

NORTHWOODS CONDOMINIUM ASSOCIATION

POLICIES AND PROCEDURES FOR COLLECTING DELINQUENT ASSESSMENTS

(Effective Date: August 12, 2013)

The Northwoods Condominium Association (the "Association") is a residential common interest association of owners that was organized as a nonprofit corporation. The association is subject to the provisions of the Colorado Revised Nonprofit Corporation Act (the "Act"). The Association is also subject to 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.

Under the Association's Declaration and its Bylaws, the Board of Directors (the "Board") has the delegated power to adopt and amend budgets for revenues, expenditures and reserves of the Association as well as to collect 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 and the Bylaws also establish 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.

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

Northwoods Operating Services

This policy statement does not apply to Northwoods Operating Services (NOS) billings and charges. While NOS reimbursement obligations are typically invoiced and included with the quarterly assessment invoices, NOS charges are not assessments. Consequently, the Board has discretion to determine the procedures and remedies for collecting delinquent NOS obligations.

Underlying Philosophy

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.

Standard Billing and Payment Procedures

All periodic statements of assessment obligations are mailed to or delivered to owners on a quarterly basis and within 10 days of the beginning of each quarter. For example, statements for the first fiscal quarter (October through December) are sent within 10 days of October 1 and are due and payable on October 30. The payment is considered delinquent if it is not paid on the payment due date. Thus, in this example, the payment will be treated as delinquent on October 31 if it is not paid on or before October 30. Each statement is payable in full for each applicable assessment period.

Late Fees and Other Charges

Under the terms of the Association's Declaration and Bylaws, the Association is entitled to impose late fees as well as interest on all delinquent assessments. In addition, the Association may add amounts to the assessment indebtedness for expenses incurred by the Association for attorney fees, costs and other expenses that relate to the collection process.

When any payment becomes delinquent, the managers will first make a courtesy call to the delinquent owner in order to expedite payment. In addition, interest at the rate of 1 percent per month (12 percent per annum) will be imposed for every payment which becomes delinquent by more than 30 days, but less than 60 days. For those assessment obligations which become delinquent for more than 60 days, interest will be imposed at the rate of 1 ½ percent per month (18 percent per annum).

In the event any payment by check is reversed because the check is returned to the Association unpaid, the Association will impose a returned check fee. The current amount of this fee is \$35.00.

Application of Payments

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 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.

Payment Plan

When initiating any steps to collect past due assessments and other delinquent payments, the Association will attempt to enter into a payment plan 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. Delinquency interest will continue to accrue. The owner must also pay all current 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.

Notice of Delinquency

Before the association refers a delinquent 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 thirty 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.

Collection Procedures

The first step in the 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 90 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 and Bylaws, 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.

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 will be 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.

Suit for Money Judgment

Under the terms of the Association's Declaration and Bylaws, 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 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.

Suspension of Voting Rights

Under CCIOA and the Association's governing documents, 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.

Mediation

Under the provisions of CCIOA, the Association and an owner have the right to jointly agree to submit any 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.

Attorney Fees and Costs

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.