

**POLICY CONCERNING COLLECTION OF UNPAID ASSESSMENTS
OF
MOUNTAIN SIDE HOMEOWNERS' ASSOCIATION, INC.
AND
MOUNTAIN SIDE CONDOMINIUM ASSOCIATION**

WHEREAS Mountain Side Homeowners' Association, Inc. and Mountain Side Condominium Association, Colorado nonprofit corporations (collectively the "**Association**") are required to adopt a responsible governance policy concerning collection of unpaid assessments pursuant to COLO. REV. STAT. § 38-33.3-209.5(1)(b)(I).

NOW THEREFORE, the Association has adopted the following responsible governance policy as part of its rules and regulations (the "**Collection Policy**"):

1. Use of Terms.
 - 1.1. Capitalized terms not otherwise defined in the Collection Policy have the same meaning as in the recorded declaration for the Association.
 - 1.2. The term "**Assessment**" refers to all fees, charges, late charges, attorney fees, fines, and interest imposed by the Association. Except as noted in the Collection Policy, all Assessments are treated the same.
 - 1.3. The term "**Regular Assessment**" refers to the periodic payments due from each Owner to the Association and is commonly known as "dues."
 - 1.4. The term "**Special Assessment**" refers to irregular payments due from each Owner to the Association from time to time.
2. Mandatory Nature of and Effect of Policy. The Association is required to follow the Collection Policy. Notwithstanding the foregoing, the Association's failure to comply with the Collection Policy shall in no event limit an Owner's liability for unpaid Assessments, which are at all times each Owner's responsibility. The Collection Policy shall supersede any provision of the declaration, bylaws, articles, or rules and regulations to the contrary. It replaces all previous collection policies that may have been adopted by the Association. The imposition of fines is governed by a separate fine policy; however, once fines are imposed, they are subject to enforcement under the Collection Policy.
3. Due Date and When Past Due and Delinquent.
 - 3.1. Each Regular Assessment must be paid to the Association on a monthly basis on or before the first day of each month and is late after the 15th
 - 3.2. Each Special Assessment must be paid to the Association at a date to be fixed by the Association's executive board at the time of imposing the Special Assessment.
 - 3.3. All other Assessments must be paid immediately from the time they are imposed.
 - 3.4. All Assessments will be considered past due and delinquent if not paid by the Owner by the due date.
 - 3.5. If an owner fails to pay any Regular Assessment when due, the Association may accelerate and call due the entire balance of Regular Assessments for the remainder of the fiscal year and require the Owner to pay them immediately. The Association may later elect to decelerate the account in its discretion.

4. Late Fees. The Association will impose a late fee of \$25 for each payment that is past due and delinquent.
5. Interest. The Association will impose interest of 18% per annum on unpaid Assessments compounding monthly on the first day of each month.
6. Returned-Check Charges. Any Owner whose check, draft, or order for the payment of money upon any bank, depository, person, firm, or corporation is not paid upon its presentment is liable to the Association as provided in COLO. REV. STAT. § 13-21-109 (the bad check statute). For purposes of the bad check statute, the bad check charge will be \$20.00. Nothing herein shall prevent the Association from referring the matter to the appropriate authority for criminal prosecution.
7. Collection Process.
 - 7.1. Billing and Notice Policy. The Association will endeavor to send each Owner periodic statements. Sending statements is a courtesy only and does not affect an Owner's liability for unpaid Assessments, which are at all times the Owner's responsibility. No excuses. Statements will generally be sent to the Owner's last known address or, at the Association's election, to the electronic mail address of the Owner on file with the Association. Owners are responsible for making sure the Association has current billing information, including a mailing address and/or electronic mail address. **The risk of non-delivery of notices is at all times on the Owners.** Owners may request that notices only be sent to a designated electronic mail address, otherwise, notices may be sent by regular mail and/or certified mail as determined by the Association.
 - 7.2. Payments. **Payments may only be made by depositing funds to the Association's bank account.** Information about payment options may be obtained from the Association's manager. **Payment may not be delivered directly to the Association's manager at its offices or by mail and, to the extent that the Association accepts a payment delivered directly to the Association's manager, the payment will be deemed paid when actually deposited into the Association's account by the manager even if there is a delay that causes additional charges to accrue on the account.**
 - 7.3. Notice of Delinquency. Before the Association turns over a delinquent account to a collection agency or refers it to an attorney for legal action, the Association, or its managing agent, will send the Owner at least one "**Notice of Delinquency**" in substantially the form attached as **Exhibit A**. The Association may send an Owner any number of Notices of Delinquency before proceeding with more formal collection action without prejudice to its collection rights. Payments will be applied as provided in the Notice of Delinquency and the Association's acceptance of less than the full amount owed shall never constitute accord and satisfaction or affect the Association's rights with respect to collection of the balance except as expressly acknowledged by the Association in writing.
 - 7.4. Referral to Collection Agency or Attorney. If an Owner has not paid the full amount owed on a delinquent account within thirty (30) calendar days after the mailing of a Notice of Delinquency, the Association may turn over the account to a collection agency or refer it to an attorney for legal action. A delinquent Owner is liable for all collection costs, including attorney's fees, with or without suit. It shall be reasonable for the attorney to charge up to \$275 per hour for collection and/or customary flat rates. The minimum charge for attorney fees for any referral to the Association's attorney is \$300. The collection agency or attorney may pursue collection of the

account using any means permitted by law, including through appointment of a receiver. Once the Association turns the account over to a collection agency or refers it to an attorney for legal action, all subsequent communications regarding the account must be handled through the collection agency or attorney until the matter is resolved.

8. Payment Plan and Forbearance.

8.1 The Association will make a good faith effort to coordinate with a delinquent Owner to set up a payment plan ("**Payment Plan**"), except that this section does not apply if the Owner does not occupy the unit and has acquired the property as a result of (1)(a) a default of a security interest (e.g. deed of trust) encumbering the unit, or (b) foreclosure of the Association's lien; or (2) the Owner has previously entered into a Payment Plan. For purposes of this provision, an Owner does not occupy the unit, and is not entitled to a Payment Plan, if the Owner is a legal entity such as a limited liability company, corporation, partnership, or trust.

8.2 The Payment Plan will be in a form agreed by the Association and the Owner. In general terms, the Payment Plan will permit the Owner to pay the deficiency in equal installments over a period of at least six months. The Owner will be required to agree to the amount owed and to stipulate to judgment and foreclosure of the Association's lien in the event that the Owner does not pay as required by the Payment Plan. The Payment Plan will include other terms as required by the Association. In the event that the Association and the Owner are unable to agree to the final terms of a Payment Plan after a reasonable opportunity for negotiation, the Association may proceed with collection of the account through any means permitted by law. The Association is entitled to charge the Owner for its attorney fees relating to preparation and negotiation of a Payment Plan.

8.3 The Association may, in its discretion, forebear enforcement of the Collection Policy, including entering into forbearance agreements with delinquent Owners, if it determines this to be in the best interest of the Association.

8.4 No agreement is enforceable unless reduced to a writing signed by the Association and the Owner.

9. Suspension of Voting Rights. An Owner's voting rights shall be automatically suspended during any period that the Owner is delinquent in payment of Assessments unless otherwise determined by the Association. The attendance of an Owner whose voting rights have been suspended may be counted toward the quorum at any meeting.

10. Effect of Bankruptcy. If any Owner files bankruptcy, the Owner will not be personally responsible for Assessments accruing before the Owner filed bankruptcy, but will remain responsible for all Assessments accruing after the Owner filed bankruptcy. A bankruptcy filing shall not affect the Association's right to claim a lien for the entire amount of unpaid Assessments against a unit. The Association may immediately turn the matter over to its attorney upon receipt of notice that an Owner filed bankruptcy.

11. Charge for Accounting. Any request for an accounting pursuant to C.R.S. § 38-33.3-316(8) shall be accompanied by payment of \$50.00 for the cost of responding to the request; the time for the Association to respond to such request shall run from when the payment is made.

12. Lien for Assessments. The Association has a lien on each unit for the full amount of unpaid Assessments. The Association is not required to record a special notice of its lien in the public records, but it may choose to do so and the delinquent Owner will then be responsible for a \$50 lien filing fee. The lien can be foreclosed to satisfy the debt in like manner as a mortgage on real estate subject to the following restrictions
- 12.1 The balance of the Assessments must equal or exceed six months of Regular Assessments based on a periodic budget adopted by the Association before commencement of any foreclosure; and
- 12.2 The Executive Board must formally resolve, by a recorded vote, to authorize the filing of a foreclosure action on an individual basis. The Executive Board may not delegate its duty to act under this provision. For purposes of this provision, a "recorded vote" is one in which the individual votes of the members of the Executive Board voting for the resolution, or the fact that the vote was unanimous, are reflected in the records of the Association and/or the resolution. The resolution will be filed in the foreclosure action. The members of the Executive Board may vote concerning such resolution by electronic mail and are not required to personally sign the resolution provided that it is signed by at least one officer for the Association. Signatures may be transmitted electronically.
13. Assignment of Collection Rights. The Association may assign its collection rights to any person and that person will then have all rights and responsibilities of the Association with respect to the assigned rights. When the Association assigns its collection rights, the assignee shall receive the right to collect the Assessments as of a specified date together with all collection expenses, including attorney fees, relating to those Assessments. Assessments accruing after the date of any such assignment will be paid to the Association in the normal course and the Association will retain all collection rights with respect to them such that an Owner may be delinquent with regard to paying Assessments to the assignee and current with regard to paying Assessments to the Association. Once the Association assigns its collection rights, the Owner must deal directly with the assignee with respect to the Assessments assigned. The Association may enter into "standby" agreements whereby it agrees not to take enforcement action with respect to new Assessments until an assignee completes enforcement with respect to assigned Assessments. Enforcement of new Assessments and assigned Assessments may take place concurrently and the Association and the assignee may assert concurrent enforcement rights in a single enforcement action coordinated by them subject to an agreement concerning the final disposition of proceeds. These arrangements will not affect an Owner's obligations with respect to unpaid Assessments and are therefore not subject to challenge by Owners.
14. Effect of Prior Decisions and Business Judgment Rule. The Association is not bound to decisions with respect to one set of facts and circumstances when it comes to its decisions with regard to another set of facts and circumstances concerning the enforcement of this Collection Policy. The Association's actions are governed by the business judgment rule, which holds that good faith acts of the directors of the Association that are within the powers of the Association and exercise of honest business judgment are valid.

Certification: The foregoing policy was adopted unanimously by both Boards at the Combined Boards of Directors meeting held on 11/15/14 and is so reflected in the minutes^{The}

Klug Law Firm, LLC

EXHIBIT A

[Date]

[Name of Owner]
[Address]

Re: Notice of Delinquency

Dear Owner:

As an Owner of a unit in *** (name of association), you are obligated to pay common expense assessments to the Association. Our records show that your account is delinquent. Pursuant to the Association's Collection Policy and applicable law, you are hereby given Notice of Delinquency as follows:

Total amount due: ***

Whether the opportunity to enter into a payment plan exists:

Yes, there is an opportunity for you to enter into a payment plan pursuant to the Collection Policy and applicable law. If you wish to discuss your options, please contact the Association's attorney, Noah Klug, by sending an email to Noah@TheKlugLawFirm.com referencing your name, unit number, mailing address, and phone number, and the fact that you would like information about a payment plan. Mr. Klug will then review the account and contact you with information about your payment plan options.

No, there is not an opportunity for you to enter into a payment plan because:

To our knowledge, you do not occupy the unit and you acquired the property as the result of a default of a security interest encumbering the unit or foreclosure of the Association's lien; or

You previously entered into a payment plan with the Association.

The name and contact information for the individual you may contact to request a copy of your ledger in order to verify the amount of the debt:

*** (name and contact information)

ACTION IS REQUIRED TO CURE THE DELINQUENCY AND FAILURE TO DO SO WITHIN THIRTY (30) CALENDAR DAYS MAY RESULT IN YOUR DELINQUENT ACCOUNT BEING TURNED OVER TO A COLLECTION

AGENCY, A LAWSUIT BEING FILED AGAINST YOU, THE FILING AND FORECLOSURE OF A LIEN AGAINST YOUR PROPERTY, OR OTHER REMEDIES AVAILABLE UNDER COLORADO LAW.

The method by which payments may be applied on your delinquent account:

Payments received on your account will be applied first to the oldest Assessments imposed on the account.

The legal remedies available to the Association or its assignee to collect on your delinquent account pursuant to the governing documents and Colorado law:

The legal remedies may include obtaining a money judgment against you personally and then enforcing the judgment as provide by law; foreclosing the Association's lien encumbering your unit; obtaining a receiver for your unit; suspending your voting rights in the Association; accelerating and calling due your account; turning over your account to a collection agency; referring your account to an attorney for legal action; imposing late charges, interest, collection costs and attorney fees on your account; reporting information about your account to a credit agency; and all other remedies provided by law.

Fair Debt Collection Practices Acts Notice

FOR INFORMATION ABOUT THE COLORADO FAIR DEBT COLLECTION PRACTICES ACT, SEE WWW.AGO.STATE.CO.US/CADC/CADCMAIN.CFM.

A consumer has the right to request in writing that a debt collector or collection agency cease further communication with the consumer. A written request to cease communication will not prohibit the debt collector or collection agency from taking any other action authorized by law to collect the debt.

This is an attempt to collect a debt and any information obtained will be used for that purpose.

The amount of the debt is \$* as of ***.**

The name of the creditor to whom the debt is owed is *.**

Unless you dispute the validity of the debt, or any portion thereof, within thirty calendar days after receipt of this notice, the debt will be assumed to be valid.

If you notify us in writing within the thirty-day period that the debt, or any portion thereof, is disputed, we will obtain verification of the debt and a copy of such verification will be mailed to you.

Upon your written request within the thirty-day period, we will provide you with the name and address of the original creditor if different from the current creditor.

The provision of this notice is not to be construed as evidencing any legal status.