

**CONSENT OF DIRECTORS  
OF  
THE CARRIAGES AT CHARLESTON PLACE (CCP)  
HOMEOWNERS ASSOCIATION, INC. (HOA)**

RESOLUTION NUMBER 2005-001

The Directors of The Carriages at Charleston Place Homeowners Association (HOA), Inc., (the Association), hereby consent to, vote in favor of, and adopt the following resolution:

**WHEREAS**, pursuant to Association's Articles of Incorporation in the state of Colorado, HOA compliance with applicable state laws is necessary.

**WHEREAS**, Colorado legislature passed Senate Bill 100 and the state governor signed the bill into law June 6, 2005. The bill contains a requirement for each HOA to document and adopt by January 1, 2006 responsible governance policies and procedures for the following subjects: 1) accounting method including audit/review, 2) collections of unpaid assessments, 3) handling of conflicts of interest with board members, 4) conduct of meetings, 5) enforcement of covenants and rules including notice and hearing procedures and a schedule of fines, 6) inspection and copying of association records by unit owners, 7) investment of reserve funds and 8) procedures for the adoption and amendment of governing documents. Ref: CRS 38-33.3-209.5 (1) (a) and 38.33.209 (1)(b) (I through VII)

**WHEREAS**, the Board of Directors (BD) desires to adopt and provide the required policies that are applicable to each owner and tenant in the Carriages. The "Resolution" method is used to adopt the association's policies and procedures. It is the BD's intent to incorporate the resolution into the Association's superior governing documents by amendment at a later date.

1. Responsible Governance Policy – Accounting Method and Audit/Review:

A. Accounting Method: GAAP compliance and reporting is required at the end of each fiscal year. The same method is required for interim reports which may be issued at BD direction on a monthly, bi-monthly or quarterly basis).

B. Audit/Review Method: An annual CPA Certified Financial Audit including BD selected Management Review(s), and Business/Financial Analysis is required for the mandatory "Association's Annual Disclosures To All Unit Owners" required by SB100 (See also Resolution #2005-002 for more on annual report policy).

2. Responsible Governance Policy – Collections of Unpaid Assessments including other fees and charges: [see also: Declaration Sect 4.10; Bylaws Sect XII and Resolution “Financial Management Policy”, dated 13 Mar 2000]

A. Due Dates. The monthly installments of the annual assessment as determined by the Association and as allowed for in the Declaration shall be due and payable on the on the first day of each month. Assessments or other fees and charges not paid in full to the Association within ten days of the due date shall be considered past due and delinquent. Assessments or other fees and charges not paid in full to the Association within ten days of the due date shall incur late fees and interest as provided below. In the event notice of acceleration is given to delinquent owner(s), the owner(s) of the unit shall also be charged any costs incurred by the Association in giving notice of such acceleration.

B. Receipt Date. The Association shall post payments on the day that the payment is received in the Association’s offices.

C. Late Charges and interest on Delinquent Payments. The Association shall impose, on a monthly basis, a \$10.00 late charge for payments received after ten days past the due date. This late charge shall be a “common expense” for each delinquent Owner. The Association shall impose interest on a monthly basis from the date due at the rate of 18% per annum on delinquent amounts unpaid by the end of the calendar month (i.e. at the next monthly billing cycle).

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

E. Return Check Charges. In addition to any and all charges imposed under the Declaration, Articles of Incorporation and Bylaws, the Rules and Regulations of the Association or this Resolution, a \$25 fee shall be assessed against an Owner in the event any check or other instrument attributable to or payable for the benefit of such Owner is not honored by the bank or is returned by the bank for any reason whatsoever, including but not limited to insufficient funds. The returned check charge shall be in addition to any late fees or interest incurred by an Owner. Any returned check shall cause an account to be past due if full payment of the monthly installment of the annual assessment is not made within 10 days of the due date. If two or more of the Owner’s checks are returned unpaid by the bank within any twelve month period, the Association may require that all of the Owner’s future payments, for a period of one (1) year, be made by certified check or money order

F. Attorney Fees on Delinquent Accounts. As an additional expense permitted under the Declaration and by Colorado law, the Association shall be

entitled to recover its reasonable attorney fees and collection costs incurred in the collection of assessments or other charges due the Association from a delinquent Owner. The reasonable attorney fees incurred by the Association shall be due and payable immediately when incurred, upon demand.

G. Application of Payments. All payments received on account from an owner, shall be applied to payment of any and all legal fees and costs, expenses of enforcement and collection, late charges, returned check charges, lien fees, and other costs owing or incurred with respect to such Owner, prior to application of the payment to any special or regular assessments due or may become due.

#### H. Collection Process.

(1). After an installment of an annual assessment or other charges due to the Association becomes more than 30 days delinquent, the manager is directed to send a written notice ("First Notice") of non-payment, amount past due, notice that interest and late fees have accrued and request for immediate payment.

(2). After an installment of an annual assessment or other charges due to the Association becomes more than 60 days delinquent, the manager is directed 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.

(3). After an installment of an annual assessment or other charges due to the Association becomes more than 90 days delinquent, the Manager is directed to file a lien and turn the account over to the Association's attorneys for collection. Upon receiving the delinquent account, the Association's attorneys shall send a letter to the delinquent Owner demanding payment for past due assessments or other charges due. Upon further review, the Association's attorneys may file a summons and complaint with the court of jurisdiction. If a judgment decree is obtained, including without limitation a foreclosure action, such judgment or decree shall include reasonable attorney's fees together with the cost of the action and any applicable interest.

(4). After the delinquent account is given to the Association's attorneys for collection and legal processing, the Association's Board of Directors and contract manager are responsible for monitoring the attorney's procedures and actions for appropriateness.

### 3. Responsible Governance Policy – Conflict of Interest:

A. Personal Financial Gain. If any contract, decision, or other action taken by or on behalf of the Board of Directors would financially benefit any member of the board or any person who is a parent, grandparent, spouse, child,

or sibling of a member of the board or a parent or spouse of any of those persons, that member of the board shall declare a conflict of interest for that issue. Any relative, personal or business associate creating a "Related Party" transaction must be disclosed. The member shall declare the conflict in an open meeting prior to any discussion or action on that issue. After making such a declaration, the member may participate in the discussion but shall not vote on the issue.

B. Selective Enforcement of Governing Documents. Governing documents must be equally enforced on all Association members regardless of status as a member of the Association's Board of Directors. A Board member not in compliance with the Association's governing documents is considered in violation of Conflict of Interest policies.

#### 4. Responsible Governance Policy – Conduct of Board of Directors Meetings:

A. Monthly or Bi-Monthly Board of Directors (BD) Meetings: BD meetings will be held at a location that is convenient to the Association membership. All BD meetings are "open" and membership is invited to attend. A notice of the meeting must be posted at least five days in advance on the Association's bulletin board. A published agenda must be available before each meeting as requested and also be provided to attendees at the meeting. Items for BD action will be presented via motions and discussion by board members. Before voting, the discussion will be expanded to include the Association members present. After a reasonable period for discussion by all those assembled, a vote of the BD may then be taken. If a consensus cannot be reached after a reasonable length of discussion, if possible, the BD should table any item having extensive owner interest and address it at the next meeting. Before the item is addressed at a second meeting, the Board should provide each member a "background & fact paper" on the issue and ask for their attendance at the next meeting to help the Board get resolution on the issue. All meetings shall be conducted according to Roberts Rules of Order. All BD actions shall be recorded in written minutes approved by the Secretary and Chairman of each meeting.

B. Board of Directors Executive Session: The Board may go into executive session only when the issue to be discussed and acted upon is authorized to be addressed in a "closed" meeting by the Colorado Common Interest Ownership Act. Minutes of the executive session must be recorded and filed in the Association official files.

C. Board Working Sessions. Board members may conduct announced or unannounced, open working sessions to discuss issues, gather facts, plan strategies, etc.; however, no formal votes or actions can be taken during the session. The use of working sessions must not be used to avoid or limit opportunities for member discussions in open meetings.

5. Responsible Governance Policy – Violations Enforcement: [see also: Resolution “Violation Enforcement Policy, undated]

A. Responsibility for Enforcement of Governing Documents. The Association members are responsible for enforcement of restrictions, rules, regulations, resolutions, and other Association guidance contained in governing documents. Noncompliance with such guidance and behavior which is not approved by the Association’s Board constitutes a “Violation” for which remedies are initiated.

B. Notice of Violation.

(1). Initial Notice. Upon verification of the existence of a Violation by a member, Board Member or community manager, the contract manager will place an optional phone call to the Owner to validate and obtain further information on the nature of the violation. The contract manager will send the Owner a written notice of the discovery of the Violation. The Initial Notice will contain the nature, description, and location of the violation, a request to remedy the Violation; and if the Violation has already been corrected or appropriate action taken, to disregard the notice.

(2). Second Notice. If the Owner fails to remedy the Violation, and the violation is continuing, no earlier than ten (10) days from the Initial Notice, the contract manager shall send to the Owner a Second Notice of Violation which contains the information required in the first notice and notification that the Association will pursue any one or more of the remedies available to the Association in its governing documents. The Owner will be informed that failure to correct the violation within 10 days of the date of the second notice will constitute a “Continuing Violation”.

C. Failure to Remedy – Continuing Violation: After consultation with the Association’s Attorney, the contract manager will prepare a formal notice informing the Owner of the possible “Continuing Violation” and the consideration of assessing a fine or Board initiated corrective action. Notice will also describe the method to request a hearing within ten days of the date of the Notice, in front of the Board of Directors regarding the violation and proposed Association action. The Notice must be coordinated with the Attorney and approved by the Board before issuance.

D. Fine Structure: The fine will be established by the Board of Directors within the following ranges for repetitive violation(s):

- (1). First Violation: \$25.00 to \$250.00
- (2). Second Violation: Up to double the fine for first violation
- (3). Additional Violations: Increase by doubling the previous fine

Alternative fines for "Parking" Violations may be established on a per day basis starting at \$10.00 per day for each day the vehicle remains a violation. Vehicle towing is also an authorized method of enforcement for "Parking" violations; however, it must only be initiated with attorney guidance and monitoring.

E. Corrective Action: Where a Violation is determined to exist and referred to the Board, pursuant to any provision of the Association's governing documents, the majority of the Board, may undertake to cause the Violation to be corrected, removed, or otherwise abate by qualified contractors. Where the Board decides to initiate any action by qualified contractors, the following will apply:

- (1). Before taking any action, the Association's attorney must review the situation and provide detailed, written guidance and approval of each action. Pursuing a court order is a precautionary consideration.
- (2). Give the Unit owner required written notice
- (3). Recover all costs by Special Assessment of benefiting owner
- (4). Ensure HOA is protected from liability of such actions

6. Responsible Governance Policy – Inspection and Copying Association Records:

A. Inspection of Association Records. Requests by individual members to inspect specified Association records must be processed through the Board Secretary. S/he will make arrangements to obtain the requested records and provide a monitored environment for member inspection.

B. Copying Association Records. Requests by individual members to copy specified Association records must be processed through the Board Secretary. S/he will make arrangements to obtain the requested copied records and determine the necessary fee to cover HOA additive costs of copying.

7. Responsible Governance Policy – Reserves: [see also: Resolution “Financial Management Policy”, dated 13 Mar 2000]

A. Purpose. The Association shall develop and manage a member approved Reserve Program to identify capital components for maintenance. The future repair cost of the items will be collected on a monthly basis as a budgeted amount from the member’s monthly assessment. The management and accounting for this program will be maintained as a separate entity from the operational management and funding. A Board appointed Business & Finance (B&F) Committee will monitor all aspects of the Reserves Program. Effective use of reserves management should lessen the need for special assessments to fund major capital repairs/replacements.

B. List of Components Criteria. Components must be “Capital” in nature, i.e., add value when repair is made; have limited and defined useful lives; generally require funds to be accumulated over an extended period of time and usually result in a property wide replacement action. Excluded items are those that do not meet the “limited useful life” test and probably will last as long as the property is used for residential purposes. Items must have a useful life of 5 to 30 years.

C. Basis for Repair/Replacement Cost. A reasonable cost of repair or replacement will be assigned to each component based on current costs for the area adjusted to a future value for date of expenditure(s) based on a most recent average three year inflation rate.

D. Projection Period. A 30 Year Repair & Replacement Schedule shall identify the years when each component work will be performed, including the inflation adjusted cost.

E. Funding Plan. The Reserve Study shall use a 30 Year Projection Period which takes into consideration the costs of repairs and replacements, contributions from members, impact of inflation, revenue generated from invested reserve funds and taxes owing on interest earned. The Funding Plan shall include monthly contributions from members to meet “adequate” Reserves with a limited (<2.5%) Special Assessment risk.

Based on recommendations by the B&F Committee, the Board will determine if the Funding Plan is calculated using the “Straight Line” model or the “Cash Flow” model. Both models shall be calculated and compared to determine the more practical method for funding the Association’s Reserve requirements.

F. Percent Funded. The Funding Plan shall include a “Percent Funded” factor (actual reserve funds on hand compared to funds for a balance of 100%).

If the Percent Funded balance is below 80%, the Funding Plan shall provide regular contribution increases over coming years to attain the 80% level without special assessments, if possible.

[The Association Reserves, Inc advises, "... it is not necessary to have a Reserve balance equivalent to the calculated Fully Funded Balance (100% Funded) to effectively eliminate the risk of inadequate Reserves. Reserves "adequacy" seems to occur at or above the 50% point, where the association's exposure to inadequate Reserves has been effectively minimized."]

G. Permitted Uses of Reserve Funds. Reserve funds are to be used only for the specific components identified in the Reserve Study.

H. Borrowing Reserve Funds. Subject to a majority vote of the membership, the Board may borrow money from reserves for emergencies; however, the money must be repaid with interest within one year. The rate of interest is stated in the Reserve Study.

I. Investing Reserve Funds. In order to reduce the amount of member contributions, the Board shall invest reserve funds to generate interest revenue which will accrue to the reserve funds balance. Unless otherwise approved by the membership, all investments will be FDIC (Federal Deposit Insurance Corporation) insured or guaranteed by the United States Government. Investments should take into consideration the repair and replacement schedule so that there is no interest penalty for early withdrawal.

The Board may hire an investment counselor to assist in formulating an investment plan. In coordination with the B&F Committee, the Board shall review the reserve fund investment plan at least annually to ensure that the funds are receiving competitive yields and make prudent adjustments as needed.

J. Annual Review & Revision. In coordination with the B&F Committee, the Board shall review and revise the Reserve Study annually to reflect changes in costs, inflation, and interest yield on invested funds plus modification, addition, or deletion of components. With this revised information, a new 30 Year Reserve Study projection shall be used in conjunction with in the Annual Operating and Reserve Budget process.

K. Who Performs the Reserve Study, Annual Review & Revision. To ensure objectivity and competence, the Board shall hire only a third party professional with experience, references, and credentials to do reserve planning analysis.

8. Responsible Governance Policy – Adoption and Amendment of Policies, Procedures and Rules:

A. Annual Review & Revision. The Board shall annually review the Association's "ancillary governing documents" i.e., Rules & Regulations; Resolutions, Guidelines, Policies and Procedures, and other such ancillary governing documents. The Association's Articles of Incorporation, Declaration of C,C&Rs and Bylaws are not considered part of the "ancillary documents" category. The Secretary will be responsible for the review project.

B. The Board will meet in working session to review and develop a proposed updated documents list with draft wording.

C. The Update Documents List with draft wording will be forwarded by mail to each member for comment, and the member is invited to attend an "open forum" meeting date to discuss the proposals.

D. The Board and interested members will discuss the proposals in open forum and attempt to obtain a general consensus for desired changes.

E. The Board will finalize the changes at their next regular meeting and vote on the changes.

F. The approved governing documents as adopted or amended will be forwarded to each member's mailing address in advance of the effective date(s).

Resolution and voting are recorded in the Book of Minutes: \_\_\_\_\_, 200\_.

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President – Board of Directors