

**RULES AND REGULATIONS GOVERNING THE ENFORCEMENT OF THE
COVENANTS, CONDITIONS AND RESTRICTIONS OF LORSON RANCH**

*Adopted and Enforced By
the Board of Directors of
Lorson Ranch Metropolitan District Nos. 1-7*

Effective: December 4, 2014

Preamble

The Board of Directors of Lorson Ranch Metropolitan District No. 1 (“**District No. 1**”), and Lorson Ranch Metropolitan District Nos. 2, 3, 4, 5, 6, and 7 (together with District No. 1, collectively referred to herein as the “**District**” or the “**Districts**”) have adopted the following Rules and Regulations Governing the Enforcement of the Declarations of Covenants, Conditions and Restrictions of Lorson Ranch listed below (“**Rules and Regulations**”) pursuant to Sections 32-1-1001(1)(j)(I), 32-1-1001(1)(m), and Section 32-1-1004(8), C.R.S., as well as the Resolution of the District Board of Directors adopted on December 4, 2014. These Rules and Regulations provide for the orderly and efficient enforcement of the following Declarations of Covenants, Conditions and Restrictions: Declaration of Covenants, Conditions and Restrictions for Ponderosa at Lorson Ranch, dated August 10, 2007, and recorded on August 24, 2007, at Reception No. 207111329 of the El Paso County, Colorado real property records; Declaration of Covenants, Conditions and Restrictions for Ponderosa at Lorson Ranch, dated May 12, 2009, and recorded on May 14, 2009, at Reception No. 209053517 of the El Paso County, Colorado real property records; Declaration of Covenants, Conditions and Restrictions for Pioneer Landing at Lorson Ranch, dated December 29, 2009, and recorded on January 5, 2010, at Reception No. 210000758 of the El Paso County, Colorado real property records; Declaration of Covenants, Conditions and Restrictions for Townhomes at Lorson Ranch, dated June 2, 2010, and recorded on June 8, 2010, at Reception No. 210054203 of the El Paso County, Colorado real property records; Declaration of Covenants, Conditions and Restrictions for Allegiant at Lorson Ranch, dated March 13, 2012, and recorded on March 20, 2012, at Reception No. 212031274 of the El Paso County, Colorado real property records; Declaration of Covenants, Conditions and Restrictions for Buffalo Crossing at Lorson Ranch, dated November 21, 2012, and recorded on November 29, 2012, at Reception No. 212142029 of the El Paso County, Colorado real property records; Declaration of Covenants, Conditions and Restrictions for the Meadows at Lorson Ranch Filing No. 1, dated November 21, 2012, and recorded on November 29, 2012, at Reception No. 212142033 of the El Paso County, Colorado real property records; and, Declaration of Covenants, Conditions and Restrictions for the Meadows at Lorson Ranch Filing No. 2, dated April 13, 2011, and recorded on April 19, 2011, at Reception No. 211039088 of the El Paso County, Colorado real property records (collectively, the “**Covenants**”).

Pursuant to the Covenants, District No. 1 is authorized to provide covenant enforcement and design review services, and is also authorized to delegate such authority to one of the other Districts or to an owners association.

The Districts, pursuant to the provisions of the Consolidated Service Plan for Lorson Ranch Metropolitan District Nos. 1-7, which was approved by the El Paso County Board of Commissioners on September 2, 2004, as it has been and may be amended from time to time, and pursuant to the Covenants, may enforce the Covenants through any proceeding in law or in equity against any Person(s) violating or attempting to violate any provision therein. Possible remedies include all of those available at law or in equity. In addition, the Districts have the right to send demand letters and notices, to levy and collect fines, to negotiate, to settle, and to take any other actions, with respect to any violation(s) or alleged violation(s) of the Covenants.

Unless otherwise specified, all references to the “District” or the “Districts” made herein shall refer to Lorson Ranch Metropolitan District Nos. 1-7 and their respective Board of Directors. The Districts have retained a management company (the “**District Manager**”) to assist the Districts in managing the Districts’ affairs, including the assessment and collection of penalties for violations of the Covenants under these Rules and Regulations.

ARTICLE 1.
SCOPE OF RULES AND REGULATIONS

1.1 Scope. These Rules and Regulations shall apply to the enforcement of the Covenants, including the Design Review Guidelines adopted pursuant thereto, as well as any reimbursable costs incurred by the District for enforcing the Covenants and for correction of noncompliance with the Covenants, including but not limited to, abatement of unsightly conditions, towing and storage of improperly parked vehicles, removal of trash, and removal of non-complying landscaping or improvements.

ARTICLE 2.
VIOLATIONS OF THE COVENANTS

2.1 Violations. Any Person violating any provisions of the Covenants shall be liable to the District for any expense, loss, or damage occasioned by reason of such violation and shall also be liable to the District for the penalties set forth in Article 2.3 below.

2.2 Notice of Violation. A Notice of Violation shall be sent upon a determination, following investigation, by the District Manager that a violation is likely to exist. Such Notice of Violation shall set forth the specifics of the alleged violation and the time period within which the alleged violation must be corrected, pursuant to the following classification guidelines:

a. Class I Violation: a violation that, in the sole discretion of the Board, can be corrected immediately and/or does not require submission to, and approval by, the Board of any plans and specifications. Class I Violations include, but are not limited to, parking violations, trash violations and other violations of the Covenants concerning annoying lights, sounds or odors. Class I Violations can in most cases be corrected within seven (7) days of notification. If the violation is not corrected within seven (7) days of notification, the District may take any appropriate action necessary to remedy the violation, including but not limited to, abatement of unsightly conditions, towing and storage of improperly parked vehicles, and removal of trash, etc.

b. Class II Violation: a violation that, in the sole discretion of the Board, cannot be corrected immediately and/or require plans and specifications to be submitted to, and approval by, the Board prior to any corrective action. Class II Violations include, but are not limited to, violations of the Covenants related to landscaping and construction of, or modification to, improvements. Class II Violations can in most cases be corrected within thirty (30) days of notification. If the violation is not corrected within thirty (30) days of notification, the District may take any appropriate action necessary to remedy the violation, including but not limited to, removing the non-complying landscaping or improvement.

2.3 Penalties. Penalties for violations of the Covenants shall be assessed as follows. Any penalties that have not been paid by the applicable due date shall be considered delinquent (the “**Delinquent Account**”).

- a. First Offense – Notice of Violation, no penalty if violation is corrected within the allotted time.
- b. Second Offense – Fee of up to \$100.00
- c. Third Offense – Up to \$250.00
- d. Continuing Violation – Up to \$500 each day violation continues (each day constitutes a separate violation).

ARTICLE 3. INTEREST

3.1 Interest. Interest charges shall accrue and shall be charged on all amounts not paid by the applicable due date, including delinquent penalties and any amounts expended by the District to cure a violation of the Covenants or amounts expended by the District to repair damages caused as a result of a violation of the Covenants. Interest charges shall accrue and shall be charged at the maximum statutory rate of eighteen percent (18%) per annum.

ARTICLE 4. LIEN FILING RULES AND REGULATIONS

4.1 Perpetual Lien. Pursuant to Section 32-1-1001(1)(j)(I), C.R.S., all Fees and Charges, until paid, shall constitute a perpetual lien on and against the Property to be served by the District (“**Property**”). Except for the for the lien against the Property created by the imposition of property taxes by the District and other taxing jurisdictions pursuant to Section 32-1-1202, C.R.S., all liens for unpaid Fees and Charges shall to the fullest extent permitted by law, have priority over all other liens of record affecting the Property and shall run with the Property and remain in effect until paid in full. All liens contemplated herein may be foreclosed as authorized by law at such time as the District in its sole discretion may determine. Notwithstanding the foregoing, the lien rules and regulations set forth herein shall be implemented in order to ensure an orderly and fair execution of the lien filing and collections process.

4.2 District Manager's Procedures. The District Manager shall be responsible for collecting Fees and Charges imposed by the District against the Property. In the event payment of Fees and Charges is delinquent, the District Manager shall perform the procedures listed below. Any Fees and Charges which have not been paid by the applicable due date are considered delinquent:

a. Fifteen (15) Business days Past Due. A delinquent payment "Reminder Letter" shall be sent to the address of the last known owner of the Property according to the District Manager's records. In the event the above mailing is returned as undeliverable, the District Manager shall send a second copy of the Reminder Letter to: (i) the Property; and (ii) the address of the last known owner of the Property as found in the real property records of the El Paso County Clerk and Recorder (collectively the "**Property Address**"). Said Reminder Letter shall request prompt payment of amounts due.

b. On the Fifteenth (15) Business day Following the Reminder Letter. A "Demand Letter" shall be sent to the Property Address requesting prompt payment and warning of further legal action should the Property owner fail to pay the total amount owing. Along with the Letter, a summary of these Rules and Regulations, and a copy of the most recent account ledger reflecting the total amount due and owing to the District according to the records of the District Manager shall also be sent.

c. First (1) Business day of the Month Following the Postmark Date of the Warning Letter. Once the total amount owing on the Property, inclusive of Interest and Costs of Collections as defined below, has exceeded One Hundred Twenty Dollars (\$120.00) and the District Manager has performed its duties outlined in Section 4.2 of these Rules and Regulations, the District Manager shall refer the Delinquent Account to the District's General Counsel (the "**General Counsel**"). However, if the amount owing on the Delinquent Account is less than One Hundred Twenty Dollars (\$120.00), the District Manager shall continue to monitor the Delinquent Account until the amount owing on such account is One Hundred Twenty Dollars (\$120.00) or greater, at which point the Delinquent Account shall be referred to General Counsel. At the time of such referral, the District Manager shall provide General Counsel with copies of all notices and letters sent pursuant to Section 4.2 and a copy of the most recent ledger for the Delinquent Account.

4.3 Procedures. Upon referral of a Delinquent Account from the District Manager, General Counsel shall perform the following:

a. Upon Referral of the Delinquent Account from the District Manager. A "Demand Letter" shall be sent to the Property Address, notifying the Property owner that his/her Property has been referred to General Counsel for further collections enforcement, including the filing of a lien against the Property. Along with the Demand Letter, a copy of the most recent account ledger reflecting the total amount due and owing the District according to the records of the District Manager shall also be sent.

b. No Earlier Than Thirty (30) Business days from the Date of the Demand Letter. A Notice of Intent to File Lien Statement, along with a copy of the lien to be filed, shall be sent to the Property Address of the Delinquent Account notifying the Property owner that a

lien will be filed within thirty (30) days of the Notice of Intent to File Lien Statement postmark date.

c. No Earlier Than Ten (10) Business days from the Postmark Date of the Notice of Intent to File Lien Statement. A lien for the total amount owing as of the date of the lien shall be recorded against the Property with the County Clerk and Recorder's Office; all Fees and Charges, Interest, and Costs of Collection (as defined below) will continue to accrue on the Delinquent Account and will run with the Property until the total amount due and owing the District is paid in full.

ARTICLE 5. COSTS OF COLLECTIONS

"Costs of Collections" are generated by the District Manager and General Counsel's collection efforts. They include, but are not necessarily limited to, the following fixed rates and hourly fees and costs:

5.1 Action Fees. The following fixed rate fees shall be charged to a Delinquent Account once the corresponding action has been taken by either the District Manager or General Counsel:

a. Reminder Letter Fee. Ten dollars (\$10) for the Reminder Letter. This action is performed by the District Manager.

b. Demand Letter Fee. Fifty Dollars (\$50.00) per Demand Letter sent. This action is performed by District Manager.

c. Notice of Intent to File Lien Fee. One Hundred Twenty Dollars (\$120.00) per Notice of Intent to File Lien Statement sent. This action is performed by District Manager.

d. Lien Recording Fee. One Hundred Fifty Dollars (\$150.00) per each lien recorded on the Property. This action is performed by District Manager.

e. Lien Release Fee. One Hundred Fifty Dollars (\$150.00) per each lien recorded on the Property. This action is performed by District Manager.

5.2 District Manager and Attorney Hourly Fees and Costs. After a lien has been filed, all hourly fees and costs generated by General Counsel to collect unpaid Fees and Charges shall also be assessed to the Delinquent Account.

5.3 Recovery of Costs of Collections. In accordance with Section 29-1-1102(8), C.R.S., nothing in these Rules and Regulations shall be construed to prohibit the District from recovering all the Costs of Collections whether or not outlined above.

ARTICLE 6.
WAIVER OF INTEREST AND COSTS OF COLLECTIONS

6.1 Waiver of Interest. The District Manager shall have authority and discretion to waive or reduce portions of the Delinquent Account attributable to Interest. Such action shall be permitted if either the District Manager or General Counsel, in its discretion, determines that such waiver or reduction will facilitate the payment of the penalties due. Notwithstanding, if the cumulative amount due and owing the District on the Delinquent Account exceeds One Thousand Dollars (\$1,000.00), neither the District Manager nor General Counsel shall have any authority to waive or reduce any portion of the Interest. In such case, the person or entity owing in excess of One Thousand Dollars (\$1,000.00) shall first submit a request for a waiver or reduction, in writing, to the Board, and the Board shall make the determination in its sole discretion.

6.2 Waiver of Delinquent Penalties and Costs of Collections. Neither the District Manager nor General Counsel shall have the authority to waive any portion of delinquent penalties or Costs of Collections. Should the Property owner desire a waiver of such costs, she/he shall submit a written request to the Board, and the Board shall make the determination in its sole discretion.

6.3 No Waiver of Future Interest. Any waiver or reduction of Interest or other costs granted pursuant to Sections 6.1 and 6.2 hereof shall not be construed as a waiver or reduction of future Interest, or as the promise to waive or reduce future Interest. Nor shall any such waiver or reduction be deemed to bind, limit, or direct the future decision making power of the Board, District Manager, or General Counsel, whether related to the Property in question or other properties within the District.

ARTICLE 7.
OPPORTUNITY TO BE HEARD

7.1 Opportunity to be Heard. Individuals who receive any notice or demand pursuant to these Rules and Regulations may request a hearing in accordance with the procedures set forth herein, or in the alternative, may elect to follow the Alternative Dispute Resolution procedures set forth in the Covenants.

7.2 Hearing Process. The hearing and appeal procedures established by this Article shall apply to all complaints concerning the interpretation, application, or enforcement of the Covenants, as each now exists or may hereafter be amended.

a. Complaint. Complaints concerning the interpretation, application, or enforcement of the Covenants must be presented in writing to the District Manager, or such representative as he or she may designate. Upon receipt of a complaint, the District Manager or designated representative, after a full and complete review of the allegations contained in the complaint, shall take such action and/or make such determination as may be warranted and shall notify the complainant of the action or determination by mail within fifteen (15) business days after receipt of the complaint. Decisions of the District Manager which impact the District

financially will not be binding upon the District unless approved by the Board of Directors of the District at a special or regular meeting of the Board.

b. Hearing. In the event the decision of the District Manager or his representative is unsatisfactory to the complainant, the complainant may submit to the Board a written request for formal hearing before a hearing officer (“**Hearing Officer**”), which may be a member of the Board of Directors or such other Person as may be appointed by the Board of Directors. Such request for a formal hearing must be submitted within twenty (20) business days from the date written notice of the decision of the District Manager or designated representative was mailed.

Upon receipt of the request, if it be timely and if any and all other prerequisites prescribed by these Rules and Regulations have been met, the Hearing Officer shall conduct a hearing at the District’s convenience but in any event not later than fifteen (15) business days after the submission of the request for formal hearing. The formal hearing shall be conducted in accordance with and subject to all pertinent provisions of these Rules and Regulations. Decisions of the Hearing Officer which impact the District financially will not be binding upon the District unless approved by the Board of Directors at a special or regular meeting of the Board.

c. Rules. At the hearing, the Hearing Officer shall preside. The complainant and representatives of the District shall be permitted to appear in person, and the complainant may be represented by any Person (including legal counsel) of his or her choice.

The complainant or his or her representative and the District representatives shall have the right to present evidence and arguments; the right to confront and cross-examine any Person; and the right to oppose any testimony or statement that may be relied upon in support of or in opposition to the matter complained of. The Hearing Officer may receive and consider any evidence which has probative value commonly accepted by reasonable and prudent Persons in the conduct of their affairs.

The Hearing Officer shall determine whether clear and convincing grounds exist to alter, amend, defer, or cancel the interpretation, application, and/or enforcement of the Rules and Regulations that are the subject of the complaint. The Hearing Officer’s decision shall be based upon evidence presented at the hearing. The burden of showing that the required grounds exist to alter, amend, defer, or cancel the action shall be upon the complainant.

d. Findings. Subsequent to the formal hearing, the Hearing Officer shall make written findings and an order disposing of the matter and shall mail a copy thereto to the complainant not later than fifteen (15) business days after the date of the formal hearing.

e. Appeals. In the event the complainant disagrees with the findings and order of the Hearing Officer, the complainant may, within fifteen (15) business days from the date such findings and order were mailed, file with the District a written request for an appeal thereof to the Board of Directors. The request for an appeal shall set forth with specificity the facts or exhibits presented at the formal hearing upon which the complainant relied and shall contain a brief statement of the complainant’s reasons for the appeal. The Board shall consider

the complainant's at its next regularly scheduled meeting. The Board's consideration of the appeal shall be limited exclusively to the complainant's written request for appeal and verbal statements from the complainant and Hearing Officer. No further evidence shall be presented by any Person or party to the appeal.

f. Board Findings. The Board of Directors shall make written findings and an order concerning the disposition of the appeal presented to it and shall cause notice of the decision to be mailed to the complainant within thirty (30) days after the Board of Directors' meeting at which the appeal was considered.

g. Notices. A complainant shall be given notice of any hearing before the District Manager, the Hearing Officer, or before the Board of Directors, at least seven (7) business days prior to the date of the hearing, unless the complainant requests or agrees to a hearing in less time. When a complainant is represented by an attorney, notice of any action, finding, determination, decision, or order affecting the complainant shall also be served upon the attorney.

ARTICLE 8. PAYMENT PLANS

8.1 Payment Plans. Neither the District Manager nor General Counsel shall have the authority to enter into or establish payment plans for the repayment of a Delinquent Account. Should the Property owner desire to enter into a payment plan with the District, such owner shall first submit a written request to the Board and the Board shall make the determination in its sole discretion.

ARTICLE 9. RATIFICATION OF PAST ACTIONS

9.1 Ratification of Past Actions. All waivers and payment plans heretofore undertaken by the District Manager or General Counsel that would otherwise have been authorized by these Rules and Regulations are hereby affirmed, ratified, and made effective as of the date said actions occurred.

ARTICLE 10. ADDITIONAL ACTIONS

10.1 Additional Actions. The Board directs and authorizes its officers, staff and consultants to take such additional actions and execute such additional documents as are necessary to give full effect to the intention of these Rules and Regulations.

ARTICLE 11. COLORADO AND FEDERAL FAIR DEBT COLLECTIONS ACTS

11.1 Statutory Compliance. To the extent required by law, the District Manager, General Counsel, and the Board shall comply with both the Colorado Fair Debt Collection Practices Act and the Federal Fair Debt Collections Practices Act.

ARTICLE 12.
SUPERSEDES PRIOR RESOLUTIONS, RULES, AND REGULATIONS

12.1 Supersedes Prior Resolutions, Rules, and Regulations. To the extent that any term or provision in these Rules and Regulations conflicts with any term or provision in a previously enacted and valid resolution of the District imposing Fees and Charges, the term or provision in these Rules and Regulations shall prevail.

ARTICLE 13.
SEVERABILITY

13.1 Severability. If any term or provision of these Rules and Regulations is found to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such invalid or unenforceable term or provision shall not affect the validity of these Rules and Regulations as a whole but shall be severed herefrom, leaving the remaining terms or provisions in full force and effect.

ARTICLE 14.
SAVINGS PROVISION

14.1 Savings Provision. The failure to comply with the procedures set forth herein shall not affect the status of the Fees and Charges as a perpetual lien subject to foreclosure in accordance with law. Failure by the District Manager, General Counsel, or other authorized representative to take any action in accordance with the requirements as specifically provided herein shall not invalidate subsequent efforts to collect the Fees and Charges.