

EXHIBIT E
Covenant Enforcement Rule

This Rule shall apply to any alleged violation (“violation”) of the Association’s Declaration, Articles of Incorporation, Bylaws and Policies, Procedures, Rules and Regulations, except and excluding non-payment of assessments or other sums.

1. Complaints

- (a) Initial complaints of any violation may be presented to the Board in writing or orally by any person before or at any meeting, and shall be investigated by an “impartial decision maker” (or “IMP”) such as the Property Manager or a Board Member(s) who will not receive a greater benefit or detriment from the outcome of an investigation than the general membership of the Association.
- (b) It is recommended that anyone observing a violation of these Covenants should notify the Association in writing or Email, and include the name and address (if known) of the person(s) in violation (the “alleged rule violator”), and the date, time, and location of the violation. Notification should include name, address and phone number of the reporting party. Reports will be handled confidentially (within reason or unless disclosure is legally required), but the Board may require such information in order to validate any necessary legal actions.
- (c) The IMP shall, in its discretion, determine whether or not the complaint shows cause for further proceedings and is empowered to send courtesy letters concerning reported violations and/or warnings of possible sanctions, fines and/or suspension of privileges, and/or issue a 'cease and desist' order, to the alleged rule violator. If the IMP is unable to convince the alleged rule violator that the offending practice should be ceased, then the IMP shall send a violation letter (the “Notice”), wherein the Owner will be advised of sanctions, fines and/or suspension of privileges imposed against the Owner and the Unit, as well as that Owner’s right to have the matter heard by the Board (the “Notice”).

2. Notice and Scheduling Hearings

- (a) The Board, or its officers or agents, shall serve the Notice by personal delivery, regular mail and/or certified U.S. Mail, return receipt requested, to the Owner, and a copy may be sent to the alleged violator (if the name has been furnished to the Association), such as a tenant, contractor, guest or family member of the owner. The Notice shall be deemed received by the Owner three (3) days after mailing. The Notice may be sent to the Unit if the owner has failed to register a current mailing address. The Notice may also be sent to the complaining party.
- (b) The Notice will advise the Owner that if the Owner desires a hearing to challenge or contest any violations and/or the sanctions, fines and/or suspension of privileges, and/or to discuss any mitigating circumstances, the Owner must request such hearing, in writing, to the Board, within thirty (30) days of receipt of the Notice. If a request for hearing is

made, the hearing shall take place at the next regularly scheduled meeting of the Board of Directors. The request for hearing or other written response from the Owner must describe the basis for challenging the alleged violation or the mitigating circumstances; and must also describe the basis for asserting that a Board Member would not be an IMP, if that advisement is included in the Notice.

- (c) Impartial Decision Maker. At the hearing, the Owner has the right to have the matter heard by an IMP, such that any Board Members who would receive a greater benefit or detriment from the outcome of a hearing than the general membership of the Association will recuse themselves from acting as Members of the Board during any hearing. However, if that advisement is included in the Notice, the Owner must furnish a written response describing the basis for asserting that any Board Member(s) would not be an IMP.
- (d) Any written statement from the Owner must be received by the Board at least 24 hours before the hearing, and must be served by personal delivery or US Mail, postage prepaid, addressed to the Association in care of its registered agent, as maintained with the Colorado Secretary of State, or such other address as the parties may be advised of in writing. Any notice personally delivered shall be deemed received on the date of delivery, and any notice mailed shall be deemed received on the fifth day following the date of mailing. If the Owner plans to be represented by legal counsel, the Owner must give the Board at least five (5) days prior written notice. If the time requirements set forth above conflict or the Board deems appropriate in its discretion, the hearing may be re-scheduled to the next regularly scheduled meeting of the Board of Directors. Any hearing or request for hearing shall not stay the other enforcement procedures described below, unless otherwise directed by the Board of Directors.

3. Hearing

- (a) The primary purpose of hearings before the Board is to resolve covenant enforcement matters as early as possible, without the expense of litigation. As a result, any owner or alleged violator who appears at a hearing is encouraged to discuss resolution in lieu of or in addition to the hearing. If the Board believes that the owner/violator is acting in good faith and that there is a realistic chance of resolution, the Board may reschedule the hearing and attempt to use the remainder of the time that was originally scheduled for a hearing for the alternative dispute resolution described in Exhibit D. However, if at any time the Board, in its sole judgment, believes that delay will harm the interests of the Association, it may proceed with the hearing.
- (b) Hearings shall be conducted by Board Members who are IMPs. As a result, any Board Members who would receive a greater benefit or detriment from the outcome of a hearing than the general membership of the Association shall recuse themselves from acting as Members of the Board during any hearing. If disqualification of any Board Member(s) results in an even number of remaining Board Members eligible to hear a case, the Presiding Officer may appoint an impartial Association Member, in good standing, to serve as a voting Member of the Board for that hearing.

- (c) Hearings shall be held in executive session because they may involve privacy and/or possible litigation issues. The Board may exclude any person other than the owner or alleged violator and witnesses, when testifying.
- (d) At the hearing, the Board may consider any written or oral information produced by the owner, the alleged violator or other interested party. Any legal or statutory rule of evidence or procedure shall not apply to the hearing, and the Board may restrict testimony or proceed in any manner or order which it deems appropriate in its discretion. 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. Hearsay evidence shall be sufficient in itself to support a finding. The Board may tape record or otherwise transcribe the hearing. The Board may proceed with the hearing even if the owner fails to appear or refuses to participate or to submit information. The owner may be represented by legal counsel so long as said owner gives the Board at least five (5) days prior written notice, in which case the Board's attorney may be present as well. Any participant may question any witnesses and examine any documents presented at the hearing.
- (e) After hearing any information, witnesses, or documents presented at the hearing, the Board's decision shall be made by majority vote of the Board Members present. If requested by the Owner, the Board will furnish a brief summary of the decision and the sanction, if any, which may be sent by regular mail to the owner and, if requested or the Board deems it necessary, to the alleged violator. The Board may also issue and record a Notice of Finding of Violation with the County Clerk and Recorder, and release same upon satisfactory compliance with the Governing Documents.

4. Extent of Violations

Each incident or each day of a continuing violation shall be considered a separate violation for which any maximum fine may be imposed. For example, each day during which a pet or a sign is permitted to remain is a separate violation. The Board may in its discretion impose increased fines for repeated or intentional violations.

5. Parties to Violations

Owners shall be responsible for violations committed by their contractors, guests, family members, and tenants, for example, pets kept by tenants or signs placed by real estate agents. The Board may proceed against both the owner and the alleged violator, simultaneously or separately, and actions against one shall not bar action against the other. The Board may contact the police, any regulatory or licensing authorities or other third parties regarding the alleged violation, but any action or decision by those parties shall not bar the Board from proceeding.

6. Fines and Sanctions

- (a) Any violation of the Governing Documents will subject the Owner to a reasonable fine assessment imposed by the Association as follows:
- First time or minor violations between \$25 and \$75
 - Repeated minor violations between \$50 and \$100
 - Repeated or flagrant violations between \$100 and \$500

In the event of a continuing violation, each day is a separate violation and a daily fine may be levied, but only if the Association's agent performs a daily inspection to verify the violation is continuing. Fines may not exceed \$1,000.00 for any finding of violation.

- (b) This schedule is not intended to cover all possible violations and there are instances where the amount of fines may vary depending on the circumstances. The amount of the fines are intended to bear a reasonable relationship to the actual harm that is being caused; the potential risk of loss to the Association if compliance does not take place; the costs of investigative demand letters and hearings to ensure compliance; and the cost of remedial measures (if used).
- (c) Repeat offences and/or repeat offenders will justify higher fines. Fines should also be commensurate with the time and effort of the various board members in investigating and gathering evidence of violations, sending demand letters and conducting hearings. The above schedule is (at most) an attempt in order to ensure uniformity for routine violations.
- (d) Fines will be due and payable within thirty (30) days of the date of the imposed fine, and shall be considered delinquent after the due date. A delinquent fine will result in a lien being filed on the property for nonpayment and will bear interest at eight percent (8%) per annum, calculated from the date of the fine, as well as late fees and legal fees.
- (e) Any fine shall be both a personal obligation of the owner or the violator or both and shall also be an assessment creating a lien which may be recorded against the unit and may be foreclosed as provided in the Declaration. The Board may notify any lender and credit agency of such obligation and lien. Additionally, the Board may bring legal action to enforce the violated provision and to recover the fine.
- (f) Any violation shall entitle the Board to recover from the owner or violator or both, its reasonable attorneys fees, court costs, interest, and any other collection expenses, regardless of whether litigation is instituted or is successfully concluded. The Board may seek to recover such fees and costs by all legal remedies, including without limitation, charging such fees and costs to the owner's account with the Association.
- (g) The Board, in its discretion, may waive fines, attorney fees, court costs, interest and other collection expenses, if, in its reasonable discretion, such waiver is appropriate under the circumstances. Additionally, the Board may condition waiver of the entire fine, or any

portion thereof, upon the violator coming into compliance with the Declaration, Bylaws or rules.

- (h) The Board reserves the right to fine for first violations of rules that involve health and safety issues and other violations where a warning may not be deemed necessary by the Board in its reasonable discretion. Additionally, upon prior written notice, the Board reserves the right to levy fines in excess of the above schedule, if the Board determines that the fines set forth in the schedule are not likely to provide effective incentives to induce compliance.
- (i) Payment of an assessed fine does not relieve the violator from the responsibility of correcting the violation.

7. Other Enforcement Actions

If the actions described above do not cure the default, or in the event of emergency, health or safety reasons, the Association will thereafter have the right (but not the obligation) to undertake whatever actions are reasonably necessary to remedy such violation, including:

- A. The right to enter any portion of a Unit for the purpose of correcting the default, in which case the party performing such action shall not be liable for any losses, costs or damages to any tenant or Owner of any Unit on account of its performance of such action except for any such loss, cost or damage caused by the party's gross negligence or willful misconduct. Said right of entry shall include, but is not limited to, the right to make repairs, perform maintenance, remove any nuisance or otherwise undertake action to cure the breach or otherwise bring the Unit into compliance; and/or
- B. The right to file an action in any court of competent jurisdiction to evict any tenant in violation of these covenants or to obtain injunctive relief against any Owner or tenant, any of their agents, contractors or assigns, enjoining any activity which is in violation of the Covenant. If any such action is brought by the Association, it shall not be required to post any bond as a condition to the granting of any injunctive relief (including a preliminary injunction or temporary restraining order), nor shall the Association's right to such injunctive relief be affected by any arbitration provisions in any contract executed by such Owner, tenant or their agents.

8. Remedies for Failure to Pay Fines/Charges

In the event the Association elects to make repairs, perform maintenance or take other action pursuant to Sections 3 through 7 above, the Association will submit all charges incurred for same to the Owner or persons responsible for the property upon which or for whose benefit such costs

were incurred. If the Association's costs have not been paid after expiration of thirty days after the date they become due, the Association may thereafter:

- (a) deny rights to use the recreational facilities, voting rights, or other rights of a member in good standing of the Association (including the right to notice of or to speak at meetings, and to inspect the records of the Association), provided, however, that there shall be notice and opportunity to be heard before loss of "good standing" for any reason other than failure to pay assessments, for which there is no right to any hearing; and/or
- (b) record a lien against the Unit (including improvements thereon) for all fines and charges, as well as all costs (including reasonable attorneys' fees) incurred by the Association in collecting such costs and foreclosing upon the lien. This portion of any assessment lien shall be junior to all other liens or encumbrances of record with respect to the Unit on the date this lien is recorded. This lien may thereafter be foreclosed upon in the manner provided by Colorado law for foreclosing upon real estate mortgages. This lien shall provide all sums expended by the Association (including reasonable attorneys' fees) shall be additional indebtedness secured by the lien.

9. Responsibility

Owner(s) shall be responsible for violations committed by their guests, contractors, family members, agents or tenants. The Board may proceed against the Owner, the individual violating the Covenants, or both, and may suspend the voting rights of said Owner(s) for so long as a violation continues or the fines assessed pursuant to Section 6 remain unpaid.

10. Rights

All rights and remedies set forth hereinabove shall be in addition to, and not in lieu of, any other rights and remedies which any Owner in good standing may have to personally enforce the Covenants. For purposes of this policy, the "good standing" of a member shall be based upon compliance with the Covenants, including but not limited to the payment of all assessments levied by the Association, including any fines levied for violations in accordance with the covenant enforcement policy of the Association; the Board reserves the right to waive this requirement on a case by case basis for purposes such as a member's right to a hearing before the Board. All such rights and remedies shall be cumulative, and the exercise of any one or more of such rights and remedies shall not be deemed an election precluding the exercise of any of the others.

11. Substantial Compliance

Technical irregularities or defects in the complaint, Notice or other compliance with this Rule shall not invalidate the proceedings or any fine or sanction imposed. This Rule shall be liberally construed to accomplish prompt, effective enforcement of the Association's Declaration, Articles of Incorporation, Bylaws and Rules.

12. Board Resolves Questions of Construction

If any doubt or questions shall arise concerning the true intent or meaning of any of the Covenant or these Rules, the Board shall determine the proper construction of the provision in question, and shall set forth in a written statement the meaning, effect and application of the provision. These determinations will thereafter be binding on all parties so long as it is not arbitrary or capricious, and they may be filed for record with the Clerk and Recorder of El Paso County.

Effective date: August 10, 2010