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Board of Directors
Ranch at Roaring Fork Homeowners Association, Inc.

Re: FAQ - Amended, Restated and Consolidated Declaration

Dear Board of Directors:

This letter addresses frequently asked questions ("FAQ") that Owners have presented after review of the draft Third Amended, Restated and Consolidated Declaration of Covenants, Conditions, Limitations, Restrictions, Reservations, Liens and Charges for the Ranch at Roaring Fork and the Common Recreation Reserve at the Ranch at Roaring Fork (the "Draft Declaration")

1. How and when does an Owner get approval to take or allow a Guest into the CRR in the following situations?

Generally, Guests may use the CRR in compliance with Board adopted rules and regulations pursuant to Art. V §§ 5.9(b) and 5.12. The currently effective Ranch Rules further address use of the CRR in Art. X

a. the Guest is accompanied by the Owner.

i. *No notice or prior approval is necessary for Guest use of the CRR if the Owner is with the Guest on the CRR, or if the Owner is at the Ranch even if not physically with the Guest on the CRR.*

b. the Guest is an unaccompanied family member.

i. *The process set forth in the Ranch Rules, Art. X § D(1) remains applicable.*

ii. *The only requirement is to give reasonable notice to the office or Ranch Manager via phone, text or e-mail.*

iii. *The Board may revise this Rule at any time if it determines that clarification is necessary.*

c. the Guest is not a family member and is not accompanied by an the Owner.

i. *Delegation to a non-family Guest that is a Tenant is made pursuant to the Ranch Rules, Art. X § C.*

ii. *This Ranch Rule may be revised to clarify the procedure for delegation to a non-family Guest that is <u>not</u> a Tenant.*

2. Can the Association sell all or part of the CRR without Owner approval?

a. *No. Real property owned by the Association for the use or benefit of the Members (i.e. the Common Elements including, without limitation, the CRR) cannot be purchased or sold without approval of 67% of all Owners pursuant to the Draft Declaration, Art. IV § 4.2(d).*

b. *However, Owner approval is not necessary to sell real or personal property that is not Common Element.*

3. If a Unit or a Lot is owned by more than one Person, do each of them get to vote?

a. *No. Generally, only one vote may be cast on any ballot issue on behalf of each Unit or Lot. See the Draft Declaration, Art. III § 3.3; and the Bylaws, Art. 3. In particular, the Draft Declaration, Art. III § 3.3(d) directs us to the Bylaws regarding voting by Joint Owners. The Bylaws, Art. 3 § 3.3, specifically addresses voting by Joint Owners in accordance with applicable law.*

4. Are "Timeshare" ownership arrangements allowed at the Ranch?

a. *The current Declaration is silent on the issue. In most instances, applicable law provides that any use that is not expressly prohibited is permitted. Timesharing is an exception as state statute requires that timesharing must be expressly permitted in the Declaration. Accordingly, timesharing is not permitted at the Ranch under the current Declaration.*

b. *To avoid any confusion on this issue timesharing is specifically prohibited pursuant to the Draft Declaration, Art. V § 5.10(d).*

5. Can the Board of Directors determine what constitutes "immoral behavior"?

a. *The current Declaration, Art. VI § 6.9(c), prohibits "immoral, improper or offensive use" and said restriction is incorporated into the Draft Declaration, Art. V § 5.10(h). The primary purpose is to restrict unlawful or offensive use or activity. Generally, the Board's authority to enforce violations based on allegedly "immoral behavior" will be limited to determining whether the use or activity is prohibited based on standards and criteria provided in the applicable law. If the alleged behavior does not meet the standards or criteria, or if there are no applicable standards or criteria, the Board will not have a reasonable basis to determine that the behavior constitutes a violation.*

6. Is there a difference between an Owner and a Member?

a. *Yes. An Owner is defined in the Draft Declaration and by CCIOA to mean any Person that owns a Unit or Lot. A Member is any Person that holds a membership interest in the nonprofit corporation Association as defined in the Nonprofit Act.*

7. Does Colorado law (CCIOA) require an annual audit by a certified public accountant (CPA)?

a. *No, there is no annual audit requirement. CCIOA grants the Board the discretion to subject the Association's books and records to an audit by a CPA using generally accepted auditing standards, or a review, using statements on standards for accounting and review services, by an independent and qualified person selected by the Board. C.R.S. § 38-33.3-303(4)(b)(I). The only time that the forgoing statute requires an audit is where: (i) the Association has annual revenue or expenditures of at least $250,000; and (ii) one-third of the Owners request an audit. C.R.S. § 38-33.3-303(4)(b)(II).*

b. *The current Declaration, Art. VIII § 8.1(f) requires that the Board provide Owners with an annual financial statement prepared by a CPA and grants Owners an unrestricted right to audit the Association's books and records. The Draft Declaration, Art. IV § 4.2(i), similarly provides for the Association's annual financial statement to be made available to Owners, but omits language requiring CPA preparation and the audit right as such issues are better addressed by the applicable law.*

8. What is the Owner approval requirement for a Declaration Amendment?

a. *Notwithstanding the 75% approval requirement in the current Declaration, Art. XV § 15.1(b), the approval requirement is 67% of all votes in the Association. CCIOA provides that the maximum percentage of votes needed for Owner approval of a Declaration Amendment is 67% of all votes and automatically reduces higher percentage approval requirements to 67%. C.R.S. § 38-33.3-217.*

9. Can the Architectural Advisory Committee (AAC) act unilaterally, without the Board's final approval?

a. *No. The AAC's actions are subject to Board approval pursuant to the Draft Declaration, Art. X § 10.5.*

10. Must dogs be leashed at all times in the CRR?

a. *No. Dogs are permitted to be off leash within the CRR if under reliable and consistent voice control pursuant to the Draft Declaration, Art. V § 5.10(i).*

11. Is Owner approval required to sell or transfer any Ranch water rights?

a. *Yes. The Association's purchase, release, encumbrance or conveyance of any water right must be approved by 67% of all votes in the Association pursuant to the Draft Declaration, Art. VI § 6.2.*

12. Is the "Declarant" still a part of the Association?

a. *No. The Declarant (essentially the developer of the Ranch and any successors) no longer controls the Association. Additionally, all of the Declarant's development rights have been exercised or they have otherwise expired and are no longer valid.*

13. Can the Association limit the number of Guests occupying a Lot or a Unit?

a. *The Draft Declaration does not expressly limit total occupancy within a Lot or Unit. However, use of any Lot or Unit must be reasonably safe and in compliance with applicable law. See the Draft Declaration, Art. V § 5.10(a), (e), (h) and (m). Accordingly, one or more violations may be enforced if the number of Guests within a Lot or Unit exceeds the occupancy restrictions under the Garfield County code or other applicable law.*

14. Does the Association need to record a lien with Garfield County for each and every instance of unpaid Assessments?

a. *No. The Association's lien exists by virtue of the recorded Declaration. The lien automatically attaches to a Unit or Lot the moment an Assessment is levied. C.R.S. § 38-33.3-316(4). There is no statutory requirement that the Association record a lien statement in any circumstance. Practically, recording the Association's lien statement provides record notice that the Association's lien must be satisfied before clear title may be passed to a prospective purchaser.*

15. If there is a conflict between the Declarations and the Bylaws, which document is considered correct?

a. *The Declaration controls with respect to any conflict with the Bylaws pursuant to C.R.S. § 38-33.3-203(3).*

16. Who is responsible for providing liability and property insurance coverage on Lots or Units?

a. *All Owners are responsible for obtaining general liability and property damage insurance coverage on their Lot, Unit, or any personal property therein. However, an Owner's failure to obtain or maintain any form of insurance on their Lot or Unit does not constitute a violation of the Declaration. Additionally, the Association is responsible for obtaining and maintaining property damage insurance coverage on the Condominium Building and the Units to the extent coverage is reasonably available.*

17. If a large, suicidal bird of prey flies into, and breaks, an exterior window of a condominium Unit, who is responsible for replacing it?

a. *Generally, the Association is responsible for repair or replacement of exterior windows and glass surfaces pursuant the Draft Declaration, Art. IV § 4.2(f), but it is only required to use materials that are equivalent to the quality of the original construction. An Owner that has* *installed or desires to use upgraded window materials or glass shall be responsible for any resulting maintenance, repair or replacement expenses.*

18. When is Owner approval required before the Board may expend Association funds?

a. *The Draft Declaration, Art. IV § 4.3(f) provides that a majority of a quorum of the Owners must approve an expense for construction of new Improvements or demolition of existing Improvements (but not applicable to maintenance, repair or replacement of existing Improvements) if the expense is expected to exceed an amount equal to five times the amount of one pro-rata share of the Annual Assessment of Operating Expenses allocated to all Units or Lots in the Draft Declaration, Art. VII § 7.5(a) pursuant to the prior year's annual budget. This is a simpler formula for calculating the amount triggering the Owner approval requirement than what is provided in the current Declaration, Art. VIII § 8.2(g) because it eliminates the need to refer to a consumer price index to calculate the expense limitation.*

b. *In order to obtain approval for an expense subject to this limitation, no less than 54 Owners would have to vote and at least 27 Owners would have to vote in favor of the expense to obtain proper Owner approval.*

19. Is the Association required to fairly allocate Common Expenses?

a. *Yes. Common Expenses that are shared by all Owners are required to be uniformly allocated pursuant to a formula set forth in the Declaration pursuant to C.R.S. § 38-33.3-205. Additionally, the Common Expenses that exclusively benefit a membership class may be assessed exclusively to the Owners within that membership class as provided in the Declaration. Further, the Board has discretion to assess Common Expenses exclusively to Owner(s) that exclusively benefit from the expense, or whose acts or omissions caused the expense to be incurred. See the Draft Declaration, Art. VII.*

20. Can Lots have Limited Common Elements?

a. *Yes, any portion of the Common Elements that benefit the one or more but less than all of Lots may be considered a Limited Common Element. For example, lines or pipe within the Ranch Water System that deliver water to one or more but less than all of the Lots are Limited Common Elements appurtenant to the benefitted Lots.*

21. Can the Association limit the number of Guests of an Owner that are using the CRR at one time?

a. *Yes. The Association has broad authority to regulate use of the CRR, or any other Common Element, without Owner approval pursuant to the current Declaration and applicable law.*

22. What is a Working Capital Fund and why was it added in the Draft Declaration, Art. VII § 7.3?

a. *A Working Capital Fund consists of amounts that the Association collects from a purchaser upon sale of a Unit or Lot. It has been added to supplement the Association's available funds without raising annual assessments or levying special assessments on existing Owners.*

23. Are Working Capital Fund contributions a common requirement for HOA's in the Roaring Fork Valley?

a. *Yes, similar Working Capital Fund contribution provisions are common in communities similar to the Ranch including, without limitation, Aspen Glen and River Valley Ranch. In practice, the Working Capital Fund contribution will be paid at closing of the sale of a Unit or Lot, and the buyer and seller will be able to negotiate which of them will be responsible for the payment.*

24. Is the Working Capital Fund requirement going to affect the market value of my Unit or Lot?

a. *It is unlikely that the Working Capital Fund requirement will negatively affect future sales or the market value of any Unit or Lot based on the relevant information available.*

Very truly yours,

KARP NEU HANLON, P.C.

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