

**RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES
FOR THE LAST DOLLAR P.U.D. ASSOCIATION
(Effective as of February 28, 2022)**

FOR PURPOSES of complying with the responsible governance provisions of the Colorado Common Interest Ownership Act, C.R.S. §38-33.3-101, *et seq.* (the “**Responsible Governance Law**”), the following responsible governance policies and procedures (the “**Responsible Governance Policies**”) shall govern the addressed matters for the Last Dollar P.U.D. Association, a Colorado non-profit corporation (the “**Association**”), and have been adopted by the Association’s Board of Directors (the “**Board**”). The Responsible Governance Policies set forth herein shall replace and supersede any such policies previously adopted by the Board. Any capitalized terms not defined herein shall have the same meaning as set forth in the Declaration of Covenants, Conditions and Restrictions of the Association recorded in the office of the County Clerk and Recorder of San Miguel County, Colorado (the “**Official Records**”) at Reception No. 334593, as amended (the “**Declaration**”) or the Responsible Governance Laws.

I. COLLECTION OF UNPAID ASSESSMENTS.

Pursuant to the requirements of Section 209.5(1)(b)(I) of the Responsible Governance Law, the Association hereby adopts the following written policy regarding collection of unpaid assessments and other monies.

(i) Due Dates. The Annual Assessment for Common Expense, as determined by the Association and as authorized in the Declaration, shall be payable either in one installment annually due April 30th or in four equal installments due January 31st, April 30th, July 31st and October 31st of each year. Special assessments are due in full upon the date specified, unless the Board approves an alternative payment schedule. Assessments and other charges and fees not paid in full to the Association when due shall be considered past due and delinquent. Assessments and other charges and fees not paid in full within 15 days of the due date shall incur interest as provided below. Payments are posted as of the date the payment is received by the Association.

(ii) Late Charges and Interest on Delinquent Payments. The Association shall impose interest at 18% per annum, commencing on the 15th day after the amount is due.

(iii) Personal Obligation for Late Charges and Interest. The late charges and interest shall be the personal obligation of the Owner. All late charges and interest shall be due and payable immediately, without notice.

(iv) Return Check Charges. In addition to any and all charges, a return check fee in the amount of \$35.00 shall be assessed against any Owner in the event any check or other instrument is not honored by the bank, payment was stopped, or the check was returned for any reason. The return-check charge is due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by law. If two or more of an Owner’s checks are returned unpaid by the bank within any fiscal year, the Association may require that all of the Owner’s future payments be made by certified check, money order, cash or wire transfer.

(v) Payment Plan. Any Owner who becomes delinquent in payment of assessments or other charges and fees may have a one-time opportunity to enter into a payment plan with the Association, which plan shall accomplish payment in full of past due amounts within a period of six months or such longer term as may be approved by the Board and shall require the Owner to also remain current with assessments and charges as they come due. Such payment plan shall be offered to each Owner prior to the Association

taking legal action to collect. In the event the Owner defaults or otherwise does not comply with the terms and conditions of the payment plan, including timely payment of ongoing assessments, charges and fees, the Association may immediately take legal action to collect.

(vi) Attorney Fees on Delinquent Accounts. As an additional expense under the Declaration and Colorado law, the Association shall be entitled to recover its reasonable attorney fees and collection costs incurred in collection from a delinquent Owner, whether or not suit is brought. The reasonable attorney fees and costs incurred shall be due and payable immediately, upon demand.

(vii) Application of Payments. Payments shall be applied in the following order: first, to the payment of any and all attorney fees and costs; then, to expenses of enforcement and collection, late charges, returned check charges, lien fees, and other costs; finally, application to the principal assessments, fees and other charges due.

(viii) Collection Process.

(a) After an assessment or other charge or fee becomes more than **30 days past due**, the Board shall send a written notice ("**First Notice**") of non-payment, itemizing amount past due, and providing notice that interest and late fees have accrued and requesting immediate payment. The First Notice shall include:

(i) The total amount due to the Association along with an accounting of how the total amount was determined;

(ii) The name and contact information for an individual the Owner can contact regarding the delinquent account;

(iii) That Owner may be eligible to enter into a payment plan and instructions for contacting the Association to arrange for and enter into a payment plan.

(iv) Notice that the account may be turned over to legal counsel or a collection agency that could result in a lawsuit or foreclosure action if payment arrangements are not made within 30 days of the date of the First Notice; and that rights to use Common Elements may be suspended during the delinquency period.

(b) After an assessment or other charge or fee becomes more than **60 days past due**, the Board shall transfer the delinquent account to its legal counsel to 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. The Second Notice shall include:

(i) The total amount due to the Association along with an accounting of how the total amount was determined. The name and contract information should Owner wish to obtain a copy of Owner's ledger to verify the amount due.

(ii) That Owner may be eligible to enter into a payment plan and instructions for contacting the Association to arrange for and enter into a payment plan.

(iii) A statement indicating that immediate action is required to cure the delinquency and that failure to do so may result in the filing of a lawsuit against Owner, filing and foreclosure of a lien against Owner's Lot(s), and other remedies available at law.

(c) The Board may send, but is not obligated to send, subsequent notices containing the information set forth in the Second Notice.

(d) If payment is not made or a payment plan entered into within 30 days of the Second Notice, the Association may bring any or all legal action available to it, including, without limitation, a lawsuit and filing and foreclosure of a lien. In such action, the Association shall be entitled to an award of reasonable attorney fees and costs of the action, as well as late charges and accrued interest as well as interest to accrue until payment in full.

(ix) Voting Rights. Any Owner whose account is delinquent at the time of voting shall be ineligible to vote and voting rights shall remain suspended until the Owner's account is brought current or the Owner has entered into a payment plan and is in compliance therewith.

(x) Defenses. Failure of the Association to comply with any provision of this Policy shall not be deemed a defense for failing to pay any and all assessments due pursuant to the Declaration.

(xi) Limitations on Foreclosure. The Association shall not foreclose any lien for unpaid assessments and other charges and fees ("**Unpaid Charges**"), unless:

(a) total unpaid assessments due exceed six months of regular assessments; and

(b) the Board specially approves by formal action the foreclosure action on the Unit(s) owned by the delinquent Owner.

The Board shall not delegate its duty to approve the foreclosure action to any attorney or agent of the Association. Any legal action to foreclose on a Unit or Units shall include a copy of the Board's specific formal authorization of the foreclosure. Once approved by the Board, the Association may pursue all legal means available to collect the Unpaid Charges including, without limitation, collection/foreclosure procedures.

(xii) Escrow Agreements for Unpaid Charges. The Board also may elect, at any time after a delinquent Owner's Unpaid Charges become more than 60 days past due, to enter into an escrow agreement with the holder of any mortgage on the Unit subject to the Unpaid Charges to combine the entire amount of the Unpaid Charges with the delinquent Owner's mortgage payment, pursuant to Section 315(7) of the Responsible Governance Laws.

II. PROCEDURES FOR OWNER-CREATED COSTS.

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

III. CONFLICTS OF INTEREST INVOLVING BOARD MEMBERS.

Pursuant to the requirements of Section 209.5(1)(b)(II) of the Responsible Governance Laws, the Association hereby adopts the following written policy regarding conflicts of interest involving Board members.

Directors serving on the Board shall adhere to the provisions of the Responsible Governance Laws, the Colorado Revised Nonprofit Corporation Act (the “**Nonprofit Act**”), and specifically those set forth in C.R.S. §7-128-501 as required by Section 310.5 of the Responsible Governance Laws governing conflicts of interest involving directors serving on the Board and the Community Documents (the “**CCIOA Conflicts Regulations**”).

(i) Conflict Defined. The term “**Conflict of Interest**” as used in these Responsible Governance Policies shall mean and include any contract, action or decision taken by the Board that would financially benefit, or curry favor, of any current director serving on the Board, or any such director's family member. As used in these Responsible Governance Policies, “**Family Member**” shall mean and include a director's parent, grandparent, spouse, child or sibling, or a parent or spouse of any of those persons.

(ii) Disclosure of Conflicts Required. Any director serving on the Board with a Conflict of Interest must disclose that conflict in an open meeting of the Board, in reasonable detail, including the nature of the relationship, and the financial benefit or favor which may accrue as a result of the contract, action or decision under consideration by the Board. Such disclosure shall be made before there is any discussion of the issue. Such disclosure shall be recorded in the minutes of the meeting.

(iii) Discussion and Voting. A director serving on the Board with a Conflict of Interest may participate in the discussion regarding the issue that presents the conflict, but may not vote on that Issue.

IV. CONDUCT OF MEETINGS.

Pursuant to the requirements of Section 209.5(1)(b)(III) of the Responsible Governance Laws, the Association hereby adopts the following written policy regarding the conduct of meetings.

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

V. ENFORCEMENT OF COVENANTS AND RULES, INCLUDING NOTICE AND HEARING PROCEDURES AND SCHEDULE OF FINES.

Pursuant to the requirements of Section 209.5(1)(b)(IV) of the Responsible Governance Laws, the Association hereby adopts the following written policy regarding the enforcement of covenants and rules, including notice and hearing procedures and the schedule of fines.

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

Whenever the Board has reason to believe that any Owner has violated and/or is in violation of any non-monetary covenant, restriction, or other obligation under any of the Community Documents, or has reason to assess a fine against a Lot and/or Owner for this type of violation, the Board shall conduct an informal, but fair and impartial fact-finding process to determine whether or not, in its best judgment, the alleged violation actually occurred and, if so, whether it believes the accused Owner is the party responsible and/or liable for the alleged violation.

In connection with this fair and impartial fact-finding process, the Board shall send a written notice (the “**Notice of Violation**”) to the Owner and all first mortgagees, if any, at the address(es) that appear(s) in the records of the Association. The Notice of Violation shall state the time and place at which a private hearing (the “**Hearing**”) will be held between the Board and the Owner and shall describe the violation(s) to be addressed at the Hearing. The Hearing shall be conducted pursuant to the procedures set forth for conducting of meetings in Paragraph 4, above.

At the Hearing, the Board shall address the nature and details of the alleged violation with the Owner, and the Owner shall be provided an opportunity to rebut, explain, or present any evidence in the Owner’s defense. If the Board and the Owner are able to reach an agreement as to how best to resolve the alleged violation at, or pursuant to, the Hearing, that agreement shall be reduced to writing and signed by the Owner and on behalf of the Board. If the Board and the Owner prove unable to reach an agreement, then the Board, in its sole discretion, thereafter may pursue any legal or equitable remedies, assess any fines, and/or take any other actions it deems necessary and/or proper (including without limitation, recovery and/or legal fees and/or other costs of the Hearing, the impartial fact-finding process or otherwise), pursuant to the Community Documents and/or applicable laws. If the Board determines, as a result of the fact-finding process and/or the Hearing (in the Board’s sole and absolute discretion), that the Owner is not responsible for the alleged violation, the Association shall not allocate any portion of its costs or attorney fees to the Owner incurred in connection with the fact-finding process or Hearing.

Pursuant to Section 209.5 of the Responsible Governance Laws, no director serving on the Board shall participate in the fact-finding process, the Hearing, or any determination of whether the accused Owner is the party responsible and/or liable for the alleged violation, if such director has a direct personal or financial interest in the outcome of the Hearing. In the event that the (i) entire Board is prohibited from participating in the matter pursuant to the foregoing; and/or (ii) the Board determines that best interests of the Association would be served by appointing an impartial committee to handle the matter, the Board shall appoint a committee consisting of no less than three members to conduct the fact-finding process, the Hearing, and make a determination of whether the accused Owner is the party responsible and/or liable for the alleged violation.

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

The following is the schedule of fines for violations of any non-monetary covenant, restriction, or other obligation under any of the Community Documents:

(1) First Offense	=	written warning
(2) Second Offense	=	\$50.00
(3) Third and Subsequent Offenses	=	\$200.00

VI. DISPUTES ARISING BETWEEN THE ASSOCIATION AND OWNERS.

Pursuant to the requirements of Section 209.5(1)(b)(VIII) of the Responsible Governance Laws, the Association hereby adopts the following written policy regarding procedures for addressing disputes arising between the Association and Owners.

Except as set forth below, in the event of any dispute between the Association and an Owner for which a method, policy, or procedure to address such dispute is not otherwise provided by the Community Documents (in which event the specified method, policy, or procedure shall control), neither the Association nor an Owner shall be permitted to file or pursue any formal judicial proceedings before first attempting to resolve such dispute through alternative dispute resolution (“ADR”). ADR includes, without limitation, mediation. Whenever practicable as determined by the Board, ADR will be employed under the following conditions to resolve disputes with Owners, except for matters dealing with the collection of assessments or in matters dealing with covenant enforcement:

(i) Both the Association, as directed by and through the Board, and the Owner involved in the dispute must agree to ADR;

(ii) Both the Association and the Owner must agree, in writing, to toll any applicable statute of limitations for the period of time during which the parties are engaged in ADR;

(iii) Both the Association and the Owner must agree to the terms of the ADR, before the ADR is commenced, including the form of ADR to be used. If no agreement can be reached as to the form of ADR, mediation will be used using a qualified mediator agreed upon by the parties;

(iv) The costs of mediation shall be split evenly among the parties involved in the mediation. Costs associated with mediation which accrue to an Owner shall be construed as Assessments, and shall be subject to the provisions of the Declaration and Colorado law with respect to collection of Assessments; and

(v) The Board may amend this policy from time to time.

The foregoing notwithstanding, no formal procedure or hearing process (including that set forth in Paragraph 5 above) shall apply to or serve in any manner to delay or hinder the Association’s rights or remedies regarding any (i) disputes involving payment of Association assessments or (ii) emergency or similar circumstances requiring immediate relief.

VII. ASSOCIATION RECORD RETENTION, INSPECTION, COPYING, USE AND DESTRUCTION.

Pursuant to the requirements of Section 209.5(1)(a) and Section 209.5(1)(b)(V) of the Responsible Governance Laws, the Association hereby adopts the following written policy regarding maintenance, inspection and copying of Association records.

A. Record Retention. In addition to any records specifically required by the Community Documents, the Association shall maintain and retain records as follows:

1. Accounting and Financial Records.

a. Detailed records of receipts and expenditures affecting the operation and administration of the Association.

- b. Annual financial statements for the past three years.
- c. Financial statements, to the extent available, showing, in reasonable detail, the Association's assets and liabilities and results of its operations for the past three years.
- d. Tax returns for the past seven years, to the extent available.
- e. Financial records sufficiently detailed to enable the Association to provide statements of unpaid assessments.
- f. The Association's most recent reserve study.
- g. A list of the current amounts of all unique and extraordinary fees, assessments, and expenses that are chargeable by the Association in connection with the purchase or sale of a unit and are not paid for through assessments, including transfer fees, record change fees, and the charge for a status letter or statement of assessments due.
- h. All documents including in the Association's annual disclosures made pursuant to Section 38-33.3-209.4.

2. Association Governance Records.

- a. Minutes of Owner meetings, minutes of Board meetings, a record of all actions taken by the Owners or the Board without a meeting (i.e., by written ballot or written consent in lieu of a meeting), and a record of all actions taken by a committee of the Board.
- b. Written communications among, and the votes cast by, Board members that are directly related to an action taken by the Board without a meeting pursuant to the Association's Bylaws or Colorado law.
- c. The current articles of incorporation, declaration, covenants, bylaws, rules and regulations, and any other policies adopted by the Board.
- d. The names of Owners in a form that permits preparation of a list of names and physical mailing addresses of all Owners, showing the number of votes each Owner is entitled to vote ("**Owner List**").
- e. The Association's most recent annual report delivered to the Secretary of State.
- f. Records of Board or committee actions to approve or deny design or architectural approval from Owners, if any.
- g. Ballots, proxies, and other records related to voting by Owners for one year after the election, action, or vote to which they relate.
- h. Resolutions adopted by the Board relating the characteristics, qualifications, rights, limitations, and obligations of Owners or any class of Owners.
- i. Written communications within the past three years to Owners generally as Owners.

j. List of the names, electronic mail addresses and physical mailing addresses of its current directors serving on the Board and all officers.

3. Miscellaneous Records.

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

b. Current written contracts to which the Association is a party.

c. Written contracts for work performed for the Association within the immediately preceding two years.

B. Inspection and Copying of Association Records.

1. Inspection Procedure.

a. The records set forth in (i) above Subsection A of Section 7 shall be made reasonably available for inspection and copying by an Owner or the Owner's authorized agent during regular business hours after written request of no less than 10 days. The written request shall describe the records sought with reasonable particularity. The Association may impose a reasonable charge, which may be collected in advance and may cover the costs of labor and material and mailing and necessary special processing costs for copies of the records sought. The Board may require that requests be submitted on the form to be provided upon request.

b. If the Association fails to allow inspection or copying of records in accordance with this Subsection B.1. within 30 calendar days after (i) receipt of a written request from the requesting Unit Owner submitted by certified mail, return receipt requested, and (ii) payment of any fees required pursuant to Subsection B(1)(a) above, the Association may become liable for penalties in the amount of \$50.00 per day, commencing on the eleventh business day after the Association received the written request, up to a maximum of either \$500.00 dollars or the Unit Owner's actual damages sustained as a result of the refusal, whichever is greater.

c. At the discretion of the Board or Association manager, records will be inspected only in the presence of a Board member or other person designated by the Board.

d. During inspection, an Owner may designate pages to be copied with a paperclip, post-it note, or other means provided by the Association. Copies will be made at a cost based on the standard schedule of fees charged by the Association's management agent, which charges shall include reasonable retrieval costs for off-site files. The Owner shall be responsible for paying the total copying cost prior to receiving the copies.

e. Records may not be removed from the office in which they are inspected without the express written consent of the Board, which consent may be conditioned on receipt of a cash deposit that shall be refunded upon return of the records.

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

g. The Association may pursue any Owner for damages or injunctive relief or both, including reasonable attorney fees, for abuse of inspection and copying rights, including use of any records for a commercial purpose.

h. The Association may not condition the inspection or production of records upon the statement of a proper purpose.

2. Inspection Restrictions.

a. Records to be Withheld. The following records *may* be withheld from inspection and copying to the extent that such records are or concern:

(i) architectural drawings, plans, and designs, unless the legal owner of such drawings, plans, or designs provides written consent to the release;

(ii) contracts, leases, bids or records related to transactions to purchase or provide goods or services that are still in or under negotiation;

(iii) communication with legal counsel protected by the attorney-client privilege or the attorney work product doctrine;

(iv) disclosure of information in violation of law;

(v) records of an executive session of the Board; and

(vi) records related to an individual Lot other than the requesting Owner's individual Lot.

b. Records Not Subject to Review. The following records *are not* subject to review, inspection and/or copying and *shall* be withheld from any inspection:

(i) personnel, salary, or medical records related to specific individuals; and

(ii) personal identification and account information of Owners including, but not limited to:

- bank account information
- telephone numbers
- electronic mail addresses
- driver's license numbers
- social security numbers
- vehicle identification information

c. Use of Records.

3. General. No Owner may use Association records, or allow Association records to be used, for commercial purposes.

4. Owner List.

a. An Owner List shall not be:

- (i) used to solicit money or property unless such money or property will be used solely to solicit votes of the Owners in an election held by the Association.
- (ii) used for any commercial purpose.
- (iii) sold to or purchased by any person.
- (iv) used for any purposes unrelated to the Owner's interest as an Owner.
- (v) used for any other purpose prohibited by law.

5. Destruction of Records.

A. Destruction Procedure.

- 1. There may be immediate destruction of copies of any document, regardless of age, provided that an original is maintained by the Association or its management agent.
- 2. All documents to be purged or destroyed shall be shredded, or permanently deleted electronically, if stored in an electronic format.
- 3. All documents related to or arising out of anticipated or pending litigation shall not be destroyed.

VIII. INVESTMENT OF RESERVE FUNDS.

Pursuant to the requirements of Section 209.5(1)(b)(VI) of the Responsible Governance Law, the Association hereby adopts the following written policy regarding investment of reserve funds.

1. Objectives. The objectives of the Association's investment policy are outlined and prioritized as follows:

- a. Preservation and safety of the principal;
- b. Maintenance of sufficient liquid assets to meet planned and unplanned expenses; and
- c. Earning a reasonable return on investments.

2. Segregation of Funds. The Association shall maintain its reserve funds in an account or accounts which are separate from the operating fund.

3. Protection of Principal. The Association will take the following steps to insure the safety of the principal:

a. Reserve funds shall be maintained in an account or accounts which are insured and guaranteed; and

b. Investment of reserve funds shall be limited to relatively lower risk instruments including, but not limited to, certificates of deposit, U.S. Treasury bills, U.S. Treasury notes, or other instruments or investments reasonably determined by the Board to represent an acceptable level of risk.

4. Maintenance of Liquid Assets. To the extent possible, the Board shall maintain liquid reserves sufficient to meet the planned expenditures of the Association for reserve items, plus an amount reasonably determined by the Board to be sufficient for unplanned or emergency expenses.

5. Return on Investments. The Board shall review the Association's reserve investments on a regular basis, but no less frequently than annually, to determine whether the rate of return is reasonable given existing rates, and make changes as they deem necessary.

6. Standards of Care. With regard to the investment of reserve funds of the Association, Board directors shall be subject to the standards set forth in Section 401 of the Nonprofit Act, as amended by Section 303(2.5) of the Responsible Governance Law.

IX. RESERVE STUDY POLICY.

Pursuant to the requirements of Section 209.5(1)(b)(IX) of the Responsible Governance Law, the Association hereby adopts the following written policy regarding reserve study policy.

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

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

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

Pursuant to the requirements of Section 209.5(1)(b)(VII) of the Responsible Governance Law, the Association hereby adopts the following written policy regarding procedures for the adoption and amendment of policies, procedures and rules.

Amendments to the Association's policies, procedures and rules may be appropriate and/or desired and/or necessary from time-to-time. Any such amendments shall be undertaken and adopted by the Board, subject to any applicable requirements of the Community Documents and/or the Responsible Governance Law.

XI. YEAR END EXCESS FUND BALANCE TAX TREATMENT.

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

XII. SIGNS, RELIGIOUS SYMBOLS, XERISCAPE/ARTIFICIAL TURF, AFFORDABLE HOUSING AND FLAGS POLICY.

In accordance with Section 106.5 of the Responsible Governance Law (and subject to any future amendments to those provisions), the following shall apply:

(1) The Board (or any action by the Members) shall not prohibit any of the following:

a. The display of a flag on or in any Unit, in a window of the Unit, or on a balcony adjoining the Unit. The Association shall not prohibit or regulate the display of flags on the basis of their subject matter, message, or content; except that the Association may prohibit flags bearing commercial messages. The Board is authorized to adopt at any time deemed reasonable, content-neutral rules to regulate the number, location, and size of flags and flag poles, but shall not prohibit the installation of a flag or flag pole.

b. The display of a sign by the Owner or occupant of a Unit within the boundaries of the Unit or in a window of the Unit. The Association shall not prohibit or regulate the display of window signs or yard signs on the basis of their subject matter, message, or content; except that the Association may prohibit signs bearing commercial messages. The Board is authorized to adopt at any time deemed necessary reasonable, content-neutral sign regulations based on the number, placement, or size of the signs or on other objective factors.

c. The display of a religious item or symbol on the entry door or entry door frame of a Unit; except that the Board is authorized to adopt at any time deemed necessary to prohibit the display or affixing of an item or symbol to the extent that it: (i) threatens public health or safety; (ii) hinders the opening or closing of an entry door; (iii) violates federal or state law or municipal ordinance; (iv) contains graphics, language, or any display that is obscene or otherwise illegal; or (v) individually or in combination with other religious items or symbols covers an area greater than 36 square inches.

d. None of these prohibitions shall prohibit the Unit Owners from being required to remove a religious item or symbol during the time any work is being performed for maintenance, repair, or replacement of an entry door or door frame that serves a Unit. After completion of such work the Unit Owner again may display or affix the religious item or symbol and the Association shall provide individual notice to the Unit Owner regarding the temporary removal of the religious item or symbol.

e. The parking of a motor vehicle by the occupant of a Unit on any driveway, or guest parking area in the Common Elements, if the vehicle is required to be available at designated periods as such occupant's residence as a condition of the occupant's employment and all of the following criteria are met: (i) the vehicle has a gross vehicle weight of 10,000 pounds or less; (ii) the occupant is a bona fide member of a volunteer fire department or is employed by a primary provider of emergency firefighting, law enforcement, ambulance, or emergency medical services; (iii) the vehicle bears an official emblem or other visible designation of the emergency service provider; and (iv) parking of the vehicle can be accomplished without obstructing emergency access or interfering with the reasonable needs of other Unit Owners or occupants to use driveways, and/or guest parking spaces within the Common Elements.

f. The removal by a Unit Owner of trees, shrubs, or other vegetation to create a defensible space around a dwelling for fire mitigation purposes, so long as such removal complies with a written defensible space plan created for the Community by the Colorado state forest service, an individual or company certified by a local governmental entity to create such a plan, or the fire chief, fire marshal, or fire protection district within whose jurisdiction the unit is located, and is no more extensive than necessary to comply with such plan. The plan shall be registered with the Board before the commencement of work. The Board may require changes to the plan if the Board obtains the consent of the person, official, or agency that originally created the plan. The work shall comply with applicable Association standards regarding slash removal, stump height, revegetation, and contractor regulations.

g. Reasonable modifications to a Unit or to Common Elements, as necessary to afford a person with disabilities full use and enjoyment of the unit in accordance with federal "Fair Housing Act of 1968", 42 U.S.C. sec. 3604(f)(3)(A);

h. So long as a Unit is limited to occupancy by the Unit Owner, the right of a Unit Owner, public or private, to restrict or specify by deed, covenant, or other documents to create any form of either permissible sale price, rental rate, or lease rate of the Unit; or occupancy or other requirements designed to promote affordable or workforce housing, as such terms may be defined by the pertinent local housing authority. However, this restriction on Association actions shall not prohibit the future owner of a Unit against which such restriction or specification has been placed from lifting such restriction or specification on that Unit, as long as this is replaced by another Unit in the Community and the restriction or specification on the new Unit reasonably is equivalent to that on the Unit being released, replaced – all as confirmed by the pertinent local housing authority.

i. Subject to any other applicable Town or County regulations, the use of xeriscape, nonvegetative turf grass, or drought-tolerant vegetative landscapes to provide ground covering to property for which a Unit Owner is responsible, if any, and including Limited Common Elements. The foregoing notwithstanding, the Board shall be entitled to adopt from time-to-time design or aesthetic guidelines or rules that apply to nonvegetative turf grass and drought-tolerant vegetative landscapes or regulate the type, number, and placement of drought-tolerant plantings, nonvegetative turf grass, etc. and hardscape that may be installed on or in connection with a Unit, specifically including any Limited Common Elements.

j. The use of a rain barrel, as defined in Section 37-96.5-102(1), C.R.S., to collect precipitation from a residential rooftop in accordance with Section 37-96.5-103, C.R.S. The foregoing does not confer upon any Owner or resident of a Unit the right to place or connect a rain barrel on or to any Common Elements or a Unit that is leased, except with permission of the lessor, on or to any Unit attached to one or more other Units, except with permission of the other Unit Owners. The Board further may impose reasonable aesthetic requirements that govern the placement or external appearance of any allowed rain barrel.

k. The operation of a family child care home, as defined in Section 26-6-102(13), C.R.S., that is licensed under Part 1 of Article 6 of Title 6. The foregoing does not supersede or limit any of the Association's regulations concerning architectural control, parking, landscaping, noise, and/or other matters not specific to the operation of a business per se, but the Board shall make reasonable accommodations for fencing requirements applicable to licensed family child care homes. Further the Board may require the owner or operator of a family child care home located in the Community to carry liability insurance, at reasonable levels determined by the Board, providing coverage for any aspect of the operation of the family child care home for personal injury, death, damage to personal property, and damage to real property that occurs in or on any of the Common Elements, the Unit where the family child care home is located, or any other Unit. The Association shall be named as an additional insured on the liability insurance the family child care home is required to carry, and such insurance must be primary to any insurance the Association is required to carry under the Terms of the Declaration, or otherwise.

l. The Association shall not effectively prohibit renewable generating devices, as defined in Section 38-30-168, C.R.S., and the Association shall not require the use of cedar shakes or other flammable roofing materials.