

**STEAMBOAT GRAND HOTEL CONDOMINIUM
ASSOCIATION, INC.**

POLICIES & PROCEDURES

**ADOPTED April 10, 2006
EFFECTIVE January 1, 2006**

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POLICIES AND PROCEDURES**

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STEAMBOAT GRAND HOTEL CONDOMINIUM ASSOCIATION, INC.

POLICIES AND PROCEDURES

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I. BACKGROUND

A. Governance

The STEAMBOAT GRAND HOTEL CONDOMINIUM ASSOCIATION, INC., a Colorado non-profit corporation (hereinafter the "Association") is governed, in part, by (i) that certain Declaration of Condominium And Plan of Quarter Share Ownership For The Steamboat Grand Resort Hotel Condominium, recorded on September 20, 2000, at Reception No. 533317, Routt County records (the "Declaration"), (ii) the Articles of Incorporation, (iii) the Bylaws, (iii) the Rules and Regulations, and applicable provisions contained within C.R.S. 38-33.3-*et. seq.*, including those which took effect January 1, 2006, by the adoption of Colorado Senate Bill 05-100 (hereinafter "SB 05-100").

B. Compliance

As a result of SB 05-100 (provisions relevant to Associations with time-share Units), the Board of Directors of the Association, by and through the Declaration, are empowered with the authority and charged with the responsibility to, amongst other duties, adopt and promulgate the Policies and Procedures herein below. Consistent with the corresponding Resolution of the Executive Board of the Association, adopted simultaneous herewith, the Board of Directors approve, and/or ratify, the following Policies and Procedures relating to:

- 1) collection of unpaid assessments,
- 2) handling of conflicts of interest involving Board of Directors,
- 3) handling of conduct and notice of meetings,
- 4) enforcement of covenants and rules (including notice and hearing procedures and schedule of fines),
- 5) inspection and copying of association records by owners,
- 6) investment of reserve funds,
- 7) procedures for adoption and amendment of policies, procedures and rules, and
- 8) to address other areas of compliance relating to Colorado SB 05-100.

C. Applicability

These Policies are applicable to all Unit Owners and shall be deemed in addition to, and not in lieu of, all governing documents of the Association, including but not limited to applicable provisions of the Declaration, Articles of Incorporation, Bylaws, and Rules and Regulations of the Association, if any, and which shall control in the event of any inconsistency with the aforesaid governing documents. Each such Unit Owner is responsible for the acts or omissions of the respecting compliance of these Policies.

II. RESPONSIBLE GOVERNANCE POLICIES SB 05-100

A. Collection of Unpaid Assessments

The Association ratifies Article 13 and 14 of the Declaration and Article 3, Sections 3.9(A) and (C), and 6.3, of the Bylaws.

B. Handling of Conflicts of Interest Involving Board Members & Others

Compliance with this Policy and the implementing procedures is required of every "interested person" which may include a Board member, and, as appropriate, any officer, agent, other individual or organization whose relationship with the Association is covered by this Policy.

The purpose of this Policy to foster full disclosure of any actual, apparent or potential conflict of interest in order that the specific facts might be reviewed by the Association and a fair judgment made as to the proper course of action to be taken in light of all of the circumstances.

"Conflict of interest" includes any of the activities, conduct or relationships described herein or as provided by C.R.S. 7-128-501, a copy of which is attached hereto and made a substantive part of this Policy. Any actual, apparent or potential conflict of interest is intended to be covered by this Policy whether or not specifically denominated herein. A conflict of interest exists whenever the performance of or failure to perform a duty for the Association relates, in any manner, to the business affairs of any interested person or relative with which is associated or is seeking to become employed or associated. A conflict of interest may exist whenever an interested person, his or her relative, or any organization with which the interested person or relative is associated (including any beneficiary organization or competitive organization), has or is seeking to have any business relationship or benefits in any regard.

Except as may be permitted by this Policy, each interested person shall avoid any action or participation in the affairs of the Association, whether or not specifically prohibited by this Policy, that might reasonably be expected to result in or create the appearance of a conflict of interest. Examples of the general prohibition include, but are not limited to:

1. Using an Association position, assets or information for private gain or personal advantage;
2. Giving improper preferential treatment concerning the Association's business or operations to any relative, associated organization or third party;
3. Impeding the normal efficiency or economy of the Association;
4. Losing independence and impartiality in participation in, or actions on, the Association's affairs.
5. Making an Association decision outside prescribed or appropriate Association channels.
6. Acting in any manner which might adversely affect the confidence of the Unit Owners in the integrity of the Association.
7. Receiving or soliciting anything of value as a gift, gratuity, favor, loan or discount for him/herself or for any relative or associated organization, from any beneficiary organization, except as may be fully disclosed and approved in advance pursuant to the implementing procedures.

8. Having a direct or indirect financial interest that conflicts with the responsibilities for the Association;
9. Having outside employment which may result in a conflict of interest; and
10. Disclosing or using, directly or indirectly, inside information for the private benefit of any beneficiary or competitive organization.

This Policy is not intended to prohibit Association interested persons from having routine relationships as consumers on regular terms available to the general public with business organizations that coincidentally have a business relationship with the Association.

Each interested person shall disqualify him/herself from any Association decision or matter that relates in any way to his/her personal interests or the interests of any relative or associated organization. If any Board Member, a Board Member's parent, grandparent, spouse, child or sibling, or the parent or spouse of any of those persons, will financially benefit from any contract or action taken by the Board, that Board member must disclose their conflict of interest at an open meeting prior to the Board taking any action. The Board Member may participate in discussion but must not vote on that issue. With respect to Board Member disclosure as just stated, any contract entered into in violation of this section is void. This section shall additionally apply to any committee positions within the Association. A Board Member with a conflict of interest is still to be counted in determining whether a quorum exists.

Resolution options available under this Policy for any actual, apparent or potential conflict of interest include, but are not limited to:

- a. Finding that no conflict of interest exists;
- b. Requiring full disclosure of all relevant facts;
- c. Ruling that the conflict of interest is so insubstantial as not to warrant any remedial action;
- d. Disqualifying the affected Board Member or employee, and any subordinate, if necessary, from any action or participation in connection with the conflict matter;
- e. Requiring the affected Board Member or interested person to divest him/herself of the financial interest or to terminate the relationship that is the cause of the conflict of interest, or requiring related resignation to Association involvement;
- f. Requiring the contractual or other business relationship between the Association and the affected beneficiary organization be modified or terminated in order to dispel the conflict of interest.

Every existing Board Member (and within 30 days of a newly appointed/elected Board Member) shall complete and submit to the Association, a written statement that they have no business or other relationships that would create a conflict of interest or, if they do have such an interest, the nature and extent of such relationship. Such written statement shall additionally be required at any time upon the Association's request. It is the obligation of every Board member and interested person to promptly to report any actual, apparent or potential conflict of interest as to him/herself or any other person or organization to the Association.

All information contained in any written statement or obtained in connection with a request for an interpretation or investigation pursuant to this Policy shall be treated as confidential.

Any false statement or significant omission of information in connection with any Statement shall be grounds for further action as relayed herein.

C. Conduct and Notice of Meetings

The Association ratifies Sections 2.2 and 3.3 of the Bylaws. Additionally, all meetings of the Association, both Unit Owner and Executive Board, shall comply with applicable provisions of the Colorado Nonprofit Act.

Notice of Unit Owner meetings shall be physically posted in a conspicuous place in addition to electronic or mail notices. Notice shall include the general nature of the meeting, and if applicable, any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove an officer or member of the Executive Board. The Association is encouraged to use electronic means to give notice of Unit Owner meetings and must use such method if the Unit Owner has submitted an email address and request for such purpose. The notification email must be sent at least twenty-four hours prior to the meeting. At the Unit Owner meetings, Unit Owners must be allowed to speak prior to formal action being taken on an item under consideration. The Association, however, may reasonably limit the time persons are allowed to speak. The Association must provide for a reasonable number of persons to speak on each side of an issue.

Notice of Executive Board meetings is not required, subject to the Colorado Nonprofit Act. Unit Owners may attend Executive Board meetings. At Executive Board meetings, Unit Owners may speak during the Board's discussion and deliberation only if expressly authorized by a majority vote of a quorum of the Executive Board. However, the Executive Board must allow a Unit Owner to speak at an appropriate time prior to the Executive Board taking formal action on any item under discussion. Such opportunity to be heard shall be in addition to any other speaking opportunities provided by the Executive Board. The Executive Board, however, may reasonably limit the time persons are allowed to speak. The Board must provide for a reasonable number or persons to speak on each side of an issue. The conduct of meetings for Executive Board meetings shall apply to Executive Board committee meetings as well, such as an architectural control committee or design review board meeting.

D. Enforcement of Covenants and Rules

The Association ratifies the Association's governing documents, including but not limited to the Rules and Regulations of the Association.

E. Inspection and Copying of Association Records by Owners

The Association shall keep permanent records compliant with applicable provisions of the Colorado Nonprofit Act, and shall maintain the following: 1) minutes of all Unit Owner and Board meetings; 2) a record of all actions taken by the Unit Owners or Executive Board by written consent instead of holding a meeting; 3) a record of all actions taken by a committee of the Executive Board; and 4) a record of all waivers of meeting notices of Unit Owners, Board of Directors, or any Committee Members.

The Association shall maintain a record of Unit Owners that allows preparation of a list of the names and addresses of all Unit Owners and that shows the number of votes each Unit

Owner is entitled to vote. The Association shall maintain records in written form or in another form that can be converted into written form.

The Association shall make all financial and other records available during normal business hours, on notice of five business days, for examination and copying by any Unit Owner if the following conditions are *all* met: 1) the request was made in good faith and for a proper purpose, and not in vexation, to be frivolous, nor for a pecuniary gain; and 2) the request describes with reasonable detail the records sought and why; and 3) the records are relevant to the purpose of the request and apply to the matter in question.

The Association shall also keep a copy of each of the following records at its principal office, or managing agent's principal office: 1) its Articles of Incorporation or other applicable organizational documents; 2) the Declaration; 3) any covenants, Rules and Regulations, or Policies and Procedures; 4) its Bylaws; 5) resolutions adopted by the Executive Board that affect Unit Owners; 6) the minutes of all Unit Owners' meetings and records of actions taken by Unit Owners without a meeting for the past three years; 7) all written communications within the past three years to Unit Owners; 8) a list of the names and business or home addresses of its current Directors and officers, if any; 9) its most recent annual report, if any; and 10) all financial audits or reviews conducted during the preceding three years.

The Association shall charge Unit Owners "actual costs" for copying records, which includes personnel and equipment used for the search, retrieval, and copying of the records.

F. Investment of Reserve Funds

For reserve funds less than \$100,000.00, the Executive Board shall ensure such amounts are maintained in a FDIC account. For reserve funds in excess of \$100,000.00, the Board shall abide to the extent possible, and by corollary application with the Colorado Uniform Prudent Investor Act, Title 15, Section 1.1, *et. seq.*, a copy of which is attached hereto and made a substantive part of this Policy. Reserve funds are those amounts that are not designated for any particular Association purpose, or as otherwise defined in the Bylaws.

G. Procedures for Adoption and Amendment of the Policies and Procedures

These Policies shall be made operational and in full force and effect upon approval of at least a majority of the Executive Board. The Policies shall be made operational and in full force effect, by statute, as a matter of law. From time to time, and subject to the governing documents of the Association, the Board of Directors may adopt, amend and repeal Association Policies and Procedures and regulations relating to the Association ("Association Policies and Procedures"), for purposes including (for example and not by way of limitation) the following: the prevention of fire hazards; the prevention of disorder or disturbances of the peace; the regulation of pedestrian and vehicular traffic; the protection of wildlife; the regulation of the use of the Common area to assure the full and fair enjoyment of use by Owners and their Immediate Families; the protection of property and property rights; and the promotion of the general health, safety, and welfare of persons residing and visiting in the Association. Each Owner and Owner's family members, guests, tenants and invitees are bound by to comply with the Association Policies and Procedures.

III. GENERAL RESTRICTIONS AND PROCEDURES SB 05-100

A. Use of Proxies

Proxies obtained through fraud or misrepresentations are invalid. Proxies may be appointed as provided pursuant to C.R.S. 7-127-203, a copy of which is attached hereto and made a substantive part of this Policy. The Association may reject a vote, consent, written ballot, waiver, proxy appointment, or proxy appointment revocation if such rejection is done in good faith and has reasonable basis for doubt about its validity. Such rejection may not be made with malice, intent to defraud, or take unfair advantage. The Association and individuals acting for the Association in accepting or rejecting one of the above documents will not be liable for any damages if the acceptance or rejection is done in good faith. Any Association action based on the acceptance or rejection of one of the above documents is valid unless a court determines otherwise. This Policy supplements, and supercedes where applicable, Section 5.5 of the Declaration and Article 2, Section 2.2(F) and (G) of the Bylaws.

B. Board Member Education

The Executive Board may authorize, and account for as a common expense, reimbursement of Board of Directors for their actual and necessary expenses incurred in attending educational meetings and seminars on responsible governance of unit owners' associations. The course content of such educational meetings and seminars shall be specific to Colorado, and shall make reference to applicable sections of The Colorado Common Interest Ownership Act. If first authorized by the Executive Board- for reimbursement- Board of Directors must show proof of attendance and provide an agenda of the program.

C. Homeowner's Insurance

A Unit Owner may file a claim against an Association's insurance policy as if the Unit Owner were an additional named insured as a matter of law. This Policy supplements, and supercedes where applicable, Article 9 of the Declaration.

D. Executive Board/Preservation of the Attorney-Client Privilege

Once the Executive Board has resolved any matter for which they sought legal advice or concerned litigation, the Executive Board has the discretion to decide whether to disclose such communication at an open meeting or to preserve its attorney-client privilege as a matter of law.

E. Patriotic and Political Expressions

A Unit Owner may not be prohibited from displaying the American flag on their property, in the windows of their units, or on their balconies as long as the display complies with the Federal Flag Code, 4 USC 4-10. The Association is permitted to regulate the location and size of flags and flagpoles within the Association community, but it may not ban them all together.

The Association may not prohibit a Unit Owner from displaying a service flag with a star denoting the service of the Unit Owner or a member of the Unit Owner's immediate family in the active or reserve military service during a time of war or armed conflict. The Association is permitted to make reasonable rules to regulate the size and method of the display of service flags, but it must at least allow flags that measure nine inches by sixteen inches, and it must

allow these flags to be displayed on the inside of a window or door of the Unit Owner's residence. At its discretion, the Association may allow flags larger than nine by sixteen inches.

The Association may ban the display of political signs on Unit Owner's property or in their windows earlier than 45 days before Election Day and later than seven days after an election, but the Association may not completely prohibit the display of such signs. Further, the Association may regulate the size and number of political signs consistent with the applicable local ordinance that addresses this issue. Absent such local ordinance, the Association allows at least one political sign per political office or ballot issue with the maximum dimensions of 36 inches by 48 inches.

F. Emergency Vehicles

The Association permits the parking of a motor vehicle on a street, driveway, or guest parking area in the community if the Unit Owner is required by their employer to have the vehicle at their residence during designated times, providing the following conditions are met:

- The vehicle weighs ten thousand pounds or less; and
- The Unit Owner is a member of a volunteer fire department or an emergency service provider; and
- The vehicle has an official emblem or other visible markings of an emergency service provider; and
- Parking the vehicle will not obstruct emergency access or interfere with the reasonable needs of the other residents to use the community's streets and driveways.

This Policy supplements, and supercedes where applicable, Article 7 of the Declaration and Section 11 of the Rules and Regulations.

G. Unit Owners' Contact with Association

Unit Owners may contact members of the Executive Board in writing or their Managing Agent regarding any variety of matters.

Dated, effective the first day above written.

Mike Lomas, President, Executive Board