

**RESOLUTION
OF THE
MICHIGAN HILL OWNERS ASSOCIATION, INC.,
REGARDING POLICY AND PROCEDURES FOR COLLECTION OF UNPAID
ASSESSMENTS**

SUBJECT: Adoption of a policy and procedure regarding the collection of unpaid assessments.

PURPOSE: To provide notice of the Association's adoption of a uniform and systematic procedure to collect assessments and other charges of the Association.

AUTHORITY: The Declaration of Covenants, Articles of Incorporation and Bylaws of the Association and Colorado law.

**EFFECTIVE
DATE:** April 15, 2012

RESOLUTION: The Association hereby adopts the following policy which shall replace Motion 6 as presented and passed at the August 28, 2011 Board meeting, in its entirety:

The Board of Directors has retained an attorney with experience in representing homeowner associations in collections and other matters. The Association hereby gives notice of its adoption of the following policies and procedures for the collection of assessments and other charges of the Association:

1. Due Dates. The yearly collection of the annual assessment as determined by the Association and as allowed for in the Declaration of Covenants shall be due and payable on April 15th of each year. Assessments or other charges not paid in full to the Association within one day of the due date shall be considered past due and delinquent. Assessments or other charges not paid in full to the Association within 30 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 Lot shall also be charged any costs incurred by the Association in giving notice of such acceleration.

2. Receipt Date. The Association shall post payments on the day that the payment is received by the Association.

3. Late Charges on Delinquent Installments. The Association shall impose interest from the date due at the rate of 21% per annum on the amount owed for each Owner who fails to timely pay the annual assessment within 30 days of the due date.
4. Personal Obligation for Late Charges. The late charge shall be the personal obligation of the Owner(s) of the Lot 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 of Covenants (and as set forth herein) for payment of assessments.
5. Return Check Charges. In addition to any and all charges imposed under the Declaration of Covenants, Articles of Incorporation and Bylaws, the Rules and Regulations of the Association or this Resolution, a reasonable fee, not to exceed \$20.00, 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. This returned check charge shall be a "common expense" for each Owner who tenders payment by check or other instrument which is not honored by the bank upon which it is drawn. Such return check charge shall be due and payable immediately, upon demand. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. Returned check charges shall be the obligation of the Owner(s) of the Lot for which payment was tendered to the Association. Returned check charges shall become effective on any instrument tendered to the Association for payment of sums due under the Declaration of Covenants, Articles of Incorporation, Bylaws, Rules and Regulations or this Resolution after the date adopted as shown above. If two or more of an Owner's checks are returned unpaid by the bank within any (fiscal) year, 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. This return 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 timely made within 30 days of the due date.

6. Service Fees. In the event the Association incurs any type of service fee, regardless of what it is called by its management company, for the handling and processing of delinquent accounts on a per account basis, such fees will be the responsibility of the Owner as such fee would not be incurred but for the delinquency of the Owner.

7. Attorney Fees on Delinquent Accounts. As an additional expense permitted under the Declaration of Covenants 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.

8. Application of Payments. All sums collected on a delinquent account that has been turned over to the Association's attorney shall be remitted to the Association's attorney until the account is brought current. All payments received on account of any Owner or the Owner's property (hereinafter collectively "Owner"), shall be applied to payment of any and all legal fees and costs (including attorney fees), expenses of enforcement and collection, late charges, returned check charges, lien fees, and other costs owing or incurred with respect to such Owner pursuant to the Declaration of Covenants, Articles of Incorporation, Bylaws, Rules and Regulations, or this Resolution, prior to application of the payment to any special or regular assessments due or to become due with respect to such Owner.

9. Collection Process.

Step 1: When an Owner is late paying MHOA dues, a reminder letter will be sent to the Owner's most current address stating that the assessments/dues are 30 days past due.

Step 2: When an Owner is late paying MHOA assessments/dues by 60 days, a certified return/receipt letter will be sent to the Owner's most current address stating the amount of the fines per month, the total due, and informing the Owner that a lien will be filed against the subject property in the event the dues are not paid on or before the time the dues become six

months delinquent. The Owner will also be notified that legal fees, if necessary, will be added to the amount owed.

Step 3: In the event the dues/assessments are not paid on or before they become six months delinquent, the Association shall send a certified/return receipt letter to the Owner's most current address stating the amount due, and informing the Owner that a lien has been filed, because overdue amounts have not been paid.

Step 4: In the event the dues/assessments become delinquent for one year, the Owner will be invited by certified/return receipt letter to meet with the Board of Directors to arrange a payment plan. The Owner will be informed that the Association may refer the account to an attorney if satisfactory payment plan is not reached.

Step 5: If an Owner continues to fall behind with dues payments for a period of two years, and no payment plan has been arranged or such plan is not maintained in a current status, the Board of Directors shall inform the Owner, by certified return/receipt letter, of their right to a "public hearing" before sending the subject property to an attorney for collection.

Step 6: If past due amounts are not resolved at the public hearing or if the owner fails to request such a hearing, an owner's account shall be sent to collection.

10. Bankruptcies and Foreclosures. Upon receipt of any notice of a bankruptcy filing by an Owner, or upon receipt of a notice of a foreclosure by any holder of an encumbrance against any Lot within the Association, the Association shall notify the Association's attorney of the same and turn the account over to the Association's attorney, if appropriate.

11. Use of Certified Mail/Regular Mail. In the event the Association shall cause a collection or demand letter or notices to be sent to a delinquent Owner by regular mail, the Association may also cause, but shall not be required to send, an additional copy of that letter or notice by certified mail.

12. Referral of Delinquent Accounts to Attorneys. Upon referral to the Association's attorney, the attorney shall take all appropriate action to collect the accounts referred. After an account has been referred to an attorney, the account shall remain with the attorney until the account is settled, has a zero balance or is written off. The attorney, in consultation with the

Association, is authorized to take whatever action is necessary and determined to be in the best interests of the Association, including, but not limited to:

- a. Filing of a suit against the delinquent Owner for a money judgment;
- b. Instituting a judicial foreclosure action of the Association's lien;
- c. Filing necessary claims, documents, and motions in bankruptcy court in order to protect the Association's interests; and
- d. Filing a court action seeking appointment of a receiver.

All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney.

Upon referral of any matter to the Association's attorney, the Association shall pay the attorney's usual and customary charges as well as any costs incurred by the attorney on the Association's behalf, promptly upon receipt of the monthly invoice from the attorney.

13. Appointment of a Receiver. The Association may seek the appointment of a receiver if an Owner becomes delinquent in the payment of assessments pursuant to the Declaration of Covenants and Colorado law. A receiver is a disinterested person, appointed by the court, who manages the rental of the property, collects the rent and disburses the rents according to the court's order. The purpose of a receivership for the Association is to obtain payment of current assessments, reduce past due assessments and prevent the waste and deterioration of the property.

14. Rental Interception. The Association may, without court order, notify the tenant of any Lot where the Owner is delinquent in the payment of assessments, pursuant to the Declaration of Covenants and Colorado law, that rents shall be paid to the Association effective immediately and continue until such time as the Owner's account is current. Such notice shall be in writing to the tenant and the Owner. All funds received by the Association from the tenant shall be credited to the Owner's account as set forth herein.

15. Judicial Foreclosure. The Association may choose to foreclose on its lien in lieu of or in addition to suing an Owner for a money judgment. The purpose of foreclosing is to obtain payment of all assessments owing in situations where either a money judgment lawsuit has been or is likely to be unsuccessful or other circumstances favor such action.

16. Waivers. The Association is hereby authorized to extend the time for the filing of lawsuits and liens, or to otherwise modify the procedures contained herein, as the Association shall determine appropriate under the circumstances.

17. Communication with Owners. All communication with a delinquent Owner shall be handled through the Association's attorney once a matter has been referred to the attorney. No member of the Board of Directors shall discuss the collection of the account directly with an Owner after it has been turned over to the Association's attorney unless the attorney is present or has consented to the contact.

18. Communication by Owners. Owners may communicate with the Association in any manner they choose including email, text, fax, phone, or in writing, when available. However, in doing so, the Owner acknowledges that the Association and/or its agents may communicate via the same method unless otherwise advised.

19. Defenses. Failure of the Association to comply with any provision in this Policy shall not be deemed a defense to payment of assessment fees or other charges, late charges, return check charges, attorney fees and/or costs as described and imposed by this Policy.

20. Credit Report. In the event an Owner becomes delinquent in the payment of assessments pursuant to the Declaration of Covenants and Colorado law, the Owner acknowledges and agrees that the Association may cause a credit report to be pulled via an agent, in order to facilitate the collection of unpaid assessments.

21. Definitions. Unless otherwise defined in this Resolution, initially capitalized or terms defined in the Declaration of Covenants shall have the same meaning herein.

21. Supplement to Law. The provisions of this Resolution shall be in addition to and in supplement of the terms and provisions of the Declaration of Covenants and the law of the State of Colorado governing the Project.

22. Deviations. In the event of emergencies or in the event the Board of Directors, in good faith, fails to fully comply with the above policy, such action taken will not invalidate the policy.

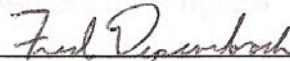
23. Amendment. This Policy may be amended from time to time by the Board of Directors.

**PRESIDENT'S
CERTIFICATION:**

The undersigned, being the President of the Association certifies that the foregoing resolution was adopted by the Board of Directors of the Association at a duly called and held meeting of the Board of Directors held on April 14, 2012 and in witness thereof, the undersigned has subscribed his/her name.

MICHIGAN HILL OWNERS ASSOCIATION, INC.

By:



Its: President