

**RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES
FOR THE Lawson Hill Propertyowners', Co
Effective as of October 17, 2018**

FOR PURPOSES of complying with the responsible governance provisions of the Colorado Common Interest **Ownership Act**, C.R.S. §38-33.3-101, et seq. (the "**Act**"), the following responsible governance policies and procedures (the "**Responsible Governance Policies**") shall govern the addressed matters for the Lawson Hill Propertyowners' Co., a Colorado non-profit corporation (the "**Association**"), *and have* been adopted by the **Association's Board** of Directors (the "**Board**"). Any capitalized terms not defined herein shall have the same meaning as in the controlling documents (the "**Association Documents**") of the Lawson Hill Propertyowners' Co. (the "**Association**") or the Act.

These Governance Policies fully amend, supersede, revoke, and replace any and all Responsible Governance Policies previously adopted by the **Board** for the **Association**, effective as of October 17, 2018.

1. COLLECTION POLICIES

- 1.1 **INVOICES; DUE DATE.** The **Association** may send assessment invoices by mail or email at the address on file with the **Association**. All assessments shall be due as determined by the **Board** of Directors, but in no event less than thirty (30) business days from the date invoiced. Failure to receive an invoice does not relieve an **Owner** of his or her obligation to pay the assessment.
- 1.2 **APPLICATION OF PAYMENTS.** The **Association** will apply **Owner** payments of outstanding balances to the oldest open balance.
- 1.3 **COLLECTION – STEP 1.** For outstanding balances that are ninety (90) days or more past due.
 - 1.3.1 The **Association** will send the delinquent **Owner** a statement advising that the invoice amount is ninety, (90) days past due, that interest is accruing on the balance, and requesting payment.
- 1.4 **COLLECTION – STEP 2.** For outstanding balances one year or more past due, the **Association** has adopted the following collection policy:
 - 1.4.1 **NOTICING.** For balances that are one year (365) days or more past due, the **Association** may send a collection letter to the delinquent **Owner** advising that the amount is one year (365) days past due, that interest is accruing on the balance, and requesting payment; that the **Association** intends to record a lien against that **Owner's** lot; that there may be an administrative charge for the letter; and an administrative charge for recording the lien.

1.4.2 **RETURNED CHECKS.** There is a \$25 charge for returned checks.

1.4.3 **INTEREST.** All amounts past due to the **Association** shall bear interest at eighteen percent (18%) per annum.

1.4.4 **ATTORNEYS FEES AND COSTS OF COLLECTION.**
Delinquent **Owners** are responsible for payment to the **Association** of all costs of collection, including the costs of collection letters, charges by the **Association's** manager, reasonable attorneys fees and collection agency fees.

1.5 **ASSOCIATION GOOD-FAITH EFFORT TO COORDINATE A ONE-TIME PAYMENT PLAN.**

1.5.1 In the course of collecting past-due assessments, the **Association** shall make a good-faith effort to coordinate with the delinquent **Owner** to set up a one-time payment plan in accordance with these policies.

1.5.2 To this end, the **Association** shall refer to the ability to enter into a one-time payment plan in its 60, or 365-day late letters. The **Association** is not obligated to offer a payment plan to a delinquent **Owner** who has previously entered into a payment plan.

1.6 **NOTICE PRIOR TO REFERRING FOR COLLECTION ACTION.**

Prior to using a collection agency (for these purposes, the **Association's** manager is not a collection agency) or taking legal action to collect unpaid assessments, including recording lien, the **Association** shall send the delinquent **Owner** a notice stating:

1.6.1 The total amount due as of the date of the notice and how it was determined.

1.6.2 Offering the delinquent lot **Owner** one-time opportunity to enter into a 6-month payment plan.

1.6.3 Listing the legal remedies, including foreclosure, available to the **Association.**

1.6.4 Instructions, including the name and contact information for communicating with the **Association's** manager, and how to request a copy of the lot **Owner's** ledger to verify the amount of the past-due amounts, or how to submit a request for a payment plan.

1.6.5 That "action is required to cure the delinquency and that failure to do

so within thirty (30) days may result in the **Owner's** delinquent account having a lien recorded against the lot **Owner's** property, or other remedies available under Colorado Law.”

- 1.6.6 The method by which the **Owner's** payments may be applied.
- 1.6.7 The legal remedies available to the **Association** to collect on the delinquent account under the governing documents and Colorado law.

1.7 **OWNER REQUEST FOR ONE-TIME PAYMENT PLAN.**

- 1.7.1 A delinquent **Owner** who seeks to enter into a payment plan with the **Association** as set forth herein shall deliver a written request to the **Association's** manager via pre-paid U.S. mail, return receipt requested, or via courier such as FedEx with signature required.

1.8 **CONTENTS OF ONE-TIME PAYMENT PLAN.** Minimally, the one-time payment plan offered by the **Association** to the delinquent **Owner** shall:

- 1.8.1 Permit the delinquent **Owner** to payoff the past-due assessments in equal installments over at least a 6-month period;
- 1.8.2 Not waive interest on past-due amounts, which shall continue to accrue and be part of the payment plan;
- 1.8.3 Not waive collection charges or attorneys' fees;
- 1.8.4 Require the delinquent **Owner** to remain current on regular assessments as they come due during the period of the payment plan (“assessments” in this context include regular and special assessments and associated fees, charges, late charges, attorney fees, fines and interest charged);
- 1.8.5 Provide that if the delinquent **Owner** fails to comply with the plan, the **Association** may pursue collection;
- 1.8.6 Be formally approved by the **Board** on an individual basis.

1.9 **FAILURE TO COMPLY WITH PAYMENT PLAN.**

- 1.9.1 If the delinquent **Owner** fails to comply with the approved payment plan, including by failing to remit payment of an agreed-upon installment or to remain current with regular assessments (which includes regular and special assessments and any associated fees, charges, late charges, attorney fees, fines and interest charged) as they come due during the payment plan period, then the **Association** may

pursue legal action against the delinquent **Owner**.

1.10 **CERTIFICATE OF STATUS OF ASSESSMENT.**

1.10.1 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 forth the amount of unpaid assessments currently levied against such **Owner**'s property for a \$50.00 fee.

1.11 **BANKRUPTCIES AND FORECLOSURES.**

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

1.12 **JUDICIAL FORECLOSURE.**

1.12.1 The **Association** may choose to foreclose on its lien in lieu of or in addition to suing an **Owner** for a money judgment. The purpose of foreclosing is to obtain payment of all assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or other circumstances favor such action.

1.12.2 The **Association** shall not foreclose its lien for past-due assessments unless a) the total amount past due is at least equal to six (6) months of regular assessments, and b) the **Board** has formally approved the foreclosure action of that unit on an individual basis.

1.13 **WAIVERS.**

1.13.1 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 **Board** of Directors shall determine appropriate under the circumstances.

1.14 **DEFENSES.**

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

2. **PROCEDURES FOR OWNER-CREATED COSTS.**

- 2.1 The **Board** reserves the right to assess and seek reimbursement (without commencing legal proceedings), as a Special Individual Assessment, from any **Owner** inflicting extraordinary legal, accounting, and/or maintenance fees upon the **Association** (“**Owner-Created Costs**”). The amount of such Special Individual Assessment for **Owner-Created Costs** shall be determined by the **Board** and shall consist of a reasonable fine, collection costs, attorney fees, and other costs, as permitted under the Act and/or the pertinent **Association** and/or Community Documents. To the extent that an **Owner** asserts that an **Owner-Created Cost** resulted from violations of non-monetary covenants, restrictions or other obligations – and is not related to **Owner** requests or directions or other similar actions – the **Owner** shall have the right to request written notice from the **Association** and have an opportunity to be heard pursuant to Section 5 below.

3. CONFLICTS OF INTEREST INVOLVING BOARD MEMBERS.

- 3.1 Directors serving on the **Board** shall adhere to the provisions of the Act, the Colorado Revised Nonprofit Corporation Act (the “**Nonprofit Act**”), and specifically those set forth in C.R.S. §7-128-501 as required by §38-33.3-310.5 of the Act governing conflicts of interest involving **Board** directors and the Community Documents (the “**CCIOA Conflicts Regulations**”). In adopting these Policies and Procedures regarding Director conflicts of interests, the **Board** hereby states and confirms its desire and intention to ensure that Directors use their good business sense in exercising efforts to pursue and further the economic well-being and financial interests of the **Owners**, the **Association** and/or the Community as a whole.

4. CONDUCT OF MEETINGS.

- 4.1 The provisions of Part 2 of Article 128 of the Nonprofit Act shall govern procedures for meetings of the **Association** and of the **Board**. In the event that these provisions of the Nonprofit Act do not provide adequate direction, then the most recent edition of Roberts Rules of Order shall control.

5. ENFORCEMENT OF COVENANTS AND RULES, INCLUDING NOTICE AND HEARING PROCEDURES.

- 5.1 All **Owners**, by taking title to their property, shall be deemed to understand and have accepted their obligations to pay all monetary obligations including, but not limited to, all Annual Assessments, Special Assessments and Special Individual Assessments levied by the **Association** and any other late payment charges, penalties, interest, or fees attributable to an **Owner** in connection therewith, all in accordance with applicable Colorado law. Therefore, the procedures below shall not apply to any such monetary obligations, and, specifically, the **Association** shall not be required to conduct any Hearing (as

defined below), regarding such monetary obligations (specifically including any late payment charges, penalties, interest or fees).

- 5.2 Whenever the **Board** has reason to believe that any **Owner** has violated and/or is in violation of any non-monetary covenant, restriction, or other obligation under any of the Community Documents, or has reason to assess a fine against a Unit and/or **Owner** for this type of violation, the **Board** shall conduct an informal, but fair and impartial fact-finding process to determine whether or not, in its best judgment, the alleged violation actually *occurred* and, if so, whether it believes the accused **Owner** is the party responsible and/or liable for the alleged violation.
- 5.3 In connection with this fair and impartial fact-finding process, the **Board** shall send a written notice (the “**Notice of Violation**”) to the **Owner** and all First Mortgagees, if any, at the address(es) that appear(s) in the records of the **Association**. The Notice of Violation shall state the time and place at which a private hearing (the “**Hearing**”) will be held between the **Board** and the **Owner** and shall describe the violation(s) to be addressed at the Hearing. The Hearing shall be conducted pursuant to the procedures set forth for conducting of meetings in Section 4, above.
- 5.4 At the Hearing, the **Board** shall address the nature and details of the alleged violation with the **Owner**, and the **Owner** shall be provided an opportunity to rebut, explain, or present any evidence in the **Owner**’s defense. If the **Board** and the **Owner** are able to reach an agreement as to how best to resolve the alleged violation at, or pursuant to, the Hearing, that agreement shall be reduced to writing and signed by the **Owner** and on behalf of the **Board**. If the **Board** and the **Owner** prove unable to reach an agreement, then the **Board**, in its sole discretion, thereafter may pursue any legal or equitable remedies, assess any fines, and/or take any other actions it deems necessary and/or proper (including without limitation, recovery and/or legal fees and/or other costs of the Hearing, the impartial fact-finding process or otherwise), pursuant to the Community Documents and/or applicable laws. If the **Board** determines, as a result of the fact-finding process and/or the Hearing (in the **Board**’s sole and absolute discretion), that the **Owner** is not responsible for the alleged violation, the **Association** shall not allocate any portion of its costs or attorney fees to the **Owner** incurred in connection with the fact-finding process or Hearing.
- 5.5 Pursuant to CRS 38-33.3-209.5, no Director on the **Board** shall participate in the fact-finding process, the Hearing, or any determination of whether the accused **Owner** is the party responsible and/or liable for the alleged violation, if such Director has a direct personal or financial interest in the outcome of the Hearing. In the event that the (i) entire **Board** is prohibited from participating in the matter pursuant to the foregoing; and/or (ii) the **Board** determines that best interests of the **Association** would be served by appointing an impartial

committee to handle the matter, the **Board** shall appoint an committee consisting of no less than three members to conduct the fact-finding process, the Hearing, and make a determination of whether the accused **Owner** is the party responsible and/or liable for the alleged violation.

- 5.6 Nothing contained in this Section 5 shall be deemed or construed to abate and/or limit the accrual of Interest Assessments and/or Late Charges on any Unpaid Assessments, in accordance with Section 1 above.

6. DISPUTES ARISING BETWEEN THE ASSOCIATION AND OWNERS.

- 6.1 Except as set forth below, in the event of any dispute between the **Association** and an **Owner** for which a method, policy, or procedure to address such dispute is not otherwise provided by the **Association's** Community Documents (in which event the specified method, policy, or procedure shall control), neither the **Association** nor an **Owner** shall be permitted to file or pursue any formal judicial proceedings before first submitting the matter to a hearing process, in the manner set forth in Section 5 above. The foregoing notwithstanding, no formal procedure or hearing process (including that set forth in Section 5 above) shall apply to or serve in any manner to delay or hinder the **Association's** rights or remedies regarding any (i) disputes involving payment of **Association** assessments or (ii) emergency or similar circumstances requiring immediate relief.

7. RECORDS.

- 7.1 **RECORD RETENTION.** The **Association** shall permanently retain the following records as required by Colorado law:
- 7.1.1 Records specifically defined in the **Association's** declaration or bylaws;
 - 7.1.2 Records the **Association** is required to disclose within 90 days after the end of the fiscal year as required by CCIOA;
 - 7.1.3 Detailed records of receipts and expenditures affecting the operation and administration of the **Association**;
 - 7.1.4 Records of claims for construction defects and amounts received pursuant to settlement of those claims;
 - 7.1.5 Minutes of all meetings of its **Owners** and **Board**, a record of all actions taken by the **Owners** or **Board** without a meeting, and a record of all actions taken by any committee of the **Board**;
 - 7.1.6 Written communications among, and votes cast by, **Board** members

that are: (i) directly related to an action taken by the **Board** without a meeting pursuant to the Colorado Revised Nonprofit Corporation Act; or (ii) directly related to an action taken by the **Board** without a meeting pursuant to the **Association's** bylaws;

- 7.1.7 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 **Owner** is entitled to vote;
 - 7.1.8 The **Association's** current declaration, covenants, bylaws, articles of incorporation, rules and regulations, responsible governance policies and other policies adopted by the **Board**;
 - 7.1.9 Financial statements for the past 3 years and tax returns of the **Association** for the past 7 years;
 - 7.1.10 A list of the names, email addresses and physical mailing addresses of the current **Board** members and officers;
 - 7.1.11 The most recent annual report (if any) delivered to the Secretary of State;
 - 7.1.12 Financial records sufficiently detailed to enable the **Association** to provide an **Owner** with a written statement stating the amount of unpaid assessments currently levied against the **Owner's** unit;
 - 7.1.13 The **Association's** most current reserve study (if any);
 - 7.1.14 Current written contracts to which the **Association** is a party and contracts for work performed within the past 2 years;
 - 7.1.15 Records of **Board** or committee actions to approve or deny any requests for design or architectural approval from **Owners**;
 - 7.1.16 Ballots, proxies and other records related to voting by **Owners** for 1 year after the election, action or vote;
 - 7.1.17 Resolutions adopted by the **Board** relating to the characteristics, qualifications, limitations, and obligations of members;
 - 7.1.18 All written communications within the past 3 years sent to all **Owners**.
- 7.2 **INSPECTION/COPYING ASSOCIATION RECORDS.** An **Owner** or his/her authorized agent is entitled to inspect and copy any of the books and records of the **Association**, subject to the exclusions, conditions and requirements set forth below:

- 7.2.1 The inspection and/or copying of the records of the **Association** shall be conducted during the regular business hours of 9:00 a.m. to 4:00 p.m.; at the offices of the **Association's** manager, from time to time;
 - 7.2.2 The **Owner** shall give the **Association's** manager a written demand, stating the specific Records for which the inspection and/or copying is sought, at least ten days before the date on which the **Owner** wishes to inspect and/or copy such records;
 - 7.2.3 Inspections may be made by the **Owner** or a duly appointed agent, for which a written authorization is presented to the **Association**.
 - 7.2.4 The **Association** reserves the right to have a third party present to observe during any inspection of record by an **Owner** or the **Owner's** representative.
 - 7.2.5 No **Owner** shall remove any original book or record of the **Association** from the place of inspection nor shall any **Owner** alter, destroy or mark in any manner, any original book or record of the **Association**.
 - 7.2.6 Nothing contained herein shall be construed to require the **Association** to create records that do not exist or compile records in a particular format or order.
- 7.3 **RECORD WITHOLDING.** The following Records **may be withheld** from copying and inspection:
- 7.3.1 Architectural drawings, Engineering drawings, Surveys, plans, and designs, unless released upon the written consent of the legal **Owners** of the drawings, plans, surveys or designs.
 - 7.3.2 Contracts, leases, bids or records related to transactions to purchase or provide goods or services that are currently in or under negotiations.
 - 7.3.3 Communications with legal counsel that are otherwise protected by attorney-client privilege or the attorney work product doctrine.
 - 7.3.4 Disclosure of information in violation of law..
 - 7.3.5 Records of an executive session of an HOA **Board**.
 - 7.3.6 Records relating to or concerning individual lots other than those of the requesting **Owner**.

- 7.4 **MANDATORY RECORD WITHOLDING.** The following Records **must be withheld** from copying and inspection:
- 7.4.1 Personnel, salary, or medical records relating to specific individuals.
 - 7.4.2 Personal identification and account information of members, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.
- 7.5 **USE OF RECORDS.** Association records shall not be used by any **Owner** for:
- 7.5.1 Any purpose unrelated to an **Owner's** interest as an **Owner**.
 - 7.5.2 The purpose of soliciting money or property unless such money or property will be used solely to solicit the votes of the **Owners** in an election to be held by the **Association**.
 - 7.5.3 Any commercial purpose.
 - 7.5.4 For the purpose of giving, selling, or distributing such **Association** records to any person; or
 - 7.5.5 Any improper purpose as determined in the sole discretion of the **Board**.
- 7.6 **FEES/COSTS.**
- 7.6.1 Any **Owner** requesting copies of **Association** records shall be responsible for all actual costs incurred by the **Association** for the costs of labor and material for gathering and copying the Records.
 - 7.6.2 The **Association** may require prepayment of the actual cost of the requested Records. Failure to pay such prepayment of costs shall be valid grounds for denying an **Owner** copies of such Records.
 - 7.6.3 If after prepayment it is determined that the actual cost was more than the prepayment, **Owner** shall pay such amount prior to delivery of the copies.
 - 7.6.4 If after prepayment it is determined that the actual cost was less than the prepayment, the difference shall be returned to the **Owner** with the copies.
 - 7.6.5 There shall be no cost to any **Owner** accessing records which are

required to be disclosed by Colorado law at no cost to **Owners**.

7.7 USE OF MEMBERSHIP LISTS.

7.7.1 Without the consent of the **Board** of directors, a membership list (or any part of that list) may not be obtained or used by any person for any purpose unrelated to a lot **Owner's** interest as a lot **Owner**.

7.7.2 A membership list may not be used to solicit money or property from **Owners**, unless that money or property is used solely to solicit the votes of the lot **Owners** in an election to be held by the **Association**.

7.7.3 A membership list may not be used for any commercial purpose.

7.7.4 A membership list may not be sold to or purchased by any person.

7.8 USE OF ORIGINAL DOCUMENTS.

7.8.1 No Owner shall remove any original book or record of the Association from the place of inspection nor shall any Owner alter, destroy or mark in any manner, any original book or record of the Association.

7.9 CREATION OF RECORDS.

7.9.1 Nothing contained herein shall be construed to require the Association to create records that do not exist or compile records in a particular format or order.

8. INVESTMENT OF RESERVE FUNDS.

8.1 Any reserve funds (if any) approved by the Board and collected by means of Assessments (including Special Assessments and/or Special Individual Assessments), or otherwise, shall be deposited in an interest bearing account and administered at the discretion of the Board, subject to applicable requirements of the Community Documents, the Act, and applicable tax and/or other laws/regulations. All of the foregoing shall be undertaken so as to ensure, to the best of the Board's ability, that no adverse income or other tax consequences result to the Association and/or its Members.

8.2 Proof of deposit in such account and a schedule of interest accrual shall be made available to any Owner pursuant to the procedures for Inspection and Copying of Association Records identified in Section 7 above.

9. RESERVE STUDY POLICY.

9.1 At least annually, the Board shall make a determination as to (i) whether to

have a reserve study prepared for the portions of the portions of the Community maintained, repaired, replaced, and/or improved by the Association, and (ii) the timing for such a reserve study, if any. In the event that the Board determines a reserve study is necessary, such reserve study may be (i) performed by an outside consultant or may be prepared internally; and (ii) based on a physical examination of the community, a financial analysis, or both, all as determined by the Board (in its sole and absolute discretion).

- 9.2 In the event that the Board determines a reserve study is necessary, the Board also shall establish a plan for funding any work recommended by such reserve study (or any portion thereof deemed appropriate by the Board). In doing so, the Board (in its sole and absolute discretion) may consider funding for any such work to come from any or all of the following sources: (i) cash then on hand, including the Association's operating and/or reserve accounts; (ii) Annual Assessments; (iii) Special Assessments; (iv) loans obtained by the Association; (v) any additional source as determined by the Board; and/or (vi) any combination of the foregoing.

10. ADOPTION AND AMENDMENT OF POLICIES, PROCEDURES, AND RULES.

- 10.1 Amendments to these Policies and Procedures may be appropriate and/or desired and/or necessary from time-to-time. Any such amendments shall be undertaken and adopted by the Board, subject to any applicable requirements of the Community Documents and/or the Act.

11. YEAR END EXCESS FUND BALANCE TAX TREATMENT.

- 11.1 On the first day of any Association fiscal year, should funds and/or positive account balances remain in any Association accounts that derive from the previous fiscal year's operations, those funds shall be deemed to be "*unrestricted fund balances,*" and shall be so classified and treated for all federal, state and/or other income tax purposes. Further, all Association "*reserve,*" "*capital*" and/or similar accounts shall at all times be deemed to be "*unrestricted fund balances,*" and shall be so classified and treated for all federal, state and/or other income tax purposes.