

Peppertree Homeowners Association

Governing Policies

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1. Document Precedence

This document (the Peppertree Homeowners Association Governing Policies) is intended to provide procedural guidance to the Board. In the event of a conflict between the Peppertree Homeowners Association Governing Policies and the CC&R's the Declaration of Covenants, Conditions and Restrictions for Peppertree Estates shall prevail.

2. Books and Records

The Association shall keep as permanent records the following documents:

- a) Minutes of all meetings of Owners (the owner of record of a lot within Peppertree) and the Board;
- b) All actions taken by the Owners or Board by written ballot or written consent in lieu of a meeting;
- c) All actions taken by a committee of the Board in place of the Board on behalf of the Association;
- d) All waivers or notices of meetings of Owners and of the Board or any committee of the Board;
- e) Current Owners in a form that permits preparation of a list of the names and addresses of all Owners;
- f) Declaration of Covenants, Conditions and Restrictions and Bylaws;
- g) All resolutions adopted by the Board relating to the characteristics, qualifications, rights, limitations and obligations of Owners;
- h) All written communications within at least the past three years to Owners;
- i) A list of the names and business or home addresses of the Association's directors and officers;
- j) The Association's most recent annual report, if any;
- k) All financial audits or reviews conducted during at least the immediately preceding three years;
- l) Design Guidelines;
- m) Governing Policies;
- n) Any other rule, regulation, policy or procedure adopted by the Board or by the Owners.

3. Annual Notice to Owners

At least once a year, the Association shall provide all Owners a written notice stating the following:

- a) The name of the Association;
- b) The name of the Association's designated agent or management company, if any;
- c) A valid address and telephone number for both the Association and its designated agent or management company, if any;

- d) The initial date of recording and recording information for the Declaration of Covenants, Conditions and Restrictions.

If any of the above information changes the Association shall provide all Owners an amended notice within ninety days of the change.

4. Annual Disclosure

Within ninety days after the end of each fiscal year, the Association shall make the following information available to the Owners upon reasonable notice as set forth in Section 5 below:

- a) The date on which the Association's fiscal year commences;
- b) The Association's operating budget for the current fiscal year;
- c) A list of the Association's current assessments, including both regular and special assessments;
- d) The Association's financial statements, including any amounts held in reserve for the fiscal year immediately preceding the current annual disclosure;
- e) Results of any financial audit or review for the fiscal year immediately preceding the current annual disclosure;
- f) A list of all Association insurance policies, including but not limited to, property, general liability, director and officer professional liability, and fidelity policies. Such list shall include the company names, policy limits, policy deductibles, additional named insured's and expiration dates of the policies listed.
- g) Current Association's Bylaws, Declaration of Covenants, Conditions and Restrictions and rules, regulations, policies and procedures;
- h) Minutes of the Board and Owners meetings for the fiscal year immediately preceding the current annual disclosure;
- i) These Governing Policies; and
- j) Any other rules, regulations, policies or procedures approved by the Board or the Owners.

5. Means of Annual Disclosure

One or more of the following means shall accomplish the annual disclosures described in Section 4 above:

- a) Posting on an internet web page with accompanying notice of the web address via first class mail or email to all Owners;
- b) Mail to each Owner;
- c) Personal delivery to each Owner.

The cost of preparing and making the annual disclosures shall be treated as a general and administrative expense of the Association.

6. Seller's Disclosures

The Association shall provide to an Owner any documents concerning the Association required by law to be provided by an Owner to a purchaser of such Owner's home, such as the following:

- a) Declaration of Covenants, Conditions and Restrictions, Bylaws and any rules, regulations, policies or procedures of the Association;
- b) Minutes of the most recent annual Owners' meeting and of any Board meeting that occurred with the prior six months;
- c) The Association's current operating budget, annual income and expenditures statement, and balance sheet.

The Association may charge the Owner requesting such documents a fee, not to exceed the Association's actual cost per page, for copies of such documents.

7. Accounting Principles

The Association shall prepare its quarterly and annual financial statements using the cash basis method of accounting unless the Board by resolution specifically determines otherwise.

8. Investment Policies

The Board of Directors is committed to insuring that funds for the community are invested in accordance with the following guidelines:

- a) Eligible investment instruments include money market securities, CDs, notes and bonds with a rating of "AA" or better;
- b) all investment accounts must be fully insured at all times;
- c) any investment made with a maturity date of longer than 12 months must first have unanimous Board of Director approval;
- d) A schedule of investments is to be provided to the Board of Directors on a quarterly basis by the Treasurer.

9. Financial Reports

The following financial reports shall be prepared for the Association within 60 days after the end of each quarter:

- a) An income statement reflecting all income and expense activity for the preceding period;
- b) A budget variance report reflecting the status of all accounts in an "actual" versus "approved" budget format;
- c) A balance sheet as of the last day of the preceding period.

Copies of the quarterly financial report shall be made available at no charge to any Owner requesting a copy.

An annual report consisting of at least the following shall be made available for review by Owners within 90 days after the close of the fiscal year:

- a) a balance sheet;
- b) an income statement; and
- c) a statement of cash flows for the fiscal year.

Such annual report shall be prepared on an audited, reviewed or compiled basis, as the Board determines.

10. Inspection of Records

Inspection by Owners and Mortgagees

The Board shall make available for inspection and copying by any holder, insurer or guarantor of a mortgage on any lot within Peppertree, any Owner, or duly appointed representative of any of the foregoing at any reasonable time and for a purpose reasonably related to his or her interest in a lot within Peppertree:

- a) Declaration of covenants, conditions and restrictions
- b) Bylaws
- c) Design guidelines
- d) Governing policies
- e) Any other rule, regulation, policy or procedure adopted by the Board or by Owners (collectively the Governing Documents)
- f) Financial records
- g) Minutes of meetings of the Owners, the Board and committees
- h) Any other records as required by Colorado law

The Board shall provide for such inspection to take place within 10 business days after the receipt of a written request for access at such place within the community as the Board shall designate or as the Board shall make available on the Peppertree website.

The Association may charge a fee, not to exceed the Association's actual cost per page, for copies of the Association's records. As used in this Section, "reasonably available" means available during normal business hours Monday through Friday from 8 a.m. to 5 p.m., upon notice of ten business days, to the extent that:

- a) The request is made in good faith and for a proper purpose;
- b) The request describes with reasonable particularity the records sought and the purpose of the request; and
- c) Records are relevant to the purpose of the request.

Inspection by Directors

Every Director shall have the absolute right at any reasonable time to inspect all Association books, records and documents and the physical properties owned or controlled by the Association. A Director's right of inspection includes the right to make a copy of relevant documents at the Association's expense.

11. Conduct of Meetings of the Association

The President or a Board-approved designee shall preside over all Association meetings. The Secretary shall ensure that minutes of all meetings are kept and that all resolutions adopted and all other transactions occurring at such meetings are kept with the Association's books. All meetings of the Association shall be open to every Owner, every resident of Peppertree and to any person designated in writing by an Owner to be an Owner's representative and shall be announced in advance. All such persons shall be permitted to attend, listen and speak at an appropriate time during the meeting. The President or other person presiding over the meeting may place reasonable time restrictions on those persons speaking during the meeting.

12. Board Director Conflict of Interest

Unless otherwise approved by a majority of the Board, no Director may transact business with the Association or any Association contractor during his or her term as Board Director. In addition, if any contract, decision or other action taken by or on behalf of the Board would financially benefit any Director or any person who is a parent, grandparent, spouse, child or sibling of a Director, that Director shall promptly declare a conflict of interest for that issue, in an open meeting and prior to any discussion or action on the issue. Such Director may thereafter participate in the discussion but shall not vote on that issue. Any contract entered into in violation of this provision is void and unenforceable.

13. Delinquency Policy

The Association will send out annual dues notices no later than July 1 each year. Assessments are due annually on July 31 and are considered late if unpaid 30 days after the date the assessment is sent out. Delinquent assessments are subject to 12% per annum interest. If the assessment is unpaid after 90 days, the Association shall file a lien on the property with the Boulder County Clerk and Recorder.

The Board may exercise the right not to seek legal representation or file a lien on a property for any resident's balance due that is considered by the Board to be minimal.

14. Compliance Policy

The Association's mission is to promote the long-term value and harmony between the residents of the Peppertree neighborhood for the greater good of the community. To enable the Association to succeed in its mission, there are the Governing Documents of the Association. Compliance by all residents with the Governing Documents of the Association is a very important component of the neighborhood's success. To enable the Association to enforce compliance of the Governing Documents, the Association has adopted the following compliance policy:

- a) A majority of ACC members must vote that there is in fact a violation;
- b) A courtesy letter is forwarded to the homeowner;
- c) If the homeowner has not complied and not communicated with the Board or Committee Member named in the letter within 21 days of the courtesy letter then a notification letter will be forwarded to the homeowner. The notification letter must state the nature of the violation and that a fine will be imposed if the matter is not corrected within 30 days of receipt of the letter. The standard fine will be \$100 per month;
- d) The homeowner will be given 30 days to correct the violation, also referred to as the correction period;
- e) If the violation is not corrected within 30 days, the ACC will impose a fine of \$100 and will notify the homeowner in writing that the fine is due;
- f) The homeowner will also be assessed a \$100 fine per month for violations recurring after the initial 30 day correction period has lapsed;
- g) The ACC will continue to fine the homeowner an additional \$100 on a monthly basis until the violation has been corrected.

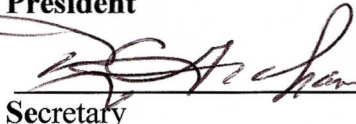
15. Amendment to Governing Policies

Any amendment of or modification to the Governing Policies shall be subject to the requirements below:

- a) **By The Board:** The Board may unilaterally amend these Governing Policies at any time and from time to time if such amendment is necessary to correct typographical errors, incorrect cross-references, improper designation of sections and subsections or mistakes in punctuation;
- b) **By Owners Generally:** These Governing Policies may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing two-thirds of the total votes in the Association.
- c) **Validity and Effective Date of Amendments:** Amendments to these Governing Policies shall become effective upon approval unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its adoption or such amendment shall be presumed to be valid.



President



Secretary