

AVON TOWN SQUARE, LOT 2, CONDOMINIUM ASSOCIATION

POLICIES AND PROCEDURES FOR COLLECTING DELINQUENT ASSESSMENTS

(Effective Date: April 21, 2016)

The Avon Town Square, Lot 2, Condominium Association, Inc. (the "Association") is a commercial common interest association of owners that was organized under the provisions of the Colorado Revised Nonprofit Corporation Act. The Association is also subject to many of the terms and provisions of the Colorado Common Interest Ownership Act ("CCIOA"). Under Section 209.5 of CCIOA, the Association is required to adopt written policies and procedures for collecting delinquent assessments. The Board of Directors (the "Board") of the Association also has the authority to adopt written policies and procedures for collecting delinquent assessments incurred by an owner.

Underlying Philosophy

This statement of policies and procedures for the collection of delinquent assessments has been adopted by the Board of the Association effective upon the date specified above. The terms of this policy are also adopted as part of the Association's rules and regulations.

The Association must operate in a fiscally responsible manner. Without insisting on the prompt payment of all assessment obligations levied by the Association, the ability of the Association to provide services under the Declaration could be impaired. Consequently, the Board has determined that it will vigorously enforce all of the Association's available remedies to collect delinquent assessments. These remedies will be applied in a consistent and nondiscriminatory manner.

Assessments

Under the Association's Declaration, the Board has the delegated power to adopt and amend budgets for revenues, expenditures and reserves of the Association and collect annual assessments as well as supplementary, extraordinary and special assessments. This power includes the right to impose interest and late payment charges and to recover attorney fees and other legal costs of collecting and enforcing payment of delinquent assessments.

Past due assessments create a statutory lien under CCIOA which automatically attaches to the affected unit and which is preserved by recordation of a statement of lien. This statutory lien may be foreclosed in the same manner as any other lien or charge against real property, and the unit may be sold at a foreclosure sale in order to satisfy the delinquent assessments. The Declaration also establishes that the assessment obligation is a personal obligation of the owner of the unit. Therefore, the Association's collection remedies include the right to institute a personal civil suit against the owner of the unit in order to obtain a judgment for damages against the owner for the amount of the delinquent assessments along with late charges, interest, attorney fees and costs.

PROCEDURES FOR COLLECTING DELINQUENT ASSESSMENTS

1. Standard Billing and Payment Procedures

Periodic statements for annual assessment obligations are mailed to or delivered to owners on a monthly basis in advance. For example, statements for January are sent during the preceding month of December and are payable on January 1st. Each statement is payable in full for each applicable assessment period. The payment is considered delinquent if it is not paid within 15 days after the payment due date. Assessments for common expenses of emergencies, which are not paid from the annual assessments, shall be due and payable no later than 30 days after the Association provides notice of the amount of such emergency assessment.

When any payment becomes delinquent, the general manager will attempt to expedite payment. If a payment is delinquent for a period of 30 days, the Board may, at its discretion, take any remedial or enforcement actions permitted under the Association governing documents or under this policy that the Board may deem appropriate.

Payments received on delinquent accounts will be applied first to any accumulated and unpaid late charges and delinquent interest accruals as well as any other charges such as late fees and attorney fees. The remaining amount of the payment will be applied against the amount of the delinquent assessment obligation. For example, if the delinquent assessment obligation is \$1,000, and \$200 in late fees and delinquency interest have accrued against the account, a payment of \$1,000 will be applied first to the late fees and accrued interest, thereby leaving only \$800 to be applied against the \$1,000 assessment obligation.

2. Late Fees and Other Charges

The Association's Declaration provides for the imposition of interest on any delinquent assessment obligation. For these purposes, any assessment is deemed to be delinquent if not paid within 15 days from the payment due date. Once an assessment obligation becomes delinquent, interest is imposed at a variable rate equal to the prime rate utilized by FirstBank in the State of Colorado with an additional margin of two percent. The amount of interest will change from time to time with any changes in the FirstBank prime rate.

The Association's governing documents and the provisions of CCIOA also provide for late charges to be imposed on delinquent assessment accounts. The amount of the late charge is 10% of the outstanding balance that is delinquent. The late charge will be imposed on a monthly basis at the beginning of each month during any period in which the assessment obligation remains delinquent, but will only be imposed after prior notice from the Association.

If the payment of an assessment obligation is made by check, and the check is subsequently returned to the Association unpaid for any reason, the Association will impose a returned check fee on the assessment account in the amount of \$20.00.

3. Payment Plan

When initiating any steps to collect past due assessments, the Association will attempt to enter into a payment plan as described in the attached Payment Plan Guidelines, with any owner

who has not previously entered into a payment plan with the Association. The payment plan will permit the owner to pay off the delinquency in equal installments over a period of six months. However, the owner must also remain current with assessments and other obligations that come due to the Association during this six-month period.

If the owner fails to comply with the terms of the payment plan, the Association may immediately commence legal action against the owner or undertake any other remedies available to the Association. For purposes of this policy statement, any reference to assessments includes regular and special assessments and any associated fees, charges, late charges, attorney fees, fines and interest that may be due to the Association.

The Association is not required to enter into a payment plan in any situation where the owner does not occupy the unit and has acquired title to the unit because of a mortgage or lien foreclosure proceeding.

4. Notice of Delinquency

Before the Association refers a delinquent assessment account to a collection agency or to an attorney for collection, the Association will send the owner a notice of delinquency specifying the total amount due along with an accounting of how this total amount was calculated. The notice will also state whether the opportunity to enter into a payment plan exists, and if so, will contain instructions for contacting the Association's manager to enter into a payment plan. The notice will also contain the name and contact information of the Association's manager and provide that the owner may request a copy of the assessment ledger from this source in order to verify the amount that is due.

The notice will specifically explain the action that is required to cure the delinquency. The notice will also provide that the failure to cure the delinquency within 30 days could result in the account being turned over to a collection agency or attorney for further action. This could include the commencement of a lawsuit against the owner or the commencement of a foreclosure lawsuit against the owner's unit or the pursuit of any other remedies that may be available to the Association.

The notice will also explain the method that is used to apply payments received by the Association against delinquent accounts. This includes the Association's right to apply payments first against outstanding late charges and fees, such as attorney fees and court costs, before applying sums against amounts that are delinquent. The notice will also specify the various collection remedies that are available to the Association under its governing documents and under Colorado law.

5. Assessment Collection Procedures

The first step in the assessment collection procedure involves the preparation, execution and recording of an assessment lien statement. The Association has a very clear statutory lien power under the provisions of CCIOA, and the recordation of the Association's lien statement becomes a lien and encumbrance against the affected unit. The Board will direct the Association's attorney to prepare and record an assessment lien statement in the Eagle County real estate records asserting a lien against any unit when an assessment is delinquent by more

than 60 days. The lien statement will describe and summarize all assessments which are due and owing as of the date of the lien statement and contain a description of accrued interest and all attorney fees and costs.

Under the terms of the Association's Declaration, the Association is entitled to impose late fees as well as interest on all delinquent assessments. These amounts will be added to the amount of the lien. In addition, the Association may add amounts for expenses incurred by the Association for attorney fees and costs which relate to the collection process.

6. Delinquent Assessment Lien Foreclosure

After a lien statement has been recorded and any portion of the assessment obligation described in such statement remains unpaid for a period of 30 days after the date on which the lien statement was recorded, the manager is authorized to forward the matter to the Association's attorney for the commencement of a judicial foreclosure proceeding. The lien foreclosure proceeding will be filed in the Eagle County District Court and will request the foreclosure and sale of the affected unit in order to satisfy the lien indebtedness. In a judicial foreclosure proceeding, the owner of the affected unit will be personally served with a copy of the district court summons and complaint. Depending upon the location where the affected owner is served, a responsive pleading must be filed within either 20 days (for service inside the State of Colorado) or 30 days (for service outside the State of Colorado) in order to prevent the entry of a judgment by default and an order of sale. Where the court orders a unit to be sold in a judicial foreclosure proceeding, the sales proceeds will be utilized to pay the assessment lien and any other liens which are subordinate to the assessment lien.

7. Suit for Money Judgment

Under the terms of the Association's Declaration, the Association also has the right to institute a civil action against the owner of the affected unit seeking a personal judgment against the owner for money damages in the amount of the assessment delinquency along with all late fees, interest, costs and attorney fees. In some instances, the Association may choose to commence the suit for a personal judgment as part of its judicial foreclosure proceedings. In this instance, the complaint in the judicial foreclosure proceeding will also contain a separate claim against the owner for a personal judgment. In other instances, the Association may determine that it is more effective to file a civil action for a personal judgment against the owner and temporarily forego any judicial foreclosure remedy. This election of remedies is a matter which is within the sole discretion of the Board, and decisions of this nature will be made on a case by case basis.

8. Suspension of Voting Rights

Under CCIOA, the Association has the authority to suspend the voting rights of an owner of a unit who has failed to pay a delinquent assessment. The Board will enforce this authority in all cases. Consequently, when an assessment is delinquent more than 90 days from its due date, the owner of the affected unit will not be permitted to vote on any matters which come before the Association at any regular or special meeting of the owners.

9. Mediation

Under the provisions of CCIOA, the Association and an owner have the right to jointly agree and consent to submit any assessment dispute to mediation proceedings. However, it is the decision of the Board that mediation is not an effective remedy for collecting delinquent assessments. Consequently, the Association will not consent to mediating any dispute arising out of a controversy involving delinquent assessments.

10. Attorney Fees and Costs for Delinquent Assessment Obligations

The terms of CCIOA provide that in any litigation between the Association and an owner, the court may award attorney fees and costs to the prevailing party. This means that if the Association prevails in litigation against an owner, the attorney fees, expenses and court costs incurred by the Association will be awarded as part of any judgment against the owner. This also means that the Association's attorney fees, expenses and court costs will be awarded as part of any assessment lien foreclosure proceedings in which the Association prevails.

In the event that a court should find that an owner has not violated the terms of the Declaration by failing to pay assessments, the court may award the owner reasonable attorney fees and costs incurred in defending against the Association's claims.