

**THIRD AMENDED AND RESTATED
GOVERNANCE POLICIES AND PROCEDURES
OF THE ALDASORO RANCH HOMEOWNERS COMPANY,
A COLORADO NONPROFIT CORPORATION
January 26, 2021**

These Amended and Restated Governance Policies and Procedures of the Aldasoro Ranch PUD/Subdivision (“**Policies**”) have been adopted and implemented to protect the investment of the members and to enhance the values of the properties subject to regulation by The Board of Directors of Aldasoro Ranch Owners’ HOC, Inc., a Colorado nonprofit corporation (the “**HOC**”). These Policies fully amend, restate and replace any and all previously adopted Governance Policies and Procedures of the Aldasoro Ranch PUD/Subdivision.

These Policies are promulgated in accordance with the authority of the HOC as provided for in the governing documents for The Aldasoro Ranch subdivision, which include, without limitation, the General Declaration for Aldasoro Ranch, the Plats for Aldasoro Ranch, the Articles of Incorporation and Bylaws for the Aldasoro Ranch Homeowners Company, a Colorado nonprofit corporation, and any rules, regulations and policies duly adopted by the HOC from time to time (collectively, “**Governing Documents**”) as the same may be amended or supplemented from time to time.

In the event of a conflict between these Policies and the terms and conditions of the Declaration, the terms and conditions of the Declaration shall control.

1. BOARD GOVERNANCE AND COMPOSITION

1.1. The affairs of most nonprofit corporations are managed by its Board of Directors composed of volunteer leaders (each, a “**Director**”). Although the Board has the power to delegate authority, the ultimate responsibility for the governance of the corporation resides with the Board of Directors.

1.2. Directors should be aware that the organization’s assets are dedicated to the purposes set out in the organization’s articles of incorporation and must be treated with a high degree of care. Directors must protect the interest of the organization and refrain from doing anything to cause injury to the organization or to deny it the advantage of their skills and abilities.

1.3. The Board of Directors acts only as a group at duly-convened meetings at which a quorum is present - i.e., participates in person, by video conference or telephonically - or without a meeting by unanimous written consent of all the Directors, provided the Directors at a duly convened meeting would have had the power to take such action.

1.4. The bylaws typically state the number of Directors required to have a quorum. For purposes of calculating the quorum, the organization considers the number of individuals elected to and serving as Directors at the time of any meeting. Vacancies of Directors which could have been but have not been filled are not considered when determining the quorum. Unless the articles or bylaws specifically provide for it, Directors may not vote by proxy.

1.5. When a quorum participates in a meeting, action by the Board usually requires only a simple majority vote of the Directors present, though a greater vote may be required by Robert’s Rules of Order or other controlling authority, such as the state nonprofit corporation act, the articles of incorporation or the bylaws.

1.6. A Director may resign from the Board of Directors at any time by delivering written notice to the chair of the Board or to the secretary. Resignation is effective upon receipt of the notice or at such future time as is stated in the notice. A Director may be removed from office at a meeting specially called for that purpose with or without cause by such vote as would suffice for his or her election.

1.7. The foregoing provisions of this Section 1 shall apply to members of the Design Review Board (“**DRB Members**”) in the performance of their official duties and actions to the extent that the context of the terms, conditions and provision of this Section would apply to actions expected to be taken by the DRB Members in accordance with the Governing Documents.

2. **DUTIES AND RESPONSIBILITIES OF DIRECTORS**

The obligations of Directors can be divided into three broad categories: (a) a duty of loyalty; (b) a duty of care; and (c) duty of obedience.

2.1. **Duty of Loyalty.** The duty of loyalty requires Directors to put the interest of the organization above any individual interests. It incorporates the basic principle of corporate law that Directors must not use their position for personal profit or other personal advantage. Directors must (1) avoid conflicts of interest, (2) ensure that any dealing between themselves and the organization is fair, (3) avoid preempting any business opportunity available to the organization, and (4) maintain the confidentiality of information made available to them as Directors until such time as that information has become a matter of public record or common knowledge. Directorship is a responsibility, not just an honor. A Director may make a valuable contribution through relevant inquiry and focused discussion of proposals initiated by management. However, lack of objectivity and putting personal status and aspirations ahead of the needs of the organization may result in the misdirection of Board activity. Directors should be prepared to oppose, if necessary, the position of dominant members of the Board. An individual should seek to become, or consent to be, a Director only if he or she is sufficiently qualified and is prepared to devote the attention and effort necessary to fulfill the substantial responsibilities involved.

2.2. **Duty of Care.** The duty of care requires Directors to perform their duties, including service as a member of any committee, in good faith, in a manner they reasonably believe to be in the best interest of the organization, and with the care an ordinarily prudent person in a like position would use under similar circumstances.

2.2.1. The Directors’ primary responsibility is to maintain reasonable vigilance over corporate transactions. The Board of Directors is not expected to operate the organization, but it is responsible for providing oversight of the operation of the organization. In general, this obligation can be met by (1) regular attendance at meetings of the Board and any committees of which they are a member, and (2) reviewing information regarding matters requiring Board action. Directors should also try to be informed on important issues related to the organization’s mission.

2.2.2. Directors should use common sense, practical wisdom and their informed judgment in fulfilling their responsibilities. The nature and extent of the role played by an individual Director will, as a matter of law, vary depending on the special background and qualifications of the Director. For example, if a Director has experience in financial affairs, he or she is expected to bring that experience to bear in making decisions as a Director and may be expected to exercise greater skill with regard to financial matters than a Director who has no special experience in that area. This does not mean

the Director with special qualifications has special duties; merely that in the exercise of duties which are common to all of the Directors, Directors with special skills and experience must utilize those special skills and experience in reaching decisions. Thus, for example, a Director inexperienced in financial affairs might accept and act on a financial report without liability even if the report turned out to be erroneous while another Director who has more knowledge or expertise in financial affairs might be found negligent in failing to note the errors in the report and bringing those errors to the attention of the full Board.

2.2.3. Directors can usually fulfill their responsibility by reviewing periodic reports from the president and staff. In general, Directors are not personally responsible for the actions or omissions of the president and the staff if the president and staff have been prudently selected. However, the Directors are required to take corrective action in the event that the president or staff takes action which is not in the organization's best interest. Directors may rely upon financial statements presented to them as correct by appropriate officers of the organization or as set forth in reports or statements made by or certified by the organization's independent certified public accountants. A Director is obligated to study and understand to the best of the Director's ability the organization's financial condition and to review submitted materials. If a Director has knowledge that such materials are inaccurate or incomplete but goes ahead and relies upon them, he or she is not exercising good faith. A Director must make some reasonable, critical inquiry as to whether there is any basis to disbelieve information that is being presented. A Director has the right to inspect all the books and records of the organization and to receive reports from its officers, employees and agents. Such requests for information or inspection should be directed to the president. Refusal to honor a Director's reasonable request for information should be reported to the chair

2.3. **Duty of Obedience.** Directors are obliged to follow the HOC's Governing Documents, including these policies, applicable Colorado law, and any policies that have been adopted by the Board. Directors can meet this duty by being familiar with the Governing Documents. They should seek legal advice when appropriate before taking action as a Board.

2.4. The foregoing provisions of this Section 2 shall apply to DRB members to the extent that the context of the terms, conditions and provision of this Section would apply to actions expected to be taken by the DRB Members in accordance with the Governing Documents.

3. POLICY ON CONFLICTS OF INTEREST AND RECUSAL

3.1 **General Duty.** The Board of Directors shall use its commercially reasonable and good faith efforts at all times to make decisions that are consistent with high principles, and to protect and enhance the value of properties of the members and the HOC. All Directors shall exercise their power and duties in a commercially reasonable and good faith manner and in the best interest of the HOC, consistent with the so called "business judgement rule". All Directors shall comply with all lawful provisions of the Declaration and the HOCs Articles, Bylaws, and Rules and Regulations.

3.2 Definitions

3.2.1 Impartiality - The absence of prejudice in favor of, or against, particular parties or classes of parties, as well as the maintenance of an open mind concerning issues that may come before the Board.

3.2.2 Impropriety - Conduct that violates the law or undermines the Board Member's independence, integrity, or impartiality.

3.2.3 Independence - Means a Member's freedom from influence or controls other than those established by law and the Governing Documents.

3.2.4 Integrity - Means a Member's probity, fairness, honesty, uprightness, and soundness or character.

3.2.5 Member - Includes any member of the Board of Directors or the Design Review Board, whichever the case may be. This conflict of interest and recusal policy applies with equal force to both bodies.

3.3 Conflicting Interest Transactions.

3.3.1. A "**Conflicting Interest Transaction**" is defined as a contract, transaction or other financial relationship between the HOC and a Director of the HOC, or between the HOC and a party related to a Director, or between the HOC and an entity in which the Director of the HOC is an officer, director, or other partner, member, or manager, or has a financial interest.

3.3.2. Notwithstanding to provisions of §C.R.S. 7-128-501 and §CRS 38-33/3-310.5, a Director shall not participate in actions by the Board with respect to the negotiation, review, approval or voting on a transaction that would be considered a Conflicting Interest Transaction. The Director with the conflict shall disclose such conditions and circumstances to other Directors. The remaining Directors, in the exercise of their reasonable discretion, may undertake a transaction that would have constituted a Conflicting Interest Transaction, provided that the Director whose participation would have resulted in the creation of a Conflicting Interest Transaction, refrains from voting and does not engage in discussions with the Board concerning the transaction and the transaction is otherwise fair and commercially reasonable to the HOC. The minutes of the meeting shall reflect the disclosure made, the composition of the quorum, and record who voted for and against.

3.3.3 Recusal of Directors or DRB Members in DRB Related Decisions

For purposes of this section the term "design/use Application" shall mean an application presented to the Board of Directors or Design Review Board, involving reviews that include, but are not limited to: sketch and final design reviews, Building Site Enlargement or Relocation, Requests for Limited Waivers and similar applications concerning the use and development of Improvements on a Lot and appeals of such actions. A conflict of interest shall exist in the event that a Director or a member of the DRB, would be part of the review of a design/use Application which involves: (a) property that is owned by the Director or DRB Member or their immediate family (i.e., husband/wife, parents, children, siblings), (b) property owned by a person or an entity to whom the Director or DRB Member has a business relationship, (c) instances where the Director or DRB Member received notice of the pending design/use Application and the Board Member's property adjoins the property of the application, and (d) instances where a Member of the DRB has acted on the design/use application while on the DRB and the matter is appealed to or otherwise being reviewed by the Board of Directors. Directors and Members of the DRB shall recuse themselves and not participate in the discussion of or voting on an application for which the Director or DRB member has a conflict of interest. The minutes of the meeting shall reflect the disclosures and recusals made, the composition of the quorum, and record who voted for and against.

3.4. Supplemental Rules Governing Conflicts of Interest and Recusal

3.4.1 Every Member of the Board and the DRB shall act at all times in a manner that promotes the confidence of the residents and owners in the Subdivision in the independence, integrity, and impartiality of the Board and DRB. Each such member shall avoid the appearance of impropriety. Impropriety occurs when the conduct of circumstance in question compromises the ability of the Member to carry out his or her responsibilities with integrity, impartiality and competence. Actual improprieties include violations of the law or provisions of the Governing documents. The test for appearance of impropriety is whether the conduct would create in reasonable minds a perception that the Member cannot participate in the matter with honesty, impartiality, proper temperament, or fitness to serve on the Board or DRB.

3.4.2 No member shall be swayed by public clamor or fear of criticism. No Member shall permit family, social, political, financial, or other interests or relationships to influence the Member's conduct or judgment. No member shall convey or permit others to convey the impression that any person or organization is in a position to influence the Member.

3.4.3 No Member shall make any public statement that might reasonably be expected to affect the outcome or impair the fairness of any matter pending before the Board or DRB. No member shall, in connection with any pending matter make any pledges, promises, or commitments that are inconsistent with the impartial performance of the duties of the office.

3.4.4 A member shall disqualify him or herself from discussing or voting on any matter before the Board of Directors or DRB in which the Member's impartiality might reasonably be questioned. Any person with a direct interest in the matter may bring the potential conflict to the attention of the Board, and if the Member does not agree that the circumstance may lead to such an impression, the Board may decide the matter in an Executive Session called for that purpose. The disclosure issue, the composition of the quorum, and the vote for and against thereon shall be part of the minutes and the decision will be noted in open session after the Executive Session is closed. The Member who is the subject of the decision may be counted for the purpose of a quorum but may not vote on whether a conflict requiring recusal exists. In the event of a tie among remaining Members, the matter shall be deferred to a later meeting at which there is a sufficient number of Members present so that a tie will not be possible.

3.4.5. Any decision by the Board on the issue of a conflict of interest and recusal shall be final, binding, and not appealable.

3.5 **Appeals from the DRB to the Board.** If the DRB, or any Member of the DRB, makes a determination on a conflict of interest and recusal matter, and a party having an interest in the matter disagrees with the decision, the interested party may appeal the matter to the Board of Directors. If so, the party must serve a succinct "Notice of Appeal – Conflict Issue" on the Board by either hand delivery or certified mail to the General Manager of the HOC at or within 5 days of the adverse decision by the DRB. Other parties shall be permitted to service a response at or within 3 days of the Notice of Appeal. No other written materials shall be accepted. The Board shall thereafter schedule a meeting and issue a final decision at or within 10 days of the last written material served. The Board's decision shall be binding and not appealable.

4. **PUBLIC STATEMENTS.**

The complexities of modern public relations, the complex interrelationships of various issues, and the importance of consistent policy expression suggest that, whenever possible, Directors should contact the president before making any public statements as a Director of the organization. Typically, Directors are not authorized to make public statements on behalf of the organization. Directors should be mindful that when they are a member of a Board, what they may consider to be their personal comments will, if made publicly, most likely be attributed to the organization.

5. **DIRECTOR'S LIABILITY.**

5.1. A Director who behaves fairly and honorably and who, acting in good faith, is diligent in discharging his or her duties is not likely to be subjected to personal liability. Courts recognize that business judgment inevitably involves risk evaluation and that Directors are not normally committed to full-time involvement in the affairs of the organization. Courts further recognize that Directors must make important decisions which, in retrospect, may prove to be erroneous. If it turns out the decision of the Board was a mistake, the question of whether or not the Directors have been careless is decided in terms of the facts as they were or reasonably appeared to be when the decision was made and not in terms of 20-20 hindsight.

5.2. Directors are generally protected from honest mistakes if they (1) exercised their good faith judgment without carelessness, (2) acted within the power granted to the organization by state law and the organization's articles of incorporation and bylaws, and (3) executed such judgment after due

consideration of what they reasonably believed to be the relevant facts. If, however, a Director violates his or her duty of loyalty to the organization, a court may hold the Director responsible for such willful neglect.

5.3. The absence of a Director at a Board meeting usually does not excuse the Director from personal liability for actions taken at the meeting. If the Director is absent from a Board meeting, he or she is responsible for obtaining the minutes of the meeting, and if he or she objects to any action taken, promptly dissent, preferably in writing, to the entire Board. If this is not done, the Director may be deemed to have acquiesced in the action.

5.4. The foregoing provisions of this Section 5 shall apply to DRB members to the extent that the context of the terms, conditions and provision of this Section would apply to actions expected to be taken by the DRB Members in accordance with the Governing Documents.

6. **RIGHT TO INDEMNIFICATION.**

6.1. The bylaws of the HOC sometimes authorize the HOC, under certain circumstances, to indemnify its officers and Directors and DRB Members for costs and expenses incurred by them as a result of legal proceedings brought by a third party. The right to indemnification is governed by statute, however, and the organization may indemnify its officers and Directors and DRB Members only to the extent permitted by the state law. A bylaw or agreement which extends this right is unenforceable. In the absence of any right to indemnification in the organization's bylaws or an agreement entered into between the organization and each Director or DRB Members, a Director's or DRB Members right to indemnification is dependent on state law.

6.2. Many organizations also maintain a fairly broad coverage association professional liability insurance policy that includes Directors, DRB Members and officer's liability coverage. Directors and DRB Members may also want to consult with their personal insurance agent to see if a homeowner's umbrella liability policy provides any coverage for their actions as a nonprofit Director.

7. **CONDUCT OF MEETINGS.** Meetings of the Owner/Members and the Board of Directors or the Design Review Board shall be conducted in accordance with all applicable provisions of the Colorado Nonprofit Corporation Act (C.R.S. § 7-135-100 *et. seq.*) and the Colorado Common Interest Ownership Act (C.R.S. § 38-33.3-101 *et. seq.*), as well as in accordance with Roberts Rules of Order and these policies.

7.1. **Owner Meetings.** Annual Meetings or Special Meetings of the Owners/Members of the HOC shall be called pursuant to the Bylaws of the HOC.

7.1.1. **Notice.** In addition to any notice required in the Bylaws, notice of any meeting of the Owners shall be mailed to each owner to the address on file with the HOC at least 30 days prior to each such meeting, or as may otherwise be required by Colorado law. A copy of the notice and agenda shall also be posted on the HOC Website and at Association mail-box buildings at least 10 days prior to each such meeting, or as may otherwise be required by Colorado law.

7.1.2. **Conduct.** All Annual Meetings or Special Meetings of the Owners/Members of the HOC shall be governed by the following rules of conduct and order:

- meetings.
- i. The President of the HOC or designee shall chair all Owner meetings.
 - ii. 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).
 - iii. Anyone wishing to speak must first be recognized by the Chair.
 - iv. Only one person may speak at a time.
 - v. Each person who speaks shall first state his or her name and Lot address.
 - vi. Any person who is represented at the meeting by another person, as indicated by a written instrument, will be permitted to have such person speak for him/her.
 - vii. Those addressing the meeting shall be permitted to speak without interruption from anyone as long as these rules are followed.
 - viii. 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. Questions or comments should be directed to the Board, not to other owners or guests at the meeting.
 - ix. Each person shall be given up to a maximum of two minutes to make a statement or to ask questions. The Board may decide whether or not to answer questions during the meeting. Each person may only speak once. Yielding of time by a speaker to another individual shall not be permitted. Such time limit may be increased or decreased by the Chair, in his or her sole discretion, but shall be uniform for all persons addressing the meeting.
 - x. All actions and/or decisions will require a motion and a second, followed by a vote, with a majority of those authorized to vote sufficient to carry the motion, unless otherwise required by the Governing Documents.
 - xi. Once a vote has been taken, there will be no further discussion regarding that topic.
 - xii. 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.
 - xiii. The Chair may establish such additional rules of order as may be necessary from time to time.

7.1.3. **Order of Business.** The order of business at all meetings of the Owners shall be as follows:

- A. Roll call (or check-in procedure);
- B. Establish quorum;
- C. Proof of notice of meeting;
- D. Review and action on minutes of preceding meeting;

- E. Reports;
- F. Board Nominations;
- G. Election of Board members to the Board (if applicable);
- H. Ratification of budget;
- I. Unfinished business; and
- J. New business.

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

A. Each Owner of a Lot in the Community shall have the voting rights as established in the Declaration.

B. If title to a Lot is held by an entity, including, without limitation, a firm, corporation, partnership, trust, limited liability company, association or other legal entity or any combination thereof (hereinafter “entity”), that entity must appoint a “delegate” to represent such Included Property. The moderator of the meeting may require reasonable evidence that a person voting on behalf of an entity is qualified to vote. A delegate may serve on the Board or as an officer for the HOC.

C. Election of Board members in a contested election shall be conducted by secret ballot. Each Owner entitled to vote pursuant to the Bylaws shall receive a ballot. The ballot shall contain identifying information concerning the ballot holder in order to verify voting accuracy, but such information shall be kept confidential by the HOC and not part of the public record of the vote or the meeting. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the Secretary of the HOC or the Secretary’s designee, the Owner shall receive a secret ballot to cast the vote of the Owner who provided the proxy. The proxy shall be kept and retained by the HOC.

D. All other votes taken at a meeting of the Owners shall be taken in such method as determined by the Board of Directors including acclamation, by hand, by voice or by ballot, unless otherwise required by law. At the discretion of the Board or upon request of twenty percent (20%) of the Owners who are present at the meeting or represented by proxy, if a quorum has been achieved, a vote on any matter affecting the HOC on which all Owners are entitled to vote shall be by secret ballot.

E. Written ballots shall be counted by a neutral third party or by a committee of volunteers. Such volunteers shall be Owners who are selected or appointed at an open meeting, in a fair manner, by the Chair of the Board or another person presiding during that portion of the meeting. The volunteers shall not be Board members and, in the case of a contested election for a Board position, shall not be candidates for such position.

F. The individual(s) counting the ballots shall report the results of the vote to the Chair by indicating how many votes were cast for each individual or how many votes were cast in favor and against any issue, without reference to the names, addresses or other identifying information of Owners participating in such vote.

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

- A. Validity of the signature;

- B. Signatory's authority to sign for the Lot Owner;
- C. Authority of the Lot Owner to vote;
- D. Conflicting proxies; and
- E. Expiration of the proxy.

7.2. **Board Meetings.** Meetings of the Board of Directors and/or the Design Review Board of the HOC shall be called and noticed in accordance with the Bylaws of the HOC.

7.2.1. **Conduct.** All meetings shall be governed by the following rules of conduct and order:

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

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

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

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

E. Only one person may speak at a time.

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

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

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

I. Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting. Comments are to be relevant to the purpose of the meeting or issue at hand. Questions or comments should be directed to the Board, not to other owners or guests at the meeting.

J. Each person shall be given a reasonable time to speak or to ask questions, although some questions may not be answered until a later date. Yielding of time by a speaker to another individual shall not be permitted. Such time limit may be increased or decreased by the Chair but shall be uniform for all persons addressing the meeting.

K. Minutes of actions taken shall be kept by the HOC.

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

7.2.2. **Owner Input.** After a motion and second has been made on any matter to be discussed, but prior to a vote by the Directors or DRB Members, Owners present at such time shall be afforded a reasonable opportunity to speak on the motion as follows:

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

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

7.3. **Executive (or Closed) Session.**

7.3.1. When executive or closed sessions are permitted by law, the board should move into executive (closed) session before formal adjournment. All Members must be asked to leave except for those having a reason to participate (such as witnesses at a rule violation hearing). Only the statutory exceptions are good cause for moving into executive session. The board should announce to the Members the purpose of the executive session. The members of the board or any committee thereof may hold an executive or closed-door session and may restrict attendance to executive board members and such other persons requested by the executive board during a regular or specially announced meeting or a part thereof. The matters to be discussed at such an executive session or closed session are limited to:

- (a) matters pertaining to employees of the HOC or the managing agent's contract, or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the HOC;
- (b) 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;
- (c) investigative proceedings concerning possible or actual criminal misconduct;
- (d) matters subject to specific constitutional, statutory, or judicially imposed requirements protecting particular proceedings or matters from public disclosure;
- (e) any matter the disclosure of which would constitute an unwarranted invasion of individual privacy; and
- (f) Review of or discussion relating to any written or oral communication from legal counsel.

7.3.2. Upon the final resolution of any matter for which the board received legal advice or that concerned pending or contemplated litigation, the board may elect to preserve the attorney-client privilege in any appropriate manner, or it may elect to disclose such information, as it deems appropriate, about such matter in an open meeting.

7.3.3. No rule or regulation of the board or any committee thereof shall be adopted during an executive session. A rule or regulation may be validly adopted only during a regular or special meeting or after the body goes back into regular session following an executive session.

7.3.4. The 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.

8. **COLLECTION POLICIES.**

8.1. **Applicability.** These Policies concerning the collection of assessments apply to the collection of Regular Assessments (referred to as Base Assessments in the Governing Documents) and Special Assessments. These Policies do not apply to the imposition, collection and enforcement of any assessments for reimbursements from an owner to the HOC, unless otherwise stated herein or if mandated by applicable law.

8.2. **Invoices; Due Date.** The HOC may send base (regular) assessment or special assessment invoices by mail or email at the address on file with the HOC. All base (regular) assessment or special assessment invoices shall be due as determined by the Board of Directors, but in no event less than thirty days from the date invoiced. Failure to receive an invoice does not relieve an owner of his or her obligation to pay the assessment or special assessment invoice.

8.3. **Application of Payments.** The HOC will apply Owner payments of outstanding balances first to collection costs, then to interest, then to the most recent invoices for base (regular) assessment or special assessments, and finally to the oldest base (regular) assessment or special assessments balance.

8.4. **Collection of Less Than \$250.** For outstanding balances less than \$250 that are thirty (30) days or more past due, the HOC may send the delinquent owner a letter advising that the amount is thirty (30) days past due, that interest is accruing on the balance, and requesting payment. The letter shall also advise that, if not paid, the amount past due will be added to the delinquent owner's next statement with interest. The HOC will not charge the delinquent owner for this letter.

8.5. **Collection of \$250 or More.** For outstanding balances of \$250 or more, the HOC has adopted the following collection policy.

8.5.1. For balances that are thirty (30) days or more past due, the HOC may send a collection letter to the delinquent owner advising that the amount is thirty (30) days past due, that interest is accruing on the balance, and requesting payment. There is no charge for this letter.

8.5.2. For balances that are sixty (60) days or more past due, the HOC may send a collection letter to the delinquent owner advising that the amount is sixty (60) days past due, that the HOC intends to record a lien against that owner's lot, that there is an administrative charge for the letter and that there will be an administrative charge for recording the lien. The HOC will invoice this charge to the delinquent owner.

8.5.3. For balances that are more than ninety (90) days past due, the HOC may record a lien against the delinquent owner's lot. If the HOC records a lien, then the HOC will send a copy to the delinquent owner via certified mail. The HOC will invoice the administrative and legal charges for recording the lien and sending the certified mailing to the delinquent owner. The HOC may also notify mortgagees of the lot of the delinquency and request payment.

8.5.4. For balances that are more than one hundred twenty (120) days past due, after notice to the delinquent owner and an opportunity to be heard before the board, the board may:

A. cause the total amount of such delinquent Owner's Common Expense Assessment for the remainder of that fiscal year to become immediately due and payable, and/or

B. file a foreclosure action against the delinquent Owner's lot and file suit against the delinquent Owner personally for collection of all outstanding amounts.

8.5.5. **Returned Checks.** There is a \$25 charge for returned checks.

8.5.6. **Interest.** All amounts past due to the HOC shall bear interest at eighteen percent (18%) *per annum*.

8.6. **Attorney's Fees and Costs of Collection.** Delinquent owners are responsible for payment to the HOC of all costs of collection, including the costs of collection letters, charges by the HOC's manager, reasonable attorney's fees and collection agency fees.

8.7. **HOC Good-Faith Effort to Coordinate a One-Time Payment Plan.** In the course of collecting past-due assessments, the HOC shall make a good-faith effort to coordinate with the delinquent owner to set up a one-time payment plan in accordance with these policies. To this end, the HOC shall refer to the ability to enter into a one-time payment plan in its 30, 60, and 90-day late letters. The HOC is not obligated to offer a payment plan to a delinquent owner who has previously entered into a payment plan.

8.8. **Notice Prior to Referring for Collection Action.** Prior to using a collection agency (for these purposes, the HOC's manager is not a collection agency) or taking legal action to collect unpaid assessments, including recording lien, the HOC shall send the delinquent owner a notice stating:

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

8.8.2. Offering the delinquent lot owner one-time opportunity to enter into a 6-month payment plan;

8.8.3. Listing the legal remedies, including foreclosure, available to the HOC;

8.8.4. Instructions (including the name and contact information) for communicating with the HOC's manager to a) request a copy of the lot owner's ledger to verify the amount of the past-due amounts, or b) submit a request for a payment plan;

8.8.5. That "action is required to cure the delinquency and that failure to do so within thirty (30) days may result in the owner's delinquent account being turned over to a collection agency, a lawsuit being filed against the owner, the filing and foreclosure of a lien against the lot owner's property, or other remedies available under Colorado Law";

8.8.6. The method by which the owner's payments may be applied;

8.8.7. The legal remedies available to the HOC to collect on the delinquent account under the governing documents and Colorado law.

8.9. **Owner Request for One-Time Payment Plan.** A delinquent owner who seeks to enter into a payment plan with the HOC as set forth herein shall deliver a written request to the HOC's manager via pre-paid U.S. mail, return receipt requested, or via courier such as FedEx with signature required.

8.10. **Contents of One-Time Payment Plan.** Minimally, the one-time payment plan offered by the HOC to the delinquent owner shall:

8.10.1. Permit the delinquent owner to payoff the past-due assessments in equal installments over at least a 6-month period;

8.10.2. Not waive interest on past-due amounts, which shall continue to accrue and be part of the payment plan;

8.10.3. Not waive collection charges or attorneys' fees;

8.10.4. Require the delinquent owner to remain current on regular assessments as they come due during the period of the payment plan ("assessments" in this context include regular and special assessments and associated fees, charges, late charges, attorney fees, fines and interest charged);

8.10.5. Provide that if the delinquent owner fails to comply with the plan, the HOC may pursue collection;

8.10.6. Be formally approved by the Board on an individual basis.

8.11. **Failure to Comply with Payment Plan.** If the delinquent owner fails to comply with the approved payment plan, including by failing to remit payment of an agreed-upon installment or to remain current with regular assessments (which includes regular and special assessments and any associated fees, charges, late charges, attorney fees, fines and interest charged) as they come due during the payment plan period, then the HOC may pursue legal action against the delinquent owner.

8.12. **Certificate of Status of Assessment.** The HOC shall furnish to an Owner or such Owner's designee upon written request, first class postage prepaid, return receipt, to the HOC's agent, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's property for a \$50.00 fee.

8.13. **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 lot within the HOC, the manager or president shall notify the HOC's attorney of the same and turn the account over to the HOC's attorney, if appropriate

8.14. **Judicial Foreclosure.** The HOC 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 HOC shall not foreclose its lien for past-due

assessments unless a) the total amount past due is at least equal to six (6) months of regular assessments, and b) the Board has formally approved the foreclosure action of that lot on an individual basis.

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

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

9. **INSPECTION AND COPYING OF ASSOCIATION RECORDS.**

9.1. **Record Retention.** The HOC shall permanently retain the following records as required by Colorado law:

9.1.1. Records specifically defined in the HOC's declaration or bylaws;

9.1.2. Records the HOC is required to disclose within 90 days after the end of the fiscal year as required by CCIOA;

9.1.3. Detailed records of receipts and expenditures affecting the operation and administration of the HOC;

9.1.4. Records of claims for construction defects and amounts received pursuant to settlement of those claims;

9.1.5. Minutes of all meetings of its owners and board, a record of all actions taken by the owners or board without a meeting, and a record of all actions taken by any committee of the board;

9.1.6. Written communications among, and votes cast by, board members that are: (i) directly related to an action taken by the board without a meeting pursuant to the Colorado Revised Nonprofit Corporation Act; or (ii) directly related to an action taken by the board without a meeting pursuant to the HOC's bylaws;

9.1.7. A list of the names of all owners and the physical mailing addresses at which the HOC communicates with them, showing the number of votes each owner is entitled to vote;

9.1.8. The HOC's current declaration, covenants, bylaws, articles of incorporation, rules and regulations, responsible governance policies and other policies adopted by the board;

9.1.9. Financial statements for the past 3 years and tax returns of the HOC for the past 7 years;

9.1.10. A list of the names, email addresses and physical mailing addresses of the current board members and officers;

9.1.11. The most recent annual report (if any) delivered to the Secretary of State;

9.1.12. Financial records sufficiently detailed to enable the HOC to provide an owner with a written statement stating the amount of unpaid assessments currently levied against the owner's lot;

9.1.13. The HOC's most current reserve study (if any);

9.1.14. Current written contracts to which the HOC is a party and contracts for work performed within the past 2 years;

9.1.15. Records of board or committee actions to approve or deny any requests for design or architectural approval from owners;

9.1.16. Ballots, proxies and other records related to voting by owners for 1 year after the election, action or vote;

9.1.17. Resolutions adopted by the board relating to the characteristics, qualifications, limitations, and obligations of members;

9.1.18. All written communications within the past 3 years sent to all owners.

9.2. **Inspection/Copying Association Records.** An Owner or his/her authorized agent is entitled to inspect and copy any of the books and records of the HOC, subject to the exclusions, conditions and requirements set forth below:

9.2.1. The inspection and/or copying of the records of the HOC shall be conducted during the regular business hours of 9:00 a.m. to 4:00 p.m.; at the offices of the HOC's manager, from time to time;

9.2.2. The Owner shall give the HOC's manager a written demand, stating the specific Records for which the inspection and/or copying is sought, at least ten days before the date on which the Owner wishes to inspect and/or copy such records;

9.2.3. Inspections may be made by the Owner or a duly appointed agent, for which a written authorization is presented to the HOC;

9.2.4. The HOC reserves the right to have a third-party present to observe during any inspection of record by an Owner or the Owner's representative;

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

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

9.3. **The following Records may be withheld from copying and inspection:**

9.3.1. Architectural drawings, plans, and designs, except to the extent such materials and documents are required to be posted on the HOC website as part of its review of an application

submitted to the HOC. Other documents shall not be released upon the written consent of the legal owners of the drawings, plans, or designs;

9.3.2. Contracts, leases, bids or records related to transactions to purchase or provide goods or services that are currently in or under negotiations;

9.3.3. Communications with legal counsel that are otherwise protected by attorney-client privilege or the attorney work product doctrine;

9.3.4. Disclosure of information in violation of law;

9.3.5. Records of an executive session of an HOC board;

9.3.6. Records relating to or concerning individual lots other than those of the requesting owner;

9.3.7. The names and physical mailing addresses of lot owners if the lot is a time-share lot.

9.4. **The following Records must be withheld from copying and inspection:**

9.4.1. Personnel, salary, or medical records relating to specific individuals; or

9.4.2. Personal identification and account information of members, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

9.5. **Use of Records.** HOC records shall not be used by any Owner for:

9.5.1. Any purpose unrelated to an Owner's interest as an Owner;

9.5.2. The purpose of soliciting money or property unless such money or property will be used solely to solicit the votes of the Owners in an election to be held by the HOC;

9.5.3. Any commercial purpose;

9.5.4. For the purpose of giving, selling, or distributing such HOC records to any person; or

9.5.5. Any improper purpose as determined in the sole discretion of the Board.

9.6. **Fees/Costs.** Any Owner requesting copies of HOC records shall be responsible for all actual costs incurred by the HOC for the costs of labor and material for gathering and copying the Records. The HOC may require prepayment of the actual cost of the requested Records. Failure to pay such prepayment of costs shall be valid grounds for denying Owner copies of such Records. If after prepayment it is determined that the actual cost was more than the prepayment, Owner shall pay such amount prior to delivery of the copies. If after prepayment it is determined that the actual cost was less than the prepayment, the difference shall be returned to the Owner with the copies. There shall be no cost to any Owner accessing records which are required to be disclosed by Colorado law at no cost to Owners.

9.7. **Use of Membership Lists.**

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

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

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

10. **ENFORCEMENT. DISPUTE RESOLUTION.**

10.1. **Reporting Violations.** Complaints regarding alleged violations of the Governing Documents may be reported by an Owner or resident within HOC, a group of Owners, the HOC's management company, Board member(s), DRB Members, or committee member(s) by submission of a written complaint.

10.2. **Complaints.**

10.2.1. Complaints by Owners shall be in writing and submitted to the Board of Directors through the HOC's manager. The complaining Owner or resident shall have observed the alleged violation and shall identify the complainant ("**Complainant**"), the alleged violator ("**Violator**"), if known, and set forth a statement describing the alleged violation, referencing the specific provisions which are alleged to have been violated, when the violation was observed and any other pertinent information. Non-written complaints or written complaints failing to include any information required by this provision may not be investigated or prosecuted at the discretion of the HOC.

10.2.2. Complaints by a member of the Board of Directors, a committee member, or the manager, if any, may be made in writing or by any other means deemed appropriate by the Board if such violation was observed by the HOC's Manager.

10.3. **Investigation.** Upon receipt of a complaint by the HOC, if additional information is needed, the complaint may be returned to the Complainant or may be investigated further by the HOC's manager or a member of public safety staff.

10.4. **Initial Warning Letter.** If a violation is found to exist, a warning letter shall be sent to the Violator explaining the nature of the violation. The Violator will have fifteen (15) days from the date of the letter to come into compliance. With respect to matters which are an immediate nuisance or capable of immediate cure, the Violator may be given such shorter period of time to come into compliance and the HOC's manager or public safety staff may reasonably determine.

10.5. **Continued Violation After Initial Warning Letter.** If the alleged Violator does not come into compliance within the period of time stated in the first warning letter, this will be considered second violation for which a fine may be imposed following notice and opportunity for a hearing. A second letter shall then be sent to the alleged Violator, providing notice and an opportunity for a hearing, and explaining if a violation is found to exist, a fine may be imposed pursuant to this Policy. The letter shall further state that the alleged Violator is entitled to a hearing on the merits of the matter provided that such hearing is requested in writing within ten (10) days of the date on the second violation letter. If the alleged Violator does not timely request a hearing, he or she shall be deemed to have waived any and all rights to a hearing with respect to the matter.

10.6. **Continued Violation After Second Letter.** If the alleged Violator does not come into compliance within the later of thirty (30) days of the second letter, or, in the event the alleged Violator has requested a hearing after receipt of the second letter, thirty (30) days after that hearing if the merits of the matter are determined against the alleged Violator at the hearing, this will be considered a third violation for which a fine may be imposed. A third letter shall then be sent to the alleged Violator, explaining that a violation has been found to exist, and that a fine is imposed pursuant to this Policy. The alleged Violator shall not be entitled to advance notice of the fine or an opportunity for a hearing because, in connection with delivery of the second letter to the Violator, Violator shall have either not requested a hearing and therefore waived any right thereto, or shall have had a hearing at which the merits of the matter were determined against the alleged Violator.

10.7. **Notice of Hearing.** If a hearing is requested by the alleged Violator, the Board, committee or other person conducting such hearing as may be determined in the sole discretion of the Board (the “**Hearing Panel**”), may serve a written notice of the hearing to all parties involved at least ten (10) days prior to the hearing date. The Hearing Panel must be composed of “**Impartial Decision Makers**”. An Impartial Decision Maker but must be a person who does not receive any greater benefit or detriment from the outcome of the hearing than any other member of the HOC.

10.8. **Hearing.** At the beginning of each hearing, the presiding officer, shall introduce the case by describing the alleged violation and the procedure to be followed during the hearing. Each party or designated representative, may, but is not required to, make an opening statement, present evidence and testimony, present witnesses, and make a closing statement. The presiding officer may also impose such other rules of conduct as may be appropriate under the given circumstances. Neither the Complainant nor the alleged Violator are required to be in attendance at the hearing. The Hearing Panel shall base its decision solely on the matters set forth in the Complaint, results of the investigation and such other credible evidence as may be presented at the hearing. Unless otherwise determined by the Hearing Panel, all hearings shall be open to attendance by all Owners. After all testimony and other evidence has been presented at a hearing, the Hearing Panel shall, within a reasonable time, not to exceed ten (10) days, render its written findings and decision, and impose a fine, if applicable. A decision, either a finding for or against the Owner, shall be by a majority of the Hearing Panel members present at the hearing. Failure to strictly follow the hearing procedures set forth above shall not constitute grounds for appeal of the hearing committee’s decision absent a showing of denial of due process.

10.9. **Failure to Timely Request Hearing.** If the alleged Violator fails to request a hearing within ten (10) days of any letter, or fails to appear at any hearing, the Hearing Panel may make a decision with respect to the alleged violation based on the Complaint, results of the investigation, and any other available information without the necessity of holding a formal hearing if a violation is found to exist, the alleged Violator may be assessed a fine pursuant to these policies and procedures.

10.10. **Notification of Decision.** The decision of the Hearing Panel, shall be in writing and provided to the Violator and Complainant within ten (10) days of the hearing, or if no hearing is requested, within ten (10) days of the final decision.

10.11. **Fine Schedule.**

10.11.1. All fine assessments shall be due and payable immediately upon notice of such fine or assessment, as described above. Notwithstanding anything to the contrary in these

Policies, the HOC shall be entitled to take such action and perform such work as specified in these Rules or as otherwise permitted or required by law, the Declaration or the Bylaws, prior to, in the absence of, or during the pendency of any hearing. If any fine assessment is not paid within ten days after the due date, a late charge in the amount of \$100 shall be assessed to compensate the HOC for the expenses, costs and fees involved in handling such delinquency. Owners shall be personally, jointly, and severally liable for all fines/penalty assessments.

- (a) First Violation Warning letter
- (b) Second Violation (see Fine Schedule)
- (c) Third Violation (see Fine Schedule)
- (d) Third and subsequent covenant violations may be turned over to the HOC's attorney to take appropriate legal action.

10.11.2. The "**Fine Schedule**" for violations of the Governing Documents is set forth in the Aldasoro Ranch Fee Schedule, which fine schedule may be updated by the Board from time to time and posted on the HOC Website.

10.11.3. All fine assessments shall be due and payable immediately upon notice of such fine or assessment, as described above. Notwithstanding anything to the contrary in these Policies, the HOC shall be entitled to take such action and perform such work as specified in these Rules or as otherwise permitted or required by law, the Declaration or the Bylaws, prior to, in the absence of, or during the pendency of any hearing. If any fine assessment is not paid within ten days after the due date, a late charge in the amount of \$100 shall be assessed to compensate the HOC for the expenses, costs and fees involved in handling such delinquency. Owners shall be personally, jointly, and severally liable for all fines/penalty assessments.

10.11.4. Each day that the violation remains uncured shall constitute a continuing violation and the fine shall be assessed for each day that the violation continues. All fines constitute an Assessment against the Owner and may be collected in accordance with the Declaration.

10.11.5. In the event a fine assessment is not paid within ten days, the HOC may thereafter commence an action at law, or in equity, or both, against any Owner personally obligated to pay the same, for recovery of said assessment plus late charges, as aforesaid.

10.12. **Waiver of Fines.** The Board may waive all, or any portion, of the fines if, in its sole discretion, such waiver is appropriate under the circumstances. Additionally, the Board may condition waiver of the entire fine, or any portion thereof, upon the Violator coming into and staying in compliance with the Articles, Declaration, Bylaws or Rules.

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

10.14. **DRB Violations.** Notwithstanding any provisions contained in these Policies, in the event of any specific violations of DRB rules and regulations or design guidelines, then

enforcement provisions of the design guidelines or DRB rules and regulations shall apply if they are inconsistent with the provisions of these Policies.

11. **INTENT TO AVOID LITIGATION.** The HOC, its officers, directors, DRB Members, and committee members, all persons subject to the Declaration including Owners, and any person not otherwise subject to the Declaration who agrees to submit to this Policy (collectively, “**Bound Parties**”) agree to encourage the amicable resolution of disputes involving HOC, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that those claims, grievances or disputes described herein (“**Claims**”) prior to filing suit in any court.

12. **CLAIMS.** Unless specifically exempted below, all claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of the Governing Documents or the rights, obligations and duties of any Bound Party under the Governing Documents shall be subject to the provisions of this Section. Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of this Section:

12.1. Any suit by the HOC against any Bound Party to enforce the provisions of the Declaration relating to Assessments and the collection of Assessments.

12.2. Any suit by the HOC to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the HOC’s ability to enforce the architectural standards and use restrictions and rules;

12.3. Any suit between Owners, which does not include the HOC as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

12.4. Any suit in which any indispensable party is not a Bound Party; and

12.5. Any suit as to which any applicable statute of limitations would expire within 180 days of giving the notice required below.

13. **MANDATORY PROCEDURES.**

13.1. **Notice.** Any Bound Party having a Claim (“**Claimant**”) against any other Bound Party (“**Respondent**”) (collectively, the “**Parties**”) shall notify each Respondent in writing (the “**Notice**”), stating plainly and concisely:

i. The nature of the Claim, including the Persons involved and Respondent’s role, in the Claim;

ii. The legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

iii. Claimant’s proposed remedy; and

iv. That Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

13.2. **Negotiation and Mediation.**

i. The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board of Directors may appoint a representative to assist the Parties in resolving the dispute by negotiation.

ii. If the Parties do not resolve the Claim within thirty (30) days of the date of the Notice (or within such other period as may be agreed upon by the Parties) (“**Termination of Negotiations**”), Claimant shall have thirty (30) additional days to submit the Claim to mediation under the auspices of a reputable and knowledgeable mediation group providing such services in San Miguel County, or, if the Parties otherwise agree, to an independent agency providing dispute resolution services in the San Miguel County, Colorado area.

iii. If Claimant does not submit a claim to mediation within thirty (30) days after Termination of Negotiations, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any person other than the Claimant.

iv. Any settlement of the Claim through mediation shall be documented in writing by the mediator. If the Parties do not settle the Claim within thirty (30) days after submission of the matter to the mediation process, or within such time as determined by the mediator, the mediator shall issue a notice of termination of the mediation proceedings (“**Termination of Mediation**”). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that the mediation was to be mediated.

v. Within five (5) days of the Termination of Mediation, the Claimant shall make a final written settlement demand (“**Settlement Demand**”) to the Respondent and the Respondent shall make a final written settlement offer (“**Settlement Offer**”) to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant’s original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a “zero” or “take nothing” Settlement Offer.

vi. If the Parties do not agree in writing to a settlement of the Claim within fifteen (15) days of the Termination of Mediation, the Parties may proceed with litigation or, if mutually agreed upon by the Parties, the Parties may proceed with Arbitration as provided for below.

14. **FINAL AND BINDING ARBITRATION.** If the Parties do not agree in writing to a settlement of the Claim within fifteen (15) days of the Termination of Mediation, with the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth below.

14.1. If agreed upon by the Parties, the Claimant shall have fifteen (15) additional days to submit the Claim to arbitration in accordance with the rules of arbitration as may be required by the agency providing the arbitrator. The arbitrator shall be a single arbitrator to be appointed by the Parties: If the Parties are unable to agree upon an arbitrator within thirty (30) days of the Claim being submitted to arbitration, a sitting judge for the District Court of San Miguel County, Colorado shall appoint a qualified arbitrator upon application of a Party. No person shall serve as the arbitrator where that person has any financial or personal interest in the result of the arbitration. Any person designated as an arbitrator shall immediately disclose in writing to all Parties any circumstance likely to affect the appearance of

impartiality, including any bias or financial or personal interest in the outcome of the arbitration (“Arbitrator Disclosure”). If any Party objects to the service of any arbitrator within fourteen (14) days after receipt of that Arbitrator’s Disclosure, such arbitrator shall be replaced in the same manner in which that arbitrator was selected. If not timely submitted to arbitration or if the Claimant fails to appear for the arbitration proceeding, the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to persons other than Claimant. This subsection is an agreement to arbitrate and is specifically enforceable under the applicable arbitration laws of the State of Colorado. The arbitration award (“Award”) shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Colorado.

14.2. If the Parties do not agree to arbitration, then the Claimant may proceed with litigation in a manner provided for by applicable law and the Declaration.

15. **ENFORCEMENT OF RESOLUTION.** After resolution of any Claim, if any Party fails to abide by the terms of any agreement or Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in this Section. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award including, without limitation, attorneys’ fees and court costs.

16. **RESERVE FUND AND RESERVE STUDY POLICIES.** Reserve funds may be held in a fiscally responsible, prudent investment account at the discretion Board of Directors. In evaluating the investment of reserve funds, the Board shall exercise ordinary care under the facts and circumstances prevailing at the time of the decision. In doing so, the Board should consider the long-range and short-range needs of the HOC, the HOC’s present and anticipated financial requirements, the expected return on investments, price level trends and general economic conditions. The Board shall invest and manage the HOC’s funds as a prudent investor would, taking into consideration the purposes, terms, expenses and other circumstances of the HOC. The HOC will provide for the regular maintenance and repair of property, facilities, structures and other improvements owned, managed or controlled by the HOC through its regular annual operating budget. At least every three years the Board will consider whether to conduct an internal reserve study for those portions of the Community that the HOC will eventually be responsible for replacing. Such reserve study shall:

16.1. List the major improvements for which the HOC is responsible.

16.2. Assign to each improvement an estimated useful life based on information available to the board, including a physical inspection where possible and appropriate.

16.3. Assign to each improvement an estimated replacement cost in current dollars

16.4. Calculate and budget an annual contribution to the reserve fund per the annual update of the reserve study

To the extent that there are insufficient operating funds or reserve funds available to pay for a necessary repair or replacement, then the HOC will fund such repair or replacement through a special assessment to the owners or an association loan from reserves.

17. **MISCELLANEOUS.**

17.1. **Conflict of Documents.** In the event of a specific conflict between the Governing Documents and these Policies, the Governing Documents shall prevail, unless the provisions of these Policies are required by applicable law.

17.2. **Email Notices.** Notices and invoices may be sent by the HOC to Owners via email unless the Owner requests a different method.

17.3. **Modification, Amendment, Repeal, Re-enactment.** Notwithstanding anything to the contrary contained in these Policies, the HOC hereby reserves the right, at any time and from time-to-time hereafter, to modify, amend, repeal and/or re-enact these Policies. In order to encourage Owner participation in the development of such Policies and to ensure that such Policies are necessary and properly organized, the Board shall follow the following procedures when adopting any Policy:

17.4. **Drafting Procedure.** The Board shall consider the following in drafting the Policy: (a) whether the governing documents or Colorado law grants the Board the authority to adopt such a Policy; (b) the need for such Policy based upon the scope and importance of the issue and whether the governing documents adequately address the issue; and (c) the immediate and long-term impact and implications of the Policy.

17.5. **Notice and Comment.** A copy of the proposed Policy shall be provided to all Owners and Owners shall be allowed a minimum of thirty (30) days to provide comment and/or feedback on the proposed Policy. Actions regarding Policies shall also be listed on the agenda for the Board meeting prior to adoption by the Board and any Owner who wishes to comment on the proposed Policy changes shall be afforded such opportunity in compliance with Colorado law.

17.6. **Emergency.** The Board may forego the notice and opportunity to comment in the event the Board determines in its sole discretion that providing notice and opportunity to comment is not practical given the emergency nature of such Policy.

17.7. **Adoption Procedure.** After the period for Owner comment expires, the Board may adopt, amend, modify, repeal or re-enact any Policy by majority vote. Upon adoption, amendment, modification, repeal or re-enactment 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 by the sole discretion of the Board.

17.8. **No Waiver.** Failure by the HOC, the Board or any person to enforce any provision of these Policies shall in no event be deemed to be a waiver of the right to do so thereafter.

17.9. **Definitions.** Unless otherwise defined in these Policies, initially capitalized or terms defined in the Declaration and Bylaws shall have the same meaning herein.

17.10. **Supplement to Law.** The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Governing Documents and the applicable laws of the State of Colorado governing HOC.

17.11. **Deviations.** The Board may deviate from the procedures set forth in these Policies if in its sole discretion such deviation is reasonable under the circumstances.

17.12. **Severability**. The provisions of these Policies shall be deemed to be independent and several, and the invalidity of any one or more of the provisions hereof, or any portion thereof, by judgment or decree of any court of competent jurisdiction, shall in no way affect the validity or enforceability of the remaining provisions, which provisions shall remain in full force and effect.

17.13. **Construction**. Unless the context provides or requires to the contrary, the use of the singular herein shall include the plural, the use of the plural shall include the singular, and the use of any gender shall include all genders.

17.14. **Caption and Headings**. The captions and headings to the sections are inserted herein only as a matter of convenience a for reference, and are in no way to be construed so as to define, limit or otherwise describe the scope of these policies and procedures or the intent of any provision hereof.

NOTICE AND STATEMENT OF ADOPTION

These Amended and Restated Governance Policies and Procedures of the Aldasoro Ranch PUD/Subdivision (“**Governance Policies**”) were reviewed by The Aldasoro Ranch Homeowners Company, a Colorado nonprofit corporation (“**Homeowners Company**” or “**HOC**”) through its Board of Directors (“**Homeowners Company’s Board**”) at a duly noticed meetings held on May 23, 2017, July 17, 2017, September 15, 2017, November 14, 2017, December 1, 2017 and April 24, 2018 and January 26, 2021.

The Homeowners Company’s Board approves the Governance Policies pursuant to the power, authority and requirements provided for in the Governing Documents and in accordance with applicable Colorado law and makes them effective as of January 26, 2021.

The undersigned President and Vice President for the Homeowners Company’s Board affirm that the foregoing Governance Policies were approved by the requisite number of members of the Homeowners Company’s Board and this it is a valid, and continuing Policy of the Aldasoro Ranch Homeowners Company until it is revoked or amended.

The Governance Policies may periodically be revised or amended from time to time by the HOC.

Aldasoro Ranch Homeowners Company,
a Colorado nonprofit corporation

By: _____

Printed Name: Kevin Holbrook
Title: President

Aldasoro Ranch Homeowners Company,
a Colorado nonprofit corporation

By: _____

Printed Name: John Cameron
Title: Vice-President