GOVERNANCE POLICIES AND PROCEDURES
FOR
THE KNOLLS, PHASE 1

ARTICLE 1
COLLECTION OF UNPAID ASSESSMENTS

A. Procedure for Collection of Assessments.

1. Due Date. Any assessment (Regular, Special or Default) not fully paid 30 days after the due date thereof is delinquent. All assessments are payable to the Association and are mailed or emailed as directed by the Executive Board (the "Board") or property manager, if applicable. Regular Assessment shall be levied on an annual basis on the date determined by the Board. Special Assessments and Default Assessments will be levied and mailed or emailed to Owners as necessary according to the terms set forth in the Declaration. Default assessments are assessments consisting of charges or fines for violations of the Association's Declaration of Covenants Conditions and Restrictions (the "Declaration") or rules and regulations.

2. Late Fees and Interest. Any assessment, fee or charge, which is not fully paid 30 days after the due date shall bear interest, from the date of the delinquency, at the rate of 12% per annum or such greater amount as may be established by Board resolution from time to time. In addition, the Board may impose a late fee as established by resolution of the Board.

3. Suspension of Voting Rights. When an Owner fails to pay an Association assessment by the due date, the Owner's voting rights in the Association and voting rights to cast votes by proxy, and rights to use of the common areas, shall be suspended until the delinquent assessment has been paid in full.

4. Lien. The Association may file a lien against a delinquent Owner's Lot when the account is past due. Prior to recording a lien, a notification as required in Section 5 below will be sent to the Owner.

5. Notification to Owner. Before the Association can turn over a delinquent account to a collection agency or authorize an attorney to commence collections, foreclosure or file a lien against the property, the Association will send the Owner a letter or notice of delinquency (the notification letter may be sent by the property manager or agent for the Association) specifying:

a. Total amount due with an accounting or ledger showing amounts owed.

b. The amount necessary to cure the delinquency.

c. The name and contact information of the person to whom payment should be made.

d. The opportunity to enter into a one-time, 6-month payment plan and the instructions for contacting the Association for doing so.

e. A listing of legal remedies of the Association, including foreclosure.

6. Application of Payment; Definition of Assessment. Any fine, late charge or other monetary charge or penalty levied by the Association pursuant to the Declaration or the Colorado Common Interest and Ownership Act (the "Act"), including attorney's fees and costs incurred by the Association and for which the Owner is liable, shall be collectible as an Assessment as that term is defined by the Act. Payments received from an Owner shall be applied to the Owner's account in the following order:

a. Attorney's fees and costs incurred by the Association and for which the Owner is responsible pursuant to the Act or the Declaration;

b. Interest which has accrued on all unpaid charges;

c. Fines, late charges or other monetary charges or penalties;

d. Past due Default Assessments;

e. Past due Special Assessments;

f. Past due installments of Regular Assessment;

g. Current Special Assessments; and

h. Current installment for Regular Assessment.

B. Payment Plan. The Executive Board of the Association, or its designated representative, has the authority to negotiate payment plans with an Owner. The following rules for payment plans shall apply:

1. Six (6) Month Payment Plan. At a minimum, the Association will offer the Owner the opportunity to pay off the deficiency in equal installments over a period of at least six months. The deficiency amount may include any regular, special or default assessments, late fees, attorneys' fees, fines and interest ("regular assessments"). The six-month payment plan shall commence no later than 30 days after the date of the delinquency notice to the Owner. The Association will provide the Owner with the six-month payment schedule and the dates upon which the payments are due.

2. The Owner shall remain current with any Regular Assessment that may come due during the payment plan period.

3. If the Owner fails to make an installment payment under the payment plan or fails to remain current with the Regular Assessment during the payment plan period, the Owner is in default of the plan and the Association may pursue its remedies including, but not limited to, filing a lien, foreclosure, and filing a lawsuit and obtaining a judgment.

4. The Association is not required to enter into any payment plan with the Owner if the Owner has previously failed to comply with the terms of the payment plan offered by the Association.

5. The Association is not required to enter into a payment plan if the Owner does not occupy the Unit and the Owner obtained the title by foreclosure or deed in lieu of foreclosure.

6. A waiver of interest and/or late fees or agreement to a payment plan in one instance shall not operate as a waiver of any future payment obligations nor shall such waiver or agreement constitute a precedent for the Board.

C. Remedies at Law. In addition to the above, the Association may bring an action against any Owner personally obligated to pay such overdue assessment, charges, or fees and may also proceed to foreclose its lien against such Owner's Unit. Any action by the Association against an Owner to recover a money judgment for unpaid assessment, charge or fees may be commenced and pursued by the Association without foreclosing, or in any way waiving, an Association's lien.

D. Foreclosure. Before an Association may foreclose on its lien, the following two requirements must be met:

1. The balance due from the Owner must equal or exceed six months of budgeted common expense assessments allocated to the delinquent Owner's Lot.

2. The Board must vote to approve the commencement of foreclosure against the delinquent Lot Owner.

ARTICLE 2
HANDLING CONFLICTS OF INTEREST INVOLVING EXECUTIVE BOARD MEMBERS

If any contract, decision or other action taken by or on behalf of the Board would financially benefit any member of the Board or any person who is a parent, grandparent, spouse, child, sibling or otherwise is a family-member related to a member of the Board or a parent or spouse of any of those persons, that member of the Board shall declare a conflict in an open meeting, prior to any discussion or action on that issue. After making such declaration, the member may participate in the discussion

but shall not vote on that issue. If a Board member does not voluntarily make a declaration as to a conflict, the remaining Board members (i.e., those members of the Board who do NOT have a conflict) may, by majority vote, determine whether or not a conflict exists according to the standards set forth in the Colorado Nonprofit Corporations Act, at C.R.S. 7-128-501. The Board, by majority vote (excluding the member of the Board with the conflict) shall also determine whether or not the conflicting interest transaction is void, voidable, must be enjoined, set aside or gives rise to an award of damages or other sanctions in accordance with the criteria set forth in C.R.S. 7-128-501(c).

ARTICLE 3
CONDUCT OF MEETINGS

A. Open Meeting. All meetings of the Association are open to every Owner, or to any person designated by an Owner in writing as the Owner's representative, subject to the right of the Board to conduct executive sessions as provided in the Act.

B. Restrictions on Speaking. In any Board meeting, at an appropriate time determined by the Board, but before the Board votes on an issue under discussion, Lot Owners or their designated representatives shall be permitted to speak regarding that issue. The Board may place reasonable time restrictions on persons speaking during the meeting. If more than one person desires to address an issue and there are opposing views, the Board shall provide for a reasonable number of persons to speak on each side of the issue.

C. Owner Conduct. When speaking at a meeting, Owners shall abide by the following:

- No Owner is entitled to speak until recognized by the chair.
- Comments are to be restricted to the agenda item being discussed.
- Owners are expected to behave courteously. Personal attacks, physical actions, yelling, and pounding on tables will not be tolerated and the chair may terminate the Owner's comment period.
- Owners shall not interrupt when another Owner has the floor.
- Owners should avoid repetition of comments already made other than to endorse what has already been said.

D. Disruptive or Unruly Behavior. If an Owner unreasonably disrupts a meeting, refuses to stop speaking when requested, or is otherwise in violation of the provisions of this policy, the President or other officer or meeting chair may make a motion to take any appropriate action to bring the meeting under control, including, asking the disruptive person to leave, calling a recess, or adjourning the meeting.

The conduct provisions of subsections C and D above shall also apply to members of the Board.

E. Request To Speak on Agenda. The President of the Board establishes the agenda for

each meeting. Owners who desire to speak at a meeting shall notify the Secretary of the Board in writing at least 30 days in advance of the meeting and shall indicate the topic on which the Owner desires to speak. The Owner's topic of discussion may be included as an item of New Business unless the topic is already an agenda item in which case, the Owner may speak to the issue when the agenda item is presented for Owner comment subject to any time limits established by the Board. The Owner shall be permitted (5) five minutes to introduce and speak on any New Business matter unless, during the meeting, the Executive Board determines that a shorter or longer period of time is appropriate.

ARTICLE 4
ENFORCEMENT OF COVENANTS AND RULES, INCLUDING NOTICE AND HEARING PROCEDURES, SCHEDULE OF FINES

A. Abatement and Enjoinment of Violations by Owners. The violation of any of the terms and conditions of the Declarations, the Bylaws, or Policies and Procedures adopted by the Board (the "Association Documents") or the breach of any of the Association Documents shall give the Board the right, after prior written notice to the Owner of the violation (except in case of an emergency), in addition to any other rights set forth in these Bylaws:

1. To enter a Lot, or authorize law enforcement to enter a Lot, in which, or as to which, the violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition (except for additions or alterations of a permanent nature that may exist in that Lot) that is existing and creating a danger to the common interest community contrary to the intent and meaning of the provisions of the Association Documents. The Board shall not be deemed liable for any manner of trespass by this action; or

2. To enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any breach.

B. Notice and Hearing Procedures – Violations of Association Documents.

1. The following procedures for notice and hearing shall apply when an Owner has violated a covenant or rule and regulation of the Association. Prior to the levy of a fine, the accused shall have the right to be heard as set forth herein.

a. Notice to Owner. If it is believed that an Owner has violated a covenant or rule and regulation under the Association Documents (the "Alleged Violation"), the Board shall send written notice (via mail or email) regarding same to the Owner. The notice shall require the Alleged Violation cease within such period of time as the Board deems reasonable, based upon the nature of the Alleged Violation. The notice, if mailed, shall be mailed to the last known address of the Owner, via certified mail. The notice, if emailed, shall be emailed to the last known email address provided.

b. Imposition of Fine. If the Alleged Violation has not ceased within the manner and period of time set forth in the letter to Owner, the President, or other authorized representative of the Board, will send a second notice to the Owner informing the Owner that the Board intends to levy a fine and that the Owner has the opportunity to be heard before the Executive Board. If the Owner disputes the violation, the Owner has the opportunity to be heard and may contact the Board to arrange for a hearing. The hearing will be held at a mutually agreeable time and no later than 15 days after Owner requests the hearing. If the Owner fails to request a hearing or does not dispute the occurrence of the Alleged Violation, the Alleged Violation shall be deemed to have occurred. The Owner may attend the meeting in person or by telephone. The Board has the authority, upon determination that a violation has occurred, to levy fines, attorney's fees and other charges as permitted under Colorado law. At the discretion of the Board, fines may be retroactive to the date of the original imposition of said fine.

c. Constraints on the Executive Board. It shall be incumbent upon each member of the Board to make a determination as to whether he or she is able to function at the hearing in a disinterested fashion. If such member is incapable of objective consideration in the case, he or she shall disclose such to the committee and remove himself or herself from the proceedings and have it so recorded in the minutes.

d. Hearing. The hearing will not be conducted according to technical rules relating to evidence and witnesses. Generally, any relevant evidence may be admitted if it is the sort of evidence on which responsible persons are accustomed to rely in the conduct of serious affairs, regardless of the existence of any common law or statutory rule which might make improper the admission of such evidence over objection in civil actions. Decisions of the Board may be made "under advisement," i.e. at a later date and time but not to exceed 7 days from the date of the hearing. All decisions of the Board are effective three days after written notice is sent to the Owner (via regular, first class mail or by email if an email address has been provided by the Owner).

e. Failure to Attend. If the accused party, or his or her authorized agent, fails to attend the hearing (in person or by telephone), and there are no reasonable extenuating circumstances to justify the non-appearance, the violation shall be deemed to have occurred and the Board shall be authorized to impose the fine, charges and/or attorney's fees, or take such other action as authorized by the Association Documents or Colorado law.

2. Joint and Several Liability. If there are multiple Owners, each shall be jointly and severally liable for any fine or other monetary penalty imposed pursuant to the enforcement of the Association Documents, including, but not limited to, all attorney's fees, expert witness fees and

costs incurred by the Association resulting from or in any way related to the violation or the collection of fines.

3. Remedy. Each remedy set forth in this Policy shall be in addition to all other remedies, whether available at law or in equity, and all such remedies, whether or not set forth in the Association Documents, shall be cumulative and nonexclusive.

C. Fines. The Board may levy a fine of $25 per day for each day a violation persists up to a maximum of $1000. The Board, in its discretion, may adopt a "schedule of fines" by Board resolution or separate policy in amounts greater than $25.00 per day for specific violations.

ARTICLE 5
INSPECTION AND COPYING OF RECORDS

I. Association Records.

A. Records To Be Maintained. In addition to any records specifically defined in the Association's Declaration or Bylaws or expressly required by Section 38-33.3-209.4, the Association must maintain the following, all of which shall be deemed to be the sole records of the Association for purposes of document retention and production to Owners:

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

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

3. Minutes of all meetings of its Owners and Board, a record of all actions taken by the Owners or Board with a meeting and 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;

4. Written communications among, and the votes cast by, Board members that are:

a. directly related to an action taken by the Board without a meeting pursuant to Sec. 7-128-202 of the Colorado Non-Profit Corporations Act (CNCA); or

b. directly related to an action taken by the Board without a meeting pursuant to the Association's Bylaws;

5. The names of Owners in a form that permits preparation of a list of the names of all Owners and the physical mailing addresses at which the Association communicates with them, showing the number of votes each Owner is entitled to vote;

6. Its current Declaration, Covenants, Bylaws, Articles of Incorporation, if it is a corporation, or the corresponding organizational documents if it is another form of entity, Rules and Regulations, responsible governance policies adopted pursuant to Sec. 209.5 of the Act and other policies adopted by the Board;

7. Financial statements as described in 7-136-106 of the CNCA for the past three years and tax returns of the Association for the past seven years, to the extent available;

8. A list of the names, electronic mail addresses, and physical mailing addresses of its current Board members and officers;

9. Its most recent annual report delivered to the Secretary of State, if any;

10. Financial records sufficiently detailed to enable the Association to comply with Sec. 316(8) of the Act concerning statements of unpaid assessments;

11. The Association's most recent reserve study, if any;

12. Current written contracts to which the Association is a party and contracts for work performed for the Association within the immediately preceding two years;

13. Records of Board or committee actions to approve or deny any requests for design or architectural approval from Owners;

14. Ballots, proxies, and other records related to voting by Owners for one year after the election, action, or vote to which they relate;

15. Resolutions adopted by its Board relating to the characteristics, qualifications, rights, limitations, and obligations of members or any class or category of members; and

16. All written communications within the past three years to all Owners generally as Owners.

B. Examination and Copying. Subject to the restrictions and limitations set forth in this Policy and the Act, all records maintained by the Association must be available for examination and copying by an Owner or the Owner's authorized agent.

1. Written Request. Owners shall submit a written request, describing with reasonable particularity the records sought, at least ten days prior to inspection or production of the documents.

2. Times for Copying and Inspection. The Board shall have a reasonable period of time to organize the documents for examination and copying. Examination and copying times shall occur during normal business hours or the next regularly scheduled Executive Board meeting if the meeting

occurs within thirty days after the request.

3. Purpose for Copying. Notwithstanding any provision of the Declaration, Bylaws, Articles, or Rules and Regulations of the Association to the contrary, the Association may not condition the production of records upon the statement of a proper purpose.

4. Membership Lists. A membership list or any part thereof may NOT be obtained or used by any person for any purpose unrelated to an Owner's interest as a Lot owner without consent of the Board. Without the consent of the Board, a membership list or any part thereof may not be:

a used to solicit money or property unless such money or property will be used solely to solicit the votes of Owners in an election to be held by the Association;

b. used for any commercial purpose; or,

c. sold to or purchased by any person.

C. Withholding of Records. Records maintained by an Association shall be withheld from inspection and copying (unless a majority of the Board votes to relinquish same) to the extent that they are or concern:

a. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;

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

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

d. Disclosure of information in violation of law;

e. Records of an executive session of an Executive Board; or,

f. Individual Lots other than those of the requesting Owner.

D. Records Not Subject to Inspection. Records maintained by an Association are not subject to inspection and copying, and they must be withheld, to the extent that they are or concern:

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

b. Personal identification and account information of Owners and residents, including

bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers. Except that an Owner or resident may provide the Association with prior written consent to the disclosure of, and the Association may publish to other Owners and residents, the person's telephone number, electronic mail address or both. The written consent must be kept as a record of the Association and remains valid until the person withdraws it by providing the Association with a written notice of withdrawal of the consent. If a person withdraws his or her consent, the Association is under no obligation to change, retrieve, or destroy any document or record published prior to the notice of withdrawal. Consents may be delivered or withdrawn by Owners by electronic means, including but not limited to, facsimile and email.

E. Charges for Copies. The Association shall impose, in advance, the below described charges for labor and materials required for inspection and copying. All applicable charges shall be estimated based on the written request of the Owner or its agent, and payment for the estimated costs shall be paid in advance in good funds. Upon completion of the inspection and copying, a final invoice will be prepared based on actual costs. Delivery of documents shall be withheld until all actual costs are paid. If the estimate is higher than the actual costs, a refund will be made by the Association in a timely manner. Charges shall be as follows:

a. Copies per page, letter or legal size: at current rates per page.

b. Materials other than copies: Actual costs plus labor.

c. Documents which are stored electronically shall be sent free of charge.

F. Electronic Transmission. The right to copy Association records includes the right to receive copies by photocopying or other means, including the receipt of copies through an electronic transmission if available, upon request by the Owner.

G. No Obligation to Coordinate Information. The Association is not obligated to compile or synthesize information.

H. No Commercial Purpose. Association records and the information contained within those records shall not be used for commercial purposes.

II. Website Posting. The Association may place certain records and documents on its website, if applicable, for general review by Owners. Notwithstanding the foregoing, documents and records which are required to be withheld as described in this Policy and/or which the Board deems as consisting of a sensitive nature or private nature shall not be posted on the Association website.

ARTICLE 6
INVESTMENT OF RESERVE FUNDS

The Board is authorized to deposit reserve funds with federally insured national or state banks or with any state chartered or federally chartered savings and loan association doing business in Colorado for fixed periods of time at such rate of interest as may be negotiated but in no event shall any such deposit be in excess of the amount insured by the federal deposit insurance corporation or its successor.

ARTICLE 7
AMENDMENTS TO POLICIES AND PROCEDURES AND RULES AND REGULATIONS

Policies and procedures or rules and regulations may be adopted or amended by the majority vote of the members of the Board, following notice and comment to all Owners pursuant to the notice requirements of the Bylaws at any meeting duly called for such purpose. Copies of the proposed policies and procedures or rules and regulations shall be made available for review by the Owners prior to the meeting in accordance with the notice procedures of the Bylaws.

ARTICLE 8
PROCEDURES FOR ADDRESSING DISPUTES

A. Alternative Dispute Resolution. The purpose of the Declaration is to establish a harmonious Common Interest Community. Because the prompt, efficient, fair and non-belligerent resolution of any disputes is desirable, any controversy arising out of or relating to the Association Documents, or a breach thereof, or any other dispute between the Association and any Owner shall be resolved as set forth in this Article. This Article shall satisfy the requirement for an alternative dispute resolution (ADR) policy as required by the Act.

B. Prerequisite/Claims. The parties to a dispute shall exhaust all remedies and procedures required by the Association Documents prior to resolving the dispute through this ADR policy. Matters pertaining to covenant violations and rules and regulations are first subject to the Notice and Hearing procedures. All claims, disputes and other controversies arising out of or relating to the rights, obligations and duties of any Owner, or the Association and its officers and directors under the Association Documents and/or a breach thereof (a "Claim") shall be subject to and resolved by submitting the Claim to mediation. Claims shall NOT include any suit by the Association to enforce or collect assessments, any suit involving an imminent threat to the peace, health, or safety of the common interest community, or any suit to obtain a temporary restraining order or injunction and such other ancillary relief as the court may deem necessary in order for the Association to enforce the restrictions of this Declaration.

C. Direct Communication. If the dispute is not governed by a procedure for resolution as otherwise provided in the Association Documents, the parties to the disagreement shall set forth their respective positions in the dispute in correspondence to one or through one another's legal

counsel. The written communication shall describe the nature of the dispute, claim or controversy, including the persons involved, and the legal basis of the dispute, claim or controversy and relief or remedy sought. All disputes, claims or controversies should be initiated within a reasonable time after the dispute, claim or controversy has arisen and in no event shall a dispute, claim or controversy be made after the date when such dispute, claim or controversy would be barred by any applicable statute of limitations. The parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the dispute, claim or controversy by good faith negotiation.

D. Mediation. If the dispute, claim or controversy cannot be resolved through direct communication of the parties within 30 days after the date the dispute, claim or controversy was submitted to a party, either party may request appointment of a neutral and properly credentialed mediator. With the prior agreement of both parties, the parties shall participate in mediation in good faith until the dispute is resolved or until the mediation terminates. Either party to a mediation may terminate the mediation process without prejudice. If the parties do not settle the dispute, claim or controversy within 60 days after submission of the matter to mediation, the mediator shall issue a notice of termination of the mediation proceedings. Each party shall bear its own costs of mediation, including attorney's fees and each party shall share equally all charges rendered by the mediators and all costs associated with same. The mediation agreement, if one is reached, may be presented to the court as a stipulation.

E. This ADR policy is not intended to modify or alter any portion of the "notice and hearing procedure" implemented for purposes of determining the occurrence of a violation and the authorization of the Board to levy a fine.

ARTICLE 9
RESERVE STUDY

A. No less than once every three years, the Board will study and analyze if there is a need for any Association improvements, repairs, or maintenance (i.e., "Work") to be made to Association property. Work shall include, but not be limited to, any work on the general common elements or common property of the Association.

B. The Board, in its discretion, may hire consultants or contractors to assist with the preparation of the study and any such costs associated with such study shall be a Common Expense of the Association. Any study conducted by the Board will be based upon a physical analysis of the Association property unless the Board feels a financial analysis would be more appropriate under the circumstances.

C. The Board shall, at its annual budget meeting, discuss and determine (i) how to prioritize any Work recommended for completion and (ii) the sources of funding for completion of the Work. Sources of funding shall include the following: Regular Assessments, special assessments, use of existing reserves; lines of credit, new loans, or other means of financing available to the

Association, including any combination of the foregoing.

D. To the extent reasonably possible, the Board shall adopt a plan for funding all or a portion of the Work. Funding for the Work may be identified as a line item in the annual budget and/or the Board may establish a separate capital improvements fund for the collection and deposit of assessments for future Work. The Board may revise its funding plan(s) as necessary due to fluctuations in the cost of Work and other economic factors that would necessitate an increase or decrease in the rate of collection for funding of the Work or a change in the amount of funding necessary to complete the Work. Any funding plan adopted by the Board shall be advisory only.

E. In conjunction with the Board annual budget review and adoption of the Association's annual budget, the Board shall review the sufficiency of its reserves. In its discretion, the Board may allocate a portion of the Regular Assessments to be set aside for reserves in such amounts as the Board deems necessary.

CERTIFICATION: Certified to be the Governance Policies and Procedures adopted by consent of the Executive Board of The Knolls, Phase I Property Owners Association, Inc. on this 5-19-20, 2020.

Lynn Munyon, President

ATTEST:

Maria Hendershott, Secretary