

The Hills of Lakeway Property Owners' Association, Inc.

Adopted on September 22, 2009

Assessment Collection Procedure

Semi-Annual Assessments are due by the first (1st) day of January and July of each year. If payments are not received within thirty days (30) days after the due date, a collection charge of \$12.50 shall be imposed to compensate for the Association's administrative and processing costs related to late payments and collection services provided by the Management Company. There will be a subsequent monthly collection charge in the amount of \$12.50 on the last day for each month that the account remains delinquent. These charges will be the same for each assessment cycle.

Please note: Payment coupons are issued to all property owners of record approximately three weeks prior to the due date for each assessment period. Property owners who do not receive their coupons are responsible for contacting the Management Company prior to the first due date to request a replacement set.

Insufficient funds check: Accounts presented with an insufficient funds payment will be charged a non-negotiable insufficient funds fee of not less than \$25.00. Payment of the outstanding account balance will be required to be paid with a money order or cashier's check. Personal checks will not be accepted to satisfy an outstanding account balance when an insufficient fund check makes up a portion of the balance.

Delinquent Accounts: The Accounts Receivable Department will send a statement of account to the property owner for the delinquent amounts owed each month.

31 - 60 Days Delinquent: COURTESY NOTICE LETTER: The Collection Department will send the "Courtesy Notice Letter" notifying the property owner of collection costs, legal fees and potential legal action if the account is not paid current. A request will be made for the property owner to check his/her records and contact the Management Company if a discrepancy is found.

61-90 Days Delinquent: FINAL NOTICE LETTER: The Collection Department shall send a "Final Notice Letter". This letter will notify the homeowner of the amounts owed and will further advise the owner if the account is not paid current within thirty (30) days, that the account will be referred to the Association's attorney and additional collection costs, including legal and collection referral fees, will be incurred immediately upon referral.

121-150 Days Delinquent: PRE-REFERRAL LETTER: If the account has not been paid in full, the Management Company shall automatically send account information to the Association's Attorney so the attorney can send a pre-referral demand letter to the owner. The pre-referral letter will be sent by First Class U.S. Mail to the address provided by the Management Company and will demand payment within 30 days, This letter will provide the owner with the option to request a six-month payment plan, provided the cost of the demand letter and the cost of the payment plan letter are paid in advance. This letter will also advise the owner of the consequences of failing to pay in full or to enter into a payment agreement including the future collection costs, attorney fees and legal action.

180- 195 Days Delinquent: If the account has not been paid in full or if the owner has not entered into an approved payment arrangement with the Association's attorney, the delinquent account will be automatically referred to the Association's attorney for formal referral and a Notice of Lien will be filed

against the property. The homeowners account will be assessed a flat non-negotiable legal/collection fee amount of not less than \$325.00 immediately upon referral of the account to the Association's attorney. The Association's attorney will send a demand for payment to the homeowner asking for full payment within thirty (30) days, advising that if the account is not paid current, a lawsuit will be initiated which may include a request for foreclosure of the Association's lien.

210 - 225 Days Delinquent: If the homeowners account has not been paid current, and a post referral payment plan has not been established, or if the homeowner has defaulted on an approved payment plan, a Board Resolution will be drawn up by the Association's attorney and presented to the Board of Directors for approval to file a lawsuit. . When the Board Resolution is approved, the Association's attorney shall proceed immediately with preparation of the petition to sue the owner which shall include a request for foreclosure of the Association's lien. The Association's attorney may provide the owner with a final warning letter just prior to filing of the lawsuit, giving the owner no more than 7 additional days to respond. Absent a satisfactory response or payment by the owner, the Association's Attorney shall file the lawsuit at the earliest possible date and effect service of process on the owner at the earliest possible date. The homeowner will be responsible for all legal fees, court costs and expenses incurred

Partial Payment: All partial payments received prior to referral of the account to the Association's attorney will be applied to pay the account in the following order: Interest and collection fees first, legal fees second, deed restriction enforcement expenses third, and then the oldest outstanding assessment. Following referral of the account to the Association's attorney, partial payments will not be accepted, absent extraordinary and extenuating circumstances. The Association's attorney will be consulted as to whether or not a partial payment should be accepted. If a partial payment is not accepted, it shall be returned to the property owner along with an explanation as to why it was refused. After the account has been referred to the Association's attorney no partial payments will be accepted except for those made pursuant to an approved payment plan.

Payment Arrangements: A post referral payment arrangement will be offered at the time of Demand for payment by the association's attorney. If a property owner wishes to enter into a payment arrangement, the account will be charged a payment plan fee. If a property owner defaults in payment of a post referral payment arrangement, all amounts will be due immediately and the property owner will not be eligible for future payment arrangements, absent extraordinary and extenuating circumstances.

Mandatory Membership: Membership in the Association is mandatory pursuant to the terms and conditions of the Declaration. A property owner is obligated to pay the Assessments to the Association even if the Association's amenities are not used by the property owner.

Effective Date: The foregoing collection procedure has been adopted by the Board of the Association to be effective on upon board approval, for all accounts that have not yet reached the stage of referral to the Association's attorney, however, the collection charges set forth above shall be charged to all accounts regardless of the stage of collection. The foregoing collection procedure is a directive by the Board of the Association to the Management Company and is intended to be a guide to collection of Assessments owed to the Association. The Board of the Association may at any time revise the foregoing collection procedure and may at any time direct the Management Company to proceed differently with collection of an individual account based on circumstances applicable to that account and advice and guidance from the Management Company or the Association's attorney. Failure by the Management Company or the Board of the Association to follow the foregoing collection procedure shall not in any way affect the property Owners' obligation to pay all Assessments when due, along with all collection costs. To obtain any information regarding this collection procedure or to obtain the most up-to-date collection procedure, a property owner should contact the Management Company.

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The Management Company at the direction of the Board of Directors and on behalf of the Association may elect to pursue any available method of collection allowable under the Texas law, which may include but not be limited to the filing of a lawsuit for foreclosure against the property owner.