

MANAGEMENT AGREEMENT

This agreement is entered into by and between **Hunters Park Property Owners Association, Inc.** (the "Association") and **C.I.A. Services, Inc.** (the "Manager"). This agreement shall be referred to hereafter as the "Agreement". The date on which Manager shall assume management responsibilities of Association under this Agreement is February 1, 1998 (the "effective date"). This Agreement supersedes any other Agreement, written or oral, if any, between the parties.

1 - ASSOCIATION

- 1.1 The Association hereby contracts with Manager as an independent contractor on an exclusive basis to manage the Association described below:

The community name is Hunters Park

The platted areas comprising the community and the number of homes as of the effective date of this Agreement are:

Hunters Park section 1	<u>14 lots</u>	<u>10 homes</u>
Total	14 lots	10 homes

- 1.2 From time to time additional properties may be annexed into the Association. Manager agrees to provide all of the services described in this Agreement to any annexed areas. In consideration for such services to the additional properties, Association agrees to increase the monthly compensation to Manager as described in section 7.4.

2 - MANAGEMENT RESPONSIBILITY AND AUTHORITY

- 2.1 Subject to the terms of this Agreement, Manager shall have the duty and authority to manage the Association, including the following responsibilities:

Management and administrative services (section 3)
Billing and collections (section 4)
Financial services (section 5)
Deed restriction management (section 6)

- 2.2 Manager shall generally do and perform, or cause to be performed, all acts and things reasonably necessary to assure proper and efficient management and operation of the Association and the maintenance and appearance of the common areas. Manager shall use due diligence in management of the Association and maintenance of the common areas under the terms of this Agreement.
- 2.3 Manager shall have the authority to commit up to \$500.00 of Association funds for any one item of expenditure without advance Board approval. Manager also may commit larger amounts in response to an emergency condition using reasonable judgment and subsequent notification of all Board members.

- 2.4 Manager shall have the authority to write-off homeowner accounts any positive balances of \$5.00 or under, any amounts before the date of a foreclosure, and amounts which are clearly invalid or incorrect. Any other discretionary adjustments must have Association approval.

3 - MANAGEMENT AND ADMINISTRATIVE SERVICES

- 3.1 Attend all regularly scheduled Board of Directors meetings and any Special Board of Directors meetings. Prepare a "Board Package" and mail to each Board member in advance of each Board meeting. The package will contain, as a minimum, meeting agenda, prior meeting minutes, financial statements, deed restriction report and any other information to be discussed at the meeting.
- 3.2 Attend all special membership meetings and the Annual meeting of Association. Prepare a handout for members appropriate for the meeting. The Annual Meeting handout would typically contain a meeting agenda, key personnel list, accomplishments and plans, financial summary, and deed restriction summary.
- 3.3 Record, type and distribute minutes for each meeting of the Board (regular or special) and for each special membership and Annual meeting.
- 3.4 Coordinate the Annual meeting including issuing the meeting announcement and soliciting proxies for the meeting.
- 3.5 Serve as liaison with attorneys, CPAs, contractors, vendors and other contacts of Association.
- 3.6 Serve as liaison with local businesses, government and public entities.
- 3.7 Provide other administrative and clerical services as needed in the day-to-day operations of Association.
- 3.8 Ensure that insurance is in place and file claims for or against Association.
- 3.9 Prepare draft bid specifications for Association contracts and solicit bids for evaluation and selection by Association.
- 3.10 Prepare all contracts and agreements on behalf of Association (such as mowing contracts) - legal review of the documents will be obtained if requested.
- 3.11 Coordinate and oversee the work of Contractors.
- 3.12 Maintain a complete set of files for Association with records such as contracts, correspondence, meeting minutes, financial summaries, budget calculations, by-laws, deed restrictions, etc. These files will be available for inspection by members of Association during the normal business hours of Manager.
- 3.13 Provide lists to Association of property owners, phone numbers, account balances, etc. upon request.
- 3.14 Maintain a current list of property owners by working with title companies, taxing authorities, utility districts and residents.
- 3.15 Store archive files of Association with logs of the contents of all boxes for easy retrieval if needed.
- 3.16 Be thoroughly familiar with the by-laws and deed restrictions of Association and provide consultation on association management.

- 3.17 Keep abreast of legislation, ordinances, court cases and other matters relating to community associations.
- 3.18 Respond to all property owner or Board of Directors requests for information.
- 3.19 Carry out orientation sessions for new members of the Board and officers if requested.
- 3.20 Send "Welcome to the Community" packets to new members of Association.
- 3.21 Provide free notary service to any member of Association in the office of Manager during normal business hours.

4 - BILLING AND COLLECTIONS

- 4.1 Handle billing and collections as described in Exhibit "A" attached hereto or any variation thereof adopted by Association and accepted by Manager.
- 4.2 Handle all aspects of maintenance fee invoicing, collection, and record keeping.
- 4.3 Make bank deposits for Association two times per week or as needed.
- 4.4 Send annual statements to each account with a balance due. For delinquent accounts and for accounts paying by installments, additional statements will be sent once per quarter.
- 4.5 Provide maintenance fee information to title companies for closings in the subdivision and follow-through to make sure the correct amounts are paid to Association.
- 4.6 Prepare and file Lien Affidavits on behalf of Association. Prepare and file Release of Liens when debts are paid.
- 4.7 File Proof of Claims with Bankruptcy Courts when needed.
- 4.8 Work with property owners to set up and monitor Payment Plans in compliance with Association policy. Void inactive Payment Plans and close out Plans which have been paid off.
- 4.9 Coordinate further collections steps with attorney including, but not limited to, sending demand letters, filing lawsuits in Justice or District Court, foreclosure proceedings, post-judgment discovery and remedies, etc.
- 4.10 Where court appearances are necessary, Manager will appear and testify on behalf of Association.
- 4.11 Charge back any fees to property owners accounts as allowed by the governing documents and approved by Association for delinquent collections, deed restrictions enforcement, forced maintenance, fines penalties or administrative fees. Send a statement to the property owner after any such charge back to the account.

5 - FINANCIAL SERVICES

- 5.1 Prepare monthly financial statements for Association. The statements will include, as a minimum, Income Statement, Balance Sheet, Accounts Receivable Breakdown, General Ledger Activity Report and Bank

Statement Reconciliation. Additional reports available as needed include Budget Variance Report, Collections Comparison, Accounts Receivable Summary, Accounts Receivable Ledger and others.

- 5.2 Prepare checks for Association's payables twice per month, or more often if needed, and mail or deliver the checks to a specified member of Association for signature.
- 5.3 Keep all bank accounts balanced and perform a monthly reconciliation of the bank statements.
- 5.4 One Officer of Manager shall be on the signature card for the bank accounts in order to perform day-to-day functions such as transferring funds between accounts or stopping payment on checks. Two signatures will be required on all checks, and typically Manager will apply the first signature before passing the checks to the designated Association officer.
- 5.5 Prepare either 1120-A or 1120-H federal income tax returns for Association. An analysis will be done each year to determine which option is more favorable for Association. Assistance from an attorney or a CPA will be enlisted at the expense of Association if requested. Schedule quarterly tax deposits for Association if required.
- 5.6 Prepare state franchise tax returns for Association if required. Apply for franchise tax exemption if Association qualifies.
- 5.7 Process and verify property tax statements. Petition appraisal district for nominal valuations if not already granted.
- 5.8 Carry out a cash flow analysis with revenue and expense projections in order to recommend a maintenance fee and a budget for Association. The budgeting work should be completed in October of each year.
- 5.9 Perform an annual update of the analysis of reserve funds during the budgeting process.
- 5.10 Provide options for investments (generally certificates of deposit) for Association funds and manage transfers of funds between accounts.
- 5.11 Provide the financial input and highlights for an Annual Report of Association for the annual meeting if one will be published.

6 - DEED RESTRICTION MANAGEMENT

- 6.1 Handle deed restriction enforcement as described in Exhibit "B" attached hereto or any variation thereof adopted by Association and accepted by Manager.
- 6.2 Manager will maintain a continuing deed restriction awareness campaign by providing articles for the newsletter on a regular frequency.
- 6.3 Manager will keep copies of the deed restrictions for each section and provide them to homeowners upon request.
- 6.4 Manager will remain thoroughly familiar with the content of the deed restrictions for each section of the community and advise the Board and property owners on the content and interpretation of the documents.

- 6.5 Manager will perform routine audits of all lots in the community. The purpose of the audits is to uncover new deed restriction violations and to determine if previous violations have been corrected. The audits will take place o
- 6.6 Board members are encouraged to participate in the audits to ensure that the audits reflect Association's priorities on deed restriction enforcement.
- 6.7 As a special case of deed restriction enforcement, Manager will coordinate the lawn mowing effort on unoccupied properties. This will include notifying the owner, if possible, arranging for the mowing, and invoicing the owner for the cost of the mowing.
- 6.8 For architectural control, Manager will coordinate requests for approval of plans. This entails receiving requests for approvals from property owners, evaluating the request, presenting the information with a recommendation to the Architectural Control Committee, and responding to the property owner with the Committee's decision.
- 6.9 Complete records on all Architectural Control requests and decisions will be maintained by Manager.
- 6.10 Prepare a "Board Package" and mail to each Board member in advance of each Board meeting. The package will contain, as a minimum, a deed restriction Executive Summary, an Expanded Summary (showing all active violations) and any other information to be discussed at the meeting.
- 6.11 Computer printouts showing the status of all violations of the deed restrictions in the community will be available upon request.
- 6.12 Verbal updates on the status of any Manager activities on behalf of Association are available at any time.

7 - MANAGEMENT FEES

7.1 Manager shall be compensated for the services provided under this Agreement as follows:

Management services \$410.00 per month

7.2 Manager shall invoice Association for the monthly management fees on or after the first day of the month of service. Payment shall be due within thirty (30) days. Manager reserves the right to apply, and Association agrees to pay, a one time ten (10) percent or \$50.00 penalty, whichever is greater, to any undisputed fees unpaid for more than sixty (60) days after the invoice date.

7.3 For any projects or work not provided for in this agreement, but requested or initiated by Association, Manager will quote a rate to Association and will await the approval of Association before proceeding.

7.4 From time to time additional properties may be annexed into the Association. Upon platting or annexation of the lots, whichever occurs last, the monthly compensation to Manager shall increase as described here.

Calculate the "contract per unit cost" by dividing the fees shown in section 7.1 by the total number of lots shown in section 1.1. For each annexed lot with a home, the "home per unit cost" shall be equal to the "contract per unit cost". For each annexed lot without a home, the "lot per unit cost" shall be equal to one-half of this amount. The total increase in monthly fee shall be the home per unit cost multiplied by the number of homes plus the lot per unit cost multiplied by the number of lots without homes. Manager shall be responsible for calculating changes in fees associated with annexed lots.

8 - OTHER MANAGER COMPENSATION

- 8.1 One special source of revenue for Manager is covered in this agreement which is not paid directly by Association. When legal action is required in order to recover delinquent amounts owed to Association or to enforce compliance with the Deed Restrictions, Manager shall be entitled to a fee for its part in the successful resolution. The fees listed below shall be assessed against the property owner and will only be paid to Manager when Association receives payment from the property owner. Unless a different policy is adopted by the Association, Manager shall invoice the owner account for twice the amount shown and half will be payable to Manager and half retained by Association as an offset to its administrative costs.

Collection fees in February and March (\$ per account)	10.00
DR forced maintenance administration fee (\$ per work order)	10.00
DR violations turned over to attorney (\$ per violation)	10.00
Lien/release preparation fee (\$ per lien/release)	10.00
NSF check processing (\$ per check)	10.00
Title search processing (\$ each)	10.00

- 8.2 In the normal course of business, Manager shall provide assessment quotations to tax services and title companies regarding properties in the Association. In return for guaranteeing the timeliness and accuracy of such information, Manager will charge a transfer fee to the title company. This fee may be changed from time to time by Manager.

9 - ASSOCIATION EXPENSES

- 9.1 The following fees will vary from month-to-month depending on the requirements of Association.

Copies (\$ per copy)	0.12
Court appearance fee (\$ per hr)	40.00
Newsletter Layout & Preparation (\$ per page)	35.00 (if requested)
Tax returns (\$ per return)	100.00 (if not done by CPA)

- 9.2 In addition to the fees listed above, Manager shall invoice Association for certain expenses related to the services provided if they are paid in advance by Manager. These expenses shall be invoiced monthly by Manager on the first day of the month after the expenses are incurred and shall be paid within thirty (30) days by Association. Manager will take no mark-up on these expenses. Some of these expenses are listed below:

Filing fees	At Cost
Long distance phone calls	At Cost
Postage	At Cost
Printing	At Cost
Title searches	At Cost

- 9.3 The following expenses will be paid by Manager and will not be passed through to Association:

ACC processing fee (\$ per application)	0.00
Archive box storage fee (\$ per box per year)	0.00
Bankruptcy Proof of Claim preparation fee (\$ per claim)	0.00
Certified letters preparation (\$ per letter)	0.00

Charge-back posting (\$ per item)	0.00
DR photographs (\$ each)	0.00
Extra reports (\$ per page)	0.00
General office supplies	0.00
Incoming/outgoing fax costs (\$ per page)	0.00
Insurance claim processing fee (\$ per hour)	0.00
Labels only (\$ per label)	0.00
Mass mailouts (\$ per item prepared and mailed)	0.00
Mileage (\$ per mile)	0.00
Newsletter Labels & Handling (\$ per issue)	0.00
Notary service (\$ per item)	0.00
Overtime & extra meeting attendance (\$ per hour)	0.00
Payment Plan administration fee (\$ per payment plan)	0.00
Special collection letters (\$ per letter)	0.00
Statements (\$ each)	0.00
Stationary - Manager standard	0.00
Tax valuation protest hearings (\$ per hour)	0.00
Welcome Package preparation (\$ per item mailed)	0.00

9.4 For any projects or work not provided for in this agreement, Manager will quote a rate to Association before proceeding.

10 - INDEPENDENT CONTRACTOR STATUS

10.1 As between the Association and Manager, neither Manager nor any employee, servant, contractor or subcontractor of Manager shall be or shall be deemed to be the employee, servant, contractor or subcontractor of the Association. However, Manager and its employees shall have the authority, as agent of the Association in the Association's name, to contract with various suppliers, contractors, insurance companies, utility companies, and service companies necessary for operation of the Association and maintenance of the common area. Insofar as the Association and members of the public are concerned, the Association acknowledges that Manager acts as an agent of the Association under public liability laws and that this Management Agreement cannot alter such relationship. Subject to Association's prior approval, Manager may place a sign or signs on the Property indicating that it is managed by Manager.

11 - INSURANCE

- 11.1 Manager shall carry commercial general liability insurance for Manager's company with minimum limits of \$500,000 each occurrence for premises/operations including all broad form coverages with a \$1,000,000 general aggregate.
- 11.2 Manager shall carry automobile liability insurance for owned and non-owned vehicles with minimum limits of \$500,000 for bodily injury on each occurrence and \$500,000 for property damage for each occurrence.
- 11.3 Manager shall carry worker compensation insurance for all employees at the Texas statutory limits.
- 11.4 Manager shall not be required to carry fidelity coverage, however, if Association desires such coverage, Association may obtain such coverage at its sole expense and add Manager as an additional insured.

- 11.5 All insurance required under the terms of this section must be obtained through an insurance company authorized to do business in the State of Texas.
- 11.6 Manager shall notify Association at least thirty (30) days in advance of any cancellation, alteration or material reduction in coverage required under this Agreement.

12 - INDEMNIFICATION

- 12.1 Manager agrees to exert its best efforts in rendering services and performing its duties and responsibilities, and to supervise its employees to whom duties may be delegated. Association agrees to indemnify, defend at its own cost and hold harmless Manager and Manager's employees or subcontractors from and against any and all suits, actions, claims, damages, costs, expenses and attorney's fees arising out of or relating to actions taken by Manager or Manager's employees or subcontractors in the execution or performance of this Agreement; provided, however, that Association shall not be liable for any suits, actions, claims, damages, costs, expenses and attorney's fees arising out of a willful, reckless or negligent act or omission or an unauthorized act of Manager or Manager's employees or subcontractors. Manager agrees to indemnify and hold harmless Association from and against any and all suits, actions, claims, damages, costs, expenses and attorney's fees arising out of or incidental to a willful, reckless, negligent or unauthorized act by Manager or Manager's employees or subcontractors.
- 12.2 Employees, agents or subcontractors of Manager shall under no circumstances be considered employees of Association. Manager shall retain exclusive authority to supervise, manage or otherwise control such employees, agents or subcontractors. Manager will indemnify and hold Association harmless from any claims asserted by any employees, agents or subcontractors of Manager arising from such employees', agents' or subcontractors' positions with Manager.

13 - DURATION OF AGREEMENT

- 13.1 This agreement shall be in effect from February 1, 1998 until canceled as specified below. This agreement may also be modified by amendment as specified below.

14 - TERMINATION OF AGREEMENT

- 14.1 This agreement may be canceled by either party with or without cause at any time during the term of the agreement with a thirty (30) day written notice to the other party at the address listed in paragraph 16.1 by certified mail, return receipt requested.
- 14.2 Upon material breach of any of the terms of this agreement by one party, the other party may terminate this agreement with a seven (7) day written notice to the other party at the address listed in paragraph 16.1 by certified mail, return receipt requested.
- 14.3 No later than ten (10) days after the effective date of termination of this Agreement, Manager shall turn over to Association or its agent, all books and records of Association in good order. All books and records shall be current as of the effective date of termination or any mutually agreed sooner date.
- 14.4 In addition to all of the physical records described in paragraph 14.3, Manager agrees to also provide at the Association's request the files listed below on magnetic media:

Current property and owner list
Alternate mailing addresses
Outstanding invoices (accounts receivable)

The media shall be 5-1/4 inch DS/DD diskettes (1.2 MB) and the file format shall be ASCII standard data format (SDF). If Association desires additional information or information on a different media or in a different format, Manager may agree to fulfill the request at an hourly rate varying from \$20/hour for clerical work to \$100/hour for programming work.

15 - AMENDING AGREEMENT

- 15.1 This agreement may also be modified by attaching an amendment to the agreement that is signed by both parties. Three types of modification are provided for here:
- (a) A portion of the agreement may be canceled by either party, without canceling the whole agreement, at any time during the term of the agreement with a thirty (30) day written notice. The amendment will be prepared by Manager for signature by both parties to become effective thirty (30) days from the date of written notice. Both parties may agree to an effective date different than thirty (30) days from the date of written notice.
 - (b) A new service can be added at any time at the request of Association. The amendment will be prepared for signature by Manager and will become effective on the date specified in the amendment.
 - (c) Manager may submit a written request to increase or decrease the fees for services rendered at any time during the term of this agreement. The amendment will be prepared for signature by Manager and will become effective sixty (60) days from the date of written notice but not before January 1, 2000. If either party declines to sign the amendment, the current fees will remain in effect until the matter is resolved.

16 - NOTICES

- 16.1 All notices required or permitted under this Agreement shall be deemed given if delivered personally or if mailed by certified mail, return receipt requested, to the address set forth below. Delivery shall be deemed if such notice is actually received by mail or private courier at such address. If a party changes such address, such party shall notify the other party of same by the notice procedures of this paragraph.

ASSOCIATION:
Hunters Park P.O.A.
c/o Association President
@ his/her mailing address

MANAGER:
C.I.A. Services, Inc.
13313 Southwest Freeway, Suite 265
Sugar Land, Texas 77478-3543

17 - MISCELLANEOUS

- 17.1 Should either party hereto be required to institute legal action against the other party hereto to enforce the terms of this Agreement or to collect fees owing pursuant hereto, said party shall be entitled, in addition to all other amounts, to recover a reasonable attorney's fee and all costs of court.

- 17.2 This Agreement and the rights and obligations of the respective parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Texas.
- 17.3 This Agreement contains all the understandings and conditions whatsoever kind made by the parties with respect to the subject matter of this Agreement. This Agreement may only be modified in writing signed by both parties.
- 17.4 This Agreement shall be binding upon and inure to the benefit of the parties hereto, and to their respective heirs, successors and assigns. Manager shall not be authorized to assign this Agreement without the prior written consent of Association and any attempted assignment of this Agreement in violation of this provision shall be void.
- 17.5 In the event that any provision hereof is found to be void or unenforceable, all remaining provisions of this Agreement shall be fully effective. The failure of either party to enforce any of the terms of this Agreement or to exercise any rights herein shall not be construed as a waiver or relinquishment of its right to enforce any terms or to exercise any rights on any future occasion.
- 17.6 This Agreement shall be executed in duplicate originals, each of which shall be deemed an original and both of which shall constitute one and the same Agreement.

18 - EXHIBITS

- 18.1 The exhibits attached to this Agreement are as follows:

Exhibit A - Standard collection procedures

Exhibit B - Standard deed restriction enforcement procedures

19 - AUTHORITY TO SIGN

19.1 All signatories to this Agreement warrant that they have been duly authorized to execute same and that no other signatures are necessary for the Agreement to be binding.

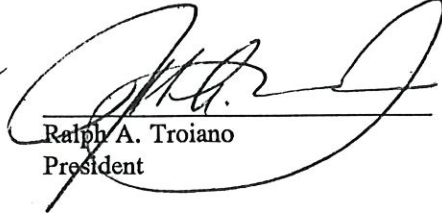
ASSOCIATION:
Hunters Park Property Owners Association, Inc.

MANAGER:
C.I.A. Services, Inc.



Carolyn Huppertz
President

6/1/98
Date



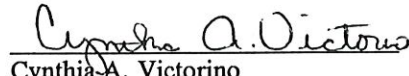
Ralph A. Troiano
President

6/3/98
Date



Stephanie Miller
Secretary

6/1/98
Date



Cynthia A. Victorino
Secretary

6/5/98
Date

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Exhibit A
Standard Collection Procedures

1. Issue annual maintenance fee statements in October, November or December (depending on when budget is approved) with a letter from the President and a copy of the approved budget (due date January 1st - overdue on January 31st).
2. Send a past due notice ("pink slip") at the beginning of February noting the payment is now overdue and offering payment plans (due February 28th). A collection fee is added to the owner's account at this point.
3. Send a certified letter at the beginning of March noting that a lien will be placed on the property, information will be provided to the credit bureau and community privileges may be revoked (due March 31st). A collection fee is added to the owner's account at this point.
4. File a lien on the property in April. A fee is added to the owner's account at this point to cover the cost of the lien and subsequent release.
5. When the filed lien is returned from the county clerk's office, send a copy of the lien to the homeowner with a letter stating the effect of the lien, noting the next step and making another request for payment.
6. In May, make recommendations to the Board for Justice of the Peace Court or District Court lawsuits. For JP Court lawsuits, go to step 7. For District Court lawsuits, go to step 12. Note that we do not recommend JP Court lawsuits for most associations.
7. For those approved, send a final, certified ("last chance") letter to the homeowner giving them 10 days to pay or a lawsuit will be filed. Some associations prefer to have their attorney handle JP Court lawsuits and this final demand letter.
8. In June, prepare and file the JP Court lawsuit. The lawsuit filing fee (approximately \$60 but varies by County) is added to the owner's account at this time. Some associations prefer to have their attorney handle JP Court lawsuits.
9. Thirty days after a judgment has been rendered in favor of the association, order an abstract of judgment from the court.
10. File the abstract of judgment with the county clerk's office.
11. When the filed abstract original is returned from the county clerk's office, send a copy of the abstract to the owner with a letter stating the affect of the abstract, noting the next step and making another request for payment.
12. For properties approved for District Court lawsuits, have a title search with loan assignments done to verify owner and first lien holder. A fee for the title search is added to the owner's account at this time. Note that if steps 7 through 11 were followed on an account, a District Court lawsuit cannot be filed on the same unpaid fees.
13. Have association's attorney send a demand letter including our intent to foreclose to the property owner. The owner's account is invoiced for the attorney fees.

Exhibit A
Standard Collection Procedures
(continued)

14. After the expiration of the notice period, provide a status of collections to the Board and recommend a lawsuit for a personal judgment and an order of sale (i.e. the ability to foreclose).
15. Have the association's attorney proceed with a judicial or non-judicial foreclosure as allowed by the deed restrictions. The owner's account is invoiced for the attorney fees, filing fees and court costs. Note that even if allowed by the deed restrictions, we do not recommend non-judicial foreclosures.
16. After the foreclosure judgment is awarded (judicial), the attorney will send the property owner and their mortgage company a final letter giving them an opportunity to pay the judgment. This notice to the mortgage company is generally required by the deed restrictions and commonly referred to as a "60 day letter" (or other timeframe. Note that communication with the mortgage company at any other time could be considered a violation of the Fair Debt Collection Practices Act.
17. If payment is not received from the mortgage company or property owner, the Board is asked to consider foreclosing on the property. There are many things to consider on any foreclosure so each account is handled on a case-by-case basis. If foreclosure is chosen, the attorney will obtain a writ of execution and order of sale from the Court. The documents are sent to the local constable who will post the property for foreclosure and sell the property at public auction. There is no guarantee that anyone will bid on the house.
18. If the property owner has not moved out of the house after the house is sold at auction, the new owner can evict the prior owner.

Notes:

- * The months shown above are based on a January to December fiscal year.
- * All collections action is halted when an approved payment plan is established and kept active. Interest continues to accrue on the unpaid balance at the end of each month.
- * All collections action is halted when a property owner files bankruptcy. A Proof of Claim is filed as a secured creditor when we receive notice of the bankruptcy.
- * Ownership is verified before filing liens or JP Court lawsuits. Verification is either by acknowledgment (signature on green card) or by title search. Before a District Court lawsuit, a title search including any loan assignments is always done.

Exhibit B
Standard Deed Restriction Enforcement Procedures

Approach

Audits or inspections of the community are done once every two weeks to uncover new violations, to check the status of existing violations and to verify complaints that have been called in. The timing of our inspections and the deadlines quoted in our letters are set to ensure that homeowners have adequate opportunity to cure their violations and also to let them know our expectations. The next inspection is always just a few days after any deadline expires so we can move onto the next step without delay.

Letters

All deed restriction letters are mailed by the end of the week of the audit. If the home is rented then letters are mailed to either the owner, the tenant or both depending on the type and level of violation. Most initial letters go to both.

On most violations, letters are not mailed the first time the violation is observed. We would typically note the violation and then, if the violation is still there on our inspection two weeks later, send an initial letter. This prevents letters from being mailed on "transient" violations (on average, 40 to 50% of the violations we note are transient). There are several exceptions where we do mail a letter on the first observation: lawn maintenance needed, unapproved modifications in progress and in response to verified complaints.

Different letters are mailed at different points in the deed restriction enforcement process. Our standard letters are described below. In addition to these, various specialized letters are written by the Community Manager to handle specific situations (clarification of violations, requests for extensions, results of appeal to the Board of Directors).

- (1) "1st Letter" - This letter is sent by regular mail pointing out the problem and the corrective action needed. The owner is generally given three weeks to take care of the violation.
- (2) "2nd Letter" - This letter is sent by certified mail and repeats the problem and corrective action needed. It also notes that the next step could include legal action. The owner is generally given two more weeks to take care of the violation.
- (3) "Last Chance Letter" - This letter is sent after the Board has reviewed the violation and approved an attorney demand letter. This is a very effective letter which points out the financial ramifications of not correcting the violation within 10 days. It lets the owner know that the next notice they will receive will be from an attorney shortly after the expiration of 10 days. This letter is sent by regular mail to avoid any delay in the owner receiving this "last chance" notice.
- (4) "Maintenance Letter" - This letter is sent by regular and certified mail in advance of any forced maintenance. Where the deed restrictions allow, this letter gives the owner 10 days (or whatever notice requirement is specified in the deed restrictions) to perform the required maintenance. If the violation is not corrected in the timeframe noted, a work order is issued to have the work done by a contractor. This notice is only mailed for lawn maintenance and minor maintenance items.

Exhibit B
Standard Deed Restriction Enforcement Procedures
(continued)

- (5) "ACC Letter" - If an undocumented exterior modification is noted or underway, a letter is mailed to the owner requesting that they complete and return a Home Improvement Request form. If a modification in progress appears to be unapprovable then a variation of this letter called a "Cease and Desist Letter" may be hand delivered to the work site requesting that the construction be stopped immediately.
- (6) "ACC Approval/Disapproval Letter" - Each Home Improvement Request submitted to the Architectural Control Committee results in a letter to the owner documenting the ACC's decision.
- (7) "Lawn Care Letter" - A special letter is mailed regarding mild lawn care violations the day after the inspection. This is a simple form letter giving the resident quick notice of the deficiency. Since lawn care violations can come and go so quickly, we've created this letter so it can be "out the door" before we've even processed the results of the inspection.
- (8) "Courtesy Letter" - Many times we hear concerns that are not covered by or enforceable through the deed restrictions. Generally these deal with neighbor-to-neighbor issues. We'll send a courtesy letter to the "offender" letting them know the concern and asking their cooperation in taking care of the situation.
- (9) "Thank You Letter" - When a violation has been corrected we send a "thank you for your cooperation" letter to the owner. We do this for two reasons: as a common courtesy and to let the owner know we have acknowledged the effort and closed our file.

Extensions

On most violations, our Administrative staff has authority to provide extensions of up to 30 days to a homeowner to correct the violation. Requests for longer extensions are approved by the Community Manager or Board of Directors based on the specific violation.