

**POLICIES AND PROCEDURES  
FOR  
HERITAGE PLACE HOMEOWNERS ASSOCIATION**

In accordance with the requirements of C.R.S. §38-33.3-209.5(1)(b), the Board of Directors of Heritage Place Homeowners Association (the "Association") hereby adopts the Policies and Procedures set forth herein effective Jan 1, 2012.

The term "Governing Documents" as it is used in these Policies and Procedures shall mean the Declaration of Covenants, Conditions and Restrictions of Heritage Place recorded in the records of the Clerk and Recorder for Arapahoe County, Colorado in Book 1965 at Page 454 (the "Declaration"); Articles of Incorporation for the Association, and the Bylaws of the Association.

The term "Member" as it is used in these Policies and Procedures shall mean the Member or such Member's designated representative, as evidenced by a proxy (in the case of representation at a Meeting) or other written authorization (in the case of a designation for purposes of exercising such Member's right to obtain copies of records, etc.)

The term "Board" as it is used herein may also include any agents of the Board, such as the Property Manager of the Association acting at the direction of the Board.

The Board may deviate from any of the Policies and Procedures set forth herein if, in the Board's reasonable discretion, such deviation is reasonable and appropriate under the circumstances. The Board will note any such deviation in the applicable Board Meeting minutes.

**1. Policies For The Collection of Unpaid Assessments ("Collection Policies"):**

a. **Assessment Due Dates.**

- i. Annual Assessments are due and payable on the 1<sup>st</sup> day of January in each calendar year.
- ii. Special Assessments are due and payable on the date set forth in the applicable Notice of Special Assessment.

b. **Delinquent Payments.** Any payments owed to the Association under the Governing Documents or these Policies, including but not limited to, Annual Assessments, Special assessments, Late Charges, Returned Check Fees and costs, any costs and Interest, are delinquent on the first day following the date on which they were due. Any Late Charges, Interest, Returned Check Fees and costs, or other costs and expenses which may be charged to a Member pursuant to these Collection Policies are due and payable immediately, without notice or demand, on the date on which they are incurred or charged, as the case may be.

c. **Late Charges; Interest.**

- i. If the Annual Assessment is not received by the Association on or before January 31<sup>st</sup> of the then-current calendar year, a late charge of \$25 shall be assessed monthly commencing on January 31<sup>st</sup> and shall continue to accrue during each month of such calendar year until paid in full.

ii. The Association shall charge interest (“Interest”) at the rate of 8% per annum (or the highest rate of interest permissible on FHA loans at the time of the delinquency, whichever is less) on the outstanding balance of Delinquent Payment(s) owed by any, commencing on the 31<sup>st</sup> day of January of the then-current calendar year, and continuing until said balance is paid in full.

d. **Returned Checks.** The Association shall charge any Member tendering a check to the Association that is rejected, dishonored or otherwise returned (a “Returned Check”), the Association’s actual costs incurred in connection with such Returned Check, plus a \$25 Returned Check fee (the “Returned Check Fee”).

e. **Notice of Default.** For any Delinquent Payments that are delinquent for a period in excess of 30 days, the Association shall provide written notice to the Member of such Delinquent Payments demanding payment of all Delinquent Payments, together with any and all other applicable late charges, interest and fees (a “Delinquency Notice”). If the Member fails to bring his or her account current within 10 days of receipt of such Delinquency Notice, the Association may exercise any and all remedies available to it under the Governing Documents and the law, including, but not limited to, suspension of such Member’s voting rights, filing a lien against the Member’s unit and/or retaining counsel to pursue collection of such Delinquent Payments.

f. **Attorney Action.** Delinquent accounts will be referred to the attorney for collection on April 1, provided that the Board reserves the right to refer a delinquent account for collection prior to April 1 if the Board determines that doing so is in the best interests of the Association. The attorney shall be authorized to take any and all action necessary to collect the delinquent account, including but not limited to sending a demand letter, filing a lien, pursuing a personal judgment, requesting a receiver to be appointed, and/or foreclosing on the Association’s lien.

g. **Attorneys Fees and Costs.** Each Member shall be liable to the Association for any attorneys fees and costs incurred by the Association in connection with collecting Delinquent Payments from such Member.

h. **Application of Payments.** Any payments made by, or on behalf of, a Member to the Association shall be applied in the following manner:

- i. Attorneys fees and costs incurred by the Association for which the Member is responsible.
- ii. Interest which has accrued on Delinquent Payments;
- iii. Late Charges and any outstanding Fees (i.e. Returned Check Fees, etc.);
- iv. Past Due Special Assessments;
- v. Past Due Assessments;
- vi. Current Special Assessments;
- vii. Current Assessments.

i. **Statement of Accounts.** Consistent with the Association’s Bylaws, a Member, or such Member’s First Mortgagee, upon delivery of: (i) at least 10 days prior written notice to the Association, together with (ii) a \$125 Statement of Accounts Fee, obtain a statement of such Member’s account, which

Statement of Accounts shall set forth the unpaid assessments or other charges against such Member's Unit, as well as the amounts and due date of the current annual assessment. A Statement of Account shall be conclusive and binding on the Association through the stated effective date noted thereon.

j. **No Waiver.** Failure of the Association to enforce any of these policies for Collection of Assessments shall in no event be deemed a waiver of the right to do so thereafter.

k. **Amendment; Board Discretion.** These Collection Policies may be amended by the Board of Directors from time to time as permitted by the Policy for Adoption of Policies, Procedures and Rules and as otherwise permitted by the Governing Documents. The Board shall exercise reasonable discretion in the implementation of these Collection Policies. The failure of the Board to strictly adhere to the Collection Policies shall not alone be sufficient to impair the Board's ability to collect amounts due to the Association pursuant to the Governing Documents or these Collection Policies.

2. **Policy Regarding Conflicts of Interest with a Director:**

a. **Definitions:**

i. **"Conflicting interest transaction"** means a contract, transaction or other financial relationship between: (A) the Association and a director, or (B) between the Association and a party related to a director, or (C) between the Association and an entity in which a director of the Association is a director or officer.

ii. **"Party related to a director"** means a spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or 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.

iii. **"Officer,"** for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

b. **Disclosure and Board Approval of Conflict of Interest Transaction.**

i. Any Director who has a conflicting interest in a proposed transaction with the Association shall disclose such conflicting interest to the other Board Members at the first meeting of the Board in which the Board discusses or takes a vote on such proposed transaction, and in any event, prior to the commencement of any discussions on such transaction.

ii. With respect to Board action, a Director who has a conflicting interest in a transaction with the Association may not participate in the discussion regarding the transaction, and shall refrain from voting on that transaction. Any Board of Director having a conflicting interest in a transaction with the Association shall leave the room during any Board discussions and voting regarding such transaction, unless otherwise requested by a majority of the disinterested Board members.

iii. A conflict of interest transaction is authorized or approved if it receives the affirmative vote of a majority of the Directors on the Board who have no conflict of interest in the transaction. A transaction may not be authorized, approved or ratified under this section by a single Director. If a majority of the Directors who have no conflict of interest in the transaction vote to authorize, approve or ratify the transaction, a quorum is present for the purposes of taking action under this section.

c. A Director may not receive any compensation for serving as a Director of the Association.

d. A Director that is retained by, or otherwise employed by, the Association to perform outside services (as distinguished from such Director's duties in his capacity as a Director) ("Work"), shall be deemed to have a conflicting interest in any transaction, agreement or contract which is related to the Work, and as such, shall not be permitted to attend, or participate in, any discussions of the Board related to the Work and/or the contracts, agreements or transactions related to the Work.

e. Notwithstanding anything to the contrary herein, no conflicting interest transaction shall be set aside solely because an interested director is present at, participates in or votes at a Board or committee meeting that authorizes, approves or ratifies the conflicting interest transaction if:

i. the material facts as to the director's relationship or interest as to the conflicting interest transaction are disclosed or known to the Board of Directors or the committee, and the Board or 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 may be less than a quorum; or

ii. the material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or known to the Members entitled to vote on the transaction, if any, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote; or

iii. the conflicting interest transaction is fair to the Association.

f. 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 of the loan.

### **3. Policies and Procedures For Meetings (Member and Board of Director Meetings):**

#### **a. Meetings of the Members of the Association.**

i. Annual Meetings. Meetings of the Members of the Association shall be held at least once per year.

ii. Special Meetings. Special Meetings of the Members of the Association may be called by the President, a majority of the Board of Directors, or by unit owners having 25% of the votes in the Association.

#### **iii. Notice of Meetings of Members.**

(1) Not less than 30 nor more than 60 days in advance of any meeting of the Members of the Association, the Secretary (or, if the Secretary fails to act, but any officer of the Association) shall provide written notice of such annual or special meeting of the Members of the Association, which notice shall state: (i) the place, (ii) time and (iii) the meeting agenda, including the general nature of any proposed amendment to the declaration or bylaws, any budget changes, and any proposal to remove an officer or Director.

(2) Notices shall be delivered as follows:

(A) By hand delivery; or

(B) By United States' mail, postage prepaid, to the mailing address of such unit or to any other mailing address designated in writing by the owner of such unit.

(C) In addition to the foregoing, notice of any meeting shall also be physically posted in a conspicuous place, to the extent such posting is feasible and practicable.

(D) Where possible, the Association shall post notice of any Meeting electronically on the Association's website, if any, and/or deliver to those Members requesting electronic notice (and who have provided an e-mail address to the Association for the delivery of such electronic notices), electronic notice of the meetings of the Members of the Association.

iv. Manner of Conducting Meetings of Members.

(1) All Members (or such Member's representative if such Member is being represented by a proxy) who attend a meeting of Members shall sign-in upon arrival.

(2) If a Member wishes to speak at the Meeting, he or she shall indicate on the sign-in sheet: (1) that he or she wishes to speak at the Meeting, (2) the agenda item upon which such Member wishes to speak, and (3) whether such Member will speak for or against the indicated agenda item.

(3) The President, or his designated representative, shall call the meeting to order.

(4) The order of business at any Meeting of the Members shall be as set forth in the Bylaws.

(5) As each agenda item is addressed, the President will call upon those Members that have signed-up to speak (a "Speaking Member") on such agenda item. Each Speaking Member will be provided an equal amount of time to speak on their designated agenda item. The Board, in its reasonable discretion, will establish the amount of time each Speaking Member may speak on an agenda issue, and shall inform all Speaking Members of such time limit at the beginning of such Member Meeting. Notwithstanding the foregoing, the amount of time allowed a Speaking Member shall in any event be a minimum of 3 minutes to speak on their designated agenda item.

(6) At the time a Speaking Member is called upon to speak, he or she will introduce themselves to those in attendance and shall clearly state his or her name, address, Unit number, and the agenda item to which he or she is speaking.

(7) **AT ANY MEETING, ALL MEMBERS WILL CONDUCT THEMSELVES WITH APPROPRIATE DECORUM AND CIVILITY AND WILL AT ALL TIMES SHOW OTHER PERSONS ATTENDING THE MEETING WITH RESPECT.**

(8) After all Members who have signed up to speak on an agenda item have had an opportunity to speak, the President may call for motions regarding any items that require an action or a decision. After any such motion is made and seconded, the President shall call for a vote on said agenda item, as necessary or appropriate.

v. Voting at Member Meetings.

(1) *Voting by Secret Ballot.* Secret ballots shall be used for the election of Directors. In addition, with respect to any other matter affecting the Association or the Condominium on which Members are entitled to vote (i) the President or Chair of any Meeting may call for a secret ballot, or (ii) at least 20% of the Members present in person or by proxy may call for a secret ballot. All votes taken by secret ballot shall be reported without any indicating any identifying information about the voters, such as names, addresses or unit numbers.

(2) *Other Voting.* At the discretion of the President or the Chair of the Meeting, votes on all other matters may be taken by secret ballot, acclamation, written ballot or a show of hands.

(3) *Counting Ballots.* Ballots shall be counted by a neutral third party or by a committee of volunteers who shall be Members selected or appointed at an open meeting by the President of the Board or other person presiding during that portion of the meeting. The committee of volunteers shall not be board members and, in case of a contested election for a Board position, shall not be candidates.

(4) *Proxies.* The Secretary of the Association will establish the form, and shall confirm or reject (as the Secretary in good faith deems appropriate) and record proxies in accordance with the Bylaws and Colorado law.

b. **Meetings of the Board of Directors.**

i. *Open Board Meetings.* Except as set forth below, all Meetings of the Board of Directors shall be open to all Members or their representatives.

ii. *Agenda.* The agenda for the Board Meetings shall be made reasonably available to all Members or their representatives in a manner which shall be determined by the Board in its discretion from time to time.

iii. *Member's Right to Speak.* Any Member who wishes to speak at a Board Meeting must sign-in prior to the commencement of the Meeting, and identify which agenda item to which such Member wishes to speak, and whether the Member is for or against the agenda item.

(1) With respect to each agenda item, the Board shall identify a reasonable number of Members that will be permitted to speak, and shall make a reasonable effort to have an approximately equal number of speakers that are both for and against such agenda item. The number of Members permitted to speak on an agenda item shall be determined by the Board in its reasonable discretion, and the Board at such time shall inform those Members of such time limit at the beginning of the Board Meeting.

(2) Members who attend Meetings of the Board of Directors may not participate in the Board discussions unless so authorized by the vote of a majority of a quorum of the Board.

(3) The Board may take a vote on any issue, but only after first permitting Members to speak as set forth herein, and then a subsequent Board discussion.

(4) Notwithstanding anything contained in these Policies and Procedures, upon the final resolution of any matter for which the Board received legal advice or that concerned pending or contemplated litigation, the Board may elect to preserve the attorney-client privilege in any appropriate manner, or it may elect to disclose such information, as it deems appropriate, about such matter in an open Meeting.

4. **Policies and Procedures For the Maintenance of Records and Inspection and Copying of Association Records by Unit Owner:**

a. **Permanent Records.** The Association shall maintain permanent records (the "Permanent Records") of the following:

- i. Minutes of all Member Meetings and Board of Director Meetings;
- ii. A record of all actions taken by written ballot or written consent in lieu of meeting;
- iii. A record of all actions taken by a Committee of the Board in place of the Board of Directors and on behalf of the Association; and
- iv. A record of all waivers of notices of Member Meetings and of the Board, or any Committee of the Board.
- v. Notwithstanding anything to the contrary contained herein the Association's obligations hereunder shall not affect its right to maintain the confidentiality of documents and records: (a) regarding pending or threatened litigation for which the Association has elected to invoke the protections of the attorney-client privilege, (b) that are required by applicable law to be kept confidential; and (c) that contain private or confidential information about individual Members.

b. **Member List.** The Association shall maintain a record of all Members in a form that permits the preparation of a list of names and addresses of all Members, showing the number of votes each Member is entitled to vote. A Membership list may not be:

- i. used to solicit money or property unless such money or property will be used solely to solicit votes of the Members in an election held by the Association;
- ii. used for any commercial purpose;
- iii. sold to or purchased by any person; or
- iv. used for any other purpose prohibited by law.

c. **Records Made Available for Inspection and Copying.** The Association shall maintain at its principal office the following records (for purposes of these Policies and Procedures, the term "Records" shall refer to the records listed in this subparagraph (c), together with the Permanent Records) in a written form (or such other form that is capable of conversion to a written form within a reasonable time), all of which shall be made reasonably available to Members for examination and copying:

- i. The Governing Documents, and any amendments thereto;
- ii. The Rules and Regulations;
- iii. The Policies and Procedures;
- iv. 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;

v. The minutes of all Member Meetings, and records of any actions taken without a meeting, for the preceding three years;

vi. All written communications within the past three years to owners generally (as opposed to specific owners);

vii. A list of all names and the business or home address of the current Directors and officers of the Association;

viii. The Association's most recent financial report, if any;

ix. All financial audits or reviews conducted by the Association pursuant to Colorado law during the immediately preceding three year period.

d. ***Inspection and Copying.*** Upon not less than 5 business days prior written notice to the Association, Members may review and obtain copies of the Records during normal business hours at the Association's principal offices, provided:

i. A reasonable fee will be charged for copies; provided, however, that such fee shall not exceed the actual cost to the Association for such copies. The "actual cost of copies" shall include, but is not limited to, the cost of the paper, ink and equipment utilized, as well as costs to the Association for the Property Manager's time or other labor involved in making such copies. Upon request, the Association manager shall provide any Member with information on the then-current copy fees.

ii. In the event that a significant number of copies are requested by a Member, the Association shall be permitted a reasonable period of time to produce such copies and the requesting Member shall deliver the estimated cost for such copies to the Association at the time of the request. For these purposes, a "significant number of copies" shall mean a single request of 30 pages or more. In the event that the estimated cost for such copies is greater than the actual costs incurred by the Association, the Association shall deliver the remaining balance to the Member with the requested copies. In the event that the estimated costs are less than the Association's actual costs, the Member shall deliver the difference to the Association at the time such Member picks up the copies.

iii. Any Member requesting the opportunity to inspect and/or copy Records of the Association must:

(1) Make any request for inspection and copying in good faith and for proper purposes;

(2) Provide a written request to the Association describing with reasonable particularity the purpose of the request and a description of the Records to be inspected and copied. The Records requested must be relevant to the stated purpose of the Member's request.

(3) Members requesting and obtaining copies agree that such copies and/or any information gathered during an inspection of the Association records shall not be used for solicitation or personal gain (other than to solicit votes on an Association matter from other Members).

(4) No Records or documents (other than copies requested and paid for in full) may be removed by a Member from the Association's principal offices.



(5) Comply with any reasonable requests of the Association regarding the space available for inspection and copying, and the time available in the event multiple owners wish to inspect and copy on the same day or days. Each Member will act courteously to other persons that may be assisting with and/or inspecting any records at the same time at the Association's principal offices.

iv. **No Limitation on Other Rights.** Nothing in this Policy shall be construed to abrogate or affect a Member's rights to inspect Records pursuant to any other law or pursuant to a court order.

5. **Policies and Procedures for the Enforcement of Covenants and Rules:**

a. **Association's Enforcement Powers.** The Association shall have the power to enforce the provisions of the Declaration and the Rules and Regulations, as applicable, by any one or more of the following means:

i. by entry upon any Common Elements (without Notice and Hearing) and on any Unit within the Condominium (after Notice and Hearing) (as hereinafter defined) (unless a bona fide emergency exists), without liability to the Member or resident thereof, for the purpose of enforcement or of causing compliance with the Declaration or the Rules and Regulations;

ii. by commencing and maintaining actions and suits to restrain and enjoin any breach or threatened breach of the Declaration or the Rules and Regulations, by mandatory injunction or otherwise;

iii. by commencing and maintaining actions and suits to recover damages (including attorney's fees and costs) for breach of any of the provisions of the Declaration or the Rules and Regulations;

iv. by suspension, after Notice and Hearing, of the voting rights of a Member during any period in which a Member is in breach of the Declaration or the Rules and Regulations and for up to 60 days following any breach by such Member of the Declaration or the Rules and Regulations, unless such breach is a continuing breach, in which case such suspension may continue for as long as 60 days after cessation of such breach;

v. by levying and collecting, after Notice and Hearing, such reasonable and uniformly applied Fines as set forth below, from any Member for breach or failure to comply with the Declaration or the Rules and Regulations.

b. **Violation Categories.** There shall be two categories of violations as described below. The Board shall have the sole discretion to determine which category a violation falls into.

i. **Minor Violations:** (examples)

- a) 8' clearance rule
- b) Sidewalk Obstruction
- c) Yard needs attention
- d) Weeds
- e) Overgrown shrubs/trees/plantings into greenbelt
- f) Repair fences
- g) Holiday Lights
- h) Recreational vehicles
- i) Trash cans not put away

- ii. Major Violations: (examples)
  - a) ARC not submitted
  - b) Storage in view of neighboring lots
  - c) Lamp post repair/replace
  - d) Mailbox repair/replace
  - e) Remove dead trees
  - f) Paint
  - g) All other violations of the Legal documents of the Association

c. **Notice and Hearing.**

i. In the event that the Board elects to seek any of those remedies set forth in subparagraphs (i), (iv) and (v) of paragraph (a) above,, then the Board shall send written notice of such alleged violation or breach to the Member [as well as to the resident(s) of such Member's Unit, if such Unit is not occupied by the Member] (a "Notice of Non-Compliance").

ii. The First Notice of Non-Compliance shall set forth the alleged violation, with a cure date for compliance of the alleged violation.

iii. The Second Notice of Non-Compliance will set forth the Fine applicable to the alleged violation, as well as a hearing date which in any event shall be not less than 10 days for minor violations and 30 days for major violations from the date of the first Notice of Non-Compliance.

iv. The Member may elect to either: (a) consent to pay the Fine and cure the violation, or (b) proceed to Hearing. In the event that the Member elects to proceed to Hearing, the Fine shall continue to accrue for any uncured violation.

v. Hearings shall be conducted by the Board. The Member (or, if the Member is not a resident, then either the Member or the resident, but not both) shall have an opportunity to present evidence to refute the alleged violation.

vi. If the Board determines, however, after reviewing the evidence of the Member and any evidence presented by the Association, that a violation occurred (or is continuing), then the Board shall have the right to: (i) require that the Member and resident cure the breach or violation immediately, (ii) levy the Fines set forth herein, (iii) levy a Default Assessment against the Member, which Default Assessment shall in any event include, but shall not be limited to, any and all costs incurred by the Association to conduct the Hearing, any attorney's fees and costs incurred by the Association in connection with the violation or breach, (iv) enter the Common Elements or the Member's Unit, as necessary, to bring the Unit into compliance, and/or (v) suspend such Member's voting rights until the breach, covenant violation or payment default is cured.

vii. Each day any violation continues after notice shall be considered a separate violation. The Board shall have the authority to take any remedial action it deems appropriate in the event of a violation of the provisions of the Declaration or the Rules and Regulations.

c. **No Waiver.** No failure by the Board to insist upon the strict performance of any term or provision contained in these Policies and Procedures shall constitute a waiver of any such term or provision unless such waiver is made in writing by the Board. Any waiver of a breach of a term

or provision of the Governing Documents, or these Policies and Procedures, shall not prevent a subsequent act, which would have originally constituted a violation under the Declaration, the Rules and Regulations, or these Policies and Procedures, from having the effect of a violation or prevent the Board from exercising all of its rights and remedies under the Governing Documents.

d. **Fines.** The Association may levy fines against Members who violate (or whose family, guests, invitees, tenants or licensees violate) any provision of the Declaration or the Rules and Regulations for which no specific penalty is provided. Such fine will be levied following Notice and a Hearing as set forth above.

i. Violations will result in a fine that shall become an expense of the subject Unit and shall be due and payable within 30 days of the date of delivery of a violation and/or fine notice.

ii. All such fines shall constitute a lien on the subject Unit as provided in the Declaration, and may be referred for legal action; and interest, costs, and reasonable attorney fees of any such action shall be added to the amount of such fine.

iii. The table of fines is set forth below. The fines may be modified or adjusted by the Board of Directors at the time of its decision in each case based on individual circumstances.

(1) First Offense: \$50.00 fine.

(2) Second Offense: \$100.00 fine

(3) Third Offense: \$250.00 fine

iv. The fine will be due and payable within 30 days of the date of delivery of a violation and/or fine notice.

v. If payment of the fine is not received when due, it will be subject to collection pursuant to the Association's Collection Policies set forth above.

vi. The fines may be modified or adjusted by the Board of Directors at the time of its decision in each case based on individual circumstances.

vii. As stated in Subparagraph A above, the imposition of fines after Notice and Hearing pursuant to these Policies and Procedures, shall not be a prerequisite to, nor in any manner operate to preclude, the Board from taking any other action, from seeking any other remedies or from recovering its costs and attorney's fees as permitted, allowed or available under the Governing Documents, these Policies and Procedures and applicable law.

e. **Remedies Not Exclusive.**

i. The Board of Directors may determine enforcement action on an individual basis, and take other actions permitted under the Governing Documents or the law, as it deems necessary and appropriate to assure compliance with the Declaration and the Rules and Regulations to create a safe and harmonious living environment.

ii. These enforcement provisions may be in addition to other specific provisions

outlined in the Rules and Regulations, Declaration, and Bylaws. The Board may choose a legal remedy or seek assistance from other enforcement authorities, such as police, fire, or animal control.

**SUMMARY OF KEY PROVISIONS OF POLIES AND PROCEUDRES FOR COVENANT AND RULE ENFORCEMENT**

Steps: Board determines if a violation is a Minor or Major violation

Letter sent to owners Days to Correct/Cure

**Minor Violation**

- First Violation Letter – (notice of non-compliance) 10
- Second letter (notice of hearing/applicable fine, fine imposed if hearing not attended) 10
- Third letter (fine & notice of continues violation - fines assessed per day) 5
- Turned over to legal counsel

**Major Violation**

- First Violation Letter – (notice of non-compliance) 30
- Second letter (notice of hearing/applicable fine, fine imposed if hearing not attended) 14
- Third letter (fine & notice of continues violation - fines assessed per day) 14
- Turned over to legal counsel (fines continue to be assessed each day)

Hearing: At least 10 days’ notice given to Owner by Board

Fine Schedule:	First Violation	\$ 50.00
	Second Violation	\$100.00
	Third Violation	\$250.00
	Continuous Violation	\$250.00 per day until cured

**6. Investment of Reserve Fund Policies:**

a. The Association shall maintain a reserve fund (the “Reserve Fund”) for working capital and any other purpose proper for the proceeds of assessments.

b. The Board will manage the Reserve Fund in such a manner as to preserve and enhance the principal investment.

c. Investment Policies:

i. The Reserve Fund principal shall be invested in securities or other investment vehicles that can be liquidated easily to satisfy the immediate or emergency needs of the Association with no penalty for early withdrawal;

ii. The securities or other investment vehicles comprising the Reserve Fund shall have minimal fees, costs and expenses associated with the maintenance, liquidation, investment, reinvestment or restructuring thereof.

iii. The Reserve Fund shall be invested in securities or other investments that offer the highest possible rate of return possible for investments with low volatility.

d. All accounts and investments of the Association, including, but not limited to, the Reserve Fund, shall be FDIC insured and/or guaranteed by the United States Government.

e. The Board may retain an independent investment advisor to provide advice, and/or to manage or assist the Board in managing the Reserve Fund.

f. With regard to investment of reserve funds, directors and officers shall be subject to the standard of care outlined below. Officers, for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

i. Each director and officer shall perform their duties regarding investment of reserves in good faith, in a manner the director or officer reasonably believes to be in the best interests of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. In the performance of their duties, a director or officer shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (a) one or more officers or employees of the Association whom the director or officer reasonably believes to be reliable and competent in the matters presented; (b) legal counsel, professional property manager, public accountant, or other persons as to matters which the director or officer reasonably believes to be within such person's professional or expert competence; or (c) a committee of the Association on which the director or officer does not serve if the director reasonably believes the committee merits confidence.

ii. A director or officer shall not be considered to be acting in good faith if the director or officer has knowledge concerning the matter in question that would cause such reliance to be unwarranted. A director or officer shall not be liable to the Association or its Members for any action the director or officer takes or omits to take as a director or officer if, in connection with such action or omission, the director or officer performs his duties in compliance with this policy. A director or officer, regardless of title, shall not be deemed to be a trustee with respect to the Association or with respect to any property held or administered by the Association.

g. The Board shall, not less than once every three years, conduct a review of the Reserve Fund activity and returns and make such adjustments as the Board deems reasonably necessary or advisable. The Board shall present the results of such review not less than annually to the Members and the annual Meeting of the Members.

#### **7. Procedures for Adoption of Amendments to Policies, Procedures and Rules and Regulations:**

a. The Board of Directors may adopt, amend, modify, revise, enforce, repeal, restate or expand the Policies and Procedures and/or the Rules and Regulations in whole or in part as deemed necessary or desirable, with respect to the interpretation and implementation of the Declaration and the operation of the Association.

b. The Board will take reasonable efforts to provide the Members with prior written notice of any change or modification to the Policies and Procedures or Rules and Regulations, and shall in any event (except in the case of an emergency) include notice of a proposed modification on the agenda for the Board Meeting at which such modification will be addressed by the Board.

c. In the event that the Board deems it necessary to accelerate the applicability of any such new, amended or revised Policies and Procedures and/or Rules and Regulations, the Board may act without prior notice provided: (i) that notice of such emergency rule making shall be given as soon as is reasonably possible thereafter to the Members of the Association and (ii) the Board will include such modification on the agenda for the next succeeding Board Meeting following its emergency implementation, and will provide opportunity to Members and Directors to speak on such amendment at such Board Meeting, as required by these Policies and Procedures, prior to taking a vote to ratify or reject such modification.

d. Notice shall be sufficient if it is provided in the manner set forth for Notice a Meeting of the Members.

e. Copies of any Policies and Procedures, as well, as any Rules and Regulations, will be maintained with the Association Records maintained by the Association and made available to Members for inspection and copying as provided above.

## **8. Dispute Resolution Policy**

a. Alternative Dispute Resolution Procedures. Alternative methods of dispute resolution to avoid litigation encouraged by the Board of Directors include negotiation and mediation. The Association encourages Owners or residents with disputes to resolve such disputes without court proceedings. The Association will take reasonable steps to facilitate negotiation or mediation between Owners and/or residents, but will have no responsibility for any costs incurred by the parties to the dispute resolution process. For any step in the dispute resolution process, the parties are not waiving their right to employ legal counsel at their own expense to assist them.

b. Required dispute resolution procedure. Prior to filing a lawsuit against the Association, the Board, or any officer, director, or property manager of the Association, an Owner must request and attend a hearing with the Board of Directors. Any such request shall be in writing and shall be personally delivered to any member of the Board of Directors or the Association's property manager. The Owner, in such request and at the hearing, must make a good faith effort to explain the grievance to the Board and resolve the dispute in an amicable fashion, and shall give the Board a reasonable opportunity to address the Owner's grievance. Upon receiving a request for a hearing, the Board shall give notice of the date, time and place of the hearing to the person requesting the hearing. The Board shall schedule this hearing for a date not less than 14 or more than 30 days from the date of receipt of the request. If the dispute cannot be resolved, the parties may utilize the discretionary mediation procedure set forth below, but shall not be required to do so.

c. Discretionary dispute resolution procedures. The procedures set forth below may be used in disputes between Owners and residents. At its discretion, the Board of Directors may utilize the procedures set forth below to resolve disputes with Owners prior to filing litigation.

i. Negotiation. A request for dispute resolution by negotiation may be initiated by an Owner or the Association. Any such request shall be in writing stating the nature and details of the dispute and shall be personally delivered to the other party. So long as the other party agrees to negotiate, a meeting shall be held between the parties to begin a good faith attempt to negotiate a resolution not less than 14 or more than 30 days of receipt of such request, unless otherwise extended by written agreement. Through negotiation, the parties will communicate directly with each other in an effort to reach an agreement that serves the interests of both parties. Should the dispute pertain to property issues, each party will be granted the right to inspect the alleged defects or problems at a time convenient to everyone involved.

ii. Mediation. If the dispute is not resolved by negotiation, any party may request in writing that the issue be submitted to mediation. If the parties agree to mediate the dispute prior to seeking other remedies, they shall participate in good faith in the mediation. The role of the mediator is to facilitate further negotiation between the parties. The mediator will not have power to decide how to resolve the dispute but will use recognized, accepted mediation techniques to assist the parties in making that decision. The mediator shall be selected by a consensus of the parties involved within 14 days of the receipt of the request. Any cost of mediation will be shared equally among the parties unless they and the mediator agree otherwise.

## 9. Reserve Study Policy

Heritage Place Homeowners Association has adopted a new approach to asset management called Partial Asset Replacement Preventive Maintenance (PARPM), which directly affects Reserve Study Policy.

a. Assumptions. Two critical assumptions were made in order to manage assets.

1) A detailed appraisal of existing assets. Further, such appraisal will continue to be updated on an annual basis by Board members.

2) An asset management plan. Said plan is to be actively managed, that is, said appraisal and its findings of deficiencies must be repaired and replaced as explained below as a Board responsibility.

The specific asset life spans are based on past and future maintenance practices and not dictated by an industry manual or on the Board's desires. Thus a ten year old fence with an estimated life of twenty years by the manual does not necessarily require 10/20 or 50% of its replacement cost in a reserve account

b. Partial Asset Replacement Preventive Maintenance (PARPM). The concept of PARPM is to not only do required repairs, but to go a step further and partially replace part of the asset that may have been contributory to the needed repair. When done on a consistent basis, this could mean an asset will never need total replacement as it is fractionally replaced every year. Proper planning and expenditures are needed and five to ten year plans on an annual basis are needed to be done by the Homeowners Board so that it is the Board actively managing these maintenance practices. As the purpose of reserves is to fund asset/capital improvement expenditures the maintenance practices described will be funded in part by operating funds (repairs) and also by reserves insofar as they constitute a partial asset replacement.

c. Insurance. Catastrophic loss under this plan is best served by an adequate insurance coverage (replacement cost). Premiums for the insurance policy are in the operating budget, whereas the loss deductible is part of the reserve account.

d. Reserve Study Physical/Financial Aspect. This reserve planning is more heavily predicated on full on-site inventory of assets and a determination as to the condition of the asset leading to a prediction of functional life expectancy. With the aggressive program described it is conceivable that the asset will have an indefinite life allowing a slow monetary buildup of financial assets. Thus, our policy on reserve study addresses the physical aspects more heavily.



e. Board Continuity ‘Trustee’ Program. To aid in the functioning of this “hands-on” approach by the Board, it is essential that a firm continuity be maintained. That is, if a Board member is not reelected or chooses not to run, that person is automatically a ‘Trustee’ of the Board for a three year period, allowing the new Board members to have an information resource not normally available to new Board members. In addition, the ‘Trustee’ will be entrusted with the Board documents for delivery and explanation to the new Board members. Said ‘Trustees’ would not be tasked with any governance functions, but would serve only in an advisory and explanatory function so the new Board members would have an understanding of the vital functions of the Reserve Study Policy.

**UNANIMOUS RESOLUTION  
OF THE BOARD OF DIRECTORS OF  
HERITAGE PLACE HOMEOWNERS ASSOCIATION  
IN LIEU OF MEETING**

The undersigned, being all of the Directors of the Heritage Place Homeowners Association (the "Association"), acting pursuant to provisions the Colorado Revised Nonprofit Corporation Act (the "Act"), the Association's Bylaws, and the requirements of C.R.S. §38-33.3209.5(1)(b), hereby consent, that when the undersigned have executed this consent or an exact counterpart thereof, the Policies and Procedures set forth herein are adopted by the Board of Directors of the Association effective Jan 1, 20 12 to the same extent and with the same force and effect as if adopted at a formal meeting of the Board of Directors of the Association, duly called, noticed and held for the purpose of acting upon proposals to adopt such resolutions:

RESOLVED, that the Policies and Procedures attached hereto are adopted by the Board of Directors of the Association effective Jan 1, 20 12.

IN WITNESS WHEREOF, the undersigned being all of the Directors of the Association, do hereby evidence their written consent to the foregoing action as of Jan 1, 20 12, which shall have the same force and effect as a unanimous vote of the Directors at a duly called annual meeting of such Directors.

Dated 11/30/11

Directors:

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]