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POLICIES AND PROCEDURES MANUAL

The Brown Ranch Community Association (BRCA) adopts the following policies and procedures in conformation with the Colorado Common Interest Ownership Act (CCIOA), or the “Act,” State law (C.R.S. 38-33.3-209.5). The purpose of this manual is to provide all members of the Brown Ranch Community Association with a reference manual containing policies and procedures established by the Declarant along with the Advisory Board. In the interest of brevity, an attempt has been made to include only that information which will be used under normal operating circumstances within the Association. The governing documents for this manual are the Association Bylaws as well as the Community Charter. This Manual is subject to change.

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1 MANAGEMENT OF BROWN RANCH COMMUNITY ASSOCIATION

1.1 POLICY

In accordance with Article 6, Section 6.2 of the Community Charter for the Brown Ranch, Declarant has the exclusive right to appoint and remove all Directors and officers during the Development and Sale Period.

An unelected Advisory Board, currently consisting of five (5) members, is assisting the Declarant in monitoring adherence of Owners to established Covenants, Conditions and Restrictions (CCRs) as well as performing Design Reviews of new home plans, landscaping and other site improvements.

Upon the expiration of the Development and Sale Period, the timing of which shall be determined by the Declarant as per Article 15, the Voting Delegates (Owners) shall elect a Board of Directors, who will take office upon election.

Special Powers and Duties of Board of Directors

In accordance with Article 5, Section 5.2 of the Bylaws for Brown Ranch Community Association:

Without limiting the statement of general powers and duties of the Board of Directors set forth in the Bylaws of the Association or the powers and duties of the Board of Directors as set forth in the Community Charter, the Board of Directors of the Association shall be vested with and responsible for the following specific powers and duties:

(5.2.f) Enforcement. The power to enforce the provisions of the Community Charter, the Rules and Regulations of the Association, the Bylaws or other agreements of the Association.

(5.2.h) Rules and Regulations. The power to adopt such rules and regulations with respect to the interpretation and implementation of the Community Charter, use of Common Areas, and use of any property within the Brown Ranch, including Lots; provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Community Charter, the Articles and the Bylaws.

2 POLICY FOR ADOPTION OF RULES AND POLICIES

2.1 POLICY

The Declarant (or Board of Directors after conclusion of the Development and Sale Period) from time to time in accordance with the Brown Ranch Community Association's governing documents, may Amend, Adopt or Delete individual Rules and Regulations, Policies and Procedures (collectively "Policy") of the Association with input from the Advisory Board.

The Declarant and Advisory Board shall consider the following in drafting or revising a Policy:

1. Whether the governing documents or Colorado law grant the Declarant and Advisory Board the authority to adopt such a Policy;
2. The need for such Policy based upon the scope and importance of the issue, and whether the governing documents adequately address the issue; and
3. The immediate and long-term impact and implications of the Policy; and
4. Any part of governing documents that do not comply with Federal, State and Local laws shall not be enforceable.

Prior to the adoption of any significant new Policy or Policy revision, Association members shall receive a copy of the proposed change via regular mail or email.

The adoption of every new Policy or major revision to an existing Policy shall be listed on the agenda for an Board meeting prior to adoption by the Declarant/Advisory Board, and any Owner who wishes to comment on the proposed new Policy or revision shall be afforded such opportunity at the meeting in compliance with Colorado law.

Upon adoption of a Policy, the Policy or notice of such Policy (including the effective date) shall be provided to all Owners by any reasonable method as determined at the sole discretion of the Declarant/Advisory Board, including but not limited to posting on the Association's website.

Policies will be reviewed:

1. When subsequent changes to CCIOA or applicable laws are enacted; or
2. When the Association is notified of challenges of enforceability of existing policies; or
3. Every three years by the Declarant and current Advisory Board (or future elected Board of Directors).

3 COVENANT ENFORCEMENT POLICY

3.1 POLICY

Enforcement of the governing documents is the responsibility of the Declarant and Advisory Board. From time to time, the Declarant/Advisory Board or their agents may perform property inspections to determine if violations of the governing documents have occurred. Additionally, any member of the Brown Ranch Community Association may file a written complaint identifying the complainant, the alleged violator if known, and detailing time, date and nature of the alleged violation to the Declarant and Advisory Board. Such complaints may include violations of the Design Guidelines, which will also be investigated and, if warranted, a violation notice will be issued. Non-written complaints or written complaints failing to include complete information may not be investigated or pursued further.

BRCA Violation Procedures

1. A suspected rules violation, nuisance complaint, or safety issue may be identified by the Declarant, and Advisory Board member, or **may be brought to the Board's attention by any member of the Association**. All complaints must be in written form submitted to the Declarant via U.S. Mail, e-mail, or in person, and must include the name of the complainant.
2. The Declarant, in collaboration with the Advisory Board if applicable, will review the violation forms and verify the alleged violation of any governing documents of BRCA.
3. If it is determined that a violation does exist, the Owner will be notified in writing. The written notification will be sent via First Class Mail to the property address or to the Owner address in BRCA files, if different, or via e-mail.
 - a. **First Notice**: The notification will state the rule that has been violated, a description of the violation, the date observed and the date by which the violation must be corrected to avoid any penalty.
 - b. **Time Limit**: A time limit of 10 calendar days from receipt of the notification shall be set for compliance or correction of the violation, unless the alleged violator can claim extenuating circumstances and/or provide a specific time for achieving compliance.
 - c. **Notice of Hearing**: If a hearing is requested by the alleged violator, the Declarant, members of the Advisory Board or other person(s) conducting such hearing as may be determined at the sole discretion of the Declarant, will serve a written notice of the hearing to all parties involved at least 10 days prior to the hearing date.

Hearings

Impartial Decision Maker

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

Request for Hearing

The request for a hearing must be sent via U.S. Mail to Brown Ranch Community Association, PO Box 516, Fruita, CO 81521 or via e-mail to brownranchca@gmail.com. The Declarant, Advisory Board or its selected representative as an "Impartial Decision Maker" will notify the Owner of the date, time, and location of the hearing.

Hearing Procedures

At the beginning of each hearing, the presiding officer, selected from the Brown Ranch Community Association group of management officials or other representative nominated by them, shall introduce the case on behalf of the Association, by describing the alleged violation and the procedure to be followed during the hearing. Each party or designated representative may, but is not required to, make an opening statement, present evidence and testimony, present witnesses, and make a closing statement. The presiding officer may also impose such other rules of conduct as may be appropriate under the given circumstances. Neither the complainant nor the alleged violator are required to be in attendance at the hearing. The Impartial Decision Maker shall base his or her decision solely on the matters set forth in the Complaint, results of the investigation and other credible evidence that may be presented at the hearing. Unless otherwise determined by the Declarant and Advisory Board, all hearings shall be open to attendance by all Owners. After all testimony and other evidence has been presented at a hearing, the Impartial Decision Maker shall, within a reasonable time not to exceed 10 days, render his or her written findings and decision, and impose a fine if applicable. Failure to strictly follow the procedures set forth above shall not constitute grounds for appeal of the hearing committee's decision absent a showing of denial of due process.

Failure to Timely Request Hearing

If the alleged violator fails to respond to the First Notice of Violation or fails to request a hearing within the specified time limit of 10 calendar days from receipt of the notification, or fails to appear at any scheduled hearing, the Impartial Decision Maker may make a decision with respect to the alleged violation based on the complaint, results of the investigation, and any other available information. The decision of the Impartial Decision Maker shall be in writing and provided to the violator within 20 days of the hearing, or if no hearing is requested, within 20 days of the final decision.

If a violation is found to exist, the alleged violator may be assessed a fine pursuant to this Policy.

Assessing Fines

1. Fines are in addition to any legal fees or other expenses that may be incurred by the Association in seeking compliance with the Community Charter, Bylaws, and Rules, or for replacement or repair of common areas or facilities damaged by the Owner. In the case of rental properties, Owners are responsible for violations of the CCRs caused by tenants.
2. Should a fine be assessed by the Declarant/Advisory Board, the amount will be invoiced and sent via First Class Mail to the property address or to the Owner's last-known address, if different, or via e-mail and will be immediately due and payable.
3. Payment of the fine amount does not grant a variance for the violation. All violations must be corrected to come into compliance.
4. A subsequent or continued violation of the same rule or for the same or substantially the same conduct by the same party shall result in the immediate assessment of fines.
5. Unpaid fines shall be subject to collection as assessments in accordance with resolutions adopted by the Declarant/Advisory Board, applicable state law, the Community Charter, and the Bylaws.
6. Failure to pay fines may result in a lien placed against the property.
7. At the discretion of the Declarant/Advisory Board, fines imposed upon Owners may be reduced or forgiven based upon the circumstances.

Fine Schedule

The following fine schedule has been adopted for Covenant Violations:

1. FIRST NOTICE: An initial notice of the violation shall be mailed or emailed to the Owner requesting compliance within ten (10) days. NO FINE.
2. SECOND NOTICE: If violation still exists ten (10) days after the initial notice and the Owner has failed to respond, a second notice requesting compliance within ten (10) days shall be mailed or e-mailed to the Owner. A \$50.00 FINE will be assessed with the second notice of violation and is due immediately. The second notice will also trigger an investigation of the complaint by the Impartial Decision Maker, which will extend for a maximum of 20 days.

3. **THIRD NOTICE:** If the violation still exists ten (10) days after the second notice, a third notice requesting compliance within ten (10) days shall be mailed or e-mailed to the Owner. A \$100.00 FINE will be assessed with the third notice of violation and is due immediately.
4. **CONTINUING VIOLATIONS:** If the violation continues without resolution after the third notice of violation, a FINE of \$100.00 shall be assessed every ten (10) days until the violation is resolved. At this time, the findings of the Impartial Decision Maker's investigation will be the basis for the Declarant and Advisory Board to remedy the violation and/or take legal action, the cost of which shall be invoiced to the Owner and collected in the same manner as assessments.
5. **RECURRING VIOLATIONS:** With the Second Violation (of same covenant or rule), a Fine of \$50.00 shall be assessed, and with the Third Violation (of same covenant or rule) a Fine of \$100.00 shall be assessed. Third and subsequent Covenant violations may be turned over to the Association's attorney to take appropriate legal action.
6. Failure to pay fines within 60 days of the initial notice of the violation may result in a lien being placed against the property.

Board Decision Final

The Declarant and Advisory Board reserve the right to waive or reduce the penalty at their discretion. Any penalties levied will be due immediately. Failure to pay will be treated in accordance with the governing documents.

4 MAINTENANCE OF OWNERS' LOTS POLICY

4.1 POLICY

Pursuant to Article 8, Section 8.2 of the Community Charter: Each Owner shall maintain his/her residence and Lot in good repair. The following terms and processes have been defined and adopted by the Association to ensure each Lot and all improvements thereon are maintained:

1. An Owner shall not allow a condition to exist on his or her Lot which will adversely affect any other Lots and residences or other Owners.
2. In the event an Owner fails to fulfill his maintenance and repair obligations, the Owner will be notified in writing. The written notification will be sent via First Class Mail to the property address as well as to the last-known address of the Owner, if different, or via e-mail.
 - a. The notification will state the rule that has been violated, a description of the violation, and the date by which the violation must be corrected to avoid any penalty.
 - b. A time limit of 10 calendar days from the date of postmark of the notification shall be set for compliance or correction of the violation.
 - c. The notification will also inform the Owner of the right to request a hearing.
3. If, within 10 calendar days there is no correction to the violation, the Declarant and Advisory Board may have said Lot, cleaned and repaired ("maintain Owner's lot") and may invoice the Owner for said maintenance in accordance with the provisions of the Community Charter.

5 CONDUCT OF MEETINGS POLICY

5.1 POLICY

This policy addresses several items regarding the conduct of meetings held by the Brown Ranch Community Association.

Board Executive Sessions

Executive or closed door sessions of the Board shall be conducted for the following subjects only:

1. Matters pertaining to the employment, discipline, or dismissal of an officer, agent, or employee of the Brown Ranch Community Association.
2. Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings, or matters that are privileged or confidential between attorney and client;
3. Investigative proceedings concerning possible or actual criminal misconduct;
4. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy;
5. Review of or discussion relating to any written or oral communication from legal counsel;
6. Matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure; and
7. Working sessions designed to identify issues for discussion and alignment between Declarant and Advisory Board including, but not limited to, the development of new or modification of existing policies and procedures.

Advisory Board Members and other invitees to executive sessions are bound not to disclose information discussed in executive or closed door sessions to any other person or persons. If action is warranted by the Board, the Board may take that specific action in the form of a motion, in open session, at an Owners' Meeting with great care not to disclose confidential discussions held in the executive session. The minutes of all meetings at which an executive session was held shall indicate only the general subject matter of the executive session.

Notice of Directors' Meetings

In the case of all meetings of Directors for which notice is required, notice stating the place, day and hour of the meeting shall be delivered not less than 3 nor more than 50 days before the date of the meeting... Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of such meeting.

Action of Directors Without a Meeting

Any action required to be taken or which may be taken at a meeting of Directors, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

Vote Required at Directors' Meeting

At any meeting of the Directors, if a quorum is present, a majority of the votes present in person and entitled to be cast on a matter shall be necessary for the adoption of the matter, unless a greater proportion is required by law, the Community Charter, the Articles of Incorporation or the Bylaws.

Notices of Owners' Annual or Special Meetings

In addition to any notice required in the Bylaws, notices of meetings along with an agenda shall be posted on BRCA's website www.brownranchmontrose.com. Notices shall also be conspicuously posted in the Community prior to such meetings. Annual meetings will be held during the first week of March so as to allow for the ratification of the budget by the Owners.

The Association will typically provide notice of the timing of the Annual Meeting via US First Class mail or email no later than 30 days prior to the meeting. Special Meetings will be communicated by e-mail no less than 7 days prior to the meeting, as well as being conspicuously posted in the Community. Owners are urged to

attend these meetings to protect their interests as Owners and the wellbeing of the Association.

Owners' Annual or Special Meetings

Comments from Owners are encouraged at the **Owners' Annual Meeting**, and will be allowed on each issue prior to a vote of the Owners. The Declarant may, at his discretion, set a time limit on the individual topics. Owners wishing to have specific items of business included on the Agenda must submit them in writing to the Declarant in writing or by e-mail, 30 days prior to the meeting. If added items require a vote of the Membership, the revised Agenda will be re-posted within 10 days of the meeting. Unless otherwise provided by the Association Documents, the Agenda will be established as follows:

1. Call the Meeting to order
2. Establish a quorum
3. Approve Minutes
4. Financials Review
5. Declarant and Advisory Board Reports
6. Old Business
7. New Business
8. Announcements
9. Adjournments

The Declarant at his discretion may alter the order of business for any meetings.

Special Owners' Meetings will typically be held to discuss specific issues and matters of urgency that need review and discussion with Owners and cannot be delayed until the Annual Meeting.

Conduct at Owners' Meetings

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

1. The Declarant of the Association or his designee shall chair all Owners' meetings.
2. All Owners and persons who attend a meeting of the Owners will sign in, present any proxies and receive ballots as appropriate. (See section below regarding Voting).
3. No firearms or weapons of any sort shall be permitted into the site of the meeting. Any person carrying such firearms or weapons shall not be allowed into the site of the Owner's meeting.
4. Anyone desiring to speak shall sign up on the list provided at check in and indicate if he/she is for or against an agenda item.
5. Anyone wishing to speak must first be recognized by the Chair.
6. Only one person may speak at a time.
7. Each person who speaks shall first state his or her name and Lot and street address.
8. Anyone who is represented at the meeting by another person, as indicated by a written instrument, will be permitted to have such person speak for him/her.
9. Those addressing the meeting shall be permitted to speak without interruption as long as the following rules are followed:
 - Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting.
 - Comments are to be relevant to the purpose of the meeting.
 - Each person shall be given up to a maximum of three minutes to make a statement or to ask questions.
 - The Board may decide whether or not to answer questions during the meeting.
 - Each person may only speak once.
 - Yielding of time by a speaker to another individual shall not be permitted.
 - The time limit may be increased or decreased by the Chair, but shall be uniform for all persons addressing the meeting.
10. All actions and/or decisions will require a first and second motion.
11. Once a vote has been taken, there will be no further discussion regarding that topic.

12. So as to allow for and encourage full discussion by Owners, no meeting may be audio, video or otherwise recorded. Minutes of actions taken shall be kept by the association.
13. Anyone disrupting the meeting, as determined by the Chair, shall be asked to “come to order.” Anyone who does not come to order will be requested to immediately leave the meeting.
14. The Chair may establish such additional rules of order as may be necessary from time to time.

Voting

1. As per Article VII of the Bylaws of the Brown Ranch Community Association, the Declarant has the right to appoint the officers during the Development and Sale Period. Until further notice, an Advisory Board of five (5) Owners selected by the Declarant will represent the Community with regard to monitoring compliance by residents with the CCRs, Design Reviews for new homes, landscaping and other site improvements.
2. Votes taken at the Owners’ Meeting shall be taken in such method as determined by the Declarant and Advisory Board including acclamation, by hand, by voice or by ballot.
3. Within thirty days after adopting a proposed budget, the Declarant and Advisory Board shall deliver a summary of the proposed budget to all Owners and set a date for the annual meeting of the Owners to consider ratification of the proposed budget. The proposed budget shall become effective (and shall be deemed ratified by the Owners) unless at that meeting, Owners representing at least 67% of the votes allocated to all Memberships, rejects the proposed budget. A quorum is not required for such meeting. If the proposed budget is rejected, the annual budget last ratified by the Owners shall be deemed renewed for the next fiscal year and shall remain in full force and effect until such time as the Owners ratify a subsequent budget proposed by the Declarant and Advisory Board.

Proxies

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

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

6 INSPECTION OF RECORDS POLICY

6.1 POLICY

Owners and their mortgagees shall have the right to examine the books and records of the Association at any reasonable time at the office of the Association and upon reasonable notice. Copies are available at reasonable cost. Many of the records are available on the Association's web page for review.

The following are the sole Records available for inspection:

1. Records of receipts and expenditures affecting the operation and administration of the Association;
2. Records of claims for construction defects and amounts received pursuant to settlement of any such claims;
3. Minutes of all meetings of Owners;
4. Minutes of all meetings of the Declarant and Advisory Board members (except records of executive sessions of the Advisory Board);
5. Records of actions taken by the Owners without a meeting;
6. Records of actions taken by the Advisory Board without a meeting, including written communications and e-mails among Advisory Board members that are directly related to the action so taken;
7. Records of actions taken by any committee of the Board without a meeting;
8. A list of the names of the Owners in a form that permits preparation of a list of the names and mailing addresses of all Owners, as well as the number of votes of each Owner is entitled to vote;
9. The Association's governing documents which are comprised of:
 - a. The Community Charter;
 - b. The bylaws;
 - c. The articles of incorporation;
 - d. Any rules and regulations and/or design guidelines; and
 - e. Any policies adopted by the Board, including the Association's responsible governance policies.
10. Financial statements for the last three years, which at a minimum shall include the balance sheet, the income/expense statement, and the amount held in reserves for the prior fiscal year;
11. Tax returns for the last seven years, to the extent available;
12. The operating budget for the current fiscal year;
13. A list, by Lot type, of the Association's current assessments, including both regular and special assessments;
14. The result of the Association's most recent available financial audit or review, if any;
15. A list of the Association's insurance policies, which shall include the company names, policy limits, policy deductibles, additional named insured, and expiration dates of the policies listed;
16. A list of the names, e-mail addresses and mailing addresses of the current Advisory Board members;
17. The most recent annual report delivered to the Secretary of State;
18. A ledger of each Owner's assessment account;
19. The most recent reserve study, if any;
20. Current written contracts and contracts for work performed for the Association within the prior two years;
21. Records of Declarant or Advisory Board actions to approve or deny any requests for design or architectural approval from Owners;
22. Ballots, proxies and other records related to voting by Owners for one year after the election, vote or action to which they relate;
23. Resolutions adopted by the Declarant and Advisory Board;
24. All written communications sent to Owners generally within the past three years; and
25. A record showing the date on which the Association's fiscal year begins.

Records not available for inspection:

1. Attorney client privileged documents and records, unless the Declarant and Advisory Board vote to

- remove such privilege.
2. Current or ongoing contract negotiations that are currently being negotiated and that could have a negative impact if disclosed prior to the approval.
 3. Documents that would be confidential under statutory or judicial requirements.
 4. Architectural drawings, plans and designs, unless released upon the written consent of the Owner of such drawings, plans or designs.
 5. Records of executive sessions of the Declarant and Advisory Board;
 6. Individual Lot files other than those of the requesting Owners.
 7. Personnel, salary or medical records relating to Individuals.
 8. Personal identification and account information of Owners, including bank account information, driver's license numbers, social security numbers, email addresses and telephone numbers. Notwithstanding the above, if an Owner or resident has provided the Association with his or her express written consent to disclose his or her email address or phone number, the Association may publish that information to other Owners or residents. If the Owner or resident revokes his or her consent in writing, the Association shall cease making available for inspection the Owner's or resident's email address or phone number after the receipt of such revocation. The Association, however, need not change, retrieve or destroy any document or record published by the Association prior to the Association's receipt of such revocation.

Procedure to request records not available on the website:

For records not available on the BRCA's website, a written request must be submitted to the Declarant. A description with reasonable detail of what records are requested must also be stated. Requested documents shall not be used by any Owner for commercial purposes.

The membership list may not be used for any of the following purposes:

1. To solicit money or property;
2. For any commercial purpose; or
3. Sold to or purchased by any person or organization.

The request must be submitted to the Declarant via e-mail or other written request.

Inspection/Copying Association Records

An Owner or his/her authorized agent is entitled to inspect and copy any of the books and records of the Association, as listed above, subject to the exclusions set forth above, upon submission of a written request to the Association describing with reasonable particularity the records sought. The Association shall provide access to the requested records by:

1. Making the requested records available for inspection and copying by the Owner within 10 days of the Association's receipt of such written request, which inspection shall be during the regular business hours of 8:00 a.m. to 5:00 p.m. at 3419 Mahogany Drive.
2. Making the requested records available for inspection and copying by the Owner during the next regularly scheduled Board meeting occurring within 30 days of the Owner's request; or
3. E-mailing the requested records to the Owner within 10 days of the Association's receipt of such written request, if so requested by the Owner.

Board's Right to Examine

During the examination the Association reserves the right to have the Declarant, an Advisory Board member or an agent observe as the records are reviewed. The Association is under no obligation to create records that do not exist or compile records in any particular order. During the examination no records will be removed, altered, destroyed or marked on.

The Association may impose a reasonable charge covering the cost of labor and material, for copies of Association records. The Association may require a deposit equal to the anticipated actual cost of the requested records. Failure to pay such deposit shall be valid grounds for denying an Owner copies of such records. If after payment of the deposit it is determined that the actual cost was more than the deposit, Owner shall pay such amount prior to delivery of the copies. If after payment of the deposit it is determined that the actual cost was less than the deposit, the difference shall be returned to the Owner with the copies.

7 **ALTERNATIVE DISPUTE RESOLUTION**

7.1 POLICY

All disputes between the Brown Ranch Community Association and individual Owners (the “parties”) will be addressed and resolved in compliance with these procedures. Some disputes or claims are specifically exempted from alternative dispute resolution, including the collection of assessments or other monies owed to the Association.

Initial Discussion

It is expected that in the event of any dispute the parties will initially conduct good faith negotiations and attempt to resolve the dispute as good neighbors.

Mediation

If the Board believes the disagreement is a result of misunderstanding, miscommunication and/or breakdown of relationships between the parties, it may elect to engage a trained, impartial mediator to facilitate understanding and agreement. The mediator should be acceptable to all parties and the costs of the mediator, if any, will be shared equally between the parties in the dispute.

Arbitration

If the Declarant and Advisory Board, at their discretion, believe mediation would not be effective, they may elect to propose a trained, neutral arbitrator with expertise in the issue to be arbitrated. Arbitration is a more formal proceeding than mediation as the parties to the mediation and/or their attorneys will present evidence, argument and other documents and information under oath in support of their position.

The formality of the process can vary, based on the rules of arbitration agreed to by the parties or imposed by the arbitrator. The arbitration substitutes for, and is an alternative to, litigation in the State courts, and there are only limited rights and circumstances available to obtain review of a binding arbitration decision in the State courts.

Typically the arbitrator will issue a written arbitration decision and award, and if it is necessary to enforce the decision and award through the State courts, then the decision and award will be filed with the court and become public record. The arbitrator should be acceptable to all parties, and the fees charged by the arbitrator and costs of the arbitration typically will be shared equally between all parties to the dispute. Depending on the outcome of the arbitration, however, the arbitrator may have the discretion to award the substantially prevailing party its costs and attorney fees, and the non-prevailing party will be required to pay those costs and fees.

8 CONFLICT OF INTEREST POLICY

8.1 POLICY

It is the policy of the Brown Ranch Community Association to identify, disclose and mitigate conflicts of interest in the conduct of Association business. In 2011, House Bill 11-1124 became law, amending Title 38-33.3-209.5 of the Colorado Common Interest Ownership Act (CCIOA) to require Homeowner Associations to:

1. Define when a conflict of interest exists;
2. Adopt procedures to follow when a conflict of interest exists, including disclosure rules and when a conflicted Advisory Board member (or future member of a Board of Directors) must recuse themselves from voting;
3. Require a periodic review of conflict of interest policies.

The intent of the statute, and this Conflict of Interest Policy, is to promote open disclosure of conflicts of interest that would benefit an Advisory Board member separate from his or her interest as an Owner.

Circumstances under which a conflict of interest may exist include personal financial interest, or that of a friend or relative in a business relationship with the Association. This could include gifts, gratuities and kick-backs from suppliers or contractors, exchanging business favors or influencing the Advisory Board for the purpose of financial gain or any other benefit to the Board member, and is not in the common interest of the Association and Owners.

Advisory Board members must disclose any conflicting interest transaction to the Board in open session at the first open meeting of the Board at which the interested member is present, prior to any discussion or vote on the matter. Any Board member with a conflict must not participate in the discussion of, nor vote on, the transaction. The minutes of the meeting shall reflect the disclosure made, the abstention from voting, the composition of the quorum and record who voted for and against.

A “conflicting interest transaction” means a contract, transaction, or other financial relationship between the Association and an Advisory Board member or between the Association and a party related to the Board member, or between the Association and an entity in which the Board member of the Association is a director or officer or has a financial interest.

A “party related to an Advisory Board member” means a spouse, a descendant, an ancestor, a sibling, the spouse or descendant of a sibling, an estate or trust in which the Advisory Board member or a party related to an Advisory Board member has a beneficial interest, or an entity in which a party related to an Advisory Board member is a director or officer or has a financial interest.

Loans

No loans shall be made by the Association to its Advisory Board members (or future members of a Board of Directors). Any Advisory Board member who assents to or participates in the making of any such loan shall be liable to the Association for the amount of the loan until it is repaid.

An Advisory Board member will not participate in the formation of policy in which a personal or business interest exists, unless such interest is fully disclosed and all of the remaining Board members agree that participation in deliberations and voting by the conflicted Advisory Board member is in the interests of the Association. Participation by a conflicted Board member does not extend to voting on a contract for goods and services (See “Contracting Policy”).

The Advisory Board will not establish, construct or perpetuate any program or procedure in which a conflict of interest might exist. The Board is to strive to maintain the highest ethical values at all times.

9 CONTRACTING POLICY

9.1 POLICY

The Brown Ranch Community Association does not have direct hire employees to perform duties for the Association. All undertakings and activities of the Association are performed by the Declarant, Advisory Board members or outside independent contractors engaged by the Declarant. The conduct of Association business will require from time to time the use of vendors and independent contractors to facilitate the use, maintenance, repair, replacement, modification and added improvements to the common areas and provision of common services (i.e. trash service, accounting and insurance).

Procurement of goods or services, where the expected aggregate amount will exceed \$5,000 in a one-year period, will be documented by written agreement/contract, and will be executed by the Declarant and endorsed by the Advisory Board. The work/products proposed, current budget and revenue sources, and the overall interests of homeowners will all be taken into consideration.

The Advisory Board, at its sole discretion, may direct that multiple proposals be obtained to evaluate products and services, prior to voting/approval. Review, analysis and comparison of alternative proposals and recommendations will be conducted by the Advisory Board in “executive sessions” for contracts in excess of \$5,000. Voting and approval of contracts above this limit will be conducted during an Owners’ Special or Annual Meeting, and recorded in the minutes thereof. Approved contracts may be executed by the Declarant or an Officer designated by the Advisory Board.

The Advisory Board may refer contracts to legal counsel for review, prior to engaging in a contract. Considerations for engaging outside contractors shall include:

1. **Qualifications:** ability to deliver and/or perform the work to specifications, completely and safely, while protecting the assets of the Association.
2. **Experience:** verifiable with references, that the contractor will deliver/perform the work and satisfy all representations they have made to the Association.
3. **Costs:** that are competitive and reasonable for the scope of products/work as requested by the Association and proposed by the contractor.
4. **Licensing and insurance:** are documented by the contractor confirming that they have professional credentials as required by Federal, State or Local regulations for the work, and that they have broad form liability and Colorado Workers’ compensation insurance covering any on-site performance by the contractor. Performance bonding will not be required, unless specifically directed by the Board.

Conflicts of Interest

To avoid actual or perceived conflicts of interest, Advisory Board members must disclose any financial interest, connection or relationship with a proposed contractor prior to any vote or approval of a contract. Similarly, proposing contractors shall disclose any relationship or connection with any Homeowner or Advisory Board member at the time of proposal of work. See also Section 8, “Conflict of Interest Policy”.

10 INVESTMENT POLICY

10.1 POLICY

It is the policy of the Association to invest unused funds for the benefit of the Association.

Funds not expected to be used for current year operations, and designated reserve funds, are to be invested at a commercial financial institution designated by the Declarant and Advisory Board.

Investment of funds is to be guided first by safety, then liquidity, then rate of return:

1. **Safety**. Protect principal amounts – no risk to principal from market forces. Control access to funds to only those individuals designated by the Advisory Board.
2. **Liquidity**. Preserve unrestricted access to funds, with no withdrawal penalties or fees, or no notice period for access to funds.
3. **Rate of Return**. Consider the best market rate that preserves safety and liquidity.

The Declarant and Advisory Board members shall make investment decisions in good faith, with the care that prudent, financially conservative persons in similar positions of responsibility would exercise, and in a manner that the Officers reasonably believe to be in the best interests of the Association in accordance with the Colorado Revised Nonprofit Corporation Act.

11 RESERVE STUDY POLICY

A Reserve Study is a structured review of the capital assets of the Association and an assessment of replacement reserves that may be needed to meet financial obligations to replace or refurbish assets, beyond routine operating maintenance expenditures included in the Association's annual budgets.

A structured Reserve Study program guides a process of responsible management of the Association assets, as well as the following:

1. Meets legal requirements for common interest associations to manage assets;
2. Provides for replacement funding of major common items;
3. Enhances resale values, by documenting planned replacements and the timing of expenditures;
4. Minimizes the need for special assessments;
5. Meets accounting standards that require proper reporting of replacement funding for major assets.

11.1 POLICY

It is the Policy of the Association to conduct a Reserve Study every three years. A Reserve Study may be performed internally by the Declarant and members of the Advisory Board, a working group of Owners appointed by the Advisory Board, or an outside contractor engaged by the Advisory Board. The Board may also designate and direct the use of outside consultants and/or contractors to provide professional consultations, calculations, engineering, development of cost estimates and counsel that may be deemed appropriate to complete a Reserve Study.

A Reserve Study includes:

1. Component and facilities inventory, listing items included and excluded from the Reserve Study;
2. Condition Assessment, with remaining expected life, value estimates and replacement cost estimates;
3. Analysis of existing funding status;
4. Review of previous Reserve Studies and funding plans;
5. Funding recommendations for replacement of major common items;
6. Preparation of a Report to the Declarant and Advisory Board with conclusions and recommendations.

A component inventory will include fixed assets of the Association, such as improvements to common areas, irrigation improvements to real estate parcels, walking paths, playground equipment, entrance signage, etc.

Items excluded from consideration are public roadways, utilities, and improvements to Owners' lots. The Brown Ranch detention pond does not normally accumulate water or suffer related siltation.

Each full Reserve Study will be reviewed by the Declarant and Advisory Board, to consider report recommendations and funding proposals, and to provide appropriate communications to, and endorsement by the Owners. Each Annual Meeting of the Owners of the Association will include an agenda item to review reserve funding status.

12 COLLECTION POLICY

12.1 POLICY

The Association may refer all Owner delinquent accounts to an attorney for collection so as to minimize the Association's loss of assessment revenue. The following terms and processes have been defined and adopted by the Association to ensure each collection is handled fairly, consistently, and in accordance with Colorado Statute:

Due Date

The annual assessment, as determined by the Association and as allowed for in the Community Charter, shall be due and payable on April 1st of each year. Assessments, outstanding fines or other charges not paid in full to the Association within 45 days of the due date shall be considered past due and delinquent and shall incur late fees and interest as provided below.

Receipt Date

The Association shall post payments on the day that the payment is received in the Association's office through the PO Box 516, Fruita CO 81521 mailing address.

Late Charges on Delinquent Installments

The Association may impose on a monthly basis a \$6.00 late charge for each Owner who fails to timely pay his/her installment of the annual assessment within 45 days of the due date. This late charge shall be a "common expense" for each delinquent Owner.

Personal Obligation for Late Charges

The late charge shall be the personal obligation of the Owner(s) of the Lot for which such assessment or installment is unpaid. All late charges shall be due and payable immediately, without notice, in the manner provided by the Community Charter (and as set forth herein) for payment of assessments.

Return Check Charges

In addition to any and all charges imposed under the Community Charter, Articles of Incorporation and Bylaws, the Rules and Regulations of the Association or this Resolution, a return check fee, not to exceed \$20.00, shall be assessed against an Owner in the event any check or other instrument attributable to or payable for the benefit of such Owner is not honored by the bank, or is returned by the bank for any reason whatsoever, including but not limited to insufficient funds. This returned check charge shall be a "common expense".

Service Fees

In the event the Association incurs any type of service fee, regardless of what it is called, for the handling and processing of delinquent accounts on a per account basis, such fees will be the responsibility of the Owner as such fee would not be incurred but for the delinquency of the Owner.

Attorney Fees on Delinquent Accounts

As an additional expense permitted under the Community Charter and by Colorado law, the Association shall be entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due to the Association from a delinquent Owner. Reasonable attorney fees incurred by the Association shall be due and payable immediately upon demand.

Collection Procedures/Time Frames

The following time frames shall be followed for use in the collection of installments of the annual assessment and other charges:

1. Due Date (date payment due) April 1st

2. Past Due Date (date payment is late if not received on or before that date)
 - First Notice: 45 days after due date (notice that late charges and interest have accrued),
 - Second Notice: any time after 90 days after due date (notice that late charges and interest have accrued, notice of intent to file lien)
 - Delinquent Account: Any time after 120 days after due date, account is turned over to Association's attorney; Lien filed; Demand letter sent to Owner.

The Association's attorney is to consult with the Declarant as necessary to determine if payment has been arranged or what collection procedures are appropriate.

Collection Process

1. After an installment of an annual assessment or other charges due to the Association becomes more than 45 days delinquent, the Declarant and Advisory Board shall send a written notice ("First Notice") of non-payment, amount past due, notice that interest and late fees have accrued and request for immediate payment.
2. The Association's notice, at a minimum shall including the following:
 - a. The total amount due to the Association along with an accounting of how the total amount was determined.
 - b. A name and contact information for an individual the Owner may contact to request a copy of the Owner's ledger in order to verify the amount of the debt.
3. After an installment of an annual assessment or other charges due to the Association becomes more than 90 days delinquent, the Declarant and Advisory Board shall send a second written notice ("Second Notice") of non-payment, amount past due, notice that interest and late fees have accrued, notice of intent to file a lien and request for immediate payment.
4. After an installment of an annual assessment or other charges due to the Association becomes more than 120 days delinquent, the Declarant and Advisory Board shall turn the account over to the Association's attorney for collection. Upon receiving the delinquent account, the Association's attorneys may file a lien and send a letter to the delinquent Owner demanding immediate payment for past due assessments or other charges due. Upon further review, the Association's attorney may file a lawsuit. If a judgment or decree is obtained, including without limitation a foreclosure action, such judgment or decree shall include reasonable attorney's fees together with the cost of the action and any applicable interest and late fees.

Certification of Status of Assessments

The Association shall furnish to an Owner or Owner's designee upon written request, first class postage prepaid, return receipt, to the Association's agent, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's property for a reasonable fee. However, if the account has been turned over to the Association's attorney, such request may be handled through the attorney.

Application of Payments

Once an account is referred to the Association's attorney, all sums collected on a delinquent account shall be remitted to the Association's attorney until the account is brought current. All payments received related to the account of any Owner or the Owner's property (hereinafter collectively "Owner"), shall be applied in the following manner: first to the payment of any and all legal fees and costs (including attorney fees), then to expenses of enforcement and collection, late charges, returned check charges, lien fees, and other costs owing or incurred with respect to such Owner. Pursuant to the Community Charter, Articles, Bylaws, Rules and Regulations, these costs are to be paid prior to the application of payments for any special or regular assessments that are due or to become due with respect to such Owner.

Referral of Delinquent Accounts to Attorneys

After an account has been referred to the Association's attorney, the account shall remain with the attorney until the account is settled, has a zero balance or is written off. The attorney, in consultation with the Declarant and Advisory Board, is authorized to take whatever action is necessary and determined to be in the best interests of the Association, including, but not limited to:

1. Filing of a suit against the delinquent Owner for a money judgment;
2. Instituting a judicial foreclosure action of the Association's lien, upon approval by the Declarant and Advisory Board members;
3. Filing necessary claims, documents, and motions in bankruptcy court in order to protect the Association's interests; and
4. Filing a court action seeking appointment of a receiver. All payment plans involving accounts referred to the Association's attorney for collection shall be set up and monitored through the attorney.

Bankruptcies and Foreclosures

Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any unit within the Association, the Declarant and Advisory Board shall notify and turn the account over to the Association's attorney, if appropriate.

Judicial Foreclosure

The Association may choose to foreclose on its lien in lieu of or in addition to suing an Owner for a money judgment. The purpose of foreclosing is to obtain payment of all assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or other circumstances favor such action. The Association shall consider individually each recommendation for a foreclosure and may only approve a foreclosure action after the delinquency equals or exceeds three years of common expenses assessments based on a periodic budget adopted by the Association. Such foreclosure shall be approved by the Declarant and Advisory Board via resolution or a vote of the Board recorded in the minutes of the meeting at which the vote was taken.

Waivers

The Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association shall determine appropriate under the circumstances.

Communication with Owners

All communication with a delinquent Owner shall be handled through the Association's attorney once a matter has been referred to the attorney. Neither the Declarant nor any member of the Advisory Board shall discuss the collection of the account directly with an Owner after it has been turned over to the Association's attorney, unless the attorney is present or has consented to the contact.

Defenses

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

13 MISCELLANEOUS

Definitions

Unless otherwise defined in these Policies, terms defined in the Community Charter shall have the same meaning herein.

Communication by Owners

Owners may communicate with the Association in any manner they choose including email, phone, or in writing, when available. However; in doing so, the Owner acknowledges that the Association and/or its agents may communicate via the same method unless otherwise advised.

Deviations

The Declarant and Advisory Board may deviate from the procedures set forth in these Policies if at their sole discretion such deviation is reasonable under the circumstances.

Amendments

The Declarant and Advisory Board shall review these Policies and the Procedures contained herein periodically to determine whether any revisions or amendments are necessary or warranted.

These Policies and Procedures may be amended from time to time by the Declarant and Advisory Board.