

**COLLIERS HILL MASTER ASSOCIATION, INC.
RESPONSIBLE GOVERNANCE POLICIES**

INTRODUCTION

A. **Purpose.** These Colliers Hill Master Association, Inc. Responsible Governance Policies (these “**Responsible Governance Policies**”) are for the mutual benefit of all of the Owners. These Responsible Governance Policies are designed to comply with the Colorado Common Interest Ownership Act, C.R.S. §§ 38-33.3-101 et seq. (“**CCIOA**”), including specifically the requirement for adoption of policies for responsible association governance under Section 209.5(1)(b) of CCIOA. These Responsible Governance Policies, together with the Colliers Hill Master Association, Inc. rules and regulations, constitute the “**Rules**” of the Association as defined in the Declaration.

B. **Defined Terms.** Initially capitalized terms used, but not defined, in these Responsible Governance Policies that are defined in the Master Declaration of Covenants, Conditions and Restrictions of Colliers Hill (formerly the Master Declaration of Covenants, Conditions, and Restrictions of Daybreak) recorded in the real property records of Weld County, Colorado on May 29, 2013 at Reception No. 3935465 (as supplemented and amended from time to time, the “**Declaration**”), or the Bylaws of Colliers Hill Master Association, Inc. (the “**Bylaws**”) shall have the same meaning and definition as given them in the Declaration or the Bylaws, as applicable.

C. **Applicability.** These Responsible Governance Policies apply to all Lots and Common Elements within the Community, Owners of those Lots and, without expressly stating so, to each Owner’s guests, tenants or other permittees, as well as the Association. Each Owner shall be held responsible for any violation of these Responsible Governance Policies by its guests, tenants or other permittees.

D. **Additional Governing Documents; Conflicts.** In addition to these Responsible Governance Policies, the terms, conditions and restrictions contained in the Declaration, Articles of Incorporation of Colliers Hill Master Association, Inc. (the “**Articles**”), Bylaws and Rules apply to the Lots and Common Elements. In the event of any conflict between the terms of these Responsible Governance Policies and the terms of the Declaration, the Articles or the Bylaws, the terms of the Declaration, Articles or Bylaws (as applicable) shall control. In the event of any conflict between the terms of these Responsible Governance Policies and terms of any other Rules, these Responsible Governance Policies shall control. The Declaration, Articles, Bylaws, these Responsible Governance Policies and any other Rules are collectively referred to as the “**Governing Documents.**”

RESPONSIBLE GOVERNANCE POLICIES

CONDUCT OF MEETINGS

1. Open Meetings. All meetings of the Association, including Owner and Board meetings, are open to every Owner and any person designated by an Owner in writing as the Owner's representative. Anyone who attends a meeting in person must sign-in, or if attending by telephone must announce their presence and identity prior to commencement of the meeting.

2. Board Meetings. At regular and special meetings of the Board, Owners who are not members of the Board of Directors may not participate in any deliberation or discussion unless expressly so authorized by a vote of the majority of a quorum of the Board or as otherwise provided in this policy. The Board shall permit Owners to speak before the Board takes formal action on an item under discussion, including without limitation prior to the adoption of a rule or regulation, and the Board shall provide for a reasonable number of persons to speak on each side of an issue. However, the Board may place reasonable time restrictions on Owner comments during any meeting.

3. Agenda; Open Forum. The President of the Board, or any other person designated by the Board, shall serve as chair of all Owner and Board meetings. The agenda for all such meetings shall follow the order of business determined by the Board but shall include an open forum during which any Owner who wishes to speak shall have the opportunity to do so, subject to the other provisions of this policy ("**Open Forum**").

4. Sign-Up Sheets. The Board may make an Open Forum sign-up sheet available to Owners prior to the time a meeting is scheduled to begin. Any Owner wishing to comment at the ensuing meeting may add his/her name to the sign-up sheet. The chair shall recognize Owners for comment at the meeting in the same order as their names appear on the sign-up sheet. Any Owner wishing to comment who has not placed his/her name on the sign-up sheet may only speak if time permits.

5. Limits on Right to Speak; Speaker Behavior. Before speaking at a meeting (whether during the Open Forum or otherwise), an Owner must be first recognized by the chair of the meeting. Only one person may speak at a time, and each person who speaks must first state his or her name and address. The Board shall have the right to determine the length of time of the Open Forum or other comments. The chair may place reasonable limitations on the time given to each Owner seeking to comment to allow sufficient time for as many Owners as possible to comment within the time permitted. Unless otherwise determined by the chair, each Owner shall have three minutes to speak during Open Forum. Owners may not speak more than once during Open Forum except by permission of the Board. Only the chair or other member of the Board of Directors (a "**Director**") may interrupt the person recognized to speak. The speaker shall observe the specific time limits set for comments. Personal attacks, whether physical or verbal, and offensive language shall not be tolerated. All comments are to be directed to the chair and/or Board and restricted to the agenda item being discussed (except during the Open Forum). Courteous behavior is mandatory. Should the chair determine that any Owner has spoken for the allocated amount of time or longer, or determine that the Owner is in violation of

the provisions of this policy, the chair shall have the authority to instruct that Owner to yield the floor, and that Owner shall be obligated to comply with the chair's instruction.

6. Disruptive or Unruly Behavior. If an Owner refuses to stop talking after his/her allotted time has ended, otherwise disrupts the meeting, or is otherwise in violation of the provisions of this policy, the following procedure shall be followed:

- (a) The chair shall issue an oral warning that if the Owner continues to speak, disrupt the meeting, or otherwise act in violation of the provisions of this policy, either the meeting shall be adjourned or law enforcement/security shall be called to remove the Owner.
- (b) If the Owner continues to speak, disrupt the meeting, or otherwise act in violation of the provisions of this policy, the chair may call a recess and speak directly to the Owner, reiterating that either the meeting shall be adjourned or law enforcement/security shall be called to remove the Owner.
- (c) If the Owner still refuses to cooperate, the chair may choose whether to adjourn the meeting to another time or to call law enforcement/security.

7. Written Comments. In addition to the Open Forum and providing an opportunity for Owners to speak before the Board takes formal action on an item under discussion under Section 2 above, the Board may, in its discretion, determine to seek input from Owners via written comments. In such instance, those written comments shall be made available to all Directors before action on the item is taken.

8. Additional Rules of Order. The chair may establish such other rules of order for meetings as may be necessary from time to time in the chair's discretion.

9. Executive Session. Notwithstanding any of the foregoing, the Board may hold an executive or closed door session in accordance with CCIOA.

DIRECTOR CONFLICTS OF INTEREST

1. **General.** The Board shall use its best efforts at all times to make decisions that are consistent with high principles, and to protect and enhance the value of the Community. All Directors shall exercise their powers and duties in good faith and in the best interest of, and with utmost loyalty to, the Association in accordance with this Director Conflict of Interest Responsible Governance Policy.

2. **Conflicting Interest Transaction.** A “conflicting interest transaction” occurs when a contract, transaction, or other financial relationship is negotiated or entered into between:

- (a) the Association and a Director, or
- (b) the Association and an entity in which a Director is a director or officer or has a financial interest, or
- (c) the Association and a party related to a Director. A “party related to a Director” shall mean a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which a Director, or a party related to a Director, has a beneficial interest, or an entity in which a party related to a Director is a director, officer, or has a financial interest.

3. **Loans.** No loans shall be made by the Association to its Directors or Officers, and any Director or Officer who assents to or participates in the making of any such loan shall be liable to the Association for the amount of such loan until the repayment thereof. As used in above, an “**Officer**” shall mean the President, one or more Vice-Presidents, a Secretary, a Treasurer, and other officers, assistant officers, employees, and agents as the Board deems necessary and appointed by the Board in accordance with Article 7 of the Bylaws.

4. **Approval or Ratification of Conflicting Interest Transactions.** No conflicting interest transaction shall be void or voidable or be enjoined, set aside, or give rise to an award of damages or other sanctions in a proceeding by an Owner or by or in the right of the Association, solely because (x) the conflicting interest transaction involves a Director, a party related to a Director, or an entity in which a Director is a director or officer or has a financial interest; or (y) the Director is present at or participates in the meeting of the Board or of any committee of the Board that authorizes, approves, or ratifies the conflicting interest transaction; or (z) the Director’s vote is counted, if:

- (a) the material facts as to the Director’s relationship or interest and as to the conflicting interest transaction are disclosed or are known to the Board or the relevant committee of the Board (if any), and the Board or such committee in good faith authorizes, approves, or ratifies the conflicting interest transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors are less than a quorum; or

- (b) the material facts as to the Director's relationship or interest and as to the conflicting interest transaction are disclosed or are known to the Owners entitled to vote thereon, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the requisite percentage of the Owners entitled to vote thereon; or
- (c) the conflicting interest transaction is fair to the Association.

5. Quorum Includes Interested Director. Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or of a committee of the Board which authorizes, approves, or ratifies a conflicting interest transaction.

6. Yearly Review. The Board will review this Director Conflict of Interest Responsible Governance Policy annually, and at that time, will propose any changes deemed necessary to help ensure conflicting interest transaction are handled appropriately.

COLLECTION POLICY

1. **Payment of assessments.** The annual assessments shall be due in equal monthly installments due on the first day of each month. The Association shall bill each Owner monthly for the installments of annual assessments; provided, however, that an Owner's failure to receive a bill shall not excuse payment of that monthly installment of annual assessments. Special assessments or other charges may be assessed or made from time to time by the Association in accordance with the Declaration and are due and payable as specified by the Board. Payment of assessments and any other amounts due to the Association shall be made at the office of the Association or at the office of the managing agent for the Association ("**Managing Agent**"), as designated on the bill. Payments in the form of checks shall be made payable to the order of such party as the Board may designate. Payments made by credit card may be assessed an additional amount to cover actual fees or deductions imposed by credit card companies.

2. **Past Due and Delinquent assessments.** assessments or other charges not paid to the Association by the 10th day of the month in which they are due shall be considered past due and delinquent.

3. **Application of Payments Made to the Association.** The Association reserves the right to apply all payments received on account of any Owner first to payment of any Association costs of enforcement incurred with respect to such Owner, and any remaining amounts shall be applied to the assessments or other charges due with respect to such Owner.

4. **Additional Fees and Charges.**

- (a) **Interest.** In accordance with Section 4.13 of the Declaration, sums considered past due and delinquent shall accrue interest at the rate of 18% per annum.
- (b) **Late Charges.** In accordance with Section 4.13 of the Declaration, a late charge in the amount of \$50 shall be assessed against such Owner, which late charge shall be due and payable immediately in the same manner provided for payment of assessments.
- (c) **Return Check Charges.** In addition to any and all other charges, a \$50 fee shall be assessed against an Owner in the event any check or other instrument attributable to or for the benefit of such Owner is not honored by the bank or is returned by the bank for any reason whatsoever, including but not limited to, insufficient funds. The Board shall provide notice to the Owner of such returned or dishonored check, and the \$50 fee shall be due and payable immediately, upon receipt of such notice, in the same manner as provided for payment of assessments.
- (d) **Attorneys' Fees on Delinquent Accounts.** The Association shall be entitled to recover its reasonable attorneys' fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent Owner.

5. Collection Letters.

- (a) Notice of Delinquency. Before pursuing legal action or using a collection agency to collect past due and delinquent regular or special assessments or other fees, charges, late charges, attorneys' fees, fines, or interest, but after a monthly installment of an annual assessment or other charge owed to the Association becomes one month past due, the Association shall send a notice of delinquency to the Owner who is delinquent in payment. The notice of delinquency shall specify:
- A. The total amount due, with an accounting of how the total was determined;
 - B. Whether the opportunity to enter into a payment plan exists pursuant to Section 6 below and instructions for contacting the Association to enter into such a payment plan;
 - C. The name and contact information for the individual the Owner may contact to request a copy of the Owner's ledger in order to verify the amount of the debt; and
 - D. That action is required to cure the delinquency and that failure to do so within thirty days may result in the Owner's delinquent account being turned over to a collection agency, a lawsuit being filed against the Owner, the filing and foreclosure of a lien against the Owner's property, or other remedies available under Colorado law.

6. Payment Plan.

- (a) Minimum Requirements. Before pursuing legal action or using a collection agency to collect past due and delinquent regular or special assessments or other fees, charges, late charges, attorneys' fees, fines, or interest, the Association shall make a good faith effort to coordinate with the Owner to set up a payment plan that permits the Owner to pay off the deficiency:
- A. In equal installments; and
 - B. Over a period of six months.
- (b) Applicability.
- A. This Section 6 does not apply if the Owner does not occupy the Unit and has acquired the property as a result of: (x) a default of a security interest encumbering the Unit; or (y) foreclosure of the Association's lien.

B. The Association or a holder or assignee of the Association's debt is not obligated to negotiate a payment plan with an Owner who has previously entered into a payment plan under this Section 6.

(c) Failure to Comply with Payment Plan. Nothing in this Section 6 prohibits an Association or holder or assignee of the Association's debt from pursuing legal action against an Owner if the Owner fails to comply with the terms of his or her payment plan. An Owner's failure to remit payment of an agreed-upon installment, or to remain current with regular assessments as they come due during the six-month period, constitutes a failure to comply with the terms of the payment plan.

7. Legal Remedies. The amount of any past due and delinquent regular or special assessments or other fees, charges, late charges, attorneys' fees, fines, or interest may be enforced against the Owner liable for them in any combination of the following ways (to the extent permitted by law or regulation), at the option of the Board:

(a) Suit. The Association may bring a suit or suits at law to enforce the Owner's obligation to pay any past due and delinquent regular or special assessments or other fees, charges, late charges, attorneys' fees, fines, or interest. More details regarding the Association's right to bring assessment suits are in Article 4 of the Declaration.

(b) Liens. Past due and delinquent regular or special assessments or other fees, charges, late charges, attorneys' fees, fines, or interest constitute a lien on the Units against which they are assessed from the date due. The Association may record (or cause to be recorded) a notice of assessment lien against the Unit of the delinquent Owner. The lien is subject to the provisions of Section 316 of CCIOA. More details regarding the Association's right to an assessment lien are in Sections 4.9 and 4.10 of the Declaration. Notwithstanding the foregoing, the Association may only foreclose on the lien if:

A. The balance of the assessments and charges secured by the lien equals or exceeds six months of installments of regular annual assessments based on a periodic budget adopted by the Association; and

B. The Board has formally resolved, by a recorded vote, to authorize the filing of a legal action against the specific Unit or on an individual basis. The Board may not delegate its duty to act under this subparagraph to any attorney, insurer, manager, or other person, and any legal action filed

without evidence of the recorded vote authorizing the action must be dismissed. No attorney fees, court costs, or other charges incurred by the Association or the holder or assignee of the Association's lien in connection with an action that is dismissed for this reason may be assessed against the Owner.

- (c) Referral to Collection Agencies or Attorneys. The Association may, but shall not be required to, assign delinquent accounts to one or more collection agencies for collection, or retain an attorney to pursue collection of any delinquent accounts.
- (d) Delinquencies Constitute Covenant Violations. Any delinquency in the payment of assessments or other charges shall constitute a violation of the Governing Documents, and the Association may pursue an enforcement action and corresponding fines in accordance with the Governing Documents, CCIOA, and these Responsible Governance Policies.

All of the remedies set forth in this policy, the Declaration, the Bylaws or the Rules shall be cumulative of each other and any other remedies available at law or in equity. Notwithstanding anything in this Section 7 to the contrary, before pursuing legal action or using a collection agency to collect past due and delinquent regular or special assessments or other fees, charges, late charges, attorneys' fees, fines, or interest, the Association must follow the procedures set forth in Sections 5 and 6.

8. Waivers. Nothing in this policy shall require the Association to take specific actions or pursue specific legal remedies; provided, however, should the Association pursue legal action or use a collection agency to collect unpaid assessments, it must follow the procedures set forth in Sections 5 and 6 before doing so. The Association has the option and right to continue to evaluate each delinquency on a case-by-case basis. The Association may grant a waiver of any provision herein upon petition in writing by an Owner showing a personal hardship. Such relief granted an Owner shall be appropriately documented in the files with the name of the person or persons representing the Association granting the relief and the conditions of the relief. In addition, the Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association may determine appropriate under the circumstances.

ASSOCIATION RECORDS

1. **Records Retention.** The Association shall maintain records in accordance with Section 317 of CCIOA.

2. **Examination of Association Records.** Subject to Sections 4 and 5 below, Association records shall be made available to Owners for examination and copying if the requesting Owner delivers to the Managing Agent a written request to examine the Association records, which request describes with reasonable particularity the Association records to be examined. All requests to examine and/or copy the Association records shall be submitted to the Managing Agent at least 10 days prior to the date the Owner desires to examine and/or copy the Association records. Association records may only be examined by the Owners at the principal place of business of the Association during regular business hours, or at the next regularly scheduled meeting of the Board, if such meeting is to occur within 30 days of the request for records. The Association is not obligated to compile or synthesize information. A right to copy Association records include the right to receive copies by photocopying or other means, including the receipt of copies via electronic mail if available, upon request by an Owner.

3. **Copy Charges.** The Association may impose a reasonable fee, which may be collected in advance and may cover the cost of labor and materials, for copies of Association records. The charge may not exceed the estimated cost of production and reproduction of the records.

4. **Limitations on Use of Association Records.** Notwithstanding anything contained herein to the contrary, neither Association records nor the information contained therein shall be used by an Owner for commercial purposes. Notwithstanding anything contained herein to the contrary, a list of Owners may not be obtained or used by any person for any purpose unrelated to an Owner's interest as an Owner, without the prior written consent of the Board. The list of Owners may not be sold to a non-Owner.

5. **Confidential Association Records.**

(a) **Optional Withholding of Records.** Notwithstanding anything contained herein to the contrary, the following records of the Association may be withheld from inspection and copying:

- 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 the Board;
 - F. Records relating to a Unit not owned by the party making the request
- (b) Mandatory Withholding of Records. Notwithstanding anything contained herein to the contrary, the following records of the Association must be withheld from inspection and copying:
- A. Personnel, salary or medical records relating to specific individuals; and
 - B. Personal identification and account information of Members including bank account information, telephone numbers, electronic mail addresses, driver's license numbers and social security numbers.

ENFORCEMENT OF GOVERNING DOCUMENTS AND FINE SCHEDULE

1. **Violation Resolution Process.** Except for past due or delinquent assessments or other amounts, which are addressed in the Collection Policy of these Responsible Governance Policies, the following process shall be used by the Board for resolving violations of or noncompliance with the Governing Documents by an Owner, guest, tenant or permittee. If the Board has not appointed a Managing Agent, all references to the Managing Agent below shall mean the Board, or an alternate party appointed by the Board.

- (a) Subject to the terms and conditions of the Declaration, any Owner or agent of the Association may request an Owner, guest, tenant or permittee to cease, desist or correct any act or omission which appears to be in violation of the Governing Documents.
- (b) If the alleged violation is not corrected within three days of such request or a dispute arises as to the existence of a violation, the Managing Agent shall be notified. If the Managing Agent is satisfied that there is a violation, the Managing Agent shall promptly notify the Owner in person or by telephone, and may, but is not required to, also notify the tenant, guest or permittee.
- (c) If the alleged violation is not corrected within 10 days following notification of a violation by the Managing Agent, the Managing Agent shall mail a written notice of violation (“**Violation Notice**”) to the Owner by Certified Mail, Return Receipt Requested. The Violation Notice shall be dated and shall include: details and date of the violation, the dollar amount of the financial assessment, and any deadline set by the Board for terminating the violation before the imposition of further penalties and/or legal action.
- (d) Service of the Violation Notice on one Owner of a Lot shall be service on all Owners of the Lot. The Board may rely on the accuracy of the roster kept by the Managing Agent as part of the Association’s records. It is the Owner’s obligation to keep the Managing Agent notified of any change of address. Failure to do so shall not affect the validity of service.
- (e) If an alleged violation is not corrected within 10 days of the Violation Notice and/or if the Managing Agent is notified that such violation has been repeated on another occasion, the Managing Agent, shall, in its sole discretion, satisfy itself that there is a repeated or continuing violation, at which time further financial penalties shall be assessed and/or a restraining order or other legal action taken after following the notification process outlined above.

2. Financial Penalties.

- (a) The Board hereby establishes the financial penalties for violation of or noncompliance with the Governing Documents by an Owner, guest, tenant or permittee, as follows:

	<u>One-Time Occurrence</u>	<u>Continuing Occurrence</u>
First Offense	\$100	\$50/day until resolved
Second Offense	\$200	\$50/day until resolved
Third or More Offenses	\$300	\$50/day until resolved

Each day, or fraction thereof, that the violation continues is a separate violation for purposes of levying penalties. In the event a violation is not corrected within 30 days from the date of the Violation Notice to an Owner, the assessed fines shall automatically triple in value and the Board may, at its option, begin appropriate legal proceedings to enforce the Governing Documents.

- (b) Where the violation is a single incident (barking dog, for example), the One-Time Occurrence penalties as set forth above are meant to apply. Where the offense is continuing, such as (but without limitation) the refusal to remove a window air-conditioning unit from a Residence on a Lot, the incident shall be deemed by the Managing Agent, in consultation with at least one member of the Board, to be a Continuing Occurrence, and the Continuing Occurrence penalties as set forth above shall apply until the resolution of the violation.
- (c) Any penalty assessed, if not voluntarily paid to the Association before the next scheduled payment of dues, shall be added to the next billing statement and is payable within 30 days thereafter. If, after the opportunity to be heard, a violation or series of violations is deemed to have occurred, the penalties shall be assessed from the date of the first violation and added to the next billing statement. Any unpaid amount shall be charged against the Owner's Lot and shall be collectible as any other debt charged against the Lot. Nothing herein shall operate to limit the Association's remedies.
- (d) Assessments of penalties may be waived in whole or in part or adjusted downward in the exclusive discretion of the Board. Waiver or adjustment in one case shall not set precedence in any other.

- (e) In the event the assessments are not paid in a timely manner, the Board may impose charges for late payments, recover other legal costs for the collection of assessments and other actions to enforce the Governing Documents, regardless of whether a suit was initiated. Penalties assessed after Violation Notice is given and after an opportunity to be heard is satisfied may be levied by the Board for violations of the Governing Documents.

3. Hearing Process.

- (a) Any Owner who has received a Violation Notice of violation resulting in the assessment of a financial penalty shall have an opportunity to request a hearing for the purpose of contesting the violation set forth in the Violation Notice. The Owner must contact the Managing Agent within 10 days following the date of receipt of the Violation Notice and request a hearing. The Managing Agent shall then schedule a formal hearing to include at least one member of the Board and the Managing Agent or its agent (the “Panel”). At all times the Panel shall consist of impartial decision makers, as that term is defined in Section 209.5(2)(b)(II) of CCIOA. The Owner must personally participate in the hearing and may have witnesses present. The hearing may be conducted in person or by telephone conference within 30 days from the date of the hearing request, unless otherwise consented to by the parties.
- (b) The Panel may confer with witnesses or other Directors or the Managing Agent before rendering a decision. A final decision shall be made not later than seven days after the hearing (and may be made at the conclusion of the hearing), and the Owner shall be notified verbally and in writing of the Panel’s decision at that time.
- (c) Failure of the Owner to participate in a scheduled hearing shall result in a decision against such Owner.
- (d) If, after the opportunity to be heard, a violation or series of violations is deemed to have occurred, the assessment of penalties shall be upheld from the date of the first violation. The Owner shall also be responsible for all expenses, if any, incurred by both parties in completing the resolution and hearing process.
- (e) If the Panel overturns the assessment of penalties, the Managing Agent shall refund any payment already made by the Owner or, if no payment has yet been made, the assessment shall be removed from the Owner’s next billing invoice. In that event, each party shall be responsible for their own expenses, if any, incurred in completing the resolution and hearing process.

RESERVES

1. **Reserve Analysis and Reserve Study.** Each year, prior to the preparation of the annual budget for the next fiscal year in accordance with Section 3.6 of the Declaration, the Board shall prepare, or cause to be prepared by a person involved with ongoing upkeep and maintenance of the Community, an estimate of the funds that shall be needed over the ensuing five year period (at a minimum) for major repair and replacement of Common Elements and any other items for which the Association is responsible for maintaining, repairing and replacing pursuant to the Declaration (an “**Annual Reserve Analysis**”). The Annual Reserve Analysis shall be prepared based on a physical inspection of the Community and reasonable projections of the costs anticipated to be incurred for major repair and replacement of such items. The Annual Reserve Analysis need not include routine maintenance and upkeep, items which shall be included in the Association’s annual budget. The Annual Reserve Analysis must also include a recommendation for the level of funding of reserves for the next fiscal year, taking into account the level of reserves accumulated to date and the anticipated funding needs. In lieu of having an Annual Reserve Analysis prepared in a given year, the Board may, in its discretion, engage an outside consultant to prepare a formal reserve study which projects reserve needs for a longer period of time (a “**Reserve Study**”). After receipt of the Annual Reserve Analysis or a Reserve Study, the Board shall establish the amount of assessments to be collected for reserves in the next fiscal year, in its reasonable discretion, but without being bound to follow any recommendations in the Annual Reserve Analysis or Reserve Study; provided, however, that the Board must include some level of reserves in each annual budget. As the Board collects assessments, it shall invest the portion thereof designated for reserve in a separate account (the “**Reserve Fund**”).

2. **Investment of Reserve Fund.** The Board shall use its reasonable business judgment in determining how to invest money on deposit in the Reserve Fund. Factors that the Board shall consider when making an investment decision include safety of funds, interest rate, and liquidity. The Reserve Fund shall be maintained as a segregated interest bearing bank account(s) (such as money market accounts or certificates of deposit), with the balance in each such account being no more than the FDIC insurance limits. Any withdrawal from the Reserve Fund shall require two signatures, at least one of which shall be an Officer of the Association, and no such withdrawal shall be made without approval by the Board. In no event shall the Board invest any money in the Reserve Fund in stocks, bonds or mutual funds.

DISPUTE RESOLUTION BETWEEN ASSOCIATION AND OWNERS

1. **Claims and Disputes.** Except for past due or delinquent assessments or other amounts, which are addressed in the Collection Policy of these Responsible Governance Policies, and except for violations of or noncompliance with the Governing Documents by an Owner, guest, tenant or permittee, which are addressed in the Enforcement of Governing Documents and Fine Schedule of these Responsible Governance Policies, and subject to the terms and conditions of the Declaration, the following procedures shall apply to all disputes or claims involving the Association and/or the Governing Documents.

2. **Notice of Claim.** Prior to proceeding with any claim, the party asserting the claim (“**Claimant**”) shall give written notice of such claim to all opposing parties (“**Respondent**”), which notice shall state plainly and concisely:

- (a) the nature of the claim, including all persons involved and Respondent’s role in the claim;
- (b) the legal or contractual basis of the claim (i.e. the specific authority out of which the claim arises); and
- (c) the specific relief and/or proposed remedy sought.

3. **Duty to Confer.** After the Respondent receives the notice of claim, the parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the claim by good faith negotiation. Such efforts may include inspections of the Claimant’s or the Respondent’s Lot for purposes of evaluating any alleged violation. Any party may be represented by attorneys and independent consultants to assist in the negotiations and to attend meetings.

4. **Submission of Claim to Mediation.** If the parties do not resolve the claim through negotiations within 60 days after submission of the claim to the Respondent, the Claimant shall have an additional 60 days to submit the claim for mediation. In the event the parties are unable to agree on a mediator, a mediator shall be appointed upon application of either party to the local district court. In such event, the claim shall be deemed to be submitted upon filing the petition for appointment of the mediator.

5. **Waiver of Claim.** If the Claimant fails to submit the claim to mediation within 60 days after submission of the claim to Respondent, or fails to appear at the mediation, the Claimant shall be deemed to have waived the claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such claim; provided, nothing herein shall release or discharge Respondent from any liability to any person other than Claimant.

6. **Results of Mediation.** Any settlement of the claim through mediation shall be documented in writing by the mediator and signed by the parties. If a termination of the mediation occurs, the mediator shall issue a written statement advising that the parties are at an impasse.

7. Costs of Mediation. Unless otherwise agreed, each party shall bear its own costs of the mediation, including attorneys' fees, and each party shall share equally all charges of the mediator.

8. Right to Proceed with Court Action or Arbitration. Upon termination of mediation, if no resolution is reached and Claimant desires to pursue the claim, Claimant shall thereafter be entitled to file an action in any court having jurisdiction for final resolution of the claim or proceed with arbitration, as applicable, in accordance with Sections 13.1 of the Declaration.

9. Attorneys' Fees. In any action, the court shall award the substantially prevailing party its reasonable costs and attorneys' fees.

10. Excluded Claims. Unless all parties thereto otherwise agree, the following disputes or claims shall not be subject to the provisions of this policy:

- (a) An action by the Association relating to the imposition, collection or enforcement of the obligation to pay assessments or other charges set forth in the Governing Documents;
- (b) An action by the Association to enforce the architectural control provisions set forth in Article 5 of the Declaration;
- (c) An action by the Association to enforce the discharge of any mechanic's lien;
- (d) An action by the Association to obtain a temporary restraining order or preliminary or permanent injunction (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to enjoin any immediate threat to persons or property;
- (e) Any action between or among Owners, which does not include the Association as a party, if such action asserts a claim which would constitute a claim for relief independent of the Governing Documents;
- (f) Any action in which any indispensable party is not the Association, its officers, Directors, or committee members, or a person subject to the Governing Documents, or their officers, directors, partners, members, employees and agents;
- (g) Any action to enforce a settlement agreement made under the provisions of this policy;
- (h) Any counterclaims brought by the Association in proceedings instituted against it; and

(i) Any proceedings involving challenges to ad valorem taxation.

11. Judicial Enforcement. If the parties agree to a resolution of any claim through negotiation or mediation in accordance with this policy, and any party thereafter fails to abide by the terms of such agreement, then any other party may file its action in court to enforce such agreement without the need to again comply with the procedures set forth in this policy. In such event, the party taking action to enforce the agreement shall be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties as the court may determine) all costs incurred in enforcing such agreement, including without limitation, reasonable attorneys' fees and court costs.

12. Statute of Limitations. No claim may be initiated after the date when institution of legal or equitable proceedings based on such claim would be barred by the applicable statute of limitation or statute of repose.

13. Interaction with Association's Enforcement Measures. It is not the intent of this policy to supersede any of the provisions of these Responsible Governance Policies pertaining to enforcement measures. Nor is the intent of this policy to require the Association to follow the procedures set forth herein before having the ability to bring enforcement action or impose fines or other sanctions under the provisions of these Responsible Governance Policies pertaining to enforcement measures.

ADOPTION AND AMENDMENT OF RULES.

1. Sections 2.6 and 9.7(c) of the Declaration and Section 302 of CCIOA, give the Board and the Design Review Committee the authority to adopt and/or amend the Rules. The Board may adopt Rules to facilitate the efficient operation of the Association, including implementation or clarification of provisions in the Governing Documents.

2. Prior to adopting a new Rule (or amending an existing Rule), the Board shall notify each Owner about the proposed Rule or amendment to a Rule (whether in writing, via e-mail or on a website). The Board has the right, but not the obligation, to conduct an informational meeting of the Owners and solicit their input regarding any new or existing Rule.

3. The Board shall only adopt or amend Rules in open meetings (as opposed to executive session). At the meeting where the Board intends to adopt or amend a Rule, at an appropriate time determined by the Board, but before the Board votes on the adoption or amendment of the Rule, Owners or their designated representatives shall have an opportunity to speak regarding the Rule in the manner provided in these Responsible Governance Policies.

4. The Board shall give notice of the adoption or amendment of the Rule in writing to each Member of the Association at the address for each Owner on the roster, and shall publish the newly adopted or amended Rule by any reasonable means available, which may include posting the Rule in the community or on the Association's website, by e-mail, mail, newsletter, or personal delivery.

5. Any Member's failure to receive the newly adopted or amended Rule shall not serve as a defense to any attempt by the Association to enforce the Rule or to levy fines, expenses, or attorneys' fees as a result of a violation of the Rule.