

**Policies, Procedures, Rules and Regulations**  
**of**  
**Redlands Mesa Master Association**

Updated as of the 18<sup>th</sup> day of July, 2019.

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## **INTRODUCTION**

These Policies, Procedures, Rules and Regulations (“Policies”) reflect the values, interests, and best practices for governing the Redlands Mesa Master Association (the “Master Association”) discovered through the experience of the Executive Board of Directors (the “Executive Board”) and the Master Association’s members (the “Members”). They are intended to regulate the actions of the Executive 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 Master Association. The highest authorities are Federal and State law, followed by the Plat, the Master Declaration of Covenants, Conditions and Restrictions for Redlands Mesa, recorded at Reception No. 1957578 (the “Master Declaration”), the Articles, and the Bylaws of the Master Association in turn. The provisions of this document are to be followed to the extent that they are not inconsistent with higher authorities. The Master Association, through the Executive Board, will seek to keep this document up to date, and endeavor to keep it in compliance with applicable law, and prevent it from conflicting with other governing documents so that it may be a reliable source of information regarding the Master Association’s governance for all of the Master Association’s members.

This document, together with attached Exhibit 1, contains the authoritative collection of the Master Association’s policies and procedures. Any changes to these policies and procedures duly adopted but not incorporated or expressed here are ineffective until they are added to this document.

## **RESPONSIBLE GOVERNANCE POLICIES AND PROCEDURES**

### **I. Adoption, Amendment, Repeal, or other Changes to the Policies**

1.01 Policy: Our community continues to change as residents move in and move out. We want our governing documents, including these Policies to remain up to date, legally enforceable, and reflective of our community’s desires.

#### **1.02 Procedure:**

- (a) Step 1: Proposal. If the Executive Board should decide that it would be in the best interest of the Master Association to adopt, amend, repeal, or otherwise change the policies and procedures, such a proposal is to be presented in a regular or special meeting of the Executive Board. If adoption, amendment, repeal, or other change is proposed by the Executive 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 and procedures, the matter need not appear on the agenda of any meeting before the matter is proposed.

- (b) Step 2: Executive Board Review. The Executive Board will then open the matter for discussion as provided for in the policies and procedures. After comment on the proposed adoption, amendment, repeal, or other change has been taken, the Executive Board will vote on whether the change should be adopted.
- (c) Step 3: Adoption of Policies and Procedures. Adoption, amendment, repeal, or other change to these policies and procedures will be made by a simple majority vote (i.e., more than 50%) of a quorum of the Executive Board at a regular or special meeting of the Executive Board called for that purpose.
- (d) Step 4: Publication. If the proposed change is adopted in step 3, the Secretary of the Master Association will cause the change to be made to the policies and procedures. Copies of the document reflecting the changes will then be circulated to the members as provided for in the policies and procedures.

## **II. Conduct of Meetings and Voting**

2.01 Policy: The main means of communication between the Master Association and its Members is through in person meetings. It is important that meetings are held regularly and that Members have an opportunity to participate and give feedback.

### **2.02 Procedures:**

- (a) Timing. Meetings of the Executive Board and of the Members are to be held at least once per year as outlined in the Master Association's other governing documents.
- (b) Calling a Meeting. Regular meetings of the Executive Board need not be formally called because the Executive Board sets their timing in advance at predictable times. Special meetings of either the Executive Board or the Members, however, need to be scheduled. Special meetings of the Members may be called as specified in the Bylaws. Special meetings of the Executive Board may be called as provided for in the Bylaws.
- (c) Notice of Special Meetings of Members. Except as otherwise provided in the Master Declaration, not less than ten (10) but no more than fifty (50) days before a special meeting of Members, the Secretary of the

Master 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 Master Association adequate for the posting of such notice. If any Member requests notification by e-mail and provides the Master Association with their e-mail address, the Master 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 Master Association's governing documents, or its budget, and any proposition to remove any officer or Executive Board member.

- (d) Notice of Executive Board Meetings. Agendas of meetings of the Executive Board, or any committee of the Executive Board, will be made reasonably available to the Members or their representatives prior to the meeting date.
- (e) 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 Executive Board, committees of the Executive Board, and Members. At an appropriate time determined by the Executive Board, but before the Executive Board votes on an issue under discussion, Members or their designated representatives shall be permitted to speak regarding that issue. The Executive Board may place reasonable time restrictions on comment by attending Members. The Executive Board may also limit the number of people speaking to some reasonable number, but will permit a reasonable number of people to speak on both sides of an issue.
- (f) Executive Sessions. The Executive Board, or any committee of the Executive Board, may hold a closed door executive session during any regular or special meeting and restrict attendance to the members of the Executive Board or the committee and such other persons as the Executive Board requests if any of the below listed matters require attention. Before holding the session, the chair of the Executive 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 Executive 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 Master Association.

- (i) Matters related to employees of the Master Association, including a manager or involving the employment, promotion, discipline, or dismissal of an officer, agent, or employee of the Master Association.
  - (ii) 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.
  - (iii) Investigation concerning possible or actual criminal misconduct.
  - (iv) Matters protected from disclosure by constitutional, statutory, or judicial imposition.
  - (v) Any matter which would constitute an unwarranted invasion of individual privacy if discussed openly.
  - (vi) Review of or discussion related to any written or oral communication with legal counsel.
- (g) Voting and Proxies. Votes in all Executive 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 Master Association, or the Secretary's designee, prior to or during the meeting.
- (i) Individual members will present evidence of their membership to the Secretary, or to another person identified by the Executive 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 for that Lot or Unit has been cast. Each Member is only entitled to vote their number of allocated votes permitted by the Master Association's governing documents.
  - (ii) 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 Executive 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 Master Association for its records.

- (iii) If a Lot or Unit is owned by more than one (1) person, each owner of the Lot or Unit may register protest to the vote cast by another owner of such Lot or Unit through a duly executed proxy.
- (iv) The Master 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 for any Lot or Unit. Any such decision shall be valid unless a court of competent jurisdiction determines otherwise.
- (v) 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.

### **III. Conflict of Interest Procedures**

3.01 Policy: Executive Board membership should not be a vehicle for benefiting a Director's individual interests at the expense of the Master 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 Master Association and any party, or other action relating to the Master Association would financially benefit or adversely affect a Director, or any person who is a parent, grandparent, spouse, child or sibling of such Director.

#### **3.02 Procedure:**

- (a) Before any decision is made, contract entered into, or action taken by the Executive 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.
- (b) 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.

3.03 No Loans to Directors. Notwithstanding the above procedures, no loan shall be made by the Master Association to its Directors or officers. Any Director or officer who assents to or participates in the making of any such loan shall be liable to the Master Association for the amount of such loan until the Master Association is repaid in full.

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

#### **IV. Covenant and Rule Enforcement**

4.01 Policy: The Master 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 Master Association and their guests, tenants, and invitees.

4.02 Procedure:

- (a) Violations. Engaging in any activity prohibited by the Master Declaration, Articles, Bylaws, or any duly adopted policy, procedure, rule or regulation of the Master Association constitutes a violation; provided, however, that the failure to pay common expenses when due, shall be addressed in accordance with Article V of the Policies 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 Master Association, acting through the Executive Board, may also take such informal action to seek a resolution.
- (b) Written Report. If violations cannot be resolved through informal requests, violations may be reported to the Executive Board by any Member in writing, or using a form approved by the Executive Board or by any agent or representative appointed by the board. Submitting a written report of violation will initiate formal action by the Master Association. The written report must state with as much specificity with regard to time, date, place, persons involved and circumstances as possible, the acts or omissions constituting a violation believed to have

occurred. Any written reports of violation will be submitted to the Executive Board by mail or hand delivery.

- (c) Review. Once a violation has been reported to or noted by the Executive Board, the Executive 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 Executive Board, remove him or herself from the proceedings, and have their removal noted in the minutes of the Executive Board meeting.
- (i) Step 1: Initial Review. The Executive Board will review the written report and determine whether it has stated sufficient facts to indicate a violation has occurred.
- (ii) Step 2: Compliance Letter. Should the Executive Board determine that a violation has or may have occurred, the Executive Board will send a compliance letter detailing the basis of the violation, with appropriate citations to the Master Association's documents, to the Member against whom a complaint has been made. The letter will require that the alleged violation cease within such period of time as the Executive Board believes is reasonable, based on the nature of the alleged violation. The letter will be mailed to the last known address of the allegedly violating Member by certified or regular mail. In the event that the Executive Board determines the submitted report fails to state sufficient facts to indicate a violation did or may have occurred, it will provide notice of its decision to the complaining Member in writing.
- (iii) Step 3: Notice of Hearing. Should the alleged violation continue past the date set by the compliance letter, then a second letter will be sent to the allegedly violating Member giving that Member notice of the time, date and place when the Executive Board will meet to hear the matter. The allegedly violating Member will have an opportunity to attend and be heard at the meeting. After determining that a violation has occurred, the Executive Board has the authority to levy fines, approve referral of the matter to a lawyer, or take any other action authorized by the Master Association's documents or by Colorado law necessary to secure compliance.

- (iv) Hearing Details. The hearing provided for in Step 3 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 Executive 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 Executive Board are effective three (3) days after written notification of the decision is sent to the violating Member by certified or regular mail.
- (d) Sanctions. Sanctions for violations may include any or all of the following without limitation. Any fines or monetary sanctions will be collectable as Assessments.
  - (i) Fines –Violations shall be–subject to a fine of \$50.00, plus the costs associated with enforcing the violation of the CC&Rs or DRC Guidelines. The fine plus costs shall be payable 14 days after the Notice of Violation. If not paid by the stipulated deadline, the member shall be subject to an additional amount of \$50.00 every 24 hours after the stipulated deadline, until paid, remedied, or a plan has been put in place to remedy.
  - (ii) Termination of Member voting rights until the violation is cured.
  - (iii) Levying an assessment to repair or remedy any damage, physical, aesthetic, or otherwise, caused by the violation.
  - (iv) 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 Master Declaration.

## **V. Collection of Past Due Assessments**

5.01 Policy: It is vital to the effective administration of the Master Association that assessments and other charges to be paid by Members be paid in a timely manner. The Master Association has a duty to collect unpaid assessments in order to continue to serve the

community well and efficiently. The Executive Board may take into account the unique facts and circumstances surrounding each delinquent payment.

5.02 Procedure:

- (a) Assessment Due Dates. Assessments shall be annual and assessed on the 1<sup>st</sup> day of March of each year and due and payable on or before the 1<sup>st</sup> day of April. Special and other types of assessments not levied pursuant to the annual budget are due as and when determined by the Executive Board under the provisions of the Master Declaration.
- (b) "Past Due" Assessments. Assessments of all kinds are "past due" if they are not paid within thirty (30) days of their due date.
- (c) Fees and Interest, Suspension of Voting Rights, Returned Check Fees. A late fee of \$25.00 will be charged against all past due assessments. The fees charged will become due thirty (30) days after the assessment became due. The \$25.00 late fee will be added every month the due assessment has not been paid in full. These fees shall be added to the total delinquent amount and shall become a charge upon the land as provided in the Master Declaration. Once assessments become past due, the Master Association may suspend the voting rights of the delinquent Member.
- (d) If a Member should ever pay the Master Association by check and such check is returned because of a Member's insufficient funds, the Master Association shall, in addition to the amount owed and any late charges and interest, owe the Master Association a contractual charge of \$20.00, together with all other and further amounts due the Master Association under the provisions of Colorado law, including, without limitation C.R.S. § 13-21-109.
- (e) Payment Plans. Except as provided here, the Master 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 six (6) 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 Master Association has no obligation to coordinate a payment plan with a Member that does not occupy their Lot or Unit

and acquired their Lot or Unit either through default in a security interest encumbering the Lot or Unit, or foreclosure of the Master Association's assessment liens. Additionally, the Master 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.

- (f) 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 Master Declaration, and then to unpaid assessments beginning with the amounts left unpaid the longest and continuing in chronological order.

5.03 Available Legal Remedies. Subject to the provisions of this policy, the Master Association, acting through the Executive Board, may initiate collection proceedings of any kind at any time after any assessment payment becomes past due, as defined above. The Executive 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, with or without notice, at any time after a payment is past due. In addition to the remedies described in this policy, the Executive Board may pursue collection of unpaid assessments by any means authorized under Colorado law, as the same may exist from time to time.

- (a) Acceleration. If any assessment payment is more than sixty (60) days past due, all of the assessment payments due during the remainder of the current assessment year will become immediately due and owing. The entire amount so accelerated will be a charge upon the land of the delinquent Member, as provided in the Master Declaration.
- (b) Collection Agencies/Lawyers. Once an assessment has become ninety (90) days past due, the Master Association may refer the past due assessments to a collection agency or a lawyer for collection. 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 Master Declaration. At least thirty (30) days prior to referring the matter to a collection agency or lawyer, however, the Master Association shall first provide the involved Member with a notice of delinquency, describing the amount due (with an accounting of how the total was determined), indicating 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, and providing 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 Master Association's assessment lien, or the pursuit of other remedies provided by law.

- (c) Lien. Once an assessment has become ninety (90) days past due, the Master Association may 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 Master Declaration.
- (d) Foreclosure. As a last resort, the Master 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 Master Association's periodic budgets, and the Executive Board, by vote on the record, determines to pursue foreclosure on an individual basis, the Master 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 Master Declaration.

## **VI. Reserve Fund Investment**

6.01 Policy: The Master 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.

6.02 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 Executive 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 Master Association.

## **VII. Reserve Studies**

7.01 Policy: Ideally, the full cost associated with maintenance, repair, replacement and/or improvement of those components of the community for which the Master

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 Executive 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.

7.02 Definitions:

- (a) A “Reserve Study” is a process involving physical inspection and analysis of the condition of Major Common Area Components and analysis of the Master 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 Master Association is obligated to maintain, repair, replace and/or improve during and at the end of their useful life.
- (b) 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 or Unit in the Master Association each year.
- (c) “Major Common Area Components” are those components in the community that the Master 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 Executive 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.

- (d) “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 Executive Board’s discretion to give the Executive Board a good faith basis for estimation.
- (e) “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 Executive Board’s discretion to give the Executive Board a good faith basis for estimation.
- (f) “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 Executive Board’s discretion to give the Executive Board a good faith basis for estimation.

7.03 Procedure: When the Executive Board should determine to conduct a Reserve Study under this policy, the procedure outlined below will generally be followed. The Executive Board may choose to conduct the Reserve Study internally, with the assistance of the Master Association’s officers, or through a duly appointed committee of the Executive Board. The Executive 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 Executive Board will meet to consider and approve it, revising as necessary, whereupon the Funding Plan, and any other documentation or information the Executive Board may determine to present, will be distributed to the Members. Though the Executive Board will generally follow a duly adopted Funding Plan, the Executive 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 Master Association's financial plans as may be necessary or appropriate regardless of whether such adjustments conform with the currently adopted Funding Plan.

- (a) Step 1: Identification of the Major Common Area Components, referencing applicable provisions of the Master Declaration, plats and/or maps.
- (b) 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 Master Association's annual operating budget, will be developed, and disclosed as a part of the Funding Plan.
- (c) Step 3: Estimation of the Replacement Cost of the Major Common Area Components.
- (d) 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.
- (e) 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 Master 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 or Unit in the community. Depending on current Master Association finances and financial health, one of the three following funding models, or some combination of them, may be adopted:
  - (i) 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.

- (ii) 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.
- (iii) 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.

### **VIII. Inspection, Copying and Disclosure of Master Association Records**

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

8.02 Procedure:

- (a) Records Maintained. The Master 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:
- (b) The Master Association's vital information, including its name, the name and address of the Master Association's designated agent, if any, a valid physical address for both the Master Association and its designated agent or management company, if any, and the initial recording date and reception number or Book/Page location of the Master Declaration.
- (c) Other general information including: the date of the beginning of the Master Association's fiscal year, the operating budget for the current fiscal year, a list, by Lot or Unit type, of the Master Association's current assessments (including both regular and special), the Master 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.

- (d) 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 Master Association together with its assets and liabilities and results of its operations in reasonable detail.
- (e) Tax returns for the last seven (7) years, if any.
- (f) Financial records sufficiently detailed to permit the Master Association to produce statements of delinquent assessments, and any statements of delinquent assessments that are produced.
- (g) Minutes of all meetings of the Members, the Executive Board and committees of the Executive 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, Executive Board members that are directly related to an action taken by the Executive Board without a meeting), except executive sessions of the Executive Board or a committee of the Executive 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.
- (h) A record of Lot or Unit owners sufficient to allow the Master Association to produce a list showing the names, addresses, and votes allocated to each Member.
- (i) The Master Association's governing documents. This includes the Articles of Incorporation and any Articles of Amendment to the same, the Master Declaration and any amendments to the same, the Bylaws and any amendments, and Policies, Procedures, Rules, and Regulations as most recently amended.
- (j) Any resolution of the Executive Board which impacts the rights and obligations of the Members.
- (k) All written communications to the Members, in their role as Members, during the preceding three (3) years.
- (l) A list of the names, and business or home addresses, of the current Executive Board members and any officers of the Master Association.
- (m) The most recent annual report, if any.

- (n) A copy of all financial reviews or audits of the Master Association's financial records, if any.
- (o) A list of all Master Association insurance policies, including company names, policy limits, policy deductibles, additional named insureds, and expiration dates.
- (p) Records of construction defect claims and amounts received pursuant to settlement of those claims, if any.
- (q) The Master Association's most recent reserve study, if any.
- (r) Copies of all written contracts to which the Master Association is a party, including contracts for work performed for the Master Association, currently in force or in force within the preceding two (2) years.

8.03 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 Executive Board meeting, if the next such meeting is scheduled within thirty (30) days of the Member's request, in the sole discretion of the Executive Board. The Executive 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 Executive Board unduly limit access to Master Association records; however, minutes and other records of executive sessions of the Executive Board will not be kept, and if any are kept, they will not be subject to inspection or copying by Members.

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

- (a) Any purpose unrelated to a Member's interest as a Member;
- (b) 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 Master Association;
- (c) Any commercial purpose; or
- (d) For the purpose of giving, selling, or distributing such Master Association records to any person.

8.05 Documents Withheld. Records maintained by the Master Association under this policy *may* be withheld from inspection and copying 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 attorney work product doctrine;
- (d) Disclosures of the information in violation of law;
- (e) Records of an executive session, if any; or
- (f) Individual Lots or Units other than those of the requesting Member.
- (g) Records maintained by the Master Association under this policy are not subject to inspection or copying and must be withheld to the extent that they are or concern:
  - (i) Personnel, salary, or medical records related to specific individuals; or
  - (ii) Personal identification information and account information of Members, including bank accounts, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers.

8.06 Charges for Copying. If a Member wishes to make copies of the Master Association's records, the Master 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.

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

- (a) Governing Documents. The Master Association will permanently maintain copies of its Articles of Incorporation and any Articles of Amendment to the same, the Master 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.

- (b) Member Information. A list of the Master Association's Members, including their mailing addresses and e-mail addresses, if provided, as well as a list of the Master 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.
- (c) Minutes. Minutes of any meeting of the Executive Board, the Members of the Master Association, or any Committee of the Executive Board, or records of any action by consent in lieu of a meeting of the Executive Board, the Members, or a Committee of the Executive Board, except records of any executive session of the Executive Board or a committee of the Executive Board, will be maintained permanently.
- (d) 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.
- (e) 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.
- (f) Contracts. The Master Association will maintain records of its contracts, including any leases, service contracts, contracts for the purchase of goods, warranties, 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.
- (g) Property Records. Records or certificates of title related to any inventory, equipment, or other personal property owned by the Master Association along with records of any real property owned by the Master Association, including appraisals, blueprints, surveys, deeds, permits and other documents will be maintained for seven (7) years after the date the Master Association disposes of the real or personal property.

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

- (a) The Master Association's name.
- (b) Name of the Master Association's designated agent or manager, if any.
- (c) A valid address and telephone number for both the Master Association and the Master Association's designated agent or management company, if any.
- (d) The date and recording information of the Master Declaration.

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

- (a) The address of the Master Association.
- (b) The address of the Master Association's designated agent or Management Company.

8.10 Annual Disclosures. Within ninety (90) days of the end of each fiscal year, the Master 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 Master Association's principle place of business, or by mailing to the Members, or by hand delivery to the Members, as the Executive Board may determine.

- (a) Date of the beginning of the Master Association's fiscal year.
- (b) The operating budget for the current fiscal year.
- (c) A list, by Lot or Unit type, of the Master Association's current assessments.
- (d) The Master Association's financial statements for the preceding year, including amounts held in reserve.
- (e) Any financial audit or review.
- (f) A list of all Master Association insurance policies, including company names, policy limits, policy deductibles, additional named insureds, and expiration dates of the policies.

- (g) The Master Association's governing documents, as amended, including the Articles, Bylaws, Policies, Procedures, Rules and Regulations.
- (h) Minutes of Executive Board and Member meetings for the fiscal year preceding the disclosure.

## **IX. Dispute Resolution**

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

### 9.02 Procedure:

- (a) Claims. All "claims" will be subject to and resolved in accordance with the terms of this policy. "Claims" includes all claims, disputes, and other controversies between a Member or Members and the Master Association arising out of or relating to:
  - (i) interpretation, application or enforcement of the Master Declaration or policies, procedures, rules or regulations of the Master Association;
  - (ii) design or construction of improvements within the Master Association, or alleged defects in any such design or construction; or
  - (iii) rights, obligations and duties arising under the Master Declaration, the policies, procedures, rules or regulations of the Master Association or applicable Colorado law, or the breach of the same, of or by the Master Association, the Master Association's Executive Board or any member thereof, or any Member.
- (b) Claims Subject to Procedure. Unless at least 67% of the Members in the Master Association agree otherwise, the following shall not be "Claims" subject to this procedure:
  - (i) any suit by the Master Association against a Member to collect assessments;
  - (ii) any suit by the Master Association to obtain a temporary restraining order or injunction and such other equitable relief as a

court may deem necessary for the Master Association to enforce the provisions of the Master Declaration, the policies, procedures, rules or regulations of the Master Association;

(iii) any suit between or among Members, which does not include the Master Association as a party; and

(iv) any suit in which there is a necessary party who is neither a Member nor the Master Association.

(c) Notice of Claim. All Claims must be initiated by the party having a Claim (the “Claimant”) within a reasonable time after the Claim has arisen, and in no event may a Claim be initiated after the date when institution of legal or equitable proceedings based on such Claim would be barred by the applicable statute of limitations or repose. When the Master Association or any Member has a Claim, as defined above, the Claimant will submit all of their Claims in writing to the other party (the “Respondent”), stating plainly and concisely:

(i) the nature of the Claim, including persons involved and the Respondent’s role in the Claim;

(ii) the legal basis or other specific authority out of which the Claim arises; and

(iii) the specific relief or proposed remedy sought.

(d) Negotiation. Commencing after the Respondent receives the notice of Claim, the parties will attempt in good faith to negotiate a resolution of the Claim for thirty (30) days, or for such longer period as the parties may agree.

(e) Mediation. If the parties are not successful in resolving the Claim through negotiation, the Claimant will submit the claim to mediation within thirty (30) days from the end of the negotiation period. Mediation will be completed using a trained independent mediator familiar with the governance of common interest communities acceptable to both parties. In the event that the parties cannot agree on a mediator, each party will select a qualified mediator. The mediators so selected will select a third mediator by mutual agreement, which mediator will conduct the mediation. If the Claimant does not submit their Claim to mediation within the time provided, does not appear for the mediation, or fails to select a mediator as provided above, the

Claimant will be deemed to have waived the Claim, and the Respondent will be released and discharged from any and all liability on the Claim.

- (f) Costs. The costs of mediation will be split equally between the parties, with each party bearing the cost of their own attorney fees, if any. In the event that a Member fails to pay their share of the cost, the unpaid amount will be considered an assessment against that Member's Lot or Unit, and may be collected as provided by the Master Declaration, the Policies of the Master Association, and applicable Colorado law.
- (g) Mediation Agreement. Any settlement or resolution of the Claim through mediation will be documented in writing by the mediator and signed by the parties (the "Mediation Agreement"). If any party fails to abide by the terms of the Mediation Agreement, then any party affected by the breach may file suit or initiate other proceedings to enforce the Mediation Agreement without the need to again comply with this policy. Any suit to enforce the terms of the Mediation Agreement must be brought in the state or federal courts of the State of Colorado, with venue in Mesa County, Colorado. The Mediation Agreement may be presented to the Court as a stipulation of the parties either before or after the breach of its terms. In the event of a suit to enforce the Mediation Agreement, the party taking action to enforce the Mediation Agreement shall be entitled to recover from the non-complying party all costs incurred in enforcing the Mediation Agreement, including, but not limited to, attorney fees and court costs.
- (h) Mediation Certificate. If the parties do not settle the Claim within thirty (30) days of submission of the Claim to mediation, or within such other time as determined by the mediator or agreed to by the parties, the mediator will issue a certificate, signed by the mediator (the "Mediation Certificate"). The Mediation Certificate will state that the parties have attempted to mediate a resolution of the Claim, the parties are at an impasse, the date on which mediation was terminated, and any other matter the mediator deems appropriate.
- (i) Litigation. Either party may commence a judicial or administrative proceeding regarding the Claim after issuance of the Mediation Certificate. If the parties have not obtained a Mediation Certificate, as provided in this policy, that will serve as a bar to commencing judicial or administrative proceedings and any such proceedings may be stayed by the opposing party pending compliance with this policy.

## **X. Miscellaneous Policies**

10.01 Section 3.11 of the Declaration does not prohibit the installation and use of an outdoor natural gas fireplace or fire pit, provided such fireplace or fire pit is approved by the Design Review Committee in accordance with Article 4 of the Declaration and the Member must install and use his or her fire pit in accordance with all applicable laws and assumes all liability relating to or arising from the fireplace or fire pit.

The foregoing Policies, Procedures, Rules and Regulations are:

Adopted on

July 17<sup>th</sup> 2019

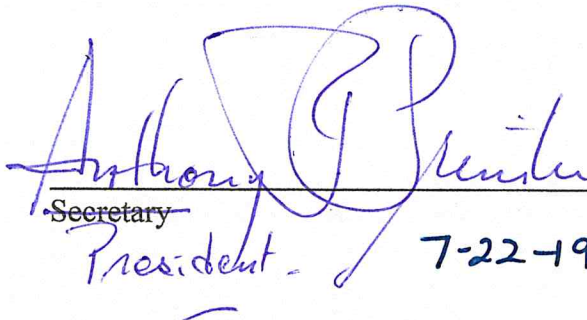
Anthony E. Smith  
President

**RESOLUTION OF THE BOARD OF DIRECTORS OF  
REDLANDS MESA MASTER ASSOCIATION**

A meeting of the Board of Directors (the "Board") of Redlands Mesa Master Association (the "Association") was held on the date set forth below pursuant to proper notice as provided for in the Bylaws of the Association and relevant Colorado law. One of the purposes of the meeting, as described in the written notice thereof, was to consider the Association's historic interpretation and application of Section 3.11 of the Master Declaration of Covenants, Conditions and Restrictions for Redlands Mesa recorded in the records of the Mesa County Clerk and Recorder on July 17, 2000, in Book 2730 at Page 66, at Reception No. 1957578, as amended (the "Declaration"). A quorum of the Board was present at the meeting. By motion made, seconded and carried by a majority of the Board present, it was:

RESOLVED, Section 3.11 of the Declaration does not prohibit the installation and use of an outdoor natural gas fireplace or fire pit, provided such fireplace or fire pit is approved by the Design Review Committee in accordance with Article 4 of the Declaration and the Owner assumes all liability relating to or arising from the fireplace or fire pit.

The foregoing resolution was adopted by the Board pursuant to Section 9.9 of the Declaration at a meeting held on the \_\_\_\_ day of \_\_\_\_\_, 2018, at \_\_\_\_\_.

  
~~Secretary~~  
President. 7-22-19