

THE KNOLLS VILLAGE TOWNHOUSE ASSOCIATION COLLECTION POLICY

Adopted 9-17, 2025

The following procedures have been adopted by The Knolls Village Townhouse Association (the "Association") pursuant to C.R.S. § 38-33.3-209.5, at a regular meeting of the Board of Directors.

Purpose: To establish a uniform and systematic procedure for collecting Assessments and other charges of the Association, thus ensuring the financial well-being of the Association; to provide Owners with notice and processes regarding their obligations to pay Assessments.

Collection Philosophy: All Owners are obligated by the Declaration of Covenants and Restrictions, as may be amended from time to time (the "Declaration") to pay all dues and Assessments in a timely manner. Failure to do so jeopardizes the Association's ability to pay its bills. Failure of Owners to pay Assessments in a timely manner is also unfair to other Owners who do. Accordingly, the Association, acting through the Board of Directors, must take steps to ensure timely payment of Assessments.

NOW, THEREFORE, IT IS RESOLVED that the Association does hereby adopt the following procedures and policies for the collection of Assessments and other charges of the Association:

1. Due Dates. The annual common expense Assessments, as determined by the Association's Board of Directors, and as allowed for in the Declaration and Colorado law, shall be due and payable monthly in equal installments due on the first (1st) day of each month. Special Assessments, individual purpose Assessments and reimbursement Assessments, if any, may be assessed or made from time to time by the Association in accordance with the Declaration and are due and payable as determined by the Board. All Assessments or other charges not paid to the Association when due shall be considered past due and delinquent.
2. Late Fees and Interest. The Association shall be entitled to impose a monthly late fee of twenty-five dollars (\$25.00) on any Assessment or other charge not paid within thirty (30) days of the due date. Additionally, any Assessment or other charge not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of eight percent (8%) per year. All such fees and interest shall be due and payable immediately, without notice, in the manner provided for payment of Assessments.
3. Return Check Charges. A twenty-dollar (\$20.00) fee 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. 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 of the property for which payment was tendered to the Association. If two or more of an Owner's checks are returned unpaid by the bank within any twelve (12) month period, 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.
4. Attorneys' Fees and Collection Costs on Delinquent Accounts. Subject to any limitations imposed by Colorado law, the Association shall be entitled to recover from an Owner its reasonable attorneys' fees and collection costs, including any costs of collection charged by the Association's management company, incurred in the collection of Assessments or other charges due, whether or not a lawsuit has been initiated against the Owner. The Association shall be entitled to recover its post-judgment and appellate attorneys' fees and costs incurred from an Owner.

5. No Offsets. No Owner may be exempt from liability for payment of any Assessment or other charge for any reason, including but not limited to, the abandonment of the property against which the Assessment or charge is made. All Assessments shall be payable in the amounts specified and no offsets or reduction shall be permitted for any reason including, without limitation, any claim that the Association or Board of Directors is not properly exercising its duties and powers under the Declaration.

6. Application of Payments Made to the Association. If an Owner owes both unpaid Assessments and unpaid fines, fees, or other charges and makes a payment to the Association, the Association shall apply the payment first to the Assessments owed and any remaining amount to the fines, fees, or other charges owed. The Association has the discretion to return any payment containing a restrictive endorsement or directing application of payments contrary to this provision.

7. Offer of Repayment Plan. In its Notice of Delinquency, described in section 8, below, and subject to the following requirements and conditions, the Association shall offer a repayment plan to any Owner and make a good faith effort to coordinate a repayment plan with the Owner:

- a. The repayment plan must allow the Owner the right to pay off the delinquency in monthly installments over a period of up to eighteen (18) months;
- b. The Owner may choose the amount to be paid each month of the repayment plan, so long as each payment is in an amount of at least twenty-five dollars (\$25.00) until the balance of the amount owed is less than twenty-five dollars (\$25.00);
- c. An Owner who has entered into a repayment plan may elect to pay the remaining balance owed under the repayment plan at any time during the duration of the repayment plan;
- d. No repayment plan need be offered if the Owner does not occupy the Unit and has acquired the Unit as a result of:
 - i. A default of a security interest encumbering the Unit; or,
 - ii. Foreclosure of the Association's lien;
- e. The Association is not required to offer a repayment plan or negotiate such a plan with an Owner who has previously entered into a payment plan with the Association;
- f. The Owner's failure to remit payment of at least three (3) monthly installments of an agreed-upon installment within fifteen (15) days of the due date, or to remain current with regular Assessments as they come due during the period of the repayment plan, constitutes a failure to comply with the terms of the repayment plan; and,
- g. The Association may pursue legal action against the Owner if the Owner fails to comply with the terms of the repayment plan.

8. Notice of Delinquency. After an installment of an Assessment or other charge owed to the Association becomes delinquent, and before the Association turns the delinquent account over to a collection agency or refers it to the Association's attorney for legal action, the Association shall cause a Notice of Delinquency to be sent to the Owner who is delinquent in payment. The Notice of Delinquency shall specify the following:

- a. a description of the steps the Association must take before it may take legal action against the Owner, including a description of the Association's cure process for covenant violations as specified in its policy governing enforcement;
- b. a description of what legal actions the Association may take against the Owner, including a description of the types of matters the Association or Owner may take to small claims court, including injunctive matters for which the Association seeks an order requiring the Owner to comply with the declaration, bylaws, covenants, or other governing documents of the Association;
- c. the total amount due, with an accounting of how the amount was determined;
- d. whether the total amount due concerns unpaid Assessments; unpaid fines, fees, or charges; or both;
- e. whether the delinquency concerns unpaid Assessments that may lead to foreclosure;
- f. whether an opportunity to enter into a repayment plan exists and the instructions for contacting the Association or its manager to enter into such a repayment plan;
- g. the name and contact information for the person the Owner may contact to request a copy of the Owner's ledger in order to verify the amount owed, which copy of the ledger must be provided to the Owner no later than seven business days after receipt of the Owner's request;
- h. that action is required to cure the delinquency and the specific action required to cure the default;
- i. that failure to cure the delinquency within thirty (30) days may result in the delinquent account being turned over to a collection agency or the Association's attorney, a lawsuit being filed against the Owner, the filing and foreclosure of a lien against the Owner's Unit, the sale of the Owner's Unit at auction to pay delinquent assessments, which could result in the Owner losing some or all of the Owner's equity in the Unit, or other remedies available under Colorado law; and
- j. The availability of, and instructions on how to access, free online information through the HOA Information and Resource Center relating to the collection of assessments by an Association, including the Association's ability to foreclose an Association lien for unpaid assessments and force the sale of the Owner's home, and the availability of online information from the Federal Department of Housing and Urban Development concerning credit counseling before foreclosure that may be accessed through a link on the Department of Local Affairs' website.

The Association may send additional notices to the Owner, either before or after the Notice of Delinquency set forth in this section, for as long as amounts remain past due on the Owner's account. However, the Association is only required to send one (1) Notice of Delinquency as provided for in this section. The Notice of Delinquency shall be sent by certified mail, return receipt requested, and by U.S. regular mail to the property address unless the Owner has given notice, in writing, to the Association of an alternate address. The Association shall also send the Notice of Delinquency by two of the following means: text message to a cellular number the Association has on file because the Owner or designated contact has provided the number to the Association; by email to an email address that the Association has on file

because the Owner or designated contact has provided the address to the Association; and/or by telephone call (including leaving a voicemail message, if available) to a telephone number the Association has on file because the Owner or designated contact has provided the number to the Association. If known and available to the Association, the Association may consider any phone number or email address used by an owner in any transaction or correspondence related to the owner's property within the Association as contact information provided to the Association. If an Owner has not provided a telephone number, cellular number, or email address as additional means by which to receive notices, the Association may send the Notice of Delinquency by regular mail in addition to certified mail, return receipt requested, in lieu of electronic means. The Association may charge the Owner an amount not to exceed the actual cost of the certified mail.

9. Balance Letter. On a monthly basis and by First-Class Mail and/or email, if the Association has the Owner's email address, the Association shall send each Owner who has any outstanding balance owed to the Association an itemized list of all Assessments, fines, fees, and charges that the Owner owes to the Association ("Balance Letter"). ***If the Association has incurred, or will incur, attorneys' fees and costs that have not yet been billed to the Association and added to the Owner's account, the Balance Letter shall indicate that the outstanding balance may not include all charges that have been or will be incurred and does not constitute a payoff.***

10. Notices. At least annually, the Association shall request from each Owner, or the Owner's designated contact, a telephone number for phone calls, a cellular number for texts, and an email address for emails. Except as otherwise provided herein, any notices shall be mailed to the Owner via regular U.S. mail at the property address unless the Owner has given notice, in writing, to the Association of an alternate address. The Association shall send the Notice of Delinquency, Balance Letter, and all other notices to the Owner in English and in any other language the Owner designates in a writing that the Owner mails to the Association by certified United States mail, return receipt requested. In addition, the Association shall mail the Notice of Delinquency, Balance Letter, and all other notices in English to any contact person the Owner designates in a writing that the Owner mails to the Association by certified United States mail, return receipt requested.

11. Liens. If payment in full of any Assessment or other charge is not received by the deadline stated in the Notice of Delinquency, the Association may cause a notice of lien to be filed against the property. The lien shall include Assessments, fees, charges, late charges, attorneys' fees, fines, interest, and other charges pursuant to C.R.S. § 38-33.3-316(1).

12. Referral of Delinquent Accounts. After the deadline stated in the Notice of Delinquency has expired, the Association may, but shall not be required to, refer the delinquent account to its attorney or a collection agency for collection. An account may only be referred to an attorney or a collection agency if a majority of the Board of Directors votes to refer the matter in a recorded vote at a meeting conducted pursuant to C.R.S. § 38-33.3-308(4)(e). Upon referral to the 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. All payment plans involving accounts referred to an attorney for collection shall be set up and monitored through the attorney. After consultation with the Board of Directors or the Association's managing agent, the attorney shall be entitled to exercise all available remedies to collect the amounts due, including judicial foreclosure and *ex parte* appointment of a receiver of the Owner's property.

13. Foreclosure of Lien. Notwithstanding any provision of this policy to the contrary, and subject to any additional requirements imposed by Colorado law, the Association may only foreclose the lien if it has complied with all statutory prerequisites and:

- a. The balance of the Assessments and charges secured by the lien equals or exceeds six (6) months' worth of regular Assessments based on the periodic budget adopted by the Association;
- b. The Board of Directors has formally resolved, by a recorded vote, to authorize the filing of a legal action against the specific Unit on an individual basis; and
- c. The lien does not consist only of fines that the Association has assessed against the Owner, and/or collection costs or attorneys' fees that the Association has incurred and that are only associated with fines.

The Association may commence a legal action and/or an action to initiate a foreclosure proceeding as provided herein against any Owner that fails to accept a repayment plan within thirty (30) days of the Notice of Delinquency. The Association may also commence a legal action and/or an action to initiate a foreclosure proceeding as provided herein against any Owner that accepts a repayment plan and fails to pay at least three (3) of the monthly installments within fifteen (15) days after the monthly installments were due without further notice.

The Association shall send a Notice of Intent to Foreclose to the Owner after the Board has formally resolved, by a recorded vote, to authorize the filing of a legal action against the specific Unit on an individual basis, and before the legal action is filed with the court or a lis pendens is recorded. The Notice of Intent to Foreclose shall be sent by certified mail, return receipt requested, and by U.S. regular mail to the property address unless the Owner has given notice, in writing, to the Association of an alternate address. The Association shall also send the Notice of Intent to Foreclose by two of the following means: text message to a cellular number the Association has on file because the Owner or designated contact has provided the number to the Association; by email to an email address that the Association has on file because the Owner or designated contact has provided the address to the Association; and/or by telephone call (including leaving a voicemail message, if available) to a telephone number the Association has on file because the Owner or designated contact has provided the number to the Association. If known and available to the Association, the Association may consider any phone number or email address used by an owner in any transaction or correspondence related to the owner's property within the Association as contact information provided to the Association. If an Owner has not provided a telephone number, cellular number, or email address as additional means by which to receive notices, the Association may send the Notice of Intent to Foreclose by regular mail in addition to certified mail, return receipt requested, in lieu of electronic means. The Association may charge the Owner an amount not to exceed the actual cost of the certified mail.

14. Waivers. Nothing in this policy shall require the Association to take specific action(s) other than as set forth herein and to notify Owners of the adoption of this policy. The Association has the option and right to continue to evaluate each delinquency on a case-by-case basis. The Association may grant a waiver of any provision herein upon petition in writing by an Owner showing a personal hardship. Any such relief granted an Owner shall be appropriately documented in the files with the name of the person or persons representing the Association granting the relief and the conditions of the relief. In addition, 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 may determine appropriate under the circumstances, except as may be prohibited by Colorado law.

15. Order of Remedies. Subject to the restrictions contained in the "Foreclosure of Lien" section above, the Association may pursue any actions or remedies including, but not limited to, actions for personal judgment, foreclosure, or receivership (on an *ex parte* basis or otherwise and for purposes of collecting the

lien balance coming due to the Association both pre-judgment and post-judgment in any judicial proceeding), to collect amounts owed in any order.

16. Data Collection. Colorado law requires the Association to collect and annually submit certain collections-related data to the Division of Real Estate. The Association shall submit the following to the Director of the Division of Real Estate:

- a. For the twelve-month period immediately preceding the Association's annual registration, the number of Unit Owners that were, at any time during the twelve-month period, six or more calendar months delinquent in the payment of an Annual Assessment or Special Assessment;
- b. For the twelve-month period immediately preceding the Association's annual registration, for unpaid Annual Assessments or Special Assessments or related fees or attorney fees:
 - i. The number of Unit Owners against which the Association or its designee obtained a judgment;
 - ii. The number of payment plans entered into between the Association and a Unit Owner pursuant to section 38-33.3-316.3; and
 - iii. The number of foreclosure actions filed against Unit Owners pursuant to section 38-33.3-316; and
- c. Any other information specified by the Director of the Division of Real Estate relating to the collection of Assessments and the foreclosure of the Association's liens.

17. Definitions. Capitalized terms not defined in this Policy are used as defined in the Declaration, as may have been amended.

18. Severability. If any provision of this policy is or becomes illegal, invalid, or unenforceable, that shall not affect the validity or enforceability of any other provision of this policy.

19. Superseding Previous Policies. This policy shall replace and supersede any previous rules and regulations or policies of the Association addressing the collection of past due Assessments.

The Knolls Village Townhouse Association

By: Ghorne Z Anderson
President

This Collection Policy was adopted by the Board of Directors on the 17 day of September, 2025, effective the 30 day of September, 2025, and is attested to by the Secretary of The Knolls Village Townhouse Association.

[Signature]
Secretary