

**INITIAL RULES AND REGULATIONS
WATER'S EDGE TOWNHOMES ASSOCIATION**

Pursuant to the Water's Edge Townhomes Declaration of Covenants, Conditions, Restrictions and Easements ("Declaration"), the Executive Board ("Board") of Water's Edge Townhomes Association ("Association") has adopted the following rules and regulations to govern the use and enjoyment of Water's Edge Townhomes ("Project"). The following rules and regulations, except as otherwise expressly stated, apply to all Owners and their families, lessees, employees agents, invitees and guests (collectively referred to as "Owners") with respect to the use of the Units and any other portion of the Project. Defined terms not specifically defined in these Rules and Regulations shall have the meaning attached to such terms in the Declaration.

I. Use.

1. The Project shall be used for residential purposes and for services, activities and recreation in conjunction with such residential use.

2. Each Unit shall be heated so as to maintain a minimum temperature in the Unit of no less than 60 degrees Fahrenheit from October 1st to May 30th of the year in order to minimize any damage which could result from the freezing of pipes, both individual and common, which pass near or through individual Units. This minimum heating requirement must be met even when the Unit is vacant.

3. To ensure a consistent appearance for the Units from the exterior of the Unit or building, the only window coverings allowed are those that appear white, off-white or beige in color from the exterior. Wood blinds in natural colors are also allowed.

4. The peace of the Community and neighbors shall be respected, and no unreasonable amount of noise shall be produced from a Unit that may be heard outside that Unit. In no event shall any sounds of musical instruments, shouting, repeated barking of any dog or repeated sounds from other pets, operation of audio equipment or emission of an unreasonable amount of noise from the operation of any other equipment, shall be heard outside that Owner's Unit.

5. Each owner, member, guest or tenant is required to know and abide by the Association Documents and all applicable laws, rules and regulations. No person shall do or permit anything to be done within the Project, or bring or keep anything therein which would conflict with health and safety laws or with any insurance policy of the Association or with any rules of the Association or with any of the rules, regulations or ordinances of any governmental or quasi-governmental authority having jurisdiction over the Project.

II. Use of Exterior Maintenance Area, Common Area and Party Walls.

1. No owner, member, guest or tenant may make any changes to the Exterior Maintenance Area, the Common Areas or Party Walls (other than surface decoration of an interior Party Wall) without first applying to and obtaining the written authorization of the Executive Board.

2. No Owner, member or tenant shall install any satellite dish, television antennae, machines or air conditioning units that are visible from the front of the Residences, or from any public street, or that protrude through the walls or roof of the Unit without first applying to and obtaining the written authorization of the Executive Board. Any fixture permitted to be attached to the exterior of a Residence shall be painted to match the exterior color of the Residences.

3. No personal or household articles shall be placed or stored on or in any of the Common Area or Exterior Maintenance Area. These shall include, but are not limited to, bicycles, sports equipment, or any unsightly materials. Notwithstanding the foregoing, patio furniture, planters and other items appropriate for use and display on patios, porches, decks and balconies may be kept in those portions of the Exterior Maintenance Area designed for such uses, unless the Association requests that such items be moved or removed. The Association assumes no liability for, nor shall it be liable for, any loss or damage to articles left or stored in any Common Area or Exterior Maintenance Area.

4. The Association will maintain all standard landscaping, trees and other vegetation in the Exterior Maintenance Area and the Common Area. No resident may alter landscaping in the Exterior Maintenance Area or the Common Area. Any damage to general common elements or landscaping shall be repaired at the expense of the person or persons causing the damage.

6. The storage of flammable or hazardous material that may unreasonably jeopardize the safety and welfare of any person or property is not permitted on or in the Community, and will not be allowed to be stored in Garages or Units, except for small amounts of paints, stains and cleaning solutions used in the ordinary course of maintaining an Owner's Unit. The Association is not responsible for the theft or damage of items stored in the Units.

7. No sign, advertisement or other lettering shall be exhibited, inscribed, painted or affixed by any Owner or other person that is visible from the Exterior Maintenance Area or any street or the Alley, nor shall any advertisement, announcements, or solicitation of any kind be distributed or passed out in any part of the Community, without prior written consent of the Executive Board. Generally, reasonable signs advertising the sale of a Unit will be allowed in the Community unless specifically prohibited by the Executive Board, and signs advertising the rental or lease of a Unit are prohibited unless specifically permitted by the Executive Board.

8. Pursuant to the HOA Declaration, awnings or other exterior improvements shall not be made until the plans and specifications showing the nature, kind, shape, height, color, materials, and location of the same have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Executive Board.

9. Unit Owners shall not place a load on any floor or in an attic storage area exceeding the floor load per square foot area which the floor was designed to carry and which is allowed by law or which may, in the reasonable opinion of the Executive Board, constitute a hazard to or may damage the building.

10. Smoking is allowed only within the individual Units. Smoking is prohibited in the Common Areas and the Exterior Maintenance Area

11. Showing of Units for sale or lease by owners may be conducted at any hour as long as showings do not disturb other residents. For sale signs, open house signs, for lease signs and other signage are prohibited on the premises except for signs permitted by the Executive Board. Open houses must be monitored by the owner or owner's representative at all times.

12. Owners may rent or lease their Units in conformity with local zoning laws, ordinances and regulations. Leases shall be in writing, shall be for a term of not less than thirty (30) consecutive days, and shall state that the lease is subject to the provisions of the Association Documents and that failure by lessee to comply with these terms shall be considered default under the lease.

III. Use of the Exterior Maintenance Area.

1. No charcoal grills, smokers or open flames are allowed in the Community. Outdoor propane gas and electric cooking devices are permitted on second floor balconies. Outdoor gas cooking devices may be connected to the dedicated natural gas line installed in the Exterior Maintenance Area of each Residence.

2. Balconies, patios and decks shall be used only for the purpose intended and not for storage of personal articles such as sporting equipment, for drying of garments, cleaning of rugs etc. No alterations may be made to these areas without first applying to and obtaining the written authorization of the Executive Board.

3. Doghouses, hammocks, patio enclosures, awnings and bicycles are not allowed on the Exterior Maintenance Area. Patio furniture shall be of a style and color which blends with the architectural character of the Community.

4. The sidewalks, walkways, the Alley Easement, driveways and garage entrances must not be obstructed or encumbered or used for any purpose other than ingress and egress to and from a Unit unless otherwise authorized by the Executive Board. Potted plants are allowed on Unit stoops, porches, balconies, decks and patios unless the Executive Board determines that they are inappropriate or excessive.

5. No fences may be erected in the Exterior Maintenance Area without the prior approval of the Executive Board.

6. All outside holiday lighting/decorating of any Unit shall be tasteful and will only be allowed if such temporary installation does not damage any exterior surface. The above must be removed completely between February 1 and November 1 of every calendar year.

IV. Vehicles and Parking

1. Vehicles parked at a Residential Unit must be parked in the garage, Guest parking is allowed on the street subject to the rules established by the Town of Basalt.

2. Garages must be kept free of contents that would prevent the garage from being used by the number of cars it was designed to accommodate.

3. Garage doors must remain closed at all times other than when a vehicle is moving in or out of the garage.

4. No servicing, maintenance or repair of vehicles may occur within the Project unless performed in a closed garage.

5. Vehicles may not be washed in any right of way or Alley within the Project.

6. In no event shall any garage be used for commercial or manufacturing purposes, nor shall any loud noise, nuisance, or excessive utility use be permitted. The garages shall be used primarily for parking of cars and trucks used routinely for transportation by an occupant of the Unit. No parking of inoperable vehicles shall be permitted within the Community, unless parked in a garage, and such inoperable vehicles will be counted as one of the vehicles attributable to such Residential Unit. Garages cannot be converted to or used for habitation.

8. No motor vehicles, refuse containers or any other item shall impede snowplowing of the Muse. All motor vehicles parked on the public streets shall be moved at least once every 24 hours to allow access for snowplowing. No Owner may use the public streets adjacent to the Community for parking, storage, display or accommodation area for any type of commercial vehicle, vehicle for hire, or vehicle commonly used in the direct production of income (unless $\frac{3}{4}$ ton or less, unsigned and with all tools and equipment, including ladders, stored so that they are not visible from the street), house trailer, motor home, camper or any type of trailer, except as a temporary expedience for loading, delivery, emergency, etc.

V. Pets.

1. Owners only are allowed a total of no more than two dogs and two cats or other common household pets per Unit, provided however, an Owner may petition the Executive Board of the Association for a variance from this requirement, which the Association is empowered to grant in its discretion.

2. When outside a Unit, all dogs must be on a leash and attended to by their Owner at all times.

3. Pet owners are responsible for the conduct of their pets and shall not allow them to create any inconvenience, annoyance, nuisance, hazard or unsightly mess in the Community. Owners are responsible for immediately picking up after their pets anywhere outside their Unit.

VI. Garbage & Trash.

1. The Association shall contract for trash removal from the Community and each Owner shall abide by all rules and regulations established by the Association's trash removal provider.

2. Rubbish, trash, garbage, recyclables or compost must be kept only in containers approved by the trash removal provider and kept inside the garage of the Unit, and may be placed outside the garage or the Unit only between 6:00 AM and 8:00 PM on the day the trash is to be collected.

3. No storage of trash will be permitted outside of any Unit. No littering of trash in the Exterior Maintenance Area or the Alley Easement or the streets adjacent to the Community is allowed. No hazardous materials including flammable or toxic materials, such as but not limited to, paint, stain, thinners, gasoline, and medical waste, shall be placed in trash containers in the Community.

VII. Insurance.

1. Nothing shall be done within the Community which might result in an increase in the premiums of insurance obtained for any portion of the Project or which might cause cancellation of such insurance.

2. Each owner must carry adequate hazard insurance and liability insurance, as required by the Declaration.

VIII. Renovation and Construction Procedures.

1. Work hours for contractors and/or Owners doing renovation work will be 8:00 am – 5:00 pm Monday through Friday.

2. Contractors must have a certificate of insurance for liability and workers' compensation insurance on file with the Executive Board prior to the commencement of work in the Community.

3. Owners are responsible for any damage caused by their actions as well as the actions of their contractors and agents.

4. Contractor parking is allowed on the public streets adjacent to the Community only during normal construction hours.

5. Materials, supplies, tools and equipment may not be stored in the Exterior Maintenance Area overnight.

6. Owner and contractor will be required to take precautions for the protection of the Exterior Maintenance Area and Alley Easement. Contractor will be required to mitigate any impact made to the Exterior Maintenance Area at the completion of work each day.

7. Owner and contractors are prohibited from moving, painting, or otherwise tampering with any common fire alarm system and fire sprinkler system. Owner and/or contractor will contact management prior to taking such systems off line. Appropriate charges will be billed to owner for management's participation in fire alarm and sprinkler system monitoring assistance.

VIII. Miscellaneous.

1. Nothing shall be done within the Community that would be in violation of any statute, rule, ordinance, regulation, permit or validly imposed requirement of any governmental body. The Board may adopt a fine structure to enforce these Rules and Regulations, which is subject to change.

2. Pursuant to the Declaration, the Board may promulgate such additional rules and regulations from time to time as the Board may deem necessary for the safety, care, cleanliness and maintenance of the Project.