain the following, all of which shall be deemed to be the sole records of the Association for purposes of document retention and production to Owners:

1. Detailed records of receipts and expenditures affecting the operation and administration of the Association;

2. Records of claims for construction defects and amounts received pursuant to settlement of those claims;

3. Minutes of all meetings of its Owners and Executive Board, a record of all actions taken by the Owners or Executive Board with a meeting and a record of all actions taken by the Owners or Executive Board without a meeting, and a record of all actions taken by any committee of the Executive Board;

4. Written communications among, and the votes cast by, Executive Board members that are:



- a. Directly related to an action taken by the Executive Board without a meeting pursuant to Sec. 7-128-202 of the Colorado Non Profit Corporations Act (CNCA); or
  - b. Directly related to an action taken by the Executive Board without a meeting pursuant to the Association's Bylaws;
5. The names of Owners in a form that permits preparation of a list of the names of all Owners and the physical mailing addresses at which the Association communicates with them, showing the number of votes each Owner is entitled to vote;
  6. Its current Declaration, Covenants, Bylaws, Articles of Incorporation, if it is a corporation, or the corresponding organizational documents if it is another form of entity, Rules and Regulations, responsible governance policies adopted pursuant to Sec. 209.5 of the Act and other policies adopted by the Executive Board;
  7. Financial statements as described in 7-136-106 of the CNCA for the past three years and tax returns of the Association for the past seven years, to the extent available;
  8. A list of the names, electronic mail addresses, and physical mailing addresses of its current executive board members and officers;
  9. Its most recent annual report delivered to the Secretary of State, if any;
  10. Financial records sufficiently detailed to enable the Association to comply with Sec. 316(8) of the Act concerning statements of unpaid assessments;
  11. The Association's most recent reserve study, if any;
  12. Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two years;
  13. Records of Executive Board or committee actions to approve or deny any requests for design or architectural approval from Owners;
  14. Ballots, proxies, and other records related to voting by Owners for one year after the election, action, or vote to which they relate;
  15. Resolutions adopted by its Executive Board relating to the characteristics, qualifications, rights, limitations, and obligations of members or any class or category of members; and
  16. All written communications within the past three years to all Owners generally as Owners.

B. Examination and Copying. Subject to the restrictions and limitations set forth in this Policy and the Act, all records maintained by the Association must be available for examination and copying by an Owner or the Owner's authorized agent.

1. Written Request. Owners shall submit a written request, describing with reasonable particularity the records sought, at least ten days prior to inspection or production of the documents.

2. Times for Copying and Inspection. The Executive Board shall have a reasonable period of time to organize the documents for examination and copying. Examination and copying times shall occur during normal business hours or the next regularly scheduled Executive Board meeting if the meeting occurs within thirty days after the request.

3. Purpose for Copying. Notwithstanding any provision of the Declaration, Bylaws, Articles, or Rules and Regulations of the Association to the contrary, the Association may not condition the production of records upon the statement of a proper purpose.

4. Membership Lists. A membership list or any part thereof may NOT be obtained or used by any person for any purpose unrelated to an Owner's interest as a unit owner without consent of the Board. Without the consent of the Board, a membership list or any part thereof may not be:

- a. used to solicit money or property unless such money or property will be used solely to solicit the votes of Owners in an election to be held by the Association;
- b. used for any commercial purpose; or,
- c. sold to or purchased by any person.

C. Withholding of Records. Records maintained by an Association shall be withheld from inspection and copying (unless a majority of the Executive Board votes to relinquish same) to the extent that they are or concern:

- a. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;
- b. Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;
- c. Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine;
- d. Disclosure of information in violation of law;

- e. Records of an executive session of an Executive Board; or,
- f. Individual Units other than those of the requesting Owner.

D. Records Not Subject to Inspection. Records maintained by an Association are not subject to inspection and copying, and they must be withheld, to the extent that they are or concern:

- a. Personnel, salary, or medical records relating to specific individuals; or,
- b. Personal identification and account information of Owners and residents, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers. Except that an Owner or resident may provide the Association with prior written consent to the disclosure of, and the Association may publish to other Owners and residents, the person's telephone number, electronic mail address or both. The written consent must be kept as a record of the Association and remains valid until the person withdraws it by providing the Association with a written notice of withdrawal of the consent. If a person withdraws his or her consent, the Association is under no obligation to change, retrieve, or destroy any document or record published prior to the notice of withdrawal. Consents may be delivered or withdrawn by Owners by electronic means, including but not limited to, facsimile and email.

E. Charges for Copies. The Association shall impose, in advance, the below described charges for labor and materials required for inspection and copying. All applicable charges shall be estimated based on the written request of the Owner or its agent, and payment for the estimated costs shall be paid in advance in good funds. Upon completion of the inspection and copying, a final invoice will be prepared based on actual costs. Delivery of documents shall be withheld until all actual costs are paid. If the estimate is higher than the actual costs, a refund will be made by the Association in a timely manner. Charges shall be as follows:

- 1. Copies per page, letter or legal size: at current rates per page.
- 2. Materials other than copies: Actual costs plus labor.
- 3. Documents which are stored electronically shall be sent free of charge.

F. Electronic Transmission. The right to copy Association records includes the right to receive copies by photocopying or other means, including the receipt of copies through an electronic transmission if available, upon request by the Owner.

G. No Obligation to Coordinate Information. The Association is not obligated to compile or synthesize information.

H. No Commercial Purpose. Association records and the information contained within those records shall not be used for commercial purposes.

II. Website Posting. The Association may place certain records and documents on its web-site for general review by Owners. Notwithstanding the foregoing, documents and records which are required to be withheld as described in this Policy and/or which the Board deems as consisting of a sensitive nature or private nature shall not be posted on the Association website.

## **ARTICLE 6 INVESTMENT OF RESERVE FUNDS**

The Board of Directors is authorized to deposit reserve funds with national or state banks or with any state chartered or federally chartered savings and loan association doing business in Colorado for fixed periods of time at such rate of interest as may be negotiated but in no event shall any such deposit be in excess of the amount insured by the federal deposit insurance corporation or its successor. The Board of Directors is also authorized to invest reserves in mutual funds, stocks or CDs or hire an investment brokerage firm to accomplish same, so long as the investment of said funds are, in the opinion of the Board of Directors and their financial advisor, “low-risk” investments.

## **ARTICLE 7 AMENDMENTS TO POLICIES AND PROCEDURES AND RULES AND REGULATIONS**

Policies and procedures or rules and regulations may be adopted or amended by the majority vote of the members of the Board of Directors, following notice and comment to all Owners pursuant to the notice requirements of the Bylaws at any meeting duly called for such purpose. Copies of the proposed policies and procedures or rules and regulations shall be made available for review by the Owners prior to the meeting in accordance with the notice procedures of the Bylaws.

## **ARTICLE 8 PROCEDURES FOR ADDRESSING DISPUTES**

A. Alternative Dispute Resolution. The purpose of the Declaration is to establish a harmonious Common Interest Community. Because the prompt, efficient, fair and non-belligerent resolution of any disputes is desirable, any controversy arising out of or relating to the Declaration, the Bylaws, or any rules and regulations or policies and procedures (the “Association Documents”), or a breach thereof, or any other dispute between the Association and any Owner shall be resolved as set forth in this Policy. This Policy shall satisfy the requirement for an alternative dispute resolution (ADR) policy set forth in Act, Section 38-33.3-124(b).

B. Prerequisite/Claims. The parties to a dispute shall exhaust all remedies and procedures required by the Association Documents prior to resolving the dispute

through this ADR policy. All claims, disputes and other controversies arising out of or relating to the rights, obligations and duties of any Owner, or the Association and its officers and directors under the Association Documents and/or a breach thereof (a "Claim") shall be subject to and resolved by submitting the Claim to mediation. Claims shall NOT include any suit by the Association to enforce or collect assessments, any suit involving an imminent threat to the peace, health, or safety of the common interest community, or any suit to obtain a temporary restraining order or injunction and such other ancillary relief as the court may deem necessary in order for the Association to enforce the restrictions of this Declaration.

C. Direct Communication. If the dispute is not governed by a procedure for resolution as otherwise provided in the Association Documents, the parties to the disagreement shall set forth their respective positions in the dispute in correspondence to one or through one another's legal counsel. The written communication shall describe the nature of the dispute, claim or controversy, including the persons involved, and the legal basis of the dispute, claim or controversy and relief or remedy sought. All disputes, claims or controversies should be initiated within a reasonable time after the dispute, claim or controversy has arisen and in no event shall a dispute, claim or controversy be made after the date when such dispute, claim or controversy would be barred by any applicable statute of limitations. The parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the dispute, claim or controversy by good faith negotiation.

D. Mediation. If the dispute, claim or controversy cannot be resolved through direct communication of the parties within 30 days after the date the dispute, claim or controversy was submitted to a party, either party may request appointment of a neutral and properly credentialed mediator. With the prior agreement of both parties, the parties shall participate in mediation in good faith until the dispute is resolved or until the mediation terminates. Either party to a mediation may terminate the mediation process without prejudice. If the parties do not settle the dispute, claim or controversy within 60 days after submission of the matter to mediation, the mediator shall issue a notice of termination of the mediation proceedings. Each party shall bear its own costs of mediation, including attorney's fees and each party shall share equally all charges rendered by the mediators and all costs associated with same. The mediation agreement, if one is reached, may be presented to the court as a stipulation.

E. Conflicts. This ADR policy is not intended to modify or alter any portion of the Declaration or any "notice and hearing procedure" established for the resolution of covenant violations. If any part of this alternative dispute resolution conflicts with any provision of the Association Documents, the provisions of the Association Documents shall be controlling.

**ARTICLE 9  
RESERVE STUDY**

A. At least once every three years, the Board of Directors will study and analyze if there is a need for any Association improvements, repairs, or maintenance (i.e., “Work”) to be made to Association property. Work shall include, but not be limited to, any work on the Buildings, Improvements, Service Areas and Common Elements of the Association.

B. The Board of Directors, in its discretion, may hire consultants or contractors to assist with the preparation of the study and any such costs associated with such study shall be a Common Expense of the Association. Any study conducted by the Board of Directors will be based upon a physical analysis of the Association property unless the Board feels a financial analysis would be more appropriate under the circumstances.

C. The Board of Directors shall, at its annual budget meeting, discuss and determine (i) how to prioritize any Work recommended for completion and (ii) the sources of funding for completion of the Work. Sources of funding shall include the following: annual assessments, special assessments, use of existing reserves; lines of credit, new loans, or other means of financing available to the Association, including any combination of the foregoing.

D. To the extent reasonably possible, the Board of Directors shall adopt a plan for funding all or a portion of the Work. Funding for the Work may be identified as a line item in the annual budget and/or the Board of Directors may establish a separate capital improvements fund for the collection and deposit of assessments for future Work. The Board of Directors may revise its funding plan(s) as necessary due to fluctuations in the cost of Work and other economic factors that would necessitate an increase or decrease in the rate of collection for funding of the Work or a change in the amount of funding necessary to complete the Work. Any funding plan adopted by the Board of Directors shall be advisory only.

E. In conjunction with the Board of Directors annual budget review and adoption of the Association’s annual budget, the Board of Directors shall review the sufficiency of its reserves. In its discretion, the Board of Directors may allocate a portion of the annual assessments to be set aside for reserves in such amounts as the Board of Directors deems necessary.

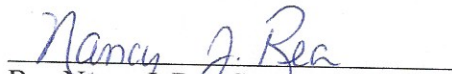
IN WITNESS WHEREOF, the undersigned have hereunto set their hands this 30  
day of October, 2014.

CERTIFICATION: Certified to be the Governance Policies and Procedures for  
Cobblestone Townhomes adopted by consent of the Board of Directors of Cobblestone  
Townhome Owners' Association, Inc., October 30, 2014.



By: Jack B. Searle  
Its: President

ATTEST:

  
By: Nancy J. Rea, Secretary