

**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE HIGHLANDS RIVERFRONT OWNERS' ASSOCIATION  
RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES**

**SUBJECT:** In order to comply with the Colorado Common Interest Ownership Act (“Act”), these Responsible Governance Policies and Procedures (“Policies”) are adopted by the Board of Directors (“Board”) of the Highlands Riverfront Owners’ Association (“Association”) to set forth the following Responsible Governance Policies and Procedures. The Policies, which are effective upon adoption, address the following:

1. Collection of unpaid assessments.
2. Board conflicts of interest policy.
3. Conduct of meetings
4. Covenant and rule enforcement, including notice and hearing procedures and a schedule of fines.
5. Inspection and copying of association records by unit owners.
6. Procedures for the adoption and amendment of policies, procedures and rules.
7. Procedures for addressing disputes arising between the association and unit owners.
8. Policies for reserve planning, funding and investment management.
9. Insurance Claim and Deductible Policy and Procedure

**AUTHORITY:** The Declaration, Articles of Incorporation, and Bylaws of the Association, together with all Association rules, regulations and policies, specifically including the these Policies, are referenced as the “Governing Documents”.

**RESOLUTION:** The Association hereby adopts the following Policies subject to:

Definitions. Unless otherwise defined, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

Conflict Between Governing Documents. These Policies are controlled by and must always be consistent with the Declaration, Articles of Incorporation and Bylaws. In the event of a conflict between the Declaration and these Policies, the Declaration will control. In the event of a conflict between the Articles of Incorporation and these Policies, the Articles of Incorporation will control. In the event of a conflict between the Bylaws and these Policies, the Bylaws will control. These Amended and Restated Policies supersede any and all prior rules, regulations or policies previously adopted by the Association, specifically including the previous Responsible Governance Policies.

Deviations. The Board may deviate from any provision of this Resolution if the Board finds, in its sole discretion, that such deviation is reasonable under the circumstances.

Amendment. The foregoing policies are subject to amendment in the same manner as the Bylaws.

**HIGHLANDS                  RIVERFRONT                  OWNERS  
ASSOCIATION**

By: \_\_\_\_\_  
Thomas M. Begley, President                  Date

## I. COLLECTION OF UNPAID ASSESSMENTS

1. Definition of Assessments. The term “Assessments” as used herein refers to any amount an Owner must pay to the Association under the Declaration of Covenants, Conditions and Restrictions for Highlands Riverfront (the “Declaration”), including, but not limited to, annual assessments, special assessments, supplementary assessments, rules violation fines, late fees and interest, cost of common area repairs, and any other fees, interest, or charges imposed by this Policy or the Declaration. As noted below, fees, late charges, fines, attorneys’ fees and interest shall be included in the Association’s statutory lien, but shall not be subject to foreclosure.

2. Important Facts Concerning Assessments. The following facts relate to the payment of Assessments:

a. Annual Assessments:

1. Date Annual Assessment is Due and Must be Paid to Association: Monthly installments of Annual Assessments shall be due and payable on the first day of the month in which they are due.

2. Date General Assessment is Delinquent: Assessments not paid in full within 15 days of the due date shall be considered delinquent.

3. When Late Interest and Late Fees Begins to Accrue: Delinquent Assessments shall incur late interest and late fees from the original due date of such unpaid Assessments in the amount set forth in Section 4, below.

b. Special and Other Assessments: The relevant facts for Special Assessments and other forms of Assessments are set forth in the Declaration, or shall be set forth in the resolution imposing such Assessment.

c. Where to Send Payments: All payments of Assessments shall be delivered to the Association’s Manager, whose address is:

If by US Mail:

Highlands Riverfront Owners’ Association  
c/o Alpine Edge Property Management  
P.O. Box 7  
Breckenridge, CO 80424

3. Monthly Notices of Delinquency. On a monthly basis and by first-class mail and, if the Association has an Owner’s email address, by email, the Association shall send to each Owner who has any outstanding balance owed the Association an itemized list of all assessments, fines, fees, and charges that the unit owner owes to the Association.

4. Late Interest and Late Fee Imposed on Delinquent Assessments. The Association shall impose interest at the rate of eight percent (8%) per annum from the original due date of all delinquent Assessments. In addition to the above interest, a late fee in the amount of \$50.00 shall accrue upon a payment becoming delinquent.

5. Returned Check Charges. In addition to any and all charges imposed under the Declaration, Articles of Incorporation, Bylaws, or the Association’s Rules, Regulations and Policies (the “Governing Documents”), or incurred by the Association, a fee of \$20.00 shall be assessed against an Owner in the

event any check or other instrument attributable to or payable 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. This returned check charge shall be an Assessment for each member who tenders payment by check or other instrument that is not honored by the bank upon which it is drawn. Such return check charge shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the Owners of the Lot for which the payment was tendered to the Association. Returned check charges shall become effective on any instrument tendered to the Association for payments of sums due under the Association's Governing Documents. This returned check charge shall be in addition to any late fees or interest incurred by an Owner. Any returned check shall cause an account to be past due if full payment of the assessment is not timely made. If two or more of an Owner's checks are returned unpaid by the bank within any (fiscal) year, the Association may require that all of the Owner's future payments, for a period of one (1) year, be made by certified check or money order.

6. Application of Payments.

a. The Association shall post payments prior to the end of the month the payment is received by the Association.

b. All payments received on account of any Owner or Owner's Lot shall be applied to payment of any and all legal fees and costs (including attorney's fees), expenses of enforcement and collection, late charges, returned check charges, lien fees and other costs owing or incurred with respect to such Owner or Owner's Lot pursuant to the Governing Documents prior to application of the payment to any assessments, fines or other amounts due or to become due.

c. For an Owner who owes only unpaid assessments, after satisfying all of the above charges, payments shall be credited towards special assessments before being credited towards regular annual assessments.

d. If an Owner owes both unpaid assessments and unpaid fines, fees, or other charges makes a payment to the Association, after satisfying all of the above charges, the Association shall apply the payment first to the assessments owed and any remaining amount of the payment to the fines, fees, or other charges owed.

7. Collection Process. After an installment of an assessment or other charge owed to the Association becomes at least thirty (30) days past due, and before the Association turns the delinquent account over to a collection agency or refers it to the Association's attorneys for legal action, the Association shall:

a. Comply with all material provisions of this Policy;

b. Contact the delinquent Owner to alert the Owner of the delinquency before taking action in relation to the delinquency;

c. Make a good-faith effort to coordinate with the delinquent Owner to set up a payment plan that permits a delinquent Owner to pay off the deficiency in monthly installments over a period of eighteen months (a "Payment Plan"). The delinquent Owner may choose the amount to be paid each month, so long as each payment must be in an amount of at least twenty-five dollars until the balance of the amount owed is less than twenty-five dollars.

1. The requirement of a negotiating a Payment Plan with a delinquent Owner shall not apply in the following situations:

A. The Owner does not occupy the Lot and the Owner has acquired the property as a result of a default of a security interest encumbering the Lot;

B. The Owner does not occupy the Lot and the Owner has acquired the property as a result of a foreclosure of the association's lien; or

C. The Owner has previously entered into a Payment Plan.

2. An Owner's failure to remit three or more payments of the agreed-upon installment under the Payment Plan, or to remain current with all assessments as they come due during the term of the payment plan, constitutes a failure to comply with the terms of the Owner's payment plan and the Association may then immediately pursue collection action, subject to the foreclosure restrictions set forth in Section 8. For purposes of this section, "assessments" includes all assessments under the Governing Documents and any associated fees, charges, late charges, attorney fees, fines, and interest charged pursuant to the Governing Documents. Interest at the rate set forth in Section 4, above, shall continue to accrue on all unpaid amounts during the pendency of a Payment Plan.

d. Deliver to the Owner in the manner required by Section 9, below a Notice of Delinquency stating:

1. The total amount due through the date of such Notice, with an accounting of how the total was determined;

2. Whether the opportunity to enter into a Payment Plan exists and instructions for contacting the Association to enter into a Payment Plan;

3. 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;

4. 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 Lot Owner's property, or other remedies available under Colorado law;

5. Specifies whether the delinquency concerns unpaid assessments; unpaid fines, fees, or charges; or both unpaid assessments and unpaid fines, fees, or charges, and, if the Notice of Delinquency concerns unpaid assessments, the Notice of Delinquency must notify the delinquent Owner that unpaid assessments may lead to foreclosure; and

6. The Notice of Delinquency shall include:

A. A description of the steps the Association must take before the Association may take legal action against the delinquent Owner, including a description of the Association's cure process governing any covenant or rules violations as required by Colorado law, if applicable; and

B. A description of what legal action the Association may take against the Owner, including a description of the types of matters that the Association or Owner may take to small claims court, including injunctive matters for which the Association seeks an order requiring the Owner to comply with the Declaration, Bylaws, or other governing documents of the Association.

e. In a vote the Board of Directors held in executive session pursuant to §38-33.3-308(4), C.R.S., a majority of the Board of Directors agrees to refer the matter to an attorney or collection agency. No community manager or property manager shall refer a delinquent account to an attorney or collection agency without the vote of a majority of the Board of Directors. Written notice of such meeting shall be given to the delinquent Owner.

8. Limitations on Collection Actions – Foreclosure. The Association's lien against a Lot for unpaid assessments may be foreclosed in like manner as a mortgage on real estate, except that the Association may only foreclose on such lien if:

a. The balance of assessments and charges secured by the lien equals or exceeds six months of common expense assessments based on the Association's annual periodic budget; and

b. The Board of Directors has formally resolved, by a recorded vote in executive session pursuant to §38-33.3-308(4), C.R.S., to authorize the filing of the foreclosure action against the Lot on an

individual basis. The Board of Directors may not delegate its duty to vote to authorize a foreclosure action to any attorney, insurer, manager, or other person. Any foreclosure action filed without evidence of the recorded vote authorizing the action must be dismissed pursuant to § 38-33.3-316, C.R.S., and no attorney fees, court costs, or other charges incurred by the Association in connection with an unauthorized action that is dismissed for this reason may be assessed against the Owner. Written notice of such meeting shall be given to the delinquent Owner.

c. If a Lot has been foreclosed, a member of the Board of Directors, an employee of the community association management company representing the Association, an employee of a law firm representing the Association, or an immediate family member thereof, as defined in § 2-4-401(3. 7), CRS, shall not purchase the foreclosed Lot.

d. The Association may not foreclose upon an assessment lien if the debt securing the lien consists only of one or both of the following:

1. Fines that the Association has assessed against the Owner; or
2. Collection costs or attorney fees that the Association has incurred and that are only associated with assessed fines.

e. The association has complied with each of the requirements of § 38-33.3-209.5 and § 38-33.3-316.3 related to a Owner's delinquency in paying assessments;

f. The association has provided the Owner with a written offer to enter into a repayment plan pursuant to §38-33.3-316.3 (2) that authorizes the Owner to repay the debt in monthly installments over eighteen months. under the repayment plan, the Owner may choose the amount to be paid each month, so long as each payment must be in an amount of at least twenty-five dollars until the balance of the amount owed is less than twenty-five dollars;

g. Within thirty days after the association has provided the owner with a written offer to enter into a repayment plan, the Owner has either: (a) declined the repayment plan; or (b) after accepting the repayment plan, failed to pay at least three of the monthly installments within fifteen days after the monthly installments were due.

#### 9. Notice & Correspondence Requirements.

a. Notice Requirements. When sending a Notice of Delinquency, as defined in Section 7, above, or notice of the Board's vote to refer a collection matter to an attorney or collection agency, as required by Section 7 of 8, above, the Board shall send written notice to Owners in the following manners:

- i. By certified mail, return receipt requested; and
- ii. By physically posting a copy of notice on the Owner's Unit; and
- iii. By one of the following manners, in the Association's discretion:
  - a. First Class Mail;
  - b. Text message to a cellular number that the Association has on file because the Owner has provided the cellular number to the Association; or
  - c. Email to an email address that the Association has on file because the Owner has provided the email address to the Association.

b. Authorized Representative. An Owner may identify another person to serve as a designated contact for the Owner to be contacted on the Owner's behalf for purposes of this Resolution. Any such designation shall be mailed to the Association via certified mail, return receipt requested. The Owner and the Owner's designated contact must receive the same correspondence and notices anytime communications are sent.

c. Record of Contacts. With regard to an Owner's delinquency in paying assessments, fines, or fees, the Association shall maintain a record of any contacts, including information regarding the type of communication used to contact the Owner and the date and time that the contact was made.

d. Language. An Owner may notify the Association if the Owner prefers that correspondence and notices from the Association be made in a language other than English. If a preference is not indicated,

the Association shall send the correspondence and notices in English. If a preference other than English is indicated, the Association shall send the correspondence in English and in the language indicated by the Owner.

10. Additional Collection Remedies. In the event any Owner is delinquent on the payment of any assessment, fine or other amount due to the Association, the Association is legally authorized to pursue any and all collection remedies available by law in conformity with this Resolution, including but not limited to, referral of matter to attorney, referral of matter to collection agency, recording of a lien, suit for damages, foreclosure of lien, and appointment of a receiver. The Association shall be entitled to pursue any remedy allowed by the Governing Documents or Colorado law, or combination thereof, in its discretion, as long as such remedy is authorized by Colorado law. In addition to the remedies set forth above, the Board of Managers may take the following actions in the event any Owner is in violation of the provisions of the Declaration, including the non-payment of any Assessment:

a. Suspend Privileges and Access to Amenities: If an Owner is delinquent on the payment of any Assessment for more than sixty (60) days, the Board of Managers may give such Owner thirty (30) days' notice of the Association's intent to suspend the Owner's following privileges and/or access to the following amenities:

i Voting privileges

Unless the Association receives full payment by the end of the notice period, the privileges and/or amenities listed in the notice will be suspended pending receipt of payment in full.

11. Certificate of Status of Assessment. The Association shall furnish to an Owner or such Owner's designee upon written request, first class postage prepaid, return receipt to the Association's agent, a written statement setting the forth the amount of unpaid assessments currently levied against such Owner's property for fee not to exceed \$50.00.

12. Bankruptcies and Foreclosures. Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of the filing of a foreclosure by any holder of an encumbrance against any Lot within the Association, the manager shall notify the Association's attorney of the same and turn the account over to the Association's attorney, if appropriate.

13. Waivers. The Association is hereby authorized to shorten or extend the time for filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Manager or Board of Managers shall deem appropriate under the circumstances.

14. Defenses. Failure of the Association to comply with any provision of this Policy shall not be deemed a defense to payment of assessment fees or other charges, late charges, return check charges, attorney's fees and/or costs as described or imposed by this Policy.

15. Definitions. Unless otherwise defined in this Resolution, initially capitalized terms defined in the Declaration and Bylaws shall have the same meaning herein.

16. Supplement to Law. The provisions of this Policy shall be in addition to and in supplement of the terms and provisions of the Governing Documents and law of the State of Colorado.

17. Deviations. The Board may deviate from the procedures set forth in the Resolution, if in its sole discretion such deviation is reasonable under the circumstances.

## **II. BOARD CONFLICT OF INTEREST POLICY**

A. **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 Highlands Riverfront. All members of the Board 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 Board Conflict of Interest Policy.

B. **Conflicting Interest Transaction.** A “conflicting interest transaction” means a contract, transaction, or other financial relationship between:

1. the Association and a member of the Board (a “Director”), or
2. the Association and an entity in which a Director is a director or officer or has a financial interest, or
3. 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.

C. **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 the conflicting interest transaction involves a Director or a party related to a Director or an entity in which a Director is a director or officer or has a financial interest or solely because 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 solely because the Director’s vote is counted for such purpose if:

1. 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, 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
2. 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 Owners entitled to vote thereon; or
3. the conflicting interest transaction is fair to the Association.

D. **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.

E. Loans. No loans shall be made by the Association to its Directors or Officers. 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.

F. Yearly Review. The Board will review this Board Conflict of Interest Policy annually, and at that time, will propose any changes deemed necessary to ensure conflicts of interest and conflicting interest transactions are handled appropriately.



### III. CONDUCT OF MEETINGS

1. Owner Meetings. Meetings of the Owners of the Association shall be called pursuant to the Bylaws of the Association.

a. Notice.

1. In addition to any notice required in the Bylaws, notice of any meeting of the Owners shall be conspicuously posted at a location within the community where notices of this type are typically posted at least 4 days prior to each such meeting, or as may otherwise be required by Colorado law.

2. The Association shall also post notice on its website, if any, of all Owner meetings. Such notice shall be posted 30 days prior to such meeting.

3. If any Owner has requested that the Association provide notice via email and has provided the Association with an email address, the Association shall send notice of all Owner meetings to such Owner at the email address provided as soon as possible after notice is provided pursuant to the Bylaws but in no case less than 24 hours prior to any such meeting.

b. Conduct.

1. All Owner meetings shall be governed by the following rules of conduct and order:

A. The President of the Association or designee shall chair all Owner meetings.

B. All Owners and persons who attend a meeting of the Owners will sign in, present any proxies and receive ballots as appropriate. (See section below regarding voting).

C. Any person desiring to speak shall sign up on the list provided at check in and indicate if he/she is for or against an agenda item.

D. Anyone wishing to speak must first be recognized by the Chair.

E. Only one person may speak at a time.

F. Each person who speaks shall first state his or her name and Unit address.

G. Any person who is represented at the meeting by another person, as indicated by a written instrument, will be permitted to have such person speak for him/her.

H. Those addressing the meeting shall be permitted to speak without interruption from anyone as long as these rules are followed.

I. Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting. Comments are to be relevant to the purpose of the meeting.

J. Each person shall be given up to a maximum of three minutes to make a statement or to ask questions. The Board may decide whether or not to answer questions during the meeting. Each person may only speak once. Yielding of time by a speaker to another individual shall not be permitted. Such time limit may be increased or decreased by the Chair, but shall be uniform for all persons addressing the meeting.

K. All actions and/or decisions will require a first and second motion.

L. Once a vote has been taken, there will be no further discussion regarding that topic.

M. So as to allow for and encourage full discussion by Owners, no meeting may be audio, video or otherwise recorded, except by the Board. Minutes of actions taken shall be kept by the association.

N. Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order." Anyone who does not come to order will be requested to immediately leave the meeting.

O. The Chair may establish such additional rules of order as may be necessary from time to time.

c. Voting. All votes taken at Owner meetings shall be taken as follows:

1. Contested elections of Board members, defined as elections in which there are more candidates than positions to be filled, shall be conducted by secret ballot. Each Owner entitled to vote pursuant to the Bylaws shall receive a ballot. The ballot shall contain no identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the Secretary of the Association or the Secretary's designee, the Owner shall receive a secret ballot to cast the vote of the Owner who provided the proxy. The proxy shall be kept and retained by the Association.

2. Uncontested elections of Board members, defined as elections in which the number of candidates is equal to or less than the positions to be filled, and all other votes taken at a meeting of the Owners shall be taken in such method as determined by the Board of Directors including acclamation, by hand, by voice or by ballot. Notwithstanding the above, uncontested elections of Board members or other votes on matters affecting the community shall be by secret ballot at the discretion of the Board or upon the request of 20% of the Owners who are present at the meeting or represented by proxy.

3. Written ballots shall be counted by a neutral third party, excluding the Association's managing agent or legal counsel, or a committee of volunteers who are not Board members, and in the case of a contested election, are not candidates. The committee shall be selected or appointed at an open meeting, in a fair manner, by the Chair of the Board or another person presiding during that portion of the meeting.

4. The individual(s) counting the ballots shall report the results of the vote to the Chair by indicating how many votes were cast for each individual or how many votes were cast in favor and against any issue.

d. Proxies. Proxies may be given by any Owner as allowed by C.R.S. 7-127-203. All proxies shall be reviewed by the Association's Secretary or designee as to the following:

1. Validity of the signature
2. Signatory's authority to sign for the unit Owner
3. Authority of the unit Owner to vote
4. Conflicting proxies
5. Expiration of the proxy

2. Board Meetings. Meetings of the Board of Directors of the Association shall be called pursuant to the Bylaws of the Association.

a. Conduct.

(1) All Board meetings shall be governed by the following rules of conduct and order:

A. The President of the Association, or designee, shall chair all Board meetings.

B. All persons who attend a meeting of the Board shall be required to sign in, listing their name and unit address.

C. All Owners will be given an opportunity to speak as to any matter or ask questions of the Board during the Owner forum at the beginning of the meeting. Any Owner wishing to speak during the Owner forum shall so indicate at the time of sign in.

D. Anyone desiring to speak shall first be recognized by the Chair.

E. Only one person may speak at a time.

F. Each person speaking shall first state his or her name and Unit address.

G. Any person who is represented by another person as indicated by a written instrument at the meeting shall be permitted to have such person speak for them.

H. Those addressing the Board shall be permitted to speak without interruption from anyone as long as these rules are followed.

I. Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting. Comments are to be relevant to the purpose of the meeting or issue at hand.

J. Each person shall be given up to a maximum of three minutes to speak or to ask questions, although questions may not be answered until a later date. Each person may only speak once during the Owner forum and once on any other issue prior to a vote by the Board on such issue. Yielding of time by a speaker to another individual shall not be permitted. Such time limit may be increased or decreased by the Chair but shall be uniform for all persons addressing the meeting.

K. No meeting of the Board may be audio, video or otherwise recorded except by the Board to aid in the preparation of minutes. Minutes of actions taken shall be kept by the Association.

L. Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order." Anyone who does not come to order shall be requested to immediately leave the meeting.

b. Owner Input. After a motion and second has been made on any matter to be discussed, at a time determined by the Board, but prior to a vote by the Directors, Owners, or their designated representatives, present at such time shall be afforded an opportunity to speak on the motion as follows:

(1) The Chair will ask those Owners present to indicate by a show of hands who wishes to speak in favor or against the motion. The Chair will then determine a reasonable number of persons who will be permitted to speak in favor of and against the motion and for how long each person will be permitted to speak. The Chair shall also announce the procedure for who shall be permitted to speak if not everyone desiring to speak will be permitted to speak.

(2) Following Owner input, the Chair will declare Owner input closed and there shall be no further Owner participation on the motion at hand unless a majority of the Board of Directors votes to open the discussion to further Owner participation.

c. Board Action Without a Meeting.

Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if consent in writing, setting forth the action so taken shall be signed by all of the Directors entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of the Directors.

d. Executive Sessions. The members of the Board may hold a closed door, executive session and may restrict attendance to Board members and such other persons requested by the Board during a regular or specially announced meeting for discussion of the following:

1. Matters pertaining to employees of the Association or the manager's contract or involving the employment, discipline, or dismissal of an officer, agent, or employee of the Association;

2. Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings or matters that are privileged or confidential between attorney and client;

3. Investigative proceedings concerning possible or actual criminal misconduct;

4. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy, including a disciplinary hearing regarding a unit owner and any referral of delinquency; except that a unit owner who is the subject of a disciplinary hearing or a referral of delinquency may request and receive the results of any vote taken at the relevant meeting;

5. Review of or discussion relating to any written or oral communication from legal counsel; and

6. Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure.

3. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

4. Supplement to Law. The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the Project.

5. Deviations. The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.

6. Amendment. This policy may be amended from time to time by the Board of Directors.

#### **IV. COVENANT AND RULE ENFORCEMENT**

1. **Reporting Violations.** Complaints regarding alleged violations may be reported by an Owner or resident within the community, a group of Owners or residents, the Association's management company, if any, Board member(s) or committee member(s) by submission of a written complaint.
2. **Complaints.**
  - a. Complaints by Owners or residents shall be in writing and submitted to the Board of Directors. The complaining Owner or resident shall have observed the alleged violation and shall identify the complainant ("Complainant"), the alleged violator ("Violator"), if known, and set forth a statement describing the alleged violation, referencing the specific provisions which are alleged to have been violated, when the violation was observed and any other pertinent information. Non-written complaints or written complaints failing to include any information required by this provision may not be investigated or prosecuted at the discretion of the Association.
  - b. Complaints by a member of the Board of Directors, a committee member, or the manager, if any, may be made in writing or by any other means deemed appropriate by the Board if such violation was observed by the Director or Manager.
3. **Investigation.** Upon receipt of a complaint by the Association, if additional information is needed, the complaint may be returned to the Complainant or may be investigated further by a Board designated individual or committee. The Board shall have sole discretion in appointing an individual or committee to investigate the matter.
4. **Violations Concerning Public Safety or Health.** With respect to any violation of the Declaration, Bylaws, Rules, Policies, or other governing documents of the Association that the Executive Board reasonably determines threatens public safety or health, the Association shall provide the Owner ("Alleged Violator") written notice, in English and in any language that the Alleged Violator has indicated a preference for correspondence and notices, of the violation informing the Alleged Violator that the Alleged Violator has seventy-two hours to cure the violation or the Association may fine the Alleged Violator ("Notice of Public Health & Safety Violation"). If, after inspection of the violation the Executive Board reasonably determines the Alleged Violator has not cured the violation within 72 hours of receipt of the Notice of Public Health & Safety Violation, this will be considered a second violation for which a fine may be imposed following notice and opportunity for a hearing. A second and subsequent letter ("Notice of Fines and Right to Hearing") shall then be sent to the alleged Violator, providing notice and an opportunity for a hearing, and explaining if a violation is found to exist, the Association may impose fines on the Alleged Violator every other day and may take legal action against the Owner for the violation; except that the Association may not pursue foreclosure against the Owner based on fines owed. Such letter shall further state that the alleged Violator is entitled to a hearing on the merits of the matter provided that such hearing is requested in writing within 72 hours of the date on the violation letter. All hearings shall be conducted in the manner set forth below. For avoidance of confusion, the Board has determined the following violations concern public health and safety: excessive noise and improper storage or disposal of trash.

5. Violations Not Concerning Public Safety or Health. If the Executive Board reasonably determines that a Violator committed a violation of the Declaration, Bylaws, Rules, Policies of other governing documents that does not threaten the public safety or health, the Association shall, through certified mail, return receipt requested, provide the Violator written notice, in English and in any language that the Violator has indicated a preference for correspondence and notices, an initial warning letter ("Initial Warning Letter") explaining the nature of the violation and informing the Violator that the Violator has thirty days to cure the violation or the Association, after conducting an inspection and determining that the Owner has not cured the violation, may fine the Owner; however, the total amount of fines imposed for the violation may not exceed five hundred dollars.

6. Continued Violation After Initial Warning Letter. If the alleged Violator does not cure the violation within 30 days of receipt of the Initial Warning Letter, this will be considered a second violation for which a fine may be imposed following notice and opportunity for a hearing. A second and subsequent letter(s) shall then be sent to the alleged Violator, providing notice and an opportunity for a hearing, and explaining if a violation is found to exist, a fine may be imposed pursuant to this Policy. The letter(s) shall further state that the alleged Violator is entitled to a hearing on the merits of the matter provided that such hearing is requested in writing within 30 days of the date on the violation letter.

6. Notice of Hearing. If a hearing is requested by the alleged Violator, the Board, committee or other person conducting such hearing as may be determined in the sole discretion of the Board, may serve a written notice of the hearing to all parties involved at least 10 days prior to the hearing date; provided, however, if a hearing is requested concerning a Public Health & Safety Violation, notice of the hearing shall be given to the Violator as soon as reasonably practical prior the hearing.

7. Impartial Decision Maker. Pursuant to Colorado law, the alleged Violator has the right to be heard before an "Impartial Decision Maker". An Impartial Decision Maker is defined under Colorado law as "a person or group of persons who have the authority to make a decision regarding the enforcement of the association's covenants, conditions, and restrictions, including architectural requirements, and other rules and regulations of the association and do not have any direct personal or financial interest in the outcome. A decision maker shall not be deemed to have a direct personal or financial interest in the outcome if the decision maker will not, as a result of the outcome, receive any greater benefit or detriment than will the general membership of the association." Unless otherwise disqualified pursuant to the definition of Impartial Decision Maker, the Board may appoint to act as the Impartial Decision Maker the entire Board, specified members of the Board, any other individual or group of individuals.

8. Hearing. At the beginning of each hearing, the presiding officer, shall introduce the case by describing the alleged violation and the procedure to be followed during the hearing. Each party or designated representative, may, but is not required to, make an opening statement, present evidence and testimony, present witnesses, and make a closing statement. The presiding officer may also impose such other rules of conduct as may be appropriate under the given circumstances. Neither the Complainant nor the alleged Violator are required to be in attendance at the hearing. The Impartial Decision Maker shall base its decision solely on the matters set forth in the Complaint, results of the investigation and such other credible evidence as may be presented at the hearing. After all testimony

and other evidence has been presented at a hearing, the Impartial Decision Maker shall, within a reasonable time, not to exceed 30 days, render its written findings and decision, and impose a fine, if applicable. Failure to strictly follow the hearing procedures set forth above shall not constitute grounds for appeal of the hearing committee's decision absent a showing of denial of due process. Hearings shall be conducted in executive session, unless requested otherwise by the alleged violator.

9. Failure to Timely Request Hearing. If the alleged Violator fails to request a hearing within 30 days of any letter, or 72 hours concerning a Public Health & Safety Violation, or fails to appear at any hearing, the Impartial Decision Maker may make a decision with respect to the alleged violation based on the Complaint, results of the investigation, and any other available information without the necessity of holding a formal hearing. If a violation is found to exist, the alleged Violator may be assessed a fine pursuant to these policies and procedures.

10. Notification of Decision. The decision of the Impartial Decision Maker shall be in writing and provided to the Violator and Complainant within 30 days of the hearing, or if no hearing is requested, within 30 days of the final decision.

11. Fine Schedule. The following fine schedule has been adopted for all covenant violations:

a. Public Health & Safety Violations:

1. First Violation: Notice of Public Health & Safety Violation
2. Second violation of same covenant or rule: \$1,000.00
3. Third violation of same covenant or rule: \$5,000.00

a. For a continuing Public Health & Safety Violations, the fine set forth in 11.a.3 may be imposed upon the Violator not more often than every other day. A continuing Public Health & Safety Violation is a series of identical or substantially similar individual violations that occur repeatedly or continuously within a period of time, the result of which is a pattern of violations of the same covenant restriction.

b. Non- Public Health & Safety Violations:

1. First violation: Warning Letter
2. Second violation of same covenant or rule: \$200.00
3. Third violation of same covenant or rule: \$300.00

a. Provided, however, the total amount of fines imposed for any single violation may not exceed five hundred dollars.

12. Referral for Legal Action. Separate from the fine processes set forth in Sections 4 through 11, above, the Association may refer any uncured Public Health and Safety Violation to an attorney for legal action, subject to the following requirements:

a. The Association shall grant the Violator two consecutive thirty-day periods to cure a violation before the Association may take legal action against the Violator for the violation.

b. If the Violator cures the violation within the period to cure afforded the Violator, the Violator may notify the Association of the cure and, if the Violator sends with the notice visual evidence that the violation has been cured, the violation is deemed cured on the date that the Violator sends the notice. If the Violator 's notice does not include visual evidence that the violation has been cured, the Association shall inspect the unit as soon as practicable to determine if the violation has been cured.

c. If the Association does not receive notice from the Violator that the violation has been cured, the Association shall inspect the unit within seven days after the expiration of each thirty-day cure period to determine if the violation has been cured. If, after the inspection and whether or not the Association received notice from the unit owner that the violation was cured, the Association determines that the violation has not been cured:

1. A second thirty-day period to cure commences, if only one thirty-day period to cure has elapsed; or

2. The association may take legal action pursuant to this section if two thirty-day periods to cure have elapsed.

d. In no event shall the Association pursue foreclosure against the Violator based on fines owed.

e. Once the Violator cures a violation, the Association shall notify the Violator, in English and in any language that the Violator has indicated a preference for correspondence and notices:

1. That the Violator will not be further fined with regard to the violation; and

2. Of any outstanding fine balance that the unit owner still owes the Association.

13. Waiver of Fines. The Board may waive all, or any portion, of the fines if, in its sole 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 and staying in compliance with the Articles, Declaration, Bylaws or Rules.

14. Other Enforcement Means. This fine schedule and enforcement process is adopted in addition to all other enforcement means which are available to the Association through its Declaration, Bylaws, Articles of Incorporation and Colorado law. The use of this process does not preclude the Association from using any other enforcement means.

15. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration shall have the same meaning herein.

16. Supplement to Law. The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the Project.

17. Deviations. The Board may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.

18. Amendment. This policy may be amended from time to time by the Board of Directors.



## **V. POLICY RE: ASSOCIATION RECORDS**

The Board hereby adopts the following Policies and Procedures with regard to the retention, inspection and copying of the Association's records and documents. The adoption of these Policies and Procedures shall replace and supersede any previously adopted policies and procedures related to the retention, inspection and copying of the Association records:

1. **Retention of Records.** The Association shall permanently retain at its principal office, in written form or in a form capable of conversion into written form within a reasonable time, the records required to be kept by the Association pursuant to § 38-33.3-317, C.R.S., which include:

(a) Detailed records of receipts and expenditures affecting the operation and administration of the Association;

(b) Records of claims for construction defects and amounts received pursuant to settlement of those claims;

(c) Minutes of all meetings of the Owners and Board of Directors, a record of all actions taken by the Owners or Board of Directors without a meeting, and a record of all actions taken by any committee of the Board of Directors;

(d) Written communications among, and the votes cast by, the Board of Directors that are directly related to an action taken by the Board of Directors without a meeting as authorized by Colorado law or the Bylaws;

(e) The names of Owners in a form that permits preparation of a list of the names of all Owners and the physical mailing addresses at which the Association communicates with them, showing the number of votes each Owners is entitled to vote;

(f) The current Declaration, Covenants, Bylaws, Articles of Incorporation, Rules and Regulations, Responsible Governance Policies, and other policies adopted by the Board of Directors;

(g) Financial statements as described in § 7-136-106, C.R.S., for the past three years and tax returns of the Association for the past seven years, to the extent available;

(h) A list of the names, electronic mail addresses, and physical mailing addresses of the Association's current Board of Directors and officers;

(i) The Association's most recent annual report delivered to the secretary of state;

(j) Financial records sufficiently detailed to enable the Association to provide the written statement setting forth the amount of unpaid assessments currently levied against each Unit required by § 38-33.3-316 (8), C.R.S.;

(k) The Association's most recent reserve study, if any;

(l) Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two years;

(m) Records of Board of Directors or committee actions to approve or deny any requests for design or architectural approval from Owners;

(n) Ballots, proxies, and other records related to voting by Owners for one year after the election, action, or vote to which they relate;

(o) Resolutions adopted by the Board of Directors relating to the characteristics, qualifications, rights, limitations, and obligations of Owners or any class or category of Owners;

(p) All written communications within the past three years to all Owners generally as Owners;

(q) A list of the current amounts of all unique and extraordinary fees, assessments and expenses that are chargeable by the Association in connection with the purchase or sale of a unit and are not paid for through assessments, including transfer fees, record change fees, and the charge for a status letter or statement of assessments due; and

(r) All documents included in the Association's annual disclosures made pursuant to § 38-33.3-209.4, C.R.S.

2. Inspection of Records. Except as limited below and by Colorado law, all records maintained by the Association are available for examination and copying by an Owner or an Owner's authorized agent. Any Owner or authorized agent seeking to inspect the Association's records shall submit a written request describing with reasonable particularity the records sought at least ten days prior to the date that inspection or production of the documents is requested. All production, inspection and copying of Association records shall occur between the hours of 9:00 AM to 4:00 PM, Monday through Friday, at the offices of the Association. The Association may not condition the production of records upon the statement of a proper purpose.

3. Non-Disclosure of Records – Confidential Records. Notwithstanding the provisions of Paragraph 2, above:

(a) The following Association records may be withheld from inspection and copying, to the extent that they are or concern:

(1) Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;

(2) Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;

(3) Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine;

(4) Disclosure of information in violation of law;

(5) Records of an executive session of the Board of Directors;

(6) Individual units other than those of the requesting owner; or

(b) The following Association records shall be withheld from inspection and copying, to the extent that they are or concern:

(1) Personnel, salary, or medical records relating to specific individuals; or

(2) Personal identification and account information of Owners, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

4. Charge for Inspection and Copying. Anyone requesting copies of Association records shall be responsible for all of the actual costs incurred by the Association, which have been estimated to be \$.25 per page for copies and \$20.00 per hour for the cost to search, retrieve, copy, mail/deliver or any specially process the records requested (if necessary), but under no circumstances is the Association obligated to compile or synthesize the information requested. The Association may require a deposit equal to the reasonably anticipated actual cost the requested records and search. Failure to pay such deposit shall be valid grounds for denying a request for records. If, after payment of the deposit, it is determined that the actual cost was more than the deposit, the requesting party shall pay any additional amount prior to delivery of the copies. If, after payment of the deposit, it is determined that the actual cost was less than the deposit, the difference shall be returned to the requesting party as soon as reasonably practicable.

5. Security. No Owner or authorized agent shall remove any original book or record of the Association from the place of inspection nor alter, destroy or mark in any manner, any Association record. An agent of the Association may observe any inspection of records or may make copies requested by an Owner.

6. Annual Disclosures. Within 90 calendar days after the end of each fiscal year, the Association shall make the following information set forth below available to Owners. The Association has the widest possible latitude in methods and means of disclosure of the information required by this Policy as long as such information is available to the Owners at their convenience and at no cost. Disclosure may be accomplished by one of the following means: Posting on an internet web page with accompanying notice of the web address via first-class mail or e-mail; the maintenance of a literature table or binder at the Association's principal place of business; or mail or personal delivery. The cost of such distribution is a Common Expense. The information to be supplied or made available to the Owners is:

(a) The name of the common interest community;

(b) The initial date of recording and reception number of the main document that constitutes the common interest community's declaration.

(c) The name and physical address of the Association. If the Association's address changes, the Association shall provide all Owners with an amended notice within 90 calendar days after the change.

(d) The name and physical address of the Association's designated agent or management company. If the Association's manager or manager's address changes, the Association shall provide all Owners with an amended notice within 90 calendar days after the change.

(e) The date on which its fiscal year commences;

(f) Its operating budget for the current fiscal year;

(g) A list of the Association's current assessments, including both regular and special assessments;

(h) The Association's annual financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure;

(i) The results of any financial audit or review for the fiscal year immediately preceding the current annual disclosure;

(j) A list of all Association insurance policies, including, but not limited to, property, general liability, director and officer professional liability, and fidelity policies. Such list shall include the company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies listed.

(k) The Association's Articles, Bylaws, rules and responsible governance policies.

(l) The minutes of the Board of Directors and Owner meetings for the fiscal year immediately preceding the current annual disclosure.

.

## **VI. ADOPTION AND AMENDMENT OF RULES, POLICIES, PROCEDURES OR GUIDELINES**

A. Scope. Under the Declaration and Act, the Board may, from time to time, adopt or amend rules, policies, procedures or guidelines for the regulation and management of Highlands Riverfront and its Common Elements, including the clarification of ambiguous provisions in other documents, or as may be required by law. In order to encourage Owner participation in the development of such rules and to insure that such rules are necessary and properly organized, any board adopting a rule shall follow the procedures set forth below.

B. Drafting Procedure. The following shall be considered in drafting or amending any rule:

1. Whether the Governing Documents or Colorado law grants the Board the authority to adopt such a rule.

2. Does the rule make sense?

3. Is this the least restrictive way to approach the issue?

4. Is this rule still needed?

5. Does it address a current problem?

6. Is it acceptable to residents?

7. Is the rule enforceable?

C. Notice and Adoption. When the Board has prepared a rule it desires to adopt or amend, it shall provide notice of such rule to the Owners by including reference to such rule in the agenda for any regular or special meeting of such board, and a copy of the rule shall be provided to any Owner requesting such document. At the meeting referenced in the agenda, or at a subsequent meeting to which consideration of the proposed rule is continued, the board may adopt the rule upon the affirmative vote of the majority of the board Owners present. A rule may only be adopted or amended at a regular or special meeting of the Board, or after a board goes back into regular session after executive session. No rule may be adopted during executive session.

## **VII. DISPUTE RESOLUTION AND LIMITATIONS ON LITIGATION**

The Association and its officers, directors, and committee members, all Owners and persons subject to the Declaration and any person not otherwise subject to this Declaration who agrees to submit to this policy (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving Highlands Riverfront without the emotional and financial costs of litigation. Accordingly, each Bound Party may not file suit in any court or pursue arbitration with respect to a Claim described below unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth below and engaged in a good faith effort to resolve such Claim.

A. **Claim.** As used in this policy, the term "Claim" refers to any claim, grievance, or dispute arising out of or relating to:

1. The interpretation, application, or enforcement of the Governing Documents;
2. The rights, obligations and duties of any Bound Party under the Governing Documents;

or

3. The design, modification or construction of improvements within the Project, other than matters of aesthetic judgment, which shall not be subject to review.

B. **Exceptions.** Notwithstanding the foregoing, the following shall not be considered "Claim" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth below:

1. Actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens and enforcement of architectural standards, covenants, conditions and restrictions of this Declaration);

2. Actions brought by the Association concerning the imposition or collection of assessments or other amounts due under the Declaration;

3. Proceedings involving challenges to ad valorem taxation; and

4. Counterclaims brought by the Association in proceedings instituted against it.

5. Any suit by the Association to obtain a temporary restraining order (or emergency equitable relief) and such ancillary relief as the Court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of the Governing Documents;

C. **Dispute Resolution Procedures.** Notwithstanding the provisions of this Article, if any controversy, claim or matter of difference arises between the Association and any Owner, between two or more Owners, or between the Association or one or more Owners and the Declarant (collectively, a "Dispute"), the parties to such Dispute ("Party") will endeavor in good faith to reach a prompt and fair resolution of the Dispute. If the Parties are unable to resolve the Dispute within a reasonable period of time (not to exceed 30 days, unless the Parties agree to a longer time period), any Party may request mediation of the Dispute. Any Party may give another Party written notice of a

demand for mediation not resolved as set forth above (“Mediation Notice”), and within ten (10) days after receipt of a Mediation Notice, the Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to select an unrelated third party mediator. If the Parties cannot agree on the selection of a mediator within twenty (20) days after the date of the Mediation Notice, they each shall appoint an unrelated third party within thirty (30) days of the Mediation Notice and, within forty (40) days of the Mediation Notice, such third parties shall appoint a neutral third party to mediate the dispute within sixty (60) days of the Mediation Notice. The mediation shall occur in Summit County, Colorado. The decision or recommendation of the mediator will not be binding on any Party, unless all Parties so agree in writing. The fee of the mediator will be shared equally by all Parties. If the Dispute is not resolved pursuant to the provisions of this Section (including without limitation the failure of any Party to request mediation or the inability of the Parties to reach an agreement as a result of the mediation), then any Party may thereafter pursue arbitration, or any other remedy available, as set forth in and required by the Declaration.

D. Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In the event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys’ fees and court costs.

E. Litigation - Attorney Fees. If a lawsuit or arbitration is initiated to enforce or defend any provision of Act or the Governing Documents, the court shall award the prevailing party reasonable attorneys’ fees and costs of collection. If a Unit Owner prevails in any civil action, the Association may not assess the successful litigant for attorney fees or costs incurred by the Association.

## **VIII. POLICY FOR RESERVE PLANNING, FUNDING AND INVESTMENT MANAGEMENT**

1. Purpose. In order to keep Highlands Riverfront (“Project”) in good repair and to sustain the market values of Owners’ Units, the Board establishes this Policy for Reserve Planning, Funding and Investment Management.

2. Periodic Reserve Studies Required. No less than once every five (5) years the Board shall prepare a Reserve Study for those portions of Project to be maintained, repaired, replaced or improved by the Association (the “Components”). The Study will:

- a. Assign a reasonable useful life to each Component.
- b. Assign a reasonable cost of repair or replacement to each Component based on current costs for the area.
- c. Set forth a 15 year repair & replacement schedule that identifies when work will be performed on each Component, and which, in calculating the cost of each repair or replacement, takes into account the cost of inflation.
- d. Establish a funding plan for reserve accounts, including projected sources of funding for such accounts.
- e. State whether, and to what extent, the Reserve Study is based upon physical and financial analyses.
- f. The Board may request assistance from a reserve study analyst or other consultant to prepare the Reserve Study.

3. Annual Updates. In each year that a Reserve Study is not conducted, an update shall be performed by the Board to reflect prevailing conditions, changes in costs, inflation, interest yield on invested funds, and any unexpected variations from the most recent Reserve Study.

4. Commingling of Reserve Funds. Reserve funds shall not be commingled with the Association’s general operating fund.

5. Investment of Association Funds. All investments shall be in the name of the Association. Unless otherwise approved by the Board, all investments will be FDIC (Federal Deposit Insurance Corporation) insured, otherwise guaranteed by the United States Government. The Board shall invest reserve funds to generate revenue that will accrue to the Funds pursuant to the following goals listed in order of importance:

6. Safety of Principal. The long term goal is safety of the Association’s principal.
7. Liquidity and Accessibility. Structure maturities to ensure availability of projected and unexpected expenditures.



8. Minimal Costs. Investments costs (redemption fees, commissions, and other transactional costs) should be minimized.

9. Diversify. Mitigate the effects of investment volatility upon reserve assets.

10. Return. Invest funds to seek the highest level of after-tax return.

11. Independent Professional Investment Assistance. The Board may hire an investment counselor to assist in formulating a specific investment plan.

12. Control and Review. All accounts and investment instruments shall be subject to the approval of, and may from time to time be amended by the Board as appropriate, and shall be reviewed at least annually.

**IX. INSURANCE CLAIM AND DEDUCTIBLE  
POLICY AND PROCEDURE**

The Board adopts this Insurance Claim and Deductible Policy and Procedure to provide Owners with information pertaining to the filing of claims with the Association's insurance carrier and the responsibility for insurance claim deductibles.

1. Filing of Claims. An Owner, through the Association's Manager, may file a claim against the policy of the Association if an occurrence that results in damages falls within the association's insurance coverage responsibility, provided the following procedures are followed:

- a. The Owner must promptly notify his/her personal insurance carrier of the damage;
- b. The Owner must contact the Association's Manager in writing, and in accordance with any applicable Association policies or procedures or Colorado law for owner-initiated insurance claims, regarding the subject matter of the claim and provide the following information:
  - I) The Owner's home address, telephone number, and unit number if applicable;
  - II) The time, date, place and circumstances of event causing damage;
  - III) Clear identification of the damaged property, and;
  - IV) The names and address of injured persons and witnesses, if any.
- c. The Owner must give the Association's Manager at least fifteen (15) days to respond in writing, and, if so requested, provide the Association's agent a reasonable opportunity to inspect the damage; and
- d. The subject matter of the claim falls within the Association's insurance responsibilities.
- e. No claim may be filed on any Association insurance policy where the amount of the claim is less than the amount of the deductible for such Association insurance policy.

If the Board, in its sole discretion, determines that the subject matter of the claim is within the Association's insurance coverage responsibility, the Board and/or Managing Agent may either submit a claim to the insurance carrier on behalf of the Owner subject to the requirements of the insurance policy, or the Board may pay for the damage out of existing Association funds. If the Board and/or Manager submits a claim pursuant to this policy, the Owner may not submit a separate claim to the Association's insurance carrier.

2. Liability for Loss; Payment of Insurance Claim Deductible. Regardless of whether a claim under the Association's insurance is filed by an Owner or the Association:

- a. If a loss insured under the Association's insurance is caused by an act of God or an occurrence that is beyond the control of the Association and all Owners, the Owner(s) of the Unit(s)

where the damage occurred will be responsible for the payment of any deductible payable under the Association's insurance, regardless of whether the claim is filed by the Association or Owner. Such amount shall be paid by the Owner no later than thirty (30) days after receipt of an invoice or statement for such amount from the Association or insurance company, and may be collected in the same manner as assessments.

b. If a loss insured under the Association's insurance is caused by a negligent or willful act or failure to act by an Owner or an Owner's tenants, representatives, or guests, as determined by the Board in its sole discretion, such Owner shall be solely responsible for all damages suffered by the Association that are not recovered from insurance proceeds, including the payment of any deductible payable under the Association's insurance policies or increased insurance premiums. Such amounts shall be paid by the Owner no later than thirty (30) days after receipt of an invoice or statement for such amount from the Association or insurance company, and may be collected in the same manner as assessments.

c. If a loss insured under the Association's insurance is caused by a negligent or willful act or failure to act by the Association, as determined by the Board in its sole discretion, the Association shall be solely responsible for all damages suffered by the Association that are not recovered from insurance proceeds, including the deductible amounts of the Association's insurance policies. Such amounts may be assessed as Common Expenses under the Declaration.

3. All Owners shall maintain those insurance policies required by the Declaration.

4. In the event the deductible is not a specific dollar amount (such as a percentage hail damage deductible), the Board shall maintain the right to assess individual unit owners a pro rata portion of such deductible if the association is not in a financial position to cover the deductible.

5. In the event more than one Unit is damaged by a single loss, the Association, in its reasonable discretion, may assess each Owner a pro-rata share of any deductible paid by the Association.

6. This policy supersedes any/all previous policies for the insurance claim and deductible policy and procedure dated prior to this policy and is subject to change by the Board.