

INTRODUCTION

The members of Solar Hills Ranch Homeowner's Association, Inc., a Colorado nonprofit corporation (the Association), acting pursuant to the powers set forth in the Association's Bylaws (as amended July 1996), Articles of Incorporation, the Declaration of Covenants, Conditions and Restrictions for Solar Hills Ranch Subdivision, and all amendments thereto (the Declaration) (such documents being collectively referred to in these policies as the Association Documents) and the Colorado Common Interest Ownership Act (CCIOA), have enacted the following responsible governance policies effective as of the date set forth on each respective policy. Unless the context otherwise indicates, words and terms shall have the meanings set forth in the Association Documents and, if not defined in the Association Documents, then as set forth in CCIOA. These policies supersede any previously adopted policies on the same subject matter.

Solar Hills Ranch Homeowner's Association

Policy for Collection of Unpaid Assessments

Effective: June 1, 2018.

I. Policy Purpose

This policy sets forth the process used in collecting delinquent assessments, including time frames of notices, interest, indicates when an account will be turned over to legal counsel, sets forth how payments are applied and when and in what manner payment plans may be entered into between the Association and an Owner.

II. Delinquent Accounts

Dues assessments are sent annually by the Board to each Owner by January 31 of each year. All assessed amounts are due by February 28 of each year.

III. Returned Check Charge

Any returned checks are subject to a \$25.00 returned check charge.

IV. Late Fees and Interest

Delinquent accounts are charged a \$50.00 late fee if not paid within fifteen (15) days of the due date. In addition, if delinquent accounts are not paid within thirty (30) days after the delinquency date, interest shall be charged from the original due date at a rate of twelve percent (12%) per annum (1.0% per month).

V. Attorney's Fees and Costs

All attorney fees and costs incurred in collecting unpaid assessments, including but not limited to, drafting and sending delinquency notices, negotiating and drafting payment plan agreements, preparing and recording of any notice of lien and release of lien, court filing fees, and service of process fees, shall be assessed to the owner.

VI. Application of Payments

All payments received on a delinquent account are applied in the following order: first to interest, then any late fees, then any returned check charges, then to court costs and attorney fees, and then to dues assessments.

VII. Notice of Delinquency

The Association's Treasurer shall provide a report to the Board of all delinquent accounts on or before the first day of April. The Association's Secretary, in accordance with C.R.S. § 38-33.3-209.5, will cause a notice of delinquency (Notice) to be mailed to each Owner with a delinquent account. The Notice will specify the total amount due, include a copy of the ledger that accounts for how the total was determined, state whether the Owner is eligible to enter into a payment plan, and provide instructions for contacting the Association to enter into such a payment plan. The Notice will further inform the Owner that action to cure the delinquency is required to be taken within thirty (30) days and that failure to do so may result in the account being turned over to a collection agency, a lawsuit being filed against the owner, the filing and foreclosure of a lien against the owner's property, or other remedies available under Colorado law.

VIII. Notice of Lien

Unless the Owner cures the delinquency in full within thirty (30) days of the Notice, the Association may cause a Notice of Lien for Past Due Assessments to be recorded in Montrose County, Colorado.

IX. Payment Plan

If the Owner is unwilling or unable to cure the delinquency in full within thirty (30) days, the Association will make a good faith effort to set up a payment plan with an owner for the payment of delinquent assessments, UNLESS the Owner does not occupy the property and has acquired the property as a result of the foreclosure of a security interest encumbering the property OR the Owner has previously entered into a payment plan for the payment of delinquent assessments, in which case the Owner is not entitled to enter into a payment plan.

Any payment plan entered into with an Owner shall permit the Owner to pay off the deficiency in equal installments over a period of at least six (6) months. The Owner must remain current with regular assessments as they come due during the six-month period, or such longer period as the Board may agree. If the Owner fails to comply with the terms of the payment plan, including the failure to remit payment of an agreed upon installment or to remain current with regular assessments, the Owner shall be in default and the Association may, without further notice to the Owner, pursue legal action to collect the delinquent assessments.

X. Legal Remedies

Legal remedies available to the Association to collect a delinquent account pursuant to the Declaration and Colorado law include filing suit to recover a money judgment personally against the Owner and foreclosure of the Association's statutory lien for assessments, which remedies may be pursued simultaneously.

A. Foreclosure of Lien for Assessments Requires Formal Vote of Board.

The Association may only foreclose its lien for assessments if the balance of the assessments and charges secured by its lien equals or exceeds six (6) months of common expense assessments based on a periodic budget adopted by the Board of Directors, by a recorded vote, to authorize the foreclosure against the specific property on an individual basis.

B. Suit to Recover Money Judgment. Unless the Association instructs the Association's attorney to pursue foreclosure of its lien for assessments, and provides the requisite resolution approving such action, when an account is turned over to the Association's attorney for legal action, the attorney will file suit to recover a money judgment against the owner in Montrose County Court.

Upon a judgment being entered, the attorney shall cause a Transcript of Judgment to be recorded in Montrose County and any other Colorado county in which the Association believes the owner might possibly own or acquire real property.

The Association's attorney may pursue all such other post-judgment collection remedies as permitted under Colorado law, including service of interrogatories, garnishment of wages or bank accounts, or foreclosure of the judgment lien. If the Association's attorney recommends foreclosing on the judgment lien, the attorney shall first obtain an ownership and encumbrance report from a title company to get an initial determination as to the Association's lien priority and provide the Board with a copy of the report. The Association's attorney shall not initiate foreclosure of a judgment lien, unless the Board has formally resolved, in the same manner as required for foreclosing the Association's lien for assessments, by a recorded vote, to authorize the foreclosure against the specific property on an individual basis.

Solar Hills Ranch Homeowner's Association

Policy for Handling Conflicts of Interest of Board Members

Effective: June 1, 2018.

I. Policy Purpose

This policy sets forth the process for Board Members to disclose conflicts and the criteria to be used by the Board in determining if a conflict exists, defining conflicts, procedures used when a conflict exists, and requiring periodic review of this policy.

II. Definition of Conflicting Interest Transaction

For the purposes of this policy and pursuant to CCIOA a "conflicting interest transaction" is a contract, transaction, or other financial relationship between:

- A. The Association and a director of the Association or
- B. The Association and a party related to a director, or
- C. The Association and an entity in which a director of the Association, or a party related to the director, is a director or officer or has a financial interest.

A "party related to a director" shall mean a spouse, a descendant, an ancestor, a sibling, the spouse or descendant of a sibling, an estate or trust in which the 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.

III. Disclosure of Conflict of Interest

A Board member who has a conflict of interest regarding any contract, decision, or other action shall disclose the conflict of interest in an open meeting before the Board conducts any substantive discussion on the issue. In making such disclosure, the affected Board member shall:

- A. Identify, by agenda item or otherwise with particularity as necessary to identify the issue in question, the specific pending contract, decision or other action as to which the conflict of interest arises; and
- B. Describe the person or persons who would financially benefit from the contract, decision, or other action; and
- C. Disclose the nature and magnitude of the financial benefit that would arise out of or as a function of the Board's decision on the contract, decision, or other action.

IV. Limitations on Participation by Board Member who has Disclosed a Conflict of Interest

- A. **Discussion.** A Board member who has a conflict of interest may, after identifying and disclosing the conflict, participate in the discussion of the pending contract, decision, or other action.
- B. **Voting.** A Board member who has a conflict of interest shall not vote on any matter related to consideration of the contract, decision, or other action implicated by the conflict of interest.

V. Reconsideration of Decisions Impacted by Improperly Handled Conflict of Interest

- A. **Effective of Non-Compliance.** Any contract, decision, or other action of the Board which is adopted subject to a conflict of interest in violation of the identification, disclosure, and participation limitations set forth in this policy shall be void and unenforceable.
- B. **Reconsideration and Ratification.** Where the Board identifies a previous contract, decision, or other action which was adopted in violation of the identification, disclosure, and participation limitations set forth in this policy, the Board shall, at an open meeting, take the matter up for reconsideration. At such meeting
 - 1. The Board member with the conflict of interest shall fully identify and disclose the conflict as set forth in this policy; and

the Board shall discuss the reasons why the identification, disclosure, or participation limitations set forth in this policy were overlooked or otherwise improperly handled during previous adoption of the decision;

2. The Board shall discuss whether, after having considered the foregoing considerations, the contract, decision, or other action should be ratified by a new vote in compliance with this policy; and
3. The Board shall conduct a new vote on the question of ratification, with the Board member(s) affected by the conflict of interest abstaining from participation in such vote.

VI. Annual Review

The Board shall review the Association's conflict of interest policy, procedures, and rules and regulations on an annual basis. Such review shall include a check for compliance with current Colorado law, as well as the effectiveness and implementation of the policy, procedures, and rules. Amendments shall be approved by a majority vote of the Board.

Solar Hills Ranch Homeowner's Association

Policy for Conducting Association Meetings

Effective: June 1, 2018.

I. Policy Purpose

This policy provides overall guidance in the conduct of Association meetings of the Owners and Board, which shall be in accordance with the Association Documents and applicable law. The Association Documents, CCIOA, and the Colorado Revised Nonprofit Corporation Act (the Nonprofit Act) contain numerous provisions governing meetings of the Owners and Board. This policy does not restate all those provisions, but rather provides overall guidance on the general conduct of Association meetings.

II. Owner Meetings

- A. **Parliamentary Procedure.** Meetings shall be conducted using generally recognized rules of parliamentary procedure as a guide.
- B. **Order of Business.** Unless otherwise provided in the Association Documents or unless a different order of business is set forth in any meeting agenda, the order of business at meetings of the Owners will be the following:
 - 1. Establish quorum
 - 2. Call meeting to order
 - 3. Approval of minutes of prior meeting
 - 4. Reports of committees and officers
 - 5. Election of directors (if annual meeting)
 - 6. Old business
 - 7. New business
 - 8. Adjournment
- C. **Meeting Minutes.** Minutes of Owners meetings will be taken by the Association Secretary, or in the absence of the Secretary, any other officer designated by the President, provided that the Secretary must

review and sign the minutes and is ultimately responsible for the accuracy of the minutes. The minutes will be maintained in the Association's permanent records.

III. Board Meetings

- A. **Parliamentary Procedure.** Meetings shall be conducted using generally recognized rules of parliamentary procedure as a guide.
- B. **Electronic Mail Notification of Meetings.** In addition to providing written notice of meetings as required by the Association Documents, CCIOA and the Nonprofit Act, Notice of Board meetings shall be provided by electronic mail to all Owners who so request and who furnish the Board Secretary or management company with their electronic mail address. It is each Owner's responsibility to keep the Association apprised of their current and correct contact information, including electronic mail address.
- C. **Order of Business.** Unless otherwise provided in the Association Documents or unless a different order of business is set forth in any meeting agenda, the order of business at meetings of the Board will be the following:
 - 1. Establish quorum
 - 2. Call meeting to order
 - 3. Approval of minutes of prior meeting
 - 4. Reports of committees and officers
 - 5. Election of officers (if annual meeting)
 - 6. Old business
 - 7. New business (including owner participation)
 - 8. Adjournment
- D. **Owners' Participation.** Prior to the Board taking formal action on an issue, a reasonable number of Owners will be allowed to speak on each side of the issue being discussed. Comments will generally be limited to three to five minutes in length per person.

- E. **Executive Session.** Executive or closed-door sessions of the Board shall be conducted in accordance with CCIOA (C.R.S. § 38-33.3-308) and the Nonprofit Act (C.R.S. § 7-28-203). No rule or regulation shall be adopted during an executive session. Matters for discussion by an executive or closed session are limited to:
1. Matters pertaining to employees of the Association or the managing agent's contract or involving the employment, promotion, 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. Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure;
 5. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; and
 6. Review of or discussion relating to any written or oral communication from legal counsel.
- F. **Meeting Minutes.** Minutes of Board meetings will be taken by the Association Secretary, or in the absence of the Secretary, any other officer designated by the President, provided that the Secretary must review and sign the minutes and is ultimately responsible for the accuracy of the minutes. Minutes of all meetings at which an executive session was held shall indicate that an executive session was held and the general subject matter of the executive session. The minutes will be maintained in the Association's permanent records.

Solar Hills Ranch Homeowner's Association

Policy Regarding Enforcement of Covenants and Rules

Effective: June 1, 2018

I. Policy Purpose

This policy sets forth the procedures for enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines.

II. Filing a Complaint

- A. Without limiting or otherwise affecting any remedy found in the Association Documents, a complaint which alleges a violation of the Association Documents or any of its Rules, Regulations or Policies may be initiated by any Owner in good standing or the Board.
- B. Any complaint which alleges a violation of the Association Documents shall be made in writing to the Board. No oral complaints will be accepted. Complaints should be made as soon as possible after the alleged violation has occurred. The complaint shall include the following:
 - 1. The name, address, telephone number, and e-mail address of the complainant.
 - 2. The Owner's name and the address of the property against whom the complaint is being filed.
 - 3. The specific details or description of the alleged violation, including the date, time, and location of the alleged violation.
 - 4. If possible, photographs showing the alleged violation.
 - 5. The signature of the complainant and the date on which the complaint is made.

- C. The filing of a false complaint or complaints under this Policy, the repeated filing of frivolous complaints, or the use of this Policy in a manner deemed to be a harassment of other Owners shall be deemed a violation of this Policy and subject to the enforcement provisions herein.
- D. Harassment of, or retaliation against any complainant by the alleged violator or any person associated with the alleged violator shall be deemed a violation of this Policy and subject to the enforcement provisions herein.

III. Notice of Violation

- A. The Owner is ultimately liable for any violation of the Association Documents committed by a resident, guest, tenant, service person, or other person or animal associated with the property.
- B. Upon the Board's receipt of a complaint or observation of a violation, the Board will notify the Owner of the violation in writing at the address of the Owner as reflected in the records of the Association. An additional notice by electronic mail may also be sent if the Owner has provided the Board with an electronic mail address.
- C. The notice of violation may include a copy of the written complaint or otherwise provide specific details of the alleged violation as deemed appropriate by the Board.
- D. The notice of violation will include information on any applicable fine or other charge that may be levied and the date by which the levied fine or charge must be paid if no hearing is requested. Further, if relevant, the notice of violation will set a date by which the violation must be remedied.
- E. The notice of violation will include information on how the alleged violator may request a hearing before the Board concerning the violation and, or, charge or fine. The notice will also contain the last date by which a request for hearing must be received by the Board. This date will be no less than ten (10) days from the date the notice is

mailed by certified mail; return receipt requested, or hand delivered, whichever occurs first.

IV. Fine Schedule

- A. Except as otherwise provided in this Policy, the following schedule of fines will apply to violations of the Association Documents or a direct order of the Board.

First Violation: Written Warning

Second Violation: \$100.00

Third Violation: \$250.00

Fourth Violation: \$250.00, plus, at the option of the Board, the institution of litigation to obtain an injunction or other order to prevent future violations.

- B. In addition to, or in place of the above schedule, certain safety violations provide for the institution of an immediate fine.
- C. Blatant disregard of the Association Documents or a direct order of the Board will result in an immediate fine of \$100.00.
- D. Violations will accumulate on a calendar year basis. Once a violation of a rule has occurred, any subsequent violation of any rule may initiate a fine, not just a second violation of the same rule.
- E. In addition to any fine assessed, the Owner will be responsible for any costs or expenses associated with the violation, including but not limited to repair of damaged property and any attorney fees or other fee incurred by the Association which may be associated with the violation or collection of the fine, costs, or expenses.
- F. Fines and assessments for costs, expenses, and damages associated with the violation will be levied immediately and the Association's Treasurer or management company will mail the Owner an invoice for the fines and assessments, which must be paid by the Owner within thirty (30) days following the issuance of the statement levy of the fine

or assessment for costs, expenses, and damages associated with the violation.

V. Hearing Procedures

- A. Owners may request a hearing before the Board at the next scheduled meeting or at any meeting set by the Board for such purpose.
- B. As a part of the notice of violation, a date is specified by which a hearing must be requested. The Owner must prepare a request for a hearing and mail the request to the Association in sufficient time to arrive no later than the last date stipulated in the notice of violation.
- C. Upon timely receipt of the request for a hearing, the President of the Association or his designee will schedule a hearing before the Board at the next regularly scheduled Board meeting or a special meeting called for such purpose. The goal in scheduling of the hearing shall be to promptly resolve all complaints provided that reasonable notice of the hearing can be given to the alleged violator and complainant.
- D. Once the President has determined when the hearing will be conducted, the Association or its duly authorized agent will notify the alleged violator and the complainant of the date, time and place of the meeting during which the hearing will be conducted. The hearing will be conducted at a regular or special meeting of the Board.
- E. At the hearing, the Board will hear and consider arguments, evidence, or statements regarding the alleged violation and any defense thereof. The complainant will be required to provide evidence and or testimony related to the violation. Following the hearing and due consideration, the Board will issue its determination regarding the alleged violation. The decision of the Board will be binding on the alleged violator and complainant.
- F. Any fine or other charges that may be levied for which a hearing has been requested will not become due until the Board has held a hearing and determined whether a violation has occurred and whether a fine or other charges shall be levied or assessed. However, the request for

a hearing shall be without prejudice to other legal or equitable remedies that may be pursued by the Board during this time, pursuant to Colorado law or the Association Documents. Generally, the Board will make its determination immediately following the hearing and advise the alleged violator and the complainant of its decision at that time. However, if additional information or an opinion from the Association's attorney is needed by the Board, the determination will be made at a later date and the alleged violator and complainant will be notified of the determination at a later date in writing.

- G. If no request for a hearing is filed within the prescribed period of time, the right to a hearing will be deemed waived and the allegations contained in the Notice of Violation will be deemed admitted and any prescribed remedy will be instituted.
- H. Failure of an alleged violator to attend a requested hearing without an advance request to continue the hearing date for good cause will be deemed a waiver of the right to a hearing and the allegations contained in the notice of violation will be deemed admitted and any prescribed remedy will be instituted.
- I. Failure of the complainant to attend a requested hearing without an advance request to continue the hearing date for good cause will be deemed a withdrawal of the Complaint and dismissal of the hearing.

Solar Hills Ranch Homeowner's Association

Policy Regarding Inspection and Copying of Association Records

Effective: June 1, 2018.

I. Policy Purposes

This policy sets forth the procedures to be used by Owners when requesting to inspect and or copy Association records; how requests will be processed, how copy costs will be calculated; and also to protect the Association from abusive records requests.

II. Maintenance of Association Records

The Association shall maintain all records required to be maintained by CCIOA and the Association Documents. Specifically, the Association shall maintain the following, all of which shall be deemed to be the sole records of the Association for purposes of document retention and production to Owners:

- 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 its Owners and Board, a record of all actions taken by the Owners or the Board without a meeting, and a record of all actions taken by any committee of the Board;
- D. Written communications among, and the votes cast by, executive Board members that are:
 - 1. Directly related to an action taken by the Board without a meeting pursuant to C.R.S. § 7-128-202; or

2. Directly related to an action taken by the Board without a meeting pursuant to the Association's 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 Owner is entitled to vote;
 - F. Its current declaration, covenants, bylaws, articles of incorporation, rules and regulations, responsible governance policies adopted pursuant to C.R.S. § 38-33.3-209.5, and other policies adopted by the Board;
 - G. Financial statements as described in C.R.S. § 7-136-106, for the past three (3) years and tax returns of the Association for the past seven (7) years, to the extent available;
 - H. A list of the names, electronic mail addresses, and physical mailing addresses of its current Board members and officers;
 - I. Its most recent annual report delivered to the Secretary of State;
 - J. Financial records sufficiently detailed to enable the Association to comply with C.R.S. § 38-33.3-316(8), concerning statements of unpaid assessments;
 - 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 (2) years;
 - M. Records of Board 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 (1) year after the election, action, or vote to which they relate;

- O. Resolutions adopted by its board of directors relating to the characteristics, qualifications, rights, limitations, and obligations of members or any class or category of members; and
- P. All written communications within the past three (3) years to all Owners generally as owners.

III. Documents That May Be Withheld

The following records maintained by the Association may be withheld from inspection and copying to the extent that they are or concern:

- A. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;
- B. Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;
- C. Communications with legal counsel that are otherwise protected by the attorney-client privilege or the attorney work product doctrine;
- D. Disclosure of information in violation of law;
- E. Records of an executive session of the Board; and
- F. Records of individual units other than those of the requesting owner.

IV. Documents That Must Be Withheld

The following records maintained by the Association are not subject to inspection and copying, and must be withheld, to the extent that they are or concern:

- A. Personnel, salary, or medical records relating to specific individuals; or
- B. Personal identification and account information of members, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

V. Procedure for Requesting Inspection and/or Copying of Records

- A. **Written Request.** Any Owner seeking to inspect or copy Association records shall submit a written request that includes:
1. The requesting Owner's name, address, telephone number, and electronic mail address, if applicable;
 2. The date of the request;
 3. The purposes of the request;
 4. A description with reasonable particularity of the records being requested;
 5. Whether the Owner wishes to review the records at the Association's principal office, or if the Owner wishes to pay the Association's estimated cost of labor and material for production and reproduction of the records, and if so, whether he or she prefers to receive such copies by mail or through an electronic transmission, if available.
- B. **Review of Request.** Upon receipt of a written request, the Association's managing agent, or if none, the Association's Secretary shall review the request to determine whether the purpose of the request is proper; whether it describes the requested records with particularity; and whether the requested records are relevant to the purpose of the request.
- C. **Production of Association Records for Inspection and, or, Copying.**
1. *Form of Records.* The Association may maintain the required records in written or electronic form.
 2. *Delivery.* The Association shall produce such documents that are requested for a proper purpose, described with particularity, and that are relevant to the purpose of the request, or provide a

written explanation of the reasons for denying such a request, on or before ten (10) business days of its receipt of the request.

3. *Costs.* The Association may impose a reasonable charge, which may be collected in advance, to cover the costs of labor and material for copies of the Association's records. Labor shall be charged at a rate of \$25.00 per hour. Copies of documents provided on electronic media shall be charged the actual cost of the electronic media.

Solar Hills Ranch Homeowner's Association
Policy Regarding Investment of Reserve Funds

Effective: June 1, 2018.

I. Policy Purpose

This policy sets forth the methodology and standards to be used by the Board in deciding how to invest and manage reserve funds.

II. Goals and Objectives

A. The reserve assets shall be invested to achieve these objectives:

1. Not risk loss of principal;
2. Ensure that adequate liquid funds will be available for coming year reserve needs; and
3. Achieve highest long-term investment performance.

III. Investment Strategy

A. **Base Liquid Funds.** On an annual basis, the Board will review the reserve schedule for the upcoming year to determine anticipated funds required for expected expenditures plus a twenty percent (20%) cushion. This amount constitutes the "Base Liquid Funds."

B. **Non-Liquid Funds.** Funds over and above the Base Liquid Funds will be invested as follows:

1. In federally insured accounts and maturities of three (3) months or more.
2. If Certificate of Deposits are used, the Certificates should be with varying maturity dates (laddering strategy).

3. If interest yields are relatively low, the Board will invest for shorter terms with the anticipation that rates will rise in coming months.
4. If rates are relatively high, the Board will invest for longer terms to take advantage of the higher yield.

As Reserve assets grow from interest earnings, as well as from reserve contributions, they become investable if they are in excess of the Base Liquid Funds. These funds can be combined with proceeds from laddered funds as they mature or can be used to purchase new laddered securities.

IV. Approved FDIC Investment Classes

- A. Savings accounts
- B. Money market accounts
- C. Certificates of deposit in FDIC insured financial institutions with no more than \$100,000 in any such institution, unless additional private deposit insurance is provided by the bank.
- D. Treasury bills, notes or bonds.

V. Review & Control

- A. All investments will be purchased in the name of the Association.
- B. The signatures of the President and Treasurer are required for all withdrawals or transfers of reserve funds.
- C. The Board will review regular financial statements and make adjustments as needed to ensure goals and objectives are being met.

Solar Hills Ranch Homeowner's Association

Policy Regarding Adoption and Amendment of Policies, Procedures and Rules

Effective: June 1, 2018.

I. Policy Purpose

This policy sets forth the procedures for the adoption and amendment by the Board or the Owners of policies, procedures, and rules that apply to Solar Hills Ranch Subdivision and the Solar Hills Ranch Homeowner's Association.

II. Power to Adopt or Amend.

Pursuant to the Association Documents, the Board shall have the exclusive power to adopt and amend any policies, procedures, and rules applicable to Solar Hills Ranch Subdivision or the Association as may be necessary for compliance with any local, State, or Federal law, rule, or regulation. The adoption or amendment of policies for any other reason shall be made by the Owners.

III. Considerations.

In developing any proposed policy, procedure or rule, the Board or Owners shall consider the following:

- A. Whether the current documents governing the Association and, or Colorado law grants the Board or the Owners the authority to adopt a proposed policy, procedure or rule.
- B. The need for the proposed policy, procedure, or rule, based upon the scope and importance of the issue affecting Solar Hills Ranch Subdivision and, or Association.
- C. The immediate and long-term impacts and implications of the proposed policy, procedure, or rule; and

- D. Whether a conflict exists between the Association Documents, applicable local, state or federal regulations and statutes and the proposed policy, procedure, or rule.

IV. Notice and Comment.

Prior to the adoption or amendment of a policy, procedure, or rule, the Board shall provide notice of the proposed adoption or amendment to all Owners. Notice shall include the subject matter of the proposed policy, procedure or rule, the proposed text of the proposed policy, procedure or rule, if drafted, and the time and place of an Owners' meeting at which the proposed policy, procedure, or rule will be discussed, and whether action may be taken. Notice of the meeting shall be sent at least (10) days prior to the meeting via regular mail or electronic mail to Owners who have requested such electronic notice and provided their electronic mail addresses.

V. Action.

After notice as required by this procedure, the Owners may adopt any policy, procedure, or rule at a meeting of the Owners upon a vote of a majority of a quorum of Owners eligible to vote and present in person or by proxy.

VI. Emergency.

The Board may forego the notice and opportunity to comment in the event the Board determines in its sole discretion that an emergency policy, procedure or rule is imperatively necessary to comply with state or local law or for the preservation of public health, safety, or welfare. Emergency policies, procedures or rules shall become effective upon adoption. Any emergency policy, procedure or rule shall terminate after one hundred twenty days after adoption or at the next Owners meeting following adoption, whichever occurs first.

VII. Publication after Adoption.

A copy of all policies, procedures, or rules adopted or amended will be maintained with the Association's permanent records.

VIII. Amendment of this Policy.

This policy may be amended from time to time by the Owners in accordance with the procedure detailed in this policy.

Solar Hills Ranch Homeowner's Association

Policy Regarding Disputes Arising Between the Association and Owners

Effective: June 1, 2018.

I. Policy Purpose

This policy sets forth procedures to be followed involving certain disputes between the Association and an Owner, identifying the types of Alternative Dispute Resolutions that are required, the procedure for doing so, and how costs will be allocated.

II. General Policy

It is the general policy of the Association to encourage the use of Alternative Dispute Resolution (ADR) to resolve disputes involving the Association and an Owner. For the purposes of this policy, ADR is defined as an alternative procedure for settling a dispute through mediation, rather than through litigation. In the event of any dispute between the Association and an Owner, except for Exempt Claims as defined below, the Association and the Owner shall make every reasonable effort to resolve the dispute in good faith through mediation by following the procedures set forth below prior to filing suit in any court. **Nothing in this policy shall prohibit the parties from mutually agreeing to resolve a dispute through informal voluntary negotiations without the use of a mediator at any time.**

III. Exempt Claims

- A. The following claims shall be exempt from the provisions of this policy (Exempt Claims):
 - 1. Any action by the Association against an Owner to collect regular, special, or non-compliance assessments or other sums due to the Association, including by way of example and not limitation, filing a Notice of Lien, commencing litigation, or foreclosing a statutory or judgment lien.

2. Any claim that would be deemed barred due to the running of the applicable statute of limitations as of the date of the Notice of Claim.
3. Any claim arising from a situation that involves an imminent threat to the peace, health, or safety of the community.

IV. Procedure for All Other Claims

The Association and any Owner must attempt to resolve a dispute, other than an Exempt Claim, through mediation following the procedures below as a precondition to filing litigation.

A. Mandatory Mediation.

1. *Notice of Claim.* The Association or any Owner having a claim (Claimant) against the other party (Respondent) shall notify each Respondent in writing of the claim (Notice). The Notice shall state:
 - a. The nature of the claim, including all the factual details supporting the claim, including the date, time, location, and names and contact information for all persons known to be involved as a party or witness to any event;
 - b. The basis of the claim (i.e., the provisions of the Declaration, the Bylaws, the Articles, rules or regulations, statute, or other authority out of which the claim arises); and
 - c. The Claimant's proposed resolution of the dispute.
 - d. The Notice shall be mailed to each Respondent by Certified Mail™ with Return Receipt and a Certificate of Mailing. The date of mailing shall be as evidenced by the Certificate of Mailing obtained from the U.S. Postal Service.

2. *Response to Notice of Claim.* Within fifteen (15) days of the date of mailing of the Notice, the Respondent shall submit to the Claimant a written response (Response) to the Notice that shall state:
 - a. The Respondent's position and any defenses to the claim alleged in the Notice or any counterclaims, including any factual details supporting Respondent's position, including the date, time, location, and names and contact information for all persons known to be involved as a party or witness to any event; and
 - b. The Respondent's proposed resolution of the dispute.
 - c. The Response shall be mailed to each Claimant by Certified Mail™ with Return Receipt and a Certificate of Mailing. The date of mailing shall be as evidenced by the Certificate of Mailing obtained from the U.S. Postal Service.
3. *Selection of Mediator.* Upon Claimant's receipt of Respondent's Response, the Claimant shall contact the State of Colorado, Judicial Branch, Office of Dispute Resolution, to locate an approved mediator for Montrose County. Alternatively, the parties may use any other mediator mutually agreed upon by the parties.
4. *Mediator's Fees.* The fee of the mediator shall be shared on an equal basis between the parties.
5. *Scheduling of Mediation.* The mediator shall contact the parties and schedule a date for mediation with the parties that shall be within thirty (30) days of the date of the mailing of the Notice. If the mediator is unable to schedule the mediation within the thirty-day period, the parties may mutually agree to extend the deadline for conducting the mediation or select another mediator.

6. *Failure of Claimant to Participate in Mediation.* If the Claimant fails to participate in mediation, the claim shall be deemed waived and the Respondent released from any future liability based upon the facts of the original claim.
7. *Failure of Respondent to Participate in Mediation.* If the Respondent fails to participate in mediation, the Claimant, may proceed with litigating the claim.
8. *Failure to Resolve Dispute through Mediation.* If the parties do not settle the matter through mediation, either party may proceed with litigating any claim or counterclaim raised in the Notice or Response.

V. Notices

If a Notice or Response is given by the Association, the Notice or Response shall be mailed, postage prepaid, by first class mail addressed to the involved Owner(s) of the Association at the address(es) shown in the records of the Association's Secretary in the manner provided by this Policy. If given by an Owner, notice shall be mailed, postage prepaid, by first class mail addressed to the Association's President, at his or her address as shown in the Association's records, in the manner provided by this Policy.

VI. Settlement Agreement

Any settlement between the parties shall be in writing and signed by both parties.

VII. Costs

Each party shall bear his own costs incurred in resolving the claim through mediation, including any attorney fees and any other expenses.

VIII. Failure to Comply with Settlement

If a party fails to abide by the terms of a settlement agreement reached through mediation, then the other party may file suit or initiate administrative

proceedings to enforce such agreement without need to further comply with the provisions of this policy. In such event, the party taking action to enforce the agreement shall be entitled to recover from the non-complying party all costs incurred in enforcing such agreement, including without limitation, attorney fees and costs.

Solar Hills Ranch Homeowner's Association

Policy Regarding Reserve Study

Effective: June 1, 2018.

I. Policy Purpose

This policy identifies whether the Association has prepared a reserve study for those portions of the community it has a responsibility to maintain, repair, replace or improve, including information about whether there is a funding plan for work recommended by the reserve study, sources of funding, and the basis of these analyses.

II. Board Responsibility

It shall be the responsibility of the Board to determine the repair and replacement risk of the assets owned and maintained by the Association. It shall be the Board's responsibility to create and maintain adequate reserves to provide for the orderly repair, restoration and replacement of these assets so as to minimize the risk to the Owners of special assessments, deferred maintenance, or unfunded losses.

III. Reserve Study

In order to determine funding of the Reserve Fund, the Board shall determine the life expectancy of those portions of the community to be maintained, repaired, replaced and improved by the Association and the anticipated costs of maintaining, replacing and improving those identified areas (Reserve Study). The study may be conducted internally.

IV. Basis of Study

The Reserve Study will include both a physical and financial analysis as follows:

A. **Physical Analysis.** The physical analysis will include:

1. A component inventory identifying those portions of the community the Association is obligated to maintain, including the useful life of each component; and
2. Estimates of the remaining useful life and replacement cost of each component.

B. Financial Analysis. The financial analysis will include:

1. An analysis of the funds currently held in the Association's reserve fund in relation to the expected needs of the Association per the reserve study; and
2. A future funding plan to meet the requirements of the reserve study.

V. Frequency

Each year following the establishment of the initial baseline reserve study as provided above, the Association shall cause the reserve study to be evaluated to determine any increases in replacement costs and decreases in the useful life of the components of the Reserve Study to address any changes that need to be made.

VI. Funding

The Reserve Fund will be funded through regular assessments and, when necessary, special assessments levied by the Association. The reserve fund shall be funded at a level such that the reserve fund shall at all times maintain a positive balance and shall target a surplus contingency amount which shall be set by the Board from time to time.