

THE ENCLAVE IN FLAGSTAFF HOMEOWNERS ASSOCIATION, INC.

Assessment Collection Policy

WHEREAS, in accordance with the provisions of A.R.S. §33-1803 and §33-1807 of the Arizona Planned Community Act and of the Abandonment and Re-Declaration of Covenants, Conditions and Restrictions of The Enclave in Flagstaff Homeowners Association, Inc. ("Declaration"), the Board is entitled to adopt an Assessment Collection Policy; and

WHEREAS, the Board has determined that the adoption of such Policy is in the best interests of the Association and its members.

I hereby make a motion that the following Policy be adopted by the Board as the Assessment Collection Policy of the Association:

NOW THEREFORE, IT IS RESOLVED that the following procedures and practices are established for the collection of Assessments owing and to become owing by the Owners of Lots in the Association and the same are to be known as the "Assessment Collection Policy" for the Association in the discharge of its responsibilities regarding collection of Assessments levied against Lots:

1. **POLICY OBJECTIVE.** This Collection Policy is adopted to establish a course of action for the collection of delinquent assessments. This Collection Policy consolidates the laws of the State of Arizona and the various sections of the Declaration that pertain to the Association's authority to collect assessments, impose late fees and interest, and to enforce the remedies available to the Association. The Association will pursue collection of all Assessments pursuant to the Declaration, this Collection Policy and applicable law.

2. **OWNERSHIP INTERESTS.** The person who is the Owner of a Lot as of the date an Assessment becomes due is personally liable for the payment of the Assessment. The personal obligation for delinquent Assessment shall not pass to the successors in title of the Owner unless expressly assumed by them.

3. **OWNERSHIP RECORDS.** All collection notices and communications will be directed to those persons shown by the records of the Association as being the Owner of the Lot for which Assessments are due and will be sent to the most recent address of such Owner as reflected by the records of the Association. Any notice or communication directed to a person at an address, as reflected by the records of the Association as being the Owner and address for a given Lot, will be valid and effective for all purposes pursuant to the Declaration and this Assessment Collection Policy until such time as there is actual receipt by the Association of written notification of any change in the identity or status of such Owner or its address or both.

4. **DUE DATES.** Assessments will be assessed annually and are payable in twelve monthly installments commencing as of January 1 and continuing on the first day of each month of such year thereafter, subject to the right of the Association to accelerate the due date of all unpaid assessments in the event an installment becomes delinquent (see Section 6(d) hereof).

Each installment is delinquent if payment in full is not received within fifteen (15) days after the due date thereof. Any delinquent Assessment is subject to this Collection Policy and the Owner's Lot is subject to lien as defined in the Declaration and in this Collection Policy.

5. **COLLECTION COSTS.** In order to recoup costs incurred because of the additional expenses associated with collecting delinquent Assessments, collection of these additional costs are part of the Collection Policy. These costs, including, without limitation, any handling charges, returned check fees, collection notice fees, attorneys' fees and any other litigation related expenses incurred by the Association as a result of the delinquency, will be added to the amount outstanding and are collectible to the same extent and in the same manner as the delinquent Assessments. An NSF fee of \$45.00 will be charged for any returned checks not honored by the Owner's bank.

6. **COLLECTION PROCEDURES,**

a. **LATE NOTICE.** An Assessment payment due from an Owner is deemed delinquent if it is unpaid fifteen (15) or more days after the due date thereof. In the event an Assessment payment is delinquent, a late fee of \$15.00 or 10% of the amount of the unpaid assessment (whichever is greater) shall be charged to the Owner's account, interest shall accrue on the delinquent amount at the rate of 12% per annum and a late notice will be sent via regular first-class mail. All costs associated with such letter will be charged to the Owner's account.

b. **SECOND LATE NOTICE.** If the Assessment installment remains unpaid, no sooner than forty-five (45) days after the due date thereof, the Association may send a second late notice via regular first-class mail to the Owner setting forth the amount of the delinquent Assessment and other amounts owing. All costs associated with such letter will be charged to the Owner's account.

c. **NOTICE OF ACCELERATION AND LIEN.** No sooner than one hundred twenty (120) days beyond the due date of the Assessment installment, the Association may send a Notice of Acceleration and Lien to the Owner making formal demand for immediate payment for all outstanding amounts and notifying the Owner that in the event payment of all past due amounts is not received within fifteen (15) days of the date of such Notice, (i) the Association will accelerate all of the remaining installments of the Annual Assessment due for the calendar year, all of which shall thereupon become immediately due and payable in full, and (ii) will file a Notice of Lien with the Coconino County Recorder's Office for all unpaid assessments, including the entire accelerated amount of the assessments for such calendar year as well as all late fees, interest and the Association's collection costs. The Notice of Acceleration and Lien will be sent via regular and certified mail return receipt requested. All costs associated with such letter will be charged to the Owner's account.

d. **RECORDATION OF LIEN.** If an Owner fails to pay in full the entire amount covered by an Notice of Acceleration and Lien within fifteen (15) days after the date of the Notice, the Board may cause to be prepared and recorded with the Coconino County Recorder a written Notice of Lien pursuant to A.R.S. § 33-1807. If such Notice of Lien is so recorded, the current lien fee (if any) will be charged to the Owner's account.

e. REFERRAL OF DELINQUENT ACCOUNTS TO ATTORNEYS. The Association may, but shall not be required to, at any time during the above-described procedure, refer delinquent accounts to its attorneys for collection. Upon referral to the attorneys, the attorneys shall take all appropriate action to attempt to collect the accounts referred.

f. REFERRAL OF DELINQUENT ACCOUNTS TO COLLECTION AGENCIES. The Association may, but shall not be required to, at any time during the above-described process, refer delinquent accounts to collection agencies for collection. Upon referral to a collection agency, the agency shall take all appropriate action to attempt to collect the accounts referred.

7. ALTERNATIVE COLLECTION COURSES. At each step in the collection process, the Board, acting with input and recommendation from management and counsel as it determines appropriate, will evaluate which course of legal action appears to be in the best interest of the Association for recovery of unpaid Assessments. Where foreclosure of the Assessment lien in favor of the Association against a Lot, together with pursuit of personal judgment against the Owner, or seeking a personal judgment alone, is determined to be advisable, the Board will direct counsel to proceed accordingly.

8. VERIFICATION OF INDEBTEDNESS. Where an Owner requests verification of the indebtedness, the Association will, upon notification of the Owner's request, supply such verification within fifteen (15) business days. The exercise by attorneys and collection agencies of the collection rights of the Association regarding Assessments will in all ways comply with the Fair Debt Collection Practices Act and A.R.S. §33-1803 and §33-1807.

9. BOARD DISCRETION. The Board of Directors reserves the right to waive or compromise all or part of the unpaid Assessment, accrued interest, or late fees, collection costs or attorneys' fees, if in its judgment, such action is in the best interests of the Association. The Board retains the right to amend, revoke and/or replace this Collection Policy at any time and from time to time, as it deems appropriate subject to the terms of the governing documents of the Association and applicable law. Further, the provisions and procedures of this Policy are intended only as guidelines for the Board. The Board may vary from this Collections Policy as determined appropriate by the Board in its sole discretion.

IT IS FURTHER RESOLVED THAT this Assessment Collection Policy replaces and supersedes in all respects all prior resolutions with respect to the collection of Assessments by the Association and is effective upon adoption hereof, to remain in force and effect until revoked, modified, or amended.