Policies, Procedures, Rules and Regulations

of

REDLANDS 360 HOMEOWNERS ASSOCIATION, INC.

Updated as of the _____ day of _____, 2026.

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INTRODUCTION

These Policies, Procedures, Rules and Regulations ("Policies") reflect the values, interests, and best practices for governing the REDLANDS 360 HOMEOWNERS ASSOCIATION, INC. (the "Association") discovered through the experience of the Board of Directors (the "Board") and the Association's members (the "Members"). They are intended to regulate the actions of the Board and the Members under a written code in order to prevent action based on a whim, self interest, or desire for control.

However, the policies, procedures, rules and regulations contained in this document are not the highest authority regulating the governance of the Association. The highest authorities are Federal and State law, followed by the plats and maps, the Declaration of Covenants, Conditions and Restrictions for Redlands 360, recorded in the records of the Mesa County Clerk and Recorder at Reception No. 3002815, as amended and supplemented from time to time (the "Declaration"), the Articles of Incorporation, and the Bylaws of the Association in turn. The provisions of this document are "Board Resolutions" as defined by the Declaration and are to be followed to the extent that they are not inconsistent with higher authorities.

RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES

1. Adoption, Amendment, Repeal, or other Changes to the Policies

a. Policy: Our community continues to change through time as residents move in and out and there are developments in our broader community and the applicable law. We want our governing documents, including these Policies to remain up to date, legally enforceable, and reflective of our community's desires.

b. Procedure:

i. Step 1: Proposal. If the Board should decide that it would be in the best interest of the Association to adopt, amend, repeal, or otherwise change the Policies, such a proposal is to be presented in a regular or special meeting of the Board. If adoption, amendment, repeal, or other change is proposed by the Board, it should appear on the agenda of the meeting at which the matter is to be proposed. If the Members propose any change to the Policies, the matter need not appear on the agenda of any meeting before the matter is proposed.

ii. Step 2: Board Review. The Board will then open the matter for discussion as provided for in the Policies. After comment on the proposed adoption, amendment, repeal, or other change has been taken, the Board will vote on whether the change should be adopted.

iii. Step 3: Adoption of Policies and Procedures. Adoption, amendment, repeal, or other change to these Policies will be made by a simple majority vote (i.e., more than 50%) of a quorum of the Board at a regular or special meeting of the Board called for that purpose.

iv. Step 4: Publication. If the proposed change is adopted in Step 3 of this section, the Secretary of the Association will cause the change to be made to the Policies. Copies of the document reflecting the changes will then be circulated to the members as provided for in the Policies.

2. Conduct of Meetings and Voting

a. Policy: The main means of communication between the Association and its Members is through meetings.

b. Procedures:

i. Timing. Meetings of the Board and of the Members are to be held at least once per year as outlined in the Association's other governing documents.

ii. Calling a Meeting. Regular meetings of the Board need not be formally called because the Board sets their timing in advance at predictable times. Special meetings of either the Board or the Members, however, need to be scheduled. Special meetings may be called as provided for in the Bylaws.

iii. Notice of Special Meetings of Members. Except as otherwise provided in the Declaration, not less than fifteen (15) but no more than fifty (50) days before a special meeting of Members, the Secretary of the Association will provide all Members notice of the special meeting. The notice will be sent by first class mail to each of the Members. Notice of Member meetings will also be physically posted in a conspicuous place in the Association adequate for the posting of such notice. If any Member requests notification by e-mail and provides the Association with their e-mail address, the Association will also deliver notice to them by e-mail. The notice will contain the time, place, and items on the agenda, including the general nature of any proposed amendments to any of the Association's governing documents, or its budget, and any proposition to remove any officer or Board member.

iv. Notice of Board Meetings. Agendas of meetings of the Board, or any committee of the Board, will be made reasonably available to the Members or their representatives prior to the meeting date.

v. Conduct of Meetings. All meetings, whether regular or special, are open to attendance by all the Members or their representatives. This includes meetings of the Board, committees of the Board, and Members. At an appropriate time determined by the Board, but before the Board votes on an issue under discussion, Members or their designated representatives shall be permitted to speak regarding that issue. The Board may place reasonable time restrictions on comment by attending Members. The Board may also limit the number of people speaking to some reasonable number but will permit a reasonable number of people to speak on all sides of an issue.

vi. Executive Sessions. The Board, or any committee of the Board, may hold a closed executive session during any regular or special meeting and restrict attendance to the members of the Board or the committee and such other persons as the Board requests if any of the below listed matters require attention. Before holding the session, the chair of the Board or committee holding the session will state the general matter being discussed by identifying the category listed below. No policies, procedures, rules or regulations or other Board action may be adopted in executive session. Any action on any matter discussed in executive session must be entered on the record in the minutes of the meeting at which the executive session took place. No minutes of executive sessions will be made or maintained by the Association.

(1) Matters related to employees of the Association, including a manager or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Association.

(2) Consultation with legal counsel concerning disputes that are the subject of pending or current legal proceedings or matters that are privileged or confidential between attorney and client.

(3) Investigation concerning possible or actual criminal misconduct.

(4) Matters protected from disclosure by constitutional, statutory, or judicial imposition.

(5) Any matter which would constitute an unwarranted invasion of individual privacy, including a disciplinary hearing regarding a Member and any referral of delinquency; except that a Member who is the subject of a disciplinary hearing or a referral of delinquency may request and receive the results of any vote taken at the meeting.

(6) Review of or discussion related to any written or oral communication with legal counsel.

vii. Voting and Proxies. Votes in all contested Board member elections, meaning those elections where there are more candidates than positions to be filled, will be made by secret ballot. The ballot will not contain any identifying information concerning the ballot holder. Any other vote concerning the Members shall be by voice. Ballots for any vote are to be prepared by the Secretary of the Association, or the Secretary's designee, prior to or during the meeting.

(1) Individual members will present evidence of their membership to the Secretary, or to another person identified by the Board in advance of the meeting where a vote is to be held. That person will verify membership, and then issue the individual a ballot, checking their name off, or otherwise indicating, that the vote allocated has been cast. Each Member is only entitled to vote their number of allocated votes permitted by the Association's governing documents.

(2) Proxies are permitted as provided by the Bylaws. In the event that a Member holds a proxy from another Member, the proxy holder, upon presentation of the proxy to the Secretary, or another person identified by the Board for the purpose, shall receive a ballot to cast the vote of the Member providing the proxy in the same manner as provided above for the proxy holder's own vote. The proxy shall be kept by the Association for its records.

(3) If a property to which votes are allocated is owned by more than one (1) person, each owner may register protest to the vote cast by another owner through a duly executed proxy.

(4) The Association may, acting through its authorized agents, reject the vote, consent, ballot, waiver, proxy appointment, or proxy revocation if such agent, in good faith, has a reasonable basis to doubt the validity of the signature on any relevant document or the signor's authority to sign. Any such decision shall be valid unless a court of competent jurisdiction determines otherwise.

(5) Ballots shall be counted by volunteers in accordance with the Bylaws. The results of a vote by secret ballot shall be reported without reference to the names, addresses or other identifying information of owners participating in the vote.

3. Conflict of Interest Procedures

a. Policy: Board membership should not be a vehicle for benefiting a Director's individual interests at the expense of the Association and its Members. Accordingly, Directors must disclose any relationship they have to any person or transaction that may create a conflict of interest. For purposes of this policy, a "conflict of interest" occurs when a Director's decision, a contract between the Association and any party, or other action relating to the Association would financially benefit or adversely affect a Director, or any person who is a parent, grandparent, spouse, child or sibling of such Director.

b. Procedure:

i. Before any decision is made, contract entered into, or action taken by the Board, a Director shall disclose any potential or actual conflict of interest relating to the issue as soon as the Director has enough facts to reasonably determine that a conflict does or may exist.

ii. Upon disclosure of a potential or actual conflict, such Director may exclude him/herself from the discussion in such issue, or the remaining Directors by majority vote may require the potentially conflicted Director to exclude him/herself from said discussion of such issue. If a majority of the Directors (excluding the potentially conflicted Director) determine that an actual conflict exists, then the conflicted Director shall not vote on the issue.

c. No Loans to Directors. Notwithstanding the above procedures, no loan shall be made by the Association to its Directors or officers. Any Director or officer who assents to or participates in the making of a loan in violation of this provision shall be liable to the Association for that loan until the Association is paid in full.

d. Annual Review. The Board shall review this policy on an annual basis to ensure that it adequately protects the Association and its Members.

4. Covenant and Rule Enforcement

a. Policy: The Association's documents are in place for the betterment of our community. To be effective, they must be obeyed by all the Members of the Association and their guests, tenants, and invitees. It is one of the Association's purposes to see to it that the provisions of the Association's documents are followed by everyone in the Association.

b. Procedure:

i. Violations. Engaging in any activity prohibited by the Declaration, Articles, Bylaws, or any duly adopted Policies constitutes a violation; provided, however, that the failure to pay common expenses when due, shall not be a violation for purposes of this Policy, it being the intention that those matters be addressed in accordance with the Policy concerning collection of assessments. Every Member has the authority to request that another Member, or Member's guests, cease or correct any act or omission which appears to be a violation. Accordingly, Members are encouraged to self-govern and resolve problems between them in a neighborly fashion by making an informal request that the alleged violation cease. The Association, acting through the Board or its managing agent, may also take such informal action.

ii. Written Report. If violations cannot be resolved through informal requests, violations may be reported to the Board by its managing agent or any Member in writing, or using a form approved by the Board. The written report must state with as much specificity with regard to time, date, place, persons involved and circumstances as reasonably possible, what acts or omissions constituting a violation the complaining Member believes have occurred, and whether such violation imminently threatens public safety or health.

iii. Review. Once a violation has been reported to the Board, the Board will review the matter. It is the responsibility of each Director to make a determination as to whether he or she is able to function in a disinterested fashion when reviewing alleged violations and making decisions about how to secure compliance. If any Director is unable to give any matter objective consideration, he or she will disclose that fact to the Board, remove him or herself from the proceedings, and have their removal noted in the minutes of the Board meeting.

(1) Step 1: Initial Review. The Board will review the written report and determine whether it has stated sufficient facts which, when presumed to be true, plausibly indicate a violation may have occurred.

(2) Step 2: Compliance Letter. If the Board determines in its initial review that a violation may have occurred, the Board or its managing agent will send a compliance letter detailing the allegations that form the basis of the claimed violation, with appropriate citations to the Association's documents, to the Member against whom a

complaint has been made. In the event the Board determines the submitted report fails to state sufficient facts to plausibly indicate a violation may have occurred, it will provide notice of its decision to the complaining Member.

(a) Imminent Threats to Public Safety or Health. If the alleged violation imminently threatens public safety or health, the letter will inform the Member that the Member: (1) has seventy-two (72) hours to cure the alleged violation; and (2) if the violation is not cured prior to the inspection provided under Step 3, below, that a hearing on the matter will be immediately held at a time and place to be determined by the Board. The letter will be hand-delivered or mailed to the last known address of the allegedly violating Member by certified or regular mail.

(b) Other Matters. For alleged violations that are not imminent threats to public safety or health, the letter will inform the Member that the Member has thirty (30) days to cure the alleged violation. The letter will be mailed to the last known address of the allegedly violating Member by certified mail.

(3) Step 3: Inspection. The Association will appoint an impartial third-party to conduct an inspection of the property involved in the alleged violation for the purpose of determining whether the Member has cured the alleged violation identified in the compliance letter described in Step 2.

(a) Public Safety or Health. Inspections for an alleged violation that imminently threatens public safety or health will be performed immediately upon the expiration of the seventy-two (72) hour time period provided in the compliance letter.

(b) Other Matters. Inspections for any other alleged violation that does not imminently threaten public safety or health will be performed within seven (7) days following expiration of the thirty (30) day time period provided in the compliance letter; provided however, the inspection will not be necessary if the Member cures the alleged violation and submits a notice to the Association, including visual evidence, prior to the inspection date. If the notice submitted by the Member does not include visual evidence that the violation has been cured, the

Association will inspect the involved property as soon as practicable to determine if the alleged violation has been cured.

(4) Step 4: Cure. In the event that a Member cures an alleged violation within the time period provided in the compliance letter, the Association will notify the Member: (1) that the Member will not be subject to further fines with regard to the alleged violation; and (2) of any outstanding fine balance that the Member still owes the Association.

(5) Step 5: Hearing. Should the alleged violation continue past the date set by the compliance letter as determined by inspection, the Board will promptly hold a hearing concerning the matter. In the event of a violation that imminently threatens public safety or health, the hearing may be held immediately following the inspection. For any other alleged violation, a second letter will be sent to the allegedly violating Member giving that Member notice of the time, date and place when the Board will meet to hear the matter.

Hearing Details. The allegedly violating Member will have an opportunity to attend and be heard at the meeting. In the event that the Board determines based on the evidence presented at the hearing that a violation has in fact occurred, the Board has the authority to levy fines or take any other action authorized by the Association's documents or by Colorado law. The hearing will not be conducted according to any technical rules relating to evidence or witnesses. Generally, any relevant information may be admitted if it is the sort of information on which reasonable persons would rely in the conduct of serious personal matters, regardless of any common law or statutory rule that makes certain evidence improper in civil actions. The hearing will continue even if the complaining Member, the allegedly violating Member, or both, fails to attend. Decisions of the Board need not be made or reported immediately and may be made at any time not in excess of seven (7) days after the conclusion of a hearing. All decisions of the Board are effective three (3) days after written notification of the decision is sent to the violating Member by certified or regular mail.

iv. Sanctions. Sanctions for violations may include any or all of the following without limitation. Any fines or monetary sanctions will be collectable as Assessments.

(1) Fines for violations of public safety or health – $75.00 every other day.

(2) Fines for any other violation – First offenses, $50.00; Second offenses, $75.00; Third and subsequent offenses, $150.00 and up. However, the total amount of fines imposed may not exceed $1,500.00.

(3) Termination of Member voting rights until the violation is cured.

(4) Levying an assessment to repair or remedy any damage, physical, aesthetic, or otherwise, caused by the violation.

(5) Seeking a remedy at law or in equity, including, but not limited to, an injunction prohibiting further violations, money damages, costs, and attorney fees expended as provided for by the Declaration.

5. Collection of Past Due Assessments

a. Policy: It is vital to the effective administration of the Association that assessments and other charges to be paid by Members be paid in a timely manner. While a certain amount of bad debt is expected in any business, the Association must collect certain unpaid assessments in order to continue to serve the community well and efficiently. To perform these duties the Board needs to remain flexible in its approach in order to account for the unique facts and circumstances surrounding each delinquent payment.

b. Procedure:

i. Assessment Due Dates. Assessments shall be paid in one (1) annual installment due at such time as the Board may determine in its discretion. Special and other types of assessments not levied pursuant to the annual budget are due as and when determined by the Board under the provisions of the Declaration.

ii. "Past Due" Assessments. Assessments of all kinds are "past due" if they are not paid within thirty (30) days of their due date.

iii. Fees and Interest, Suspension of Voting Rights, Returned Check Fees. A late fee of $25.00 will be charged against all past due assessments and past due assessments shall also bear interest at the rate of eight percent (8%) per annum from the due date, compounded on a monthly basis. The fees and interest charged will become due thirty (30) days after the assessment became due. These fees and interest shall be added to the total delinquent amount and shall become a charge upon the land as provided in the Declaration. Once assessments become past due, the Association may suspend the voting rights

of the delinquent Member. If a Member should ever pay the Association by check and such check is returned because of a Member's insufficient funds, the Association shall, in addition to the amount owed and any late charges and interest, owe the Association a contractual charge of $20.00, together with all other and further amounts due the Association under the provisions of Colorado law, including, without limitation C.R.S. § 13-21-109.

iv. Payment Plans. Except as provided here, the Association will make a good faith effort to coordinate with a Member who has unpaid assessments to set up a payment plan with the following minimum terms: repayment of all unpaid assessments, late fees, interest, and other charges, costs, and expenses (including attorney fees) that may be included with any assessment as provided in C.R.S. § 38-33.3-316.3, over a period of no fewer than eighteen(18) months in equal monthly installments. During the term of any repayment plan entered into under this policy, the Member shall also keep current on all assessments that may come due. The Association has no obligation to coordinate a payment plan with a Member that does not occupy their lot and acquired their lot either through default in a security interest encumbering the relevant property, or foreclosure of the Association's assessment liens. Additionally, the Association has no obligation to coordinate a payment plan with a Member with whom it has previously entered into a payment plan under this policy, regardless of the outcome.

v. Monthly Mailings. On a monthly basis, by first-class mail and, if the Association has the relevant e-mail address, by e-mail, the Association will send each Member with an outstanding balance owed to the Association, an itemized list of all assessments, fines, fees, and charges owed.

vi. Application of Payments on Delinquent Accounts. Payments made against balances owed on delinquent accounts shall be applied first to late charges, interest, returned check fees, and other costs and expenses that may become a charge upon the land under the terms of the Declaration, then to unpaid assessments beginning with the amounts left unpaid the longest and continuing in chronological order, and then to fines, if any.

c. Available Legal Remedies. Subject to the provisions of this policy, the Association, acting through the Board, may initiate collection proceedings of any kind at any time after any assessment payment becomes past due, as defined above. The Board, in its sole discretion in light of the relevant facts and circumstances may choose to employ any one or more of the following means in seeking collection. In addition to the remedies described in this policy, the Board may pursue collection of unpaid assessments by any means authorized under Colorado law, as the same may exist from time to time.

i. Pre-Collection Courtesy Notice. If any assessment payment becomes past due, as defined above, the Association will first provide the Member with a pre-collection notice of delinquency for the purpose of alerting the Member to such delinquency. The pre-collection notice of delinquency will be delivered by certified mail, return receipt requested, and posted at the Member's property. In addition, the Association will provide the notice of delinquency by two of the following means:

(1) Telephone call to a telephone number that the Association has on file because the Member has provided the number to the Association. If the Association attempts to contact the Member by telephone but is unable to contact the Member, the Association shall, if possible, leave a voice message for the Member or designated Contact;

(2) Text message to a cell phone number that the Association has on file because the Member previously provided that cell phone number to the Association; or

(3) E-mail to an e-mail address the Association has on file because the Member previously provided that e-mail address to the Association.

(4) By regular mail, if the Member has not provided a telephone number, cellular number, or email address as an additional means by which to receive notices.

ii. Collection Agencies/Lawyers. Once an assessment has become ninety (90) days past due, and the Association has provided the pre-collection notice, as described above, the Association may refer the past due assessment to a collection agency or a lawyer for collection, provided that such referral is approved by a majority of the Board at a meeting conducted pursuant C.R.S. § 38-33.3-308(4)(e). The delinquent Member will be liable for any fees or other expenses associated with referring the matter for collection. Such expenses will be added to all delinquent amounts and will become a charge upon the land, as provided in the Declaration. At least thirty (30) days prior to referring the matter to a collection agency or lawyer, however, the Association shall first provide the involved Member with a notice of delinquency, by certified mail, return receipt requested, which shall describe:

(1) The amount due (with an accounting of how the total was determined);

(2) Whether the delinquency concerns unpaid assessments, fines, fees or charges, or both unpaid assessments and unpaid fines, fees or charges;

(3) Whether the owner is eligible for a payment plan under this policy and providing contact information for purposes of setting up such a plan, stating the name of the person from whom the Member may obtain a copy of the ledger or other accounting statement indicating the amount due, which copy must be provided to the Member no later than seven business days after receipt of the Member's request;

(4) The steps the Association is required to take before taking legal action against the Member, including the cure process for covenant violations, as described above;

(5) That a failure to act in response to the notice within thirty (30) days may result in referral of the matter to a collections agency or a lawyer for collection; foreclosure of the Association's assessment lien; the sale of the Member's unit at auction to pay delinquent assessments, which could result in the Member losing some or all of the Member's equity in the unit; or the pursuit of other remedies provided by law, including injunction and prosecution of claims through small claims court, or any other court of competent jurisdiction; and

(6) The availability of, and instructions on how to access, free online information through the Colorado HOA Information and Resource Center relating to the collection of assessments by the Association, including the Association's ability to foreclose the Association's assessment lien and force the sale of the Member's home, and the availability of online information from the federal department of housing and urban development concerning credit counseling before foreclosure that may be accessed through a link on the department of local affair's website.

iii. Designated Representative. A Member may register another person to serve as a designated contact for the purpose of receiving the pre-collection notice of delinquency and subsequent notice of delinquency described above. Any request from a Member to identify another person to serve as the Member's designated contact shall be delivered to the Association by certified mail, return receipt requested, and shall specify the e-mail address and physical address of the requested designated contact for mailing purposes.

iv. Lien. Once an assessment has become 120 days past due, the Association will give formal legal notice of its lien against the delinquent Member's property. Any costs or expenses associated with this process, including attorney fees, shall be added to the total delinquent amount and shall become a charge upon the land as provided in the Declaration.

v. Foreclosure. As a last resort, the Association may foreclose its assessment lien upon the property of a delinquent Member to satisfy the past due assessments, fees, costs, and other expenses charged against the land. Once the Member has a balance of unpaid assessments equal to or exceeding six (6) months of assessments computed under the Association's periodic budgets, and the Board, by vote on the record, determines to pursue foreclosure on an individual basis, the Association may begin foreclosure proceedings. The costs and expenses of so doing, including attorney fees, shall be charged against the proceeds of any foreclosure sale, along with the delinquent assessments, costs, fees, and other expenses as provided by the Declaration. Provided, however, the Association will not pursue foreclosure against the Member based solely on fines owed and will not initiate foreclosure proceedings until:

(1) It has provided a pre-collection notice and a notice of delinquency in compliance with C.R.S. § 38-33.3-316.3;

(2) It has provided the Member with a written offer to enter into a payment plan with the following minimum terms: repayment of all unpaid assessments, late fees, interest, and other charges, costs, and expenses (including attorney fees) that may be included with any assessment as provided in C.R.S. § 38-33.3-316.3, over a period of no fewer than eighteen (18) months. Under the payment plan, the Member may choose the amount to be paid each month, so long as each payment is $25.00 or greater; and

(3) Within thirty (30) days after it has provided the written offer to enter into a payment plan, the Member has either: (a) declined the payment plan; or (b) after accepting the payment plan, the Member has failed to pay at least three (3) monthly installments within fifteen (15) days after such payment was or has failed to remain current with regular assessments as they come due during the eighteen (18) months. During the term of any payment plan entered into under this policy, the Member shall also keep current on all assessments that may come due.

6. Reserve Fund Investment

a. Policy: The Association will maintain and invest a reserve fund to be used to pay for the maintenance, repair, replacement and/or improvement of the common elements.

b. Procedure: Reserve funds are to be invested in an interest-bearing checking or savings account or a money market account only, with provision for adequate cash reserves, if necessary. The officers and members of the Board shall make investment decisions in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Director or officer reasonably believes to be in the best interests of the Association.

7. Reserve Studies

a. Policy: Ideally, the full cost associated with maintenance, repair, replacement and/or improvement of those components of the community for which the Association is responsible would already be set aside for that purpose, in reserve funds, when expenditures are necessary. This way, funds are available when needed, and all owners who benefit from those components of our community during their useful life contribute their fair share towards repair and replacement. To that end, the Board will conduct a reserve study, under the procedure outlined below, from time to time as it should determine such studies are necessary or appropriate to further this policy, but in any event at least every five (5) years.

b. Definitions:

i. A "Reserve Study" is a process involving physical inspection and analysis of the condition of Major Common Area Components and analysis of the Association's financial condition over time, which produces a Funding Plan that estimates the costs of repairing and replacing Major Common Area Components that the Association is obligated to maintain, repair, replace and/or improve during and at the end of their useful life.

ii. A "Funding Plan" is a written document in some intelligible format that identifies Major Common Area Components, their Useful Life (including the source(s) of the estimates used), Remaining Useful Life (including the means of estimation and any special or unusual circumstances effecting the estimate), Replacement Costs, estimated cash requirements for maintenance, repair, replacement and/or improvement by year for the thirty (30) years following the Reserve Study, cash flow forecasts showing income from general common assessments, special assessments, reserve fund investment, and other sources as compared with estimated expenses, and

estimates of unfunded liability for maintenance, repair, replacement and/or improvement, if any, in the aggregate and for each lot in the Association each year.

iii. "Major Common Area Components" are those components in the community that the Association is obligated to maintain, repair, replace and/or improve that a) have a Replacement Cost of more than $1,000.00, and b) have an Estimated Remaining Useful life of more than one (1) year, but less than thirty (30) years at the time of the reserve study, as identified by the Board. Components of the community that would otherwise be Major Common Area Components except that their Remaining Useful Life is greater than thirty (30) years (such as the building foundations and structures) shall be identified in the Funding Plan along with their estimated Remaining Useful Life, but otherwise omitted from the Reserve Study.

iv. "Remaining Useful Life" is the estimated number of years, computed from the date of the Reserve Study, that a Major Common Area Component is expected to continue to serve its intended purpose if given regular and proper maintenance, and may be computed by subtracting the number of years since original installation from Useful Life, estimated through physical inspection or by consultants or persons with specialized knowledge, training, experience, or education, or by any other means sufficiently reliable in the Board's discretion to give the Board a good faith basis for estimation.

v. "Replacement Cost" is the estimated cost, as of the date of the Reserve Study, to replace a Major Common Area Component, and may be derived from bids or cost estimates prepared by vendors, contractors, consultants or other persons with specialized knowledge, training, experience, or education, commercially available cost estimating manuals (like those distributed by R.S. Means Company, Inc., F.W. Dodge, Lee Saylor, Inc., and Marshall & Swift), past experience, or by any other means sufficiently reliable in the Board's discretion to give the Board a good faith basis for estimation.

vi. "Useful life" is the estimated total number of years, computed from the date of original installation, that a Major Common Area Component is expected to serve its intended purpose if given regular and proper maintenance, and may be derived from a material manufacturer's warranty, commercially available manuals (like those distributed by R.S. Means Company, Inc., F.W. Dodge, Lee Saylor, Inc., and Marshall & Swift), estimates provided by consultants or persons with specialized knowledge, training, experience, or education, or by any other means sufficiently reliable in the Board's discretion to give the Board a good faith basis for estimation.

c. Procedure: When the Board should determine to conduct a Reserve Study under this policy, the procedure outlined below will generally be followed. The Board may choose to conduct the Reserve Study internally, with the assistance of the Association's officers, or through a duly appointed committee of the Board. The Board may, but need not, retain the services of qualified persons or entities to perform some or all of the steps generally outlined below. Once the Funding Plan described in Step 5, below, has been prepared, the Board will meet to consider and approve it, revising as necessary, whereupon the Funding Plan, and any other documentation or information the Board may determine to present, will be distributed to the Members. Though the Board will generally follow a duly adopted Funding Plan, the Board may use Reserve Study results, and the developed Funding Plans, in whatever way it may deem appropriate under the circumstances and may make adjustments to the operating budgets, reserve levels, and any other aspects of the Association's financial plans as may be necessary or appropriate regardless of whether such adjustments conform with the currently adopted Funding Plan.

i. Step 1: Identification of the Major Common Area Components, referencing applicable provisions of the Association's Declaration, plats and/or maps.

ii. Step 2: Estimation of the Remaining Useful Life of the identified Major Common Area Components, through a physical or visual inspection of the accessible portions of the Major Common Area Components, computation, or other appropriate means, including a combination of several approaches. The Estimated Useful Life of many Major Common Area Components may be materially altered by assumptions concerning ongoing maintenance, in which case, those assumptions or plans, including their impacts on the Association's annual operating budget, will be developed, and disclosed as a part of the Funding Plan.

iii. Step 3: Estimation of the Replacement Cost of the Major Common Area Components.

iv. Step 4: Estimation of the total annual contributions necessary in each of the thirty (30) years following the Reserve Study to defray the Replacement Cost of the Major Common Area Components during and at the end of their useful life.

v. Step 5: Preparation of the Funding Plan involves analysis of the amount of income, obtained through regular and special assessments, reserve fund investment, and any other source(s), that the Association will dedicate to reserves and/or to maintenance, repair, replacement or improvement of Major Common Area Components in each of the thirty (30) years following the

Reserve Study by comparison to the total necessary annual contributions computed in Step 3, and will include a computation of the present reserve fund strength, measured in cash or as a percentage, and a recommendation for an appropriate reserve contribution rate, both in the aggregate and for each lot in the community. Depending on current Association finances and financial health, one of the three following funding models, or some combination of them, may be adopted:

(1) The fully funded model, which sets the reserve balance in the year of the Reserve Study at or near 100% of Replacement Costs for all identified Major Common Area Components, regardless of their Remaining Useful Life.

(2) The threshold funded model, which sets reserve levels at or above some pre-determined threshold, either in cash or as a percentage of estimated annual contributions necessary in each year.

(3) The minimum funded model, which sets reserve levels such that the reserve account balance at the end of each year is as near $0 as possible.

In preparing the Funding Plan, assessment calculations are adjusted to reach the identified funding goal model(s), and decisions will be made about the amount of regular assessments, the need for special assessments, and decisions to defer or forego certain maintenance, repair, replacement and/or improvement.

8. Inspection, Copying and Disclosure of Association Records

a. Policy: The Association will maintain records of its activities and make those records available to Members.

b. Procedure:

i. Records Maintained. The Association will maintain the following records in written form, or in some other form capable of being made into a written form within a reasonable time:

(1) The Association's vital information, including its name, the name and address of the Association's designated agent, if any, a valid physical address for both the Association and its designated agent or management company, if any, and the initial recording date and reception number or Book/Page location of the Declaration.

(2) Other general information including: the date of the beginning of the Association's fiscal year, the operating budget for the current fiscal year, a list, by lot type, of the Association's current assessments (including both regular and special), the Association's annual financial statements for the preceding three (3) fiscal years, including any amounts held in reserve, its most recently published financial statement, if any, and the results of the most recent financial audit or review, if any.

(3) Accounting records, using generally accepted accounting principles (GAAP), cash, cash accrual, or any other method required or permitted by law sufficient to show receipts and expenditures affecting the operation and administration of the Association together with its assets and liabilities and results of its operations in reasonable detail.

(4) Tax returns for the last seven (7) years, if any.

(5) Financial records sufficiently detailed to permit the Association to produce statements of delinquent assessments, and any statements of delinquent assessments that are produced.

(6) Minutes of all meetings of the Members, the Board and committees of the Board (including all actions regarding architectural approval or dis-approval), and records of all actions taken without a meeting (including written communications among, and the votes cast by, Board members that are directly related to an action taken by the Board without a meeting), except executive sessions of the Board or a committee of the Board, including records of any waiver of notice for any such meeting, as well as ballots, proxies and other records related to voting by the Members for one (1) year after the election, action or vote. Records of meetings will be kept for three (3) years.

(7) A record of property owners sufficient to allow the Association to produce a list showing the names, addresses, and votes allocated to each Member.

(8) The Association's governing documents. This includes the Articles of Incorporation and any Articles of Amendment to the same, the Declaration and any amendments to the same, the Bylaws and any amendments, and Policies, Procedures, Rules, and Regulations as most recently amended.

(9) Any resolution of the Board which impacts the rights and obligations of the Members.

(10) All written communications to the Members, in their role as Members, during the preceding three (3) years.

(11) A list of the names, and business or home addresses, of the current Board members and any officers of the Association.

(12) The most recent annual report, if any.

(13) A copy of all financial reviews or audits of the Association's financial records, if any.

(14) A list of all Association insurance policies, including company names, policy limits, policy deductibles, additional named insureds, and expiration dates.

(15) Records of construction defect claims and amounts received pursuant to settlement of those claims, if any.

(16) The Association's most recent reserve study, if any.

(17) Copies of all written contracts to which the Association is a party, including contracts for work performed for the Association, currently in force or in force within the preceding two (2) years.

(18) Copies of all communication with Members or their designated contacts under Section 5.c.iii, above, including any pre-collection notice of delinquency or subsequent notice of delinquency, the medium of such communication, and the date and time of such communication.

c. Records Made Available. The foregoing records will be available to the Members during normal business hours within five (5) business days of a Member's request or at the next regularly scheduled Member or Board meeting, if the next such meeting is scheduled within thirty (30) days of the Member's request, in the sole discretion of the Board. The Board shall advise the Member of the time and place of such inspection in writing within five (5) business days of the Member's request. A request for document inspection must be made in writing and state, with reasonable particularity, the records sought. Under no circumstances will the Board unduly limit access to Association records; however, minutes and other records of executive sessions of the Board will not be kept, and if any are kept, they will not be subject to inspection or copying by Members.

d. Improper purposes. Association records, including membership lists, shall not be used by a Member for:

i. Any purpose unrelated to a Member's interest as a Member;

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

iii. Any commercial purpose; or

iv. For the purpose of giving, selling, or distributing such Association records to any person.

e. Documents Withheld. Records maintained by the Association under this policy *may* be withheld from inspection and copying to the extent that they are or concern:

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

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

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

iv. Disclosures of the information in violation of law;

v. Records of an executive session, if any; or

vi. Individual lots other than those of the requesting Member.

vii. Records maintained by the Association under this policy are not subject to inspection or copying and must be withheld to the extent that they are or concern:

(1) Personnel, salary, or medical records related to specific individuals; or

(2) Personal identification information and account information of Members, including bank accounts, telephone numbers,

electronic mail addresses, driver's license numbers, and social security numbers.

f. Charges for Copying. If a Member wishes to make copies of the Association's records, the Association may charge a reasonable fee, not to exceed the actual cost per page (which includes the expenses associated with the use of the copy machine, paper, toner/ink, labor employed in making the copies, and any other actual costs of copying), for copies. This fee may be collected in advance.

g. Time Periods for Retention. The Association will retain the above-described records for the period of time described below:

i. Governing Documents. The Association will permanently maintain copies of its Articles of Incorporation and any Articles of Amendment to the same, the Declaration and any amendments to the same, the Bylaws and any amendments to the same, and the Policies, Procedures, Rules, and Regulations as most recently amended.

ii. Member Information. A list of the Association's Members, including their mailing addresses and e-mail addresses, if provided, as well as a list of the Association's Directors and Officers, including their home or business address will be maintained for a period of seven (7) years, to be updated annually.

iii. Minutes. Minutes of any meeting of the Board, the Members of the Association, or any Committee of the Board, or records of any action by consent in lieu of a meeting of the Board, the Members, or a Committee of the Board, except records of any executive session of the Board or a committee of the Board, will be maintained permanently.

iv. Accounting Records. A general ledger of accounting entries, along with a record of cash receipts and disbursements, and any financial reports, audits or reviews will be maintained permanently. Accounts receivable and accounts payable, member invoices, vendor's invoices, petty cash receipts, expense reports, canceled checks, bank statements, and deposit slips will be maintained for seven (7) years.

v. Insurance Information. All insurance policies, reports, records of claims, accident reports, coverage information and any other insurance document, whether the policy is currently in force or not, will be kept for seven (7) years from the date the policy expired, the date of any accident, or the date of the settlement of any claim.

vi. Contracts. The Association will maintain records of its contracts, including any leases, service contracts, contracts for the purchase of goods, warrantees, or any other contract or agreement for a period of seven (7) years following the termination of any contract or the expiration of any agreement.

vii. Property Records. Records or certificates of title related to any inventory, equipment, or other personal property owned by the Association along with records of any real property owned by the Association, including appraisals, blueprints, surveys, deeds, permits and other documents will be maintained for seven (7) years after the date the Association disposes of the real or personal property.

h. General Disclosures. The Association will provide to all Members a disclosure of the following information by written notice at least once per year.

i. The Association's name.

ii. Name of the Association's designated agent or manager, if any.

iii. A valid address and telephone number for both the Association and the Association's designated agent or management company, if any.

iv. The date and recording information of the Declaration.

i. Changes in General Disclosure Information. Within ninety (90) days of any change in the following information, the Association will deliver to all Members a written notice of the change.

i. The address of the Association.

ii. The address of the Association's designated agent or management company.

j. Annual Disclosures. Within ninety (90) days of the end of each fiscal year, the Association will disclose the following information to the Members by posting the information on a website, or maintaining a literature table or binder at the Association's principle place of business, or by mailing to the Members, or by hand delivery to the Members, as the Board may determine.

i. Date of the beginning of the Association's fiscal year.

ii. The operating budget for the current fiscal year.

iii. A list, by lot type, of the Association's current assessments.

iv. The Association's financial statements for the preceding year, including amounts held in reserve.

v. Any financial audit or review.

vi. A list of all Association insurance policies, including company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies.

vii. The Association's governing documents, as amended, including the Articles, Bylaws, Policies, Procedures, Rules and Regulations.

viii. Minutes of Board and Member meetings for the fiscal year preceding the disclosure.

9. Alternative Dispute Resolution

a. Policy: It is the general policy of the Association to encourage the use of Alternative Dispute Resolution to resolve disputes between the Association and its Members when such disputes cannot be resolved through the ordinary course of business and communication.

b. Procedure: The Declaration has extensive provisions regarding dispute resolution in Chapter 19, which will be followed.

The foregoing Policies, Procedures, Rules and Regulations are:

Adopted on _____

_____
Secretary