GOVERNANCE POLICIES AND PROCEDURES
FOR
BRIGHTWATER CLUB PROPERTY OWNERS ASSOCIATION, INC.
(UNDER SB 100, SB 89 and HB 1359)

COLLECTION POLICY AMENDED AND RESTATED SEPTEMBER 30, 2022 SEE SEPARATE DOCUMENT.

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1. INTRODUCTION.

Supplement to Law. The provisions of these Policies shall be in addition to and in supplement of the terms and provisions of the Association's Declaration, Bylaws, Articles of Incorporation and other governing documents, as well as the law of the State of Colorado governing the Community.

Deviations. The Association's Boards may deviate from the procedures set forth if, in its sole discretion, such deviation is reasonable under the circumstances.

2. COLLECTION POLICIES AND PROCEDURES.

Amended and Restated Policy
Effective February 21, 2014

Due Dates. Quarterly installments of the Association's annual assessment are due on the following dates each year: January 1, April 1, July 1, and October 1.

Grace Periods/Past Due Dates. Assessments or other charges not paid in full to the Association within 30 days 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.

Late Charges and Interest on Delinquent Installments. The Association shall impose the following charges for any delinquent owner:

- Late charge of $25.00
- Interest of 18% per annum from the initial due date.

Returned Check Charge. The Association is entitled to impose a returned-check charge in the amount of $40.00.

Notice of Delinquency/60 Days. If an assessment is delinquent for more than 60 days, the Association will send the owner a notice of delinquency, specifying:

a. The total amount due, with an accounting of how the total was determined.

b. That the owner may have the opportunity to enter into a payment plan as hereinafter provided by contacting the Association at the address contained in the notice within thirty days after receipt of the notice and making written request to do so.

c. The name and contact information for the individual the owner may contact to request a copy of the owner's ledger to verify the amount of the debt.

d. That action is required to cure the delinquency and that failure to do so within thirty days may result in a lawsuit being filed against the owner, the filing and foreclosure of a lien against the owner's property, or other remedies available under Colorado law.

Referral and Requirements for Collection/Foreclosure. The Association may only foreclose on its lien if: (I) The balance of the assessments and charges secured by its lien equals or exceeds six months of common expense assessments based on a periodic budget adopted by the Association; and (II) The Board has formally resolved, by a recorded vote, to authorize the filing of a legal action against the specific Lot on an individual basis. The Board may not delegate its duty to act under the foregoing to any attorney, insurer, manager, or other person. Except as otherwise provided above, the

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Association may refer a delinquent account (30 days or more past due) for collection or foreclosure at any time.

Personal Obligation for Late Charges and Attorney Fees on Delinquent Accounts. Late charges and legal fees and costs, the extent permitted under the Declaration and state law, shall be the personal obligation of the owner(s) of the Lot for which such assessment or installment is unpaid.

Available Legal Remedies. The Association may choose to file a lien for delinquent assessments, foreclose on its lien in lieu of, or in addition to, suing an owner for a money judgment. The Association may also seek the appointment of a receiver, if an owner becomes delinquent in the payment of assessments pursuant to the Declaration and Colorado law.

Working Capital. Working capital shall be accounted for as provided in the Declaration. In the event of foreclosure, deed in lieu of foreclosure, or transfer of ownership without obtaining an estoppel certificate to settle balances owed, the Association reserves the right to use such owner's working capital balance towards the unpaid balance on the account prior to transfer. In that event, the Association reserves the right to impose and invoice the new owner for a new working capital deposit, as allowed for in the Declaration. If imposed, and invoiced, the new working capital deposit shall be due 30 days from the date of the invoice. The Association has all available collection remedies to collect the new working capital deposit, as allowed under this policy, the Declaration and Colorado law. Such working capital balance shall be billed to the new owner upon such transfer.

Crediting Partial Payment / Method for Applying Payments. An account with past due sums remains delinquent until paid in full. No partial payments will waive the Association's right to pursue full payment and/or to enforce the provisions of this policy. The Association will apply partial payments to the outstanding balance in the following order:

a. Legal fees and costs
b. Fines, late fees, and interest
c. Court costs, attorney's fees, and other costs of collection
d. Special assessments
e. Regular assessments, with payment being applied to the oldest balance first

Acceleration and Deceleration of Assessments. The Association acting through the Board or the agent of the Association, reserves the right to accelerate and call due the entire unpaid annual assessment on any delinquent account which is 30 days delinquent. Such acceleration shall result in the entire unpaid annual assessment being due to the Association immediately. The Association, acting through the Board or the agent of the Association, also reserves the right to decelerate any accelerated assessment.

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Discount for Annual Payment. The Board of Directors of the Association reserves the right to discount the annual assessment if the discounted sum is paid in full by a date set by the Board of Directors.

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

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

Communication with Owners/Subsequent to Referral. All communication with a delinquent owner after an account has been referred for collection may be handled through the Association's attorney once a matter has been referred to the attorney or collection agent.

Payment Plans. Except as otherwise provided below, the Association shall make a good-faith effort to coordinate with the delinquent owner to set up a payment plan that permits the owner to pay off the deficiency in equal installments over a period of at least six months. Notwithstanding anything to the contrary contained herein, (I) the foregoing does not apply if the owner does not occupy the Lot and has acquired the Lot as a result of: (a) a default of a security interest encumbering the Lot; or (b) foreclosure of the association's lien; and (II) The Association is not obligated to negotiate a payment plan with an owner who has previously entered into a payment plan under this section.

Nothing herein prohibits the Association from pursuing legal action against an owner if the owner fails to comply with the terms of his or her payment plan. An owner's failure to remit payment of an agreed-upon installment, or to remain current with regular assessments as they come due during the six-month period, constitutes a failure to comply with the terms of his or her payment plan.

Failure to Comply. 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.

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CERTIFICATE OF ADOPTION

I hereby certify that the foregoing Amended and Restated Collection Policy and Procedures was adopted by resolution of the Board of Directors of the Brightwater Club Property Owners Association on February 21, 2014.

Louis Amato, Secretary

3. INSPECTION AND COPYING OF ASSOCIATION RECORDS POLICIES AND PROCEDURES.

Amended and Restated Policy
for Examination, Inspection, and Copying of Association Records
Effective March 15, 2019

COLLECTION POLICY AMENDED AND RESTATED SEPTEMBER 30, 2022. SEE SEPARATE DOCUMENT.

The Board of Directors of Brightwater Club Property Owners Association, a Colorado nonprofit corporation (the "Association"), hereby approves and adopts the following Resolution:

RESOLVED, that the following Amended and Restated Policy of the Association ("Policy") related to Examination, Inspection and Copying of Association Records is hereby adopted and ratified and replaces in its entirety any policy previously adopted by the Association governing the examination, inspection and copying of Association records:

1. Record Retention. The Association shall retain the following records as required by Colorado law, as follows:

   a. Detailed records of receipts and expenditures affecting the operation and administration of the Association;

   b. Records of claims for construction defects and amounts received in settlement of those claims;

   c. Minutes of all meetings of Owners and the Board of Directors;

   d. A record of all actions taken by Owners or the Board of Directors without a meeting;

   e. A record of all actions taken by any committee of the Board of Directors;

   f. Written communications among and the votes cast by members of the Board of Directors when such communications and votes are directly related to an action taken by the Board of Directors without a meeting pursuant to C.R.S. § 7-128-202 or pursuant to the Association's Bylaws;

   g. The names of Unit Owners in a form that permits preparation of a list of the names of all Unit Owners and the physical mailing addresses at which the Association communicates with them, showing the number of votes each Unit Owner is entitled to vote;

h. The current declaration, covenants, bylaws, articles of incorporation, rules and regulations, responsible governance policies, and other policies adopted by the Board of Directors;

i. Financial statements for the past three years and tax returns of the Association for the past seven years, if available;

j. A list of names, e-mail addresses and physical mailing addresses of current members of the Board of Directors and officers of the Association;

k. The Association's most recent annual report delivered to the Secretary of State, if any;

l. Financial records sufficiently detailed to enable the Association to comply with C.R.S. § 38.33.3-316(8) concerning statements of unpaid assessments;

m. The Association's most recent reserve study, if any;

n. Current written contracts to which the Association is a party and contracts for work performed for the Association within the past two years;

o. Records of Board of Director or Committee actions to approve or deny any requests for design or architectural approval from Owners;

p. Ballots, proxies, and other records related to voting by Owners for one year after the election, action, or vote to which they relate;

q. Resolutions adopted by the Association's Board of Directors relating to the characteristics, qualifications, rights, limitations, and obligations of members or any class or category of members;

r. All written communications within the past three years to all Owners generally as Owners; and

s. All written consents provided by Owners and residents to the Association consenting to the disclosure of such Owners' and residents' telephone number, electronic mail address, or both.

2. Inspection/Copying Association Records. An Owner or his/her authorized agent is entitled to inspect and copy any of the books and records of the Association described in Section 1 above, subject to the exclusions, conditions and requirements set forth below:

a. The inspection and/or copying of the records of the Association shall be at the Owner's expense;

b. The inspection and/or copying of the records of the Association shall be conducted during the regular business hours of 9:00 a.m. to 4:00 p.m. at the offices of the Association's manager, from time to time;

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c. The Owner shall give the Association's manager a written request, stating the purpose for which the inspection and/or copying is sought, at least ten (10) days before the date on which the Owner wishes to inspect and/or copy such records; and

d. The Owner shall complete and sign the Agreement Regarding Inspection of Association Records (the "Agreement") prior to the inspection and copying of any Association record. A copy of the Agreement is attached to this Policy as Exhibit A. Failure to properly complete or sign the Agreement shall be valid grounds for denying an Owner the right to inspect and/or copy any record of the Association.

3. Restrictions on Use of Membership List. The Association's membership list may not be obtained or used by any person for any purpose unrelated to a Unit Owner's interest as a Unit Owner without consent of the Board of Directors. Moreover, unless the consent of the Board of Directors has been obtained, the membership list, or any part thereof, may not be:

(1) used to solicit money or property unless such money or property will be used solely to solicit the votes of the Unit Owners in an election to be held by the Association;

(2) used for any commercial purpose; or

(3) sold to or purchased by any person.

4. Prohibition on Commercial Use. The Association's records and the information contained within those records shall not be used for commercial purposes.

5. Exclusions. The following records shall NOT be available for inspection and/or copying as they are deemed confidential:

a. Attorney-client privileged documents, records and communications, and any other communications with legal counsel that are otherwise protected by the attorney work product doctrine or other legal privilege, unless the Board of Directors decides to disclose such communications at an open meeting;

b. Any documents that are confidential or otherwise prohibited from disclosure under constitutional, statutory or judicially imposed requirements;

c. The ballot forms from any secret ballot conducted by the Association, except that same may, at the sole discretion of the Board of Directors, be provided with redaction of information relating to the Owner(s) casting such ballots;

d. Any documents, or information contained in such documents, disclosure of which would constitute an unwarranted invasion of individual privacy, including but not limited to social security numbers, dates of birth, personal bank account information, and driver's license numbers;

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e. Architectural drawings, plans, and designs, unless released upon the written consent of the legal owner of the drawings, plans, or designs;

f. Contracts, leases, bids, or records related to transactions to purchase or provide goods or services that are currently in or under negotiation;

g. Records of an executive session of the Board of Directors;

h. Records concerning individual Units other than those of the requesting Owner;

i. Any records concerning personnel, salary, or medical records relating to specific individuals; and

j. Personal identification and account information of Owners and residents, including bank account information, telephone numbers, electronic mail addresses, driver's license numbers, and social security numbers. However, the Association may publish to other Owners and residents an Owner's or resident's telephone number, electronic mail address, or both, provided that the Association has received the prior written consent for the disclosure of such information from the subject Owner or resident. A written consent remains valid until the subject Owner or resident withdraws it by providing the Association with a written notice of withdrawal of the consent. If a consent is withdrawn, the Association has no obligation to change, retrieve, or destroy any document or record published prior to the notice of withdrawal. The Association agrees to accept written consents and notices of withdrawal of the consent provided by Owners and residents via electronic mail to the Association (among other methods) in accordance with the Uniform Electronic Transactions Act, Article 71.3 of Title 24, C.R.S., as amended.

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6. Fees/Costs. Any Owner requesting copies of Association records shall be responsible for all actual costs incurred by the Association, which have been determined to be $0.25 per page for copies. The Association may require prepayment of the actual cost of the requested records. Failure to pay such prepayment of costs shall be valid grounds for denying an Owner copies of such records. If after prepayment it is determined that the actual cost was less than the prepayment, the difference shall be returned to the Owner with the copies. There shall be no cost to any Owner accessing records which are required to be disclosed by Colorado law at no cost to Owners.

7. Inspection. The Association reserves the right to have a third party present to observe during any inspection of records by an Owner or the Owner's representative.

8. Original. No Owner shall remove any original book or record of the Association from the place of inspection nor shall any Owner alter, destroy or mark in any manner, any original book or record of the Association.

9. Creation of Records. Nothing contained in this Policy shall be construed to require the Association to create records that do not exist or compile or synthesize records or information in a particular format or order.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am a duly elected and acting Secretary of Brightwater Club Property Owners Association, a Colorado nonprofit corporation; and

That the foregoing Resolution was duly adopted by action of the Board of Directors of the Association at its meeting held on March 15, 2019, at which a quorum was present.

Dated: 3/15, 2019.

Michael J. Schneider, Secretary

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4. CONDUCT OF MEETINGS POLICIES.

Owner Meetings. Meetings of the Owners of the Association shall be called as determined by the Association's Bylaws.

Notice for/of Owner Meetings/Posting. In addition to any notice required in the Bylaws, notice of any meeting of the Owners is to be conspicuously posted prior to such meeting.

Notice for/of Owner Meetings/Website. The Association may also post notice on its website (if any) of all meetings. Such notice shall be posted seven days or in a reasonable time prior to such member meeting.

Notice for/of Owner Meetings/Email. If any Owner has requested that the Association provide notice via email and has provided the Association with an email address, the Association shall, if it has such capability, send notice of all Owner meetings to such Owner at the email address provided as soon as possible after notice is provided pursuant to the Bylaws, but in no case less than 24 hours prior to any such meeting.

Conduct of Members at Owner Meetings. All Owner Meetings shall be governed by the following rules of conduct and order:

- The President of the Association or designee shall chair all Owner meetings.
- All Owners and persons who attend a meeting of the Owners will sign in, present any proxies and receive ballots as appropriate. (See section below regarding voting).
- Any person desiring to speak shall sign up on the list provided at check in (if any) and indicate if he/she is for or against an agenda item.
- Anyone wishing to speak must first be recognized by the Chair.
- Only one person may speak at a time.
- Each person who speaks shall first state his or her name and address.
- Any person who is represented at the meeting by another person, as indicated by a written instrument, will be permitted to have such person speak for him/her.
- Those addressing the meeting shall be permitted to speak without interruption from anyone as long as these rules are followed.
- Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting.
- Comments are to be relevant to the purpose of the meeting.
- Each person shall be given up to a maximum of ten minutes to make a statement or to ask questions.
- The Board may decide whether or not to answer questions during the meeting.
- Each person may only speak once.
- Yielding of time by a speaker to another individual shall not be permitted.
- Time limits may be increased or decreased by the Chair, but shall be uniform for all persons addressing the meeting.
- All actions and/or decisions require a motion and a second.
- Once a vote has been taken, there will be no further discussion regarding that topic.
- No meeting of the Board may be audio, video or otherwise recorded except by the Board to aid in the preparation of minutes.

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- Minutes of actions taken shall be kept by the Association.
- Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order."
- Anyone who does not come to order will be requested to immediately leave the meeting.
- The Chair may establish such additional rules of order as may be necessary from time to time.

Voting of Owners. Election of Board members shall be conducted by secret ballot for contested elections (where more candidates are running than there are positions available). Uncontested elections of Board Members or other votes on matters affecting the community shall only be by secret ballot at the discretion of the Board or upon the request of 20% of the Owners who are present at the meeting or represented by proxy. Where secret balloting is used, each Owner entitled to vote pursuant to the Bylaws shall receive a ballot. The ballot shall contain no identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the Secretary of the Association or the Secretary's designee, the Owner shall receive a secret ballot to cast the vote of the Owner who provided the proxy. The proxy shall be kept and retained by the Association.

All other votes taken at a meeting of the Owners shall be taken in such method as determined by the Board of Directors or Chair of the meeting, including acclamation, by hand, by voice or by ballot, unless otherwise required by law.

Written ballots shall be counted by a neutral third party, excluding the Association's legal counsel, or by an Owner(s) who is not a candidate or a board member. The Chair may specify the procedure for selecting these volunteers.

The individual(s) counting the ballots shall report the results of the vote to the Chair by indicating how many votes were cast for each individual or how many votes were cast in favor and against any issue or candidate.

Proxies for/at Owner Meetings. Proxies may be given by any owner as allowed by C.R.S. 7-127-203. All proxies shall be reviewed by the Association's Secretary or designee as to the following:

- Validity of the signature
- Signatory's authority to sign for the owner
- Authority of the Owner to vote
- Conflicting proxies
- Expiration of the proxy

Executive Board Meetings. Meetings of the Executive Board of the Association shall be called pursuant to the Association's Bylaws.

Conduct at Executive Board Meetings. All Executive Board meetings shall be governed by the following rules of conduct and order:

- The President of the Association, or designee, shall chair all Board meetings.

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- All persons who attend a meeting of the Board may be required to sign in, listing their name and address.
- All Owners will be given an opportunity to speak as to any matter or ask questions of the Board during the Owner forum at the beginning of the meeting.
- Any Owner wishing to speak during the Owner forum is requested to so indicate so at the time of sign in.
- Anyone desiring to speak shall first be recognized by the Chair.
- Only one person may speak at a time.
- Each person speaking shall first state his or her name and address. Any person who is represented at the meeting by another person as indicated by a written instrument shall be permitted to have such person speak for them.
- Those addressing the Board shall be permitted to speak without interruption from anyone as long as these rules are followed.
- Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting. Comments are to be relevant to the purpose of the meeting or issue at hand.
- Each person shall be given up to a maximum of three minutes to speak or to ask questions, although questions may not be answered until a later date.
- Each person may only speak once during the owner forum and once on any other issue prior to a vote by the Board on such issue.
- Yielding of time by a speaker to another individual shall not be permitted. Such time limit may be increased or decreased by the Chair but shall be uniform for all persons addressing the meeting.
- No meeting of the Board may be audio, video or otherwise recorded except by the Board to aid in the preparation of minutes.
- Minutes of actions taken shall be kept by the Association.
- Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order."
- Anyone who does not come to order shall be requested to immediately leave the meeting.
- The Chair may establish such additional rules of order as may be necessary from time to time.

Copies of Agendas. The open meeting statute requires agendas be made reasonably available to members or their representative and encourages associations to provide agendas in electronic form, by posting on a website or otherwise, in addition to printed form. There is no requirement that an agenda be prepared. If one is prepared, the agenda must be made reasonably available at each meeting.

Owner Input at Executive Board Meetings. After a motion and second has been made on any matter to be discussed, but prior to a vote by the Directors, Owners present at such time shall be afforded an opportunity to speak on the motion as follows:

- The Chair will ask those Owners present to indicate who wishes to speak in favor or against the motion.
- The Chair will then determine a reasonable number of persons who will be permitted to speak in favor of and against the motion and for how long each person will be permitted to speak.
- The Chair shall also announce the procedure for who shall be permitted to speak if not everyone desiring to speak will be permitted to speak.

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- Following Owner input, the Chair will declare Owner input closed and there shall be no further owner participation on the motion at hand unless a majority of the Board of Directors votes to open the discussion to further Owner participation.

Executive Sessions.

- Permissible for Certain Items: Board Members or committees may go into executive (closed) session only for the following:

  1. Matters pertaining to employees of the Association
  2. Matters pertaining to the managing agent's contract
  3. Matters pertaining to or involving the employment, promotion, discipline or dismissal of an officer, agent or employee of the association
  4. Review of or discussion relating to any written or oral communication from legal counsel
  5. Consultation with legal counsel concerning disputes that are the subject of pending or imminent court proceedings
  6. Consultation with legal counsel on matters that are privileged or confidential between attorney and the Association
  7. Investigative proceedings concerning possible or actual criminal misconduct
  8. Matters subject to specific constitutional, statutory or judicially imposed requirements protecting particular proceedings or matters from public disclosure
  9. Any matter the disclosure of which would constitute an unwarranted invasion of individual privacy

- Action Prohibited in Closed Sessions. The open meetings statute prohibits the adoption of rules or regulations in executive session.

- Reasons for a Closed or Executive Session. The open meetings statute requires that the general matter to be discussed or reason for a closed or executive session be announced prior to the board (or committee) going into executive session.

- Minutes of the Closed or Executive Sessions. The open meetings statute does not require minutes be kept of an executive session, but requires minutes be kept indicating an executive session was held and the general subject matter of the executive session.

- Minutes from Closed or Executive Sessions Are Not Confidential. The open meetings statute does not protect from disclosure, minutes taken in executive session. Minutes taken in executive session are treated the same as minutes taken in open session, and are subject to inspection by owners.

- General Recommendations. We recommend that boards and committees discuss and act on the business of the association in open meetings, with infrequent or no use of closed or executive sessions.

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Work or Study Sessions of the Board

- Permissive. Work or study sessions of Members of the Board of Directors are not prohibited by state statutes and are permissive, subject to the governing documents and these policies.

- Persons Allowed to Attend. Work or study sessions of the Board are not meetings (i.e., are not called to order, no actions or votes are taken, and no minutes are kept). As such, owners do not have a right of participation or a right of notice (see the politics above).

5. CONFLICTS OF INTEREST POLICIES AND PROCEDURES.

General Duty. The Board of Directors shall use its best efforts at all times to make decisions that are consistent with high principles, and to protect and enhance the value of properties of the members and Association. All Directors shall exercise their power and duties in good faith and in the best interest of, and with utmost loyalty to the Association. All Directors shall comply with all lawful provisions of the Declaration, Bylaws, the Association's governing documents and applicable laws.

Definitions

- Conflict of Interest Transaction. A conflict of interest transaction is a contract, transaction or other financial relationship between: (A) the Association and a director, or (B) between the Association and a party related to a director, or (C) between the Association and an entity in which a director of the Association is a director or officer.

- Party related to a director. A spouse, a descendent, an ancestor, a sibling, the spouse or descendent of a sibling, an estate or trust in which the director or party related to a director has a beneficial interest, or an entity in which a party related to a director Is a director, officer, or has a financial interest.

- Officer for purposes of this policy only, means any person designated as an officer of the Association and any person to whom the Board delegates responsibilities, including, without limitation, a managing agent, attorney, or accountant employed by the Board.

Disclosure of Conflict of Fairness Requirement. The director shall disclose the conflicting interest in the proposed transaction in an open meeting prior to the discussion and vote. Such disclosure shall be reflected in the minutes of the meeting or other written form. The director may take part in the discussion but shall leave the room during the vote on the matter. The contract, Board decision or other Board action must be approved by a majority of the disinterested Board members who are voting. No contract, Board decision or other Board action in which a Board member has a conflict of interest shall be approved unless it is commercially reasonable to and/or in the best interests of the Association.

Notwithstanding anything to the contrary herein or in the Association's conflict of interest policy, no conflicting interest transaction shall be set aside solely because an interested director is present

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at, participates in or votes at a Board or committee meeting that authorizes, approves or ratifies the conflicting interest transaction if:

- the material facts as to the director's relationship or interest as to the conflicting interest transaction are disclosed or known to the Board of Directors or the committee, and the Board or committee in good faith authorizes, approves, or ratifies the conflicting interest transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors may be less than a quorum;

- the material facts as to the director's relationship or interest and as to the conflicting interest transaction are disclosed or known to the Members entitled to vote on the transaction, if any, and the conflicting interest transaction is specifically authorized, approved, or ratified in good faith by a vote of the Members entitled to vote; or

- the conflicting interest transaction is fair to the Association.

Loans Prohibited. No loans shall be made by the 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 Association for the amount of such loan until the repayment of the loan.

Code of Ethics. In addition to the above, each Director and the Board as a whole shall adhere to the following Code of Ethics:

- Directors shall not use his/her position for private gain, including for the purpose of enhancement of his/her financial status through the use of certain contractors or suppliers.
- Contributions will not be made to any political parties or political candidates by the Association.
- Directors shall not solicit or accept, directly or indirectly, any gifts, gratuity, favor, entertainment, loan or any other thing of monetary value from a person who is seeking to obtain contractual or other business or financial relations with the Association.
- Directors shall not accept a gift or favor made with intent of influencing decision or action on any official matter.
- Directors shall not receive any compensation from the Association for acting as a volunteer.
- Directors shall not misrepresent facts to the members of the Community for the sole purpose of advancing a personal cause or influencing the Community to place pressure on the Board to advance a personal cause.
- Directors shall not misrepresent any facts to anyone involved in anything with the Community which would benefit himself/herself in any way.
- Directors shall interfere with a contractor engaged by the Association while a contract is in progress.
- All communications with Association contractors shall go through the Association's agent or the President or be in accordance with policy.
- Directors shall not harass, threaten, or attempt through any means to control or instill fear in any member, Director or agent of the Association.
- Directors may not promise of anything not approved by the Board as a whole, to any subcontractor, supplier, or contractor during negotiations.
- Any Director convicted of a felony shall voluntarily resign from his/her position.

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- Language and decorum at Board meetings will be kept professional.
- Personal attacks against owners, residents, service providers and Directors are discouraged and are not consistent with the best interest of the Community.

6. ASSOCIATION COVENANT AND RULE ENFORCEMENT POLICIES AND PROCEDURES.

Reporting Violations to the Association. Complaints regarding alleged violations may be reported by an Owner or resident within the Community, a group of Owners or residents, the Association's Managing Agent, Board member(s) or committee member(s) by submission of a written complaint.

Complaints of Violations Submitted to the Association. Complaints by Owners or residents shall be in writing and submitted to the Board of Directors or Managing Agent. The complaining Owner or resident shall have observed the alleged violation and shall identify the complainant ("Complainant"), the alleged violator ("Violator"), if known, and set forth a statement describing the alleged violation, referencing the specific provisions which are alleged to have been violated, when the violation was observed and any other pertinent information. Non-written complaints, or written complaints failing to include any information required by this provision, may not be investigated or prosecuted at the discretion of the Association.

Complaints by a member of the Board of Directors, committee member, or the Managing Agent, may be made in writing or by any other means deemed appropriate by the Board if such violation was observed by the Director or Managing Agent.

Investigation of Complaints Made to the Association. Upon receipt of a complaint by the Association, if additional information is needed, the complaint may be returned to the Complainant or may be investigated further by a Board designated individual or committee. The Board shall have sole discretion in appointing an individual or committee to investigate the matter.

Initial Warning Letter from the Association. If a violation is found to exist, a warning letter may be sent to the Violator explaining the nature of the violation. The Violator will have the number of days identified in the letter to come into compliance. If, in its sole discretion, the Board of Directors determines a particular violation presents an important safety concern for both the Association and its members, the Association may bypass the initial warning letter requirement and proceed directly to the "second violation" step in the immediately subsequent paragraph.

Continued Violation After Initial Warning Letter from the Association. If the alleged Violator does not come into compliance within the number of days identified in the first warning letter, this will be considered a second violation for which a fine may be imposed following notice and opportunity for a hearing. A second letter may then be sent to the alleged Violator, providing notice and an opportunity for a hearing, and explaining if a violation is found to exist, a fine may be imposed pursuant to this policy. The letter may further state that the alleged Violator is entitled to a hearing on the merits of the matter provided that such hearing is requested in writing within the number of days identified in the letter, or in 10 days of the date on the second violation letter.

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Continued Violation After Second Letter from the Association. If the alleged Violator does not come into compliance within the number of days identified in the second letter, this will be considered a third violation for which a fine may be imposed following notice and opportunity for a hearing. A third letter may then be sent to the alleged Violator, providing notice and an opportunity for a hearing, and explaining that if a violation is found to exist, a fine may be imposed pursuant to this policy. The letter may further state that the alleged Violator is entitled to a hearing on the merits of the matter provided that such hearing is requested in writing within the number of days identified in the letter, or, 10 days of the date on the third violation letter.

Notice of Hearing Before the Association. If a hearing is requested by the alleged Violator, the Board, committee or other person conducting such hearing as may be determined in the sole discretion of the Board, may serve a written notice of the hearing to all parties involved prior to the hearing date.

Hearings Before the Association. At the beginning of each hearing, the presiding officer, may introduce the case by describing the alleged violation and the procedure to be followed during the hearing. Each party or designated representative, may, but is not required to, make an opening statement, present evidence and testimony, present witnesses, and make a closing statement. The presiding officer may also impose such other rules of conduct as may be appropriate under the given circumstances. Neither the Complainant nor the alleged Violator is required to be in attendance at the hearing. The Board may base its decision solely on the matters set forth in the Complaint, results of the investigation and such other credible evidence as may be presented at the hearing. Unless otherwise determined by the Board, all hearings may be open to attendance by all Owners. After all testimony and other evidence has been presented at a hearing, the Board shall, within 40 days, or such longer period as the Board may set, render its written findings and decision, and impose a fine, if applicable. A decision, either a finding for or against the Owner, may be by a majority of the Board members present at the hearing. Failure to strictly follow the hearing procedures set forth above shall not be grounds for appeal of the hearing committee's decision, absent a showing of denial of due process.

Failure to Timely Request Hearing Before the Association. If the alleged Violator fails to request a hearing within the number of days identified in the letter, or, 10 days of a letter (if the time to request a hearing is not set forth in a letter to the Violator), or if a Violator fails to appear at the hearing, the Board may fine and make other decisions with respect to the alleged violation based on the Complaint, results of the investigation, and any other available information without the necessity of holding a formal hearing. If a violation is found to exist, the alleged Violator may be assessed a fine pursuant to these policies and procedures.

Notification of Decision of the Association. The decision of the Board, committee or other person, may be in writing, may be provided to the Violator, and may also be provided to the Complainant, within 10 days, or a reasonable time after the decision.

Fine Schedule of the Association. The following fine schedule has been adopted for all recurring covenant violations:

- First violation – Courtesy letter
- Second violation (Of same covenant or rule) – Owner will be given notice and opportunity for violation hearing; potential $250.00 fine

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- Third violation (Of same covenant or rule) -- $250.00
- Fourth violation (Of same covenant or rule) -- $350.00
- Fifth and subsequent covenant violation $500.00 and may be turned over to the Association's attorney to take appropriate legal action. Any Owner committing 5 or more violations in a 6 month period (whether such violations are of the same covenant or different covenants) may be immediately turned over to the Association's attorney for appropriate legal action.

Other Enforcement Means of the Association. This fine schedule and enforcement process is adopted in addition to all other enforcement means which are available to the Association through its Declaration, Bylaws, Articles of Incorporation, other governing documents and Colorado law. The use of this process does not preclude the Association from using any other enforcement means, including:

- **Legal Action**. The Association, at any time, may pursue legal action against an Owner to enforce the provisions of the governing documents without first following the preceding notice and hearing procedures, if the Board determines to pursue legal action, with or without a finding or determination by the Board that such action is in the Association's best interests.

- **Alternative Dispute Resolution Procedures**. Discretionary alternative methods of dispute resolution to avoid litigation encouraged by the Board of Directors include negotiation and mediation. The Association encourages Owners or residents with disputes with the Association and each other to resolve such disputes without court proceedings. The Association will take reasonable steps to facilitate negotiation or mediation between Owners and/or residents, but will have no responsibility for any costs incurred by the parties to the dispute resolution process. For any step in the dispute resolution process, the parties are not waiving their right to employ legal counsel at their own expense to assist them. At its discretion, the Board may use such procedures to resolve disputes with Owners prior to filing litigation.

  1. ***Negotiation***. A request for dispute resolution by negotiation may be initiated by an Owner or the Association. Any such request shall be in writing stating the nature and details of the dispute and shall be personally delivered to the other party. So long as the other party agrees to negotiate, a meeting shall be held between the parties to begin a good faith attempt to negotiate a resolution not less than 60 days of receipt of such request, unless otherwise extended by written agreement. Through negotiation, the parties will communicate directly with each other in an effort to reach an agreement that serves the interests of both parties. Should the dispute pertain to maintenance issues, each party will be granted the right to inspect the alleged defects or problems at a time convenient to everyone involved.

  2. ***Mediation***. If the dispute is not resolved by negotiation, any party may request in writing that the issue be submitted to mediation. If the parties agree to mediate the dispute prior to seeking other remedies, they shall participate in good faith in the mediation. The role of the mediator is to facilitate further negotiation between the parties. The mediator will not have power to decide how to resolve the dispute but will use recognized, accepted mediation techniques to assist the parties in making

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that decision. The mediator shall be selected by a consensus of the parties involved within 15 days of the receipt of the request. Any cost of mediation will be shared equally among the parties unless they and the mediator agree otherwise.

3. ***Arbitration***. Parties may choose to enter into binding arbitration to resolve a dispute. If the Association is a party to the arbitration, the parties shall select an arbitrator ***mutually*** agreeable. If one cannot be chosen, each party shall choose one arbitrator each and those two arbitrators shall select a third. Arbitration shall be conducted in accordance with the rules of the arbitration groups agreed upon by the parties. The prevailing party shall be entitled to an award of its attorney's fees and costs. If the Association is not a party to the arbitration, the parties themselves shall agree on the rules of arbitration.

7. POLICIES AND PROCEDURES ON DISPUTES BETWEEN OWNERS AND THE ASSOCIATION.

Required Dispute Resolution Procedure for Owner Disputes with the Association. Prior to filing a lawsuit against the Association, the Board, any officer, or director of the Association, an Owner must:

1. Send a written demand on the matter desired to be included in their lawsuit, or,
2. The Owner may request and attend a hearing with the Board of Directors. Any such request for a hearing shall be in writing and shall be personally delivered to any member of the Board of Directors or the Association's Manager.

The Owner, in such written demand or request for and attendance of a hearing, shall make a good faith effort to explain the grievance to the Board.

The Owners must allow the Association the opportunity to resolve the dispute in an amicable fashion in not less than 90 days.

If the dispute is not resolved in 90 days, and the Owner has requested a hearing, the Board may give notice of the date, time and place of the hearing to the person requesting the hearing. The Board shall schedule this hearing for a date not less than 3 or more than 180 days from the date of receipt of the request. If the dispute cannot be resolved, the parties may utilize the discretionary mediation procedure set forth in the "Covenant and Rule Enforcement" policy, but shall not be required to do so.

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8. RESERVE STUDY AND FUNDING POLICIES

Reserve Study Policy.

- The Association is not required, pursuant to the Community's governing documents, to maintain a reserve fund or have a reserve study.

- The Association has determined to establish policies on reserve studies as follows:

    - The Board of Directors may cause a Reserve Study, if any, and reserve funding to be reviewed and updated periodically, preferably once every three years to adjust and make changes in costs, inflation, and interest yield on invested funds, plus modification, addition or deletion of components.

    - Reserve studies are preferred to be performed by a professional reserve specialist, a managing agent or otherwise qualified individual.

    - Reserve studies are preferred to be based on a physical examination of the Community by the person preparing the reserve study, but may be performed by the person preparing the study without a physical examination.

Reserve Funding Policy.

- The Association has determined to establish policies on reserve funding as follows:

    - Funding for replacement is preferred to be based on a financial analysis performed by a professional reserve specialist or a managing agent, or may be performed without a financial analysis.

    - Funding for replacement is planned and projected to be assessment of the Owners, as determined from year-to-year, by the Board, or from the following sources: (1) cash then on hand, including the operation and the reserve accounts, (2) annual assessments of owners, (3) special assessments of owners, (4) a loan as may be obtained by the Association, and/or (5) any combination of the above.

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9. INVESTMENT OF RESERVES POLICY.

Scope. Although the Association's governing documents do not require the Association to maintain a reserve fund, the Board of Directors determines that it is necessary to have policies and procedures for the investment of reserve funds, should a reserve fund be established.

Purpose of the Reserve Fund. The purpose of the Reserve Fund is to aid in responsibly funding and financing projected repair and replacement of those portions of the Community that the Association is responsible for and for such other funding as the Board of Directors may determine. The portions of the Community that the Association is responsible for typically have limited but reasonably predictable useful lives.

Investment of Reserves. The Board of Directors of the Association may invest funds held in the Reserve Fund account to generate revenue that will accrue to the Reserve Fund account balance pursuant to the following goals, criteria and policies, listed in order of importance:

- ***Safety of Principal***. Promote and ensure the preservation of the Reserve Fund's principal.
- ***Liquidity and Accessibility***. Structure maturities to ensure availability of assets for projected or unexpected expenditures.
- ***Minimal Costs***. Minimize investment costs (redemption fees, commissions, and other transactional costs).
- ***Diversify***. Mitigate the effects of interest rate volatility upon reserve assets.
- ***Return*.** Invest funds to seek the highest level of return.

Limitation on Investments. Unless otherwise approved by the Board, all investments may be FDIC (Federal Deposit Insurance Corporation) insured, and/or guaranteed by the United States Government.

Investment Strategy. The investment strategy of the Association should emphasize a long-term outlook by diversifying the maturity dates of fixed-income instruments within the portfolio utilizing a laddered investment approach.

Independent Professional Investment Assistance. The Board of Directors of the Association may hire a qualified investment counselor to assist in formulating a specific investment strategy.

Review and Control. The Board may review Reserve Fund investments periodically to ensure that the funds are receiving competitive yields and may make prudent adjustments as needed.

Investment Decisions. Consistent with state law, investment decisions of the Board are to be made based on the standard of care outlined in the Colorado Revised Nonprofit Code. This standard of care require directors to act: in good faith; with the care and ordinarily prudent person in a like situation would exercise under similar circumstances; and in a manner the director or officer reasonably believes to be in the best interest of the association. In discharging their duties, directors and officers may rely on other people on matters that the directors or officers reasonably believe are within that person's professional or expert competence.

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Reserve Study. In order to determine funding of the Reserve Fund, the Board of Directors may determine, with the assistance and advice of professionals, the life expectancy of those portions of the Community to be maintained by the Association and the anticipated costs of maintaining, replacing and improving those identified areas ("Reserve Study").

Review of Reserve Study. The Board of Directors may cause the Reserve Study, if any, and reserve funding to be reviewed and updated periodically, preferably once every three years to adjust and make changes in costs, inflation, and interest yield on invested funds, plus modification, addition or deletion of components.

10. ADOPTION AND AMENDMENT OF POLICIES, PROCEDURES, RULES, REGULATIONS OR GUIDELINES.

Scope. The Board of Directors of the Association may, from time to time, adopt or amend certain policies as may be necessary to facilitate the efficient operation of the Association, including the clarification of ambiguous provisions in other documents, or as may be required by law.

Drafting Procedure. The Board may consider the following in drafting the policy:

1. Whether the governing documents or Colorado law grants the Board the authority to adopt such a policy;
2. The need for such policy based upon the scope and importance of the issue and whether the governing documents adequately address the issue; and
3. The immediate and long-term impact and implications of the policy.

Adoption Procedure. The Board may adopt any policy at anytime. Upon adoption of a policy, the policy or notice of such policy, including the effective date shall be provided to all Owners by any reasonable method as determined in the sole discretion of the Board, including but not limited to posting on the Association's website (if any) or mailing.

Policy Book. The Board of Directors may keep copies of any and all adopted policies in a book designated as a policy book. The Board of Directors may further categorize policies, Procedures, Rules and Regulations, Resolutions and Guidelines but shall not be required to do so.

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EXHIBIT A

AGREEMENT REGARDING INSPECTION AND COPYING OF RECORDS

I have requested to inspect and/or obtain copies of the following records of Brightwater Club Property Owners Association (be as specific as possible):

_____.

I understand that under the terms of the Colorado Common Interest Ownership Act, Association records may not be obtained or used for any purpose unrelated to my interest(s) as an Owner. To the extent the Association's membership list, or any part thereof, is released to me, I acknowledge and agree that such information may not be:

(A) used to solicit money or property unless such money or property will be used solely to solicit the votes of the Owners in an election held by the Association;

(B) used for any commercial purpose;

(C) sold to, otherwise distributed to, or purchased by any person;

(D) used for any other purpose prohibited by law; or

(E) used for any purpose not related to the undersigned's interest as a Unit owner.

In addition, I understand and agree that no Association records may be used for any commercial purpose.

In the event any document requested is used for an improper purpose or purpose other than that stated above, I will be responsible for any and all damages, penalties and costs incurred by the Association, including attorneys' fees resulting from such improper use. I will additionally be subject to any and all enforcement procedures available to the Association through its governing documents and Colorado law.

Understood and agreed to by:

_____
Owner

Date: _____

Address: _____

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BRIGHTWATER CLUB PROPERTY OWNERS ASSOCIATION, INC.
RESOLUTION ADOPTING
GOVERNANCE POLICIES AND PROCEDURES
(UNDER SB 100, SB 89 and HB 1359)

SUBJECT AND PURPOSES:	Compliance with Colorado law by the adoption of policies and procedures (as required under Senate Bill 05-100, Senate Bill 06-89 and House Bill 09-1359).
AUTHORITY:	The Declaration, Bylaws and Articles of Incorporation of the Association and Colorado law.
EFFECTIVE DATE:	April 1, 2011 (with the Collection Policy effective January 1, 2011)
RESOLUTION:	The Associations adopt policies and procedures (as required under Senate Bills 05-100, SB 06-89 and HB 09-1359) as set forth in the attachment.

The undersigned certify that the foregoing was adopted by resolution of the Board of Directors of the Associations on this 17th day of March, 2011.

BRIGHTWATER CLUB PROPERTY OWNERS ASSOCIATION, INC.,
a Colorado nonprofit corporation.

By: _____
President

ATTEST:
By: _____
Title: Treasurer

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