

LOCKETT RANCHES OWNERS ASSOCIATION

ASSESSMENT COLLECTION POLICY

Effective Date: March 15, 2025

WHEREAS, the Lots located in the Lockett Ranches development are subject to the provisions of the Declaration of Covenants, Conditions and Restrictions for Lockett Ranches Owners Association (the “Declaration”), the Articles of Incorporation of Lockett Ranches Owners Association, the Bylaws of Lockett Ranches Owners Association, the Association Rules and the other governing document requirements and Section 20 of the Bylaws of the Lockett Ranches Owners Association, in each case as amended from time to time (together, the “Governing Documents”). Except as specifically defined herein, capitalized terms have the meanings as defined in the Declaration.

WHEREAS, pursuant to the provisions of the Declaration, the other Governing Documents and the provisions of the Arizona statutes known as the “Arizona Planned Community Act” and the Arizona Nonprofit Corporation Act, Lockett Ranches Owners Association (the “Association”) is empowered to levy certain Assessments against the Tracts located in the Property and the Owners thereof and is charged with the responsibility for collecting all Assessments of the Members in a fair and uniform manner pursuant to the Declaration.

WHEREAS, Section 19 of the Bylaws directs this responsibility to the Board of Directors for such collection.

WHEREAS, The Board has determined that it is in the best interests of the Association and its Members that the Board adopts this Assessment Collection Policy.

WHEREAS, the Association has contracted with a professional management company pursuant to Article Section 4.13 of Article 4 of the Declaration and Section 20 of the Bylaws to provide management service and supervision over certain contract services to the Association.

NOW THEREFORE, be it resolved that the Board of Directors has elected to authorize its managing agent to carry out the following policy with respect to all delinquent accounts, reserving to itself the right to modify or intervene in certain cases, as the Board may see fit.

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 Tracts in the Property 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 Tracts and Owners:

1. **POLICY OBJECTIVE.** This Assessment Collection Policy is adopted to establish a course of action for the collection of delinquent Assessments. It 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 Assessment Collection Policy and applicable law. The collection of Assessments pursuant to the Declaration and this Assessment Collection Policy will be governed by the following objective: The Association will pursue collection of all Assessments. At each step within the collection process, the Board will analyze the facts and circumstances then known concerning a given delinquency to direct collection efforts toward the expedient course of action for resolving the delinquency.

2. **OWNERSHIP INTERESTS.** Pursuant to the Declaration, 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 Assessments does not pass to the successors in title of the Owner unless expressly assumed by them.

3. **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 Assessment 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 subject to applicable statutes. An NSF fee of \$45.00 will be charged for any returned checks not honored by the Owner's bank. Notwithstanding this provision, the Association shall be entitled to all additional remedies as may be provided by applicable law. If two or more of an Owner's checks are returned unpaid by the bank within any twelve-month period, the Association may require that all of the Owner's future payments, for a period of one year, be made by certified check or money order.

4. **APPLICATION OF FUNDS RECEIVED.** Subject to applicable statutes, unless the Member directs otherwise, all moneys received by the Association will be applied to amounts outstanding to the extent of and in the following order:

- a) First to the unpaid Assessment amount;
- b) Next, to due but not delinquent Assessments;
- c) Next to unpaid charges for late payment of those Assessments if authorized by the Declaration;
- d) Next to unpaid reasonable collection fees and costs incurred by or on behalf of the Association with respect to those Assessments;
- e) Next to collection related attorneys' fees and costs if awarded by the court and
- f) With any remaining amounts applied next to other unpaid fees, charges and monetary penalties or interest and late charges on any of those amounts.

Partial payments will not prevent the accrual of interest or the assessment of late fees on the unpaid portion of the Assessment. The Owner making such partial payment will still be considered to be delinquent despite making partial payments.

5. **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 Tracts for which Assessments are due and will be sent to the most recent address of such Owner solely as reflected by the records of the Association. Any notice or communication directed to a Person at an address reflected by the records of the Association as being the Owner or to the address for a given Tract 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 the Owner's address or both.

6. **DUE DATES.** Assessments will be assessed annually and are payable in quarterly installments. Each payment is delinquent if payment in full is not received within 30 (thirty) days after the due date thereof. Any delinquent Assessment is subject to this Assessment Collection Policy and the Owner's Tract is subject to the assessment lien as created by the Declaration and by A.R.S. §33-1807.

7. **COLLECTION PROCEDURES.**

a) **LATE NOTICE.** A payment by an Owner is deemed delinquent if it is unpaid thirty (30) or more days after the due date thereof. In such event, a late notice will be sent via regular first-class mail notifying the Owner that a late fee of ten percent (10%) of the unpaid Assessment amount and a collection notice fee in an amount as determined from time to time by the Board has been charged to the Owner's account and is payable. Interest may be charged at a rate of the Default Rate of Interest. All charges and costs associated with preparing and mailing these invoices will be charged to the Owner's account.

b) **ACCELERATION AND DEMAND NOTICE.** At such time as an Owner becomes past due in the payment of **two (2) quarters of Assessments** (including past due Assessments, late fees and collection charges), the Association will send a notice to the Owner making formal demand for immediate payment for all outstanding amounts within fifteen (15) days of the date of the notice (the "Acceleration and Demand Notice"). The Acceleration and Demand Notice shall inform the Owner that if all outstanding amounts are not paid within fifteen (15) days of the date of the notice, the Association will accelerate all of the remaining quarterly installments of the annual Assessment which shall immediately become due and payable in full. The Acceleration and Demand Notice will be sent via regular and certified mail return receipt requested. All charges and costs associated with the Acceleration and Demand Notice will be charged to the Owner's account.

c) **NOTICE OF LIEN.** Approximately seventy-five (75) days after the due date, if an Owner fails to pay in full the entire amount covered by an Acceleration and Demand Notice by the date specified, the Association's agent will cause to be prepared and recorded with the County Recorder a written Notice of Lien. Failure to cure may result foreclosure of the lien for the delinquent Assessment against the Owner. Management will attempt to contact the Owner of record by phone or email according to the management database, prior to the Notice of Lien being filed. All charges and costs associated with the Notice of Lien will be charged to the Owner's account.

When all amounts claimed under the Notice of Lien, and all other costs and Assessments which have accrued subsequent to the recording of the Notice of Lien, have been fully paid, the Association shall execute and record a notice releasing the lien upon payment by the Owner of a reasonable fee as fixed by the Board of Directors of the Association to cover the cost of preparing and recording the release of lien.

d) **THIRTY DAY WARNING LETTER.** At such time as an Owner becomes past due in the payment of **one (1) year of Assessments** and in any case before authorizing an attorney to begin collection activity, the Association shall send a final 30-day warning letter pursuant to A.R.S. §33-1807(K) (the "Thirty Day Warning Letter") via certified mail, return receipt requested and first class mail. All costs associated with such letter will be charged to the Owner's account. It may be included in other correspondence sent to the Owner regarding the Owner's delinquent account. The letter will inform the Owner that if payment is not received within thirty (30) days, the account may be referred to legal counsel and legal action will be filed against them in a court of competent jurisdiction, which may include an action to foreclose. Prior to beginning any foreclosure action, the Association must exercise reasonable efforts to communicate with the Owner and offer the Owner a reasonable payment plan for the past due amounts. The letter will include the contact information for the person that the Owner may contact to discuss payment and will contain the language following language in bold type or capitalized letters, as required by A.R.S. § 33-1807(K):

YOUR ACCOUNT IS DELINQUENT. IF YOU DO NOT BRING YOUR ACCOUNT CURRENT OR MAKE ARRANGEMENTS THAT ARE APPROVED BY THE ASSOCIATION TO BRING YOUR ACCOUNT CURRENT WITHIN THIRTY DAYS AFTER THE DATE OF THIS NOTICE, YOUR ACCOUNT WILL BE TURNED OVER FOR FURTHER COLLECTION PROCEEDINGS. SUCH COLLECTION PROCEEDINGS COULD INCLUDE BRINGING A FORECLOSURE ACTION AGAINST YOUR PROPERTY.

The Warning Letter will be sent both regular and certified mail return receipt requested. All fees associated with the preparation of the letter will be charged to the Owner's account.

8. **ATTORNEY REFERRAL.** If the delinquent Owner fails to pay or to make arrangements that are approved by the Association for the payment of the past due Assessments and all other amounts set forth in the Thirty Day Warning Letter within thirty days after the date of the sending the Thirty Day Warning Letter, the Association may, but shall not be required to, refer the delinquent account to its attorneys for collection. The Association shall be entitled to pursue recovery of its reasonable attorney fees and collection costs incurred in the collection of Assessments or other charges from a delinquent Owner, but such amounts shall not be secured by the lien unless and until a court has entered a judgment awarding such amounts.

9. **ALTERNATIVE COLLECTION COURSES.** At each step in the collection process, the Board, acting with input and recommendation from management and counsel, will evaluate which course or courses of legal action appears to be in the best interest of the Association for recovery of unpaid Assessments. Where the Board determines that foreclosure of the Assessment lien in favor of the Association against a Tract and/or pursuit of personal judgment against the Owner is advisable, the Board will direct counsel to proceed accordingly in accordance with the provisions of the Declaration and applicable statutes. The Board may determine that it is in the best interests of the Association to enter into a payment plan with an Owner whose account is delinquent under terms established by the Board in its sole discretion.

10. **VERIFICATION OF INDEBTEDNESS.** Where an Owner requests verification of his or her indebtedness, the Association will, upon notification of the Owner's request, supply such verification within fifteen (15) business days of receipt of the request. The exercise of the collection rights of the Association regarding Assessments will in all ways comply with the Fair Debt Collection Practices Act.

11. **BOARD DISCRETION.** The Board of Directors reserves the right to waive or compromise all or part of the accrued interest, or late fees, collection costs and/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 Assessment 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 statutes. Further, the provisions and procedures of this Assessment Collection Policy are intended only as guidelines for the Board. The Board may vary from this Assessment Collection Policy as determined appropriate by the Board in its sole discretion but subject to the terms of the Governing Documents of the Association and applicable statutes.

12. **WAIVERS.** Nothing in this Assessment Collection Policy shall require the Association to take specific actions other than to notify homeowners of the adoption of these policies and procedures. The Association has the option and right to continue to evaluate each delinquency on a case-by-case basis.

13. **PERSONAL OBLIGATION.** The Association's failure to apply the Assessment Collection Policy does not negate the Owner's personal obligation to pay Assessments, associated interest, late charges, or reasonable fees associated to the collection of Assessments nor does it negate the ability to file the Notice of Lien.

14. **PAYMENT PLANS.** Prior to turning an Owner's account over to a law firm or collection agency, the Board will consider reasonable payment plans subject to the following conditions: Payments made without benefit of a properly executed payment plan will not be construed as a payment plan, and collection activity may still be initiated in accordance with the Assessment Collection Policy. Late fees as provided in the Assessment Collection Policy shall not be charged during the term of the payment plan if the payments are received in accordance with the plan. A minimum payment plan equal to one-sixth of the full Assessment due plus collection costs will be accepted on a monthly basis. This plus any current Assessment that is due must be paid to remain

current and to forgo further collection actions. If requested by the Association, the Owner will also need to enroll in a Direct Debit payment program. A lien will be filed and attorney collection proceedings may be implemented upon default of payment plan with no further notice to the Owner.

15. MISCELLANEOUS. This Assessment Collection Policy and the actions of the officers, directors and agents of the Association in compliance herewith are governed by, and subject to, the terms of the Governing Documents of the Association and the “Arizona Planned Community Act.” In the event of any conflict between the terms hereof and the terms of the Governing Documents of the Association, the terms of the Declaration of the Association shall govern. In the event of any conflict between the terms hereof and the terms of the “Arizona Planned Community Act”, the terms of the “Arizona Planned Community Act” shall govern. This Assessment Collection Policy and the remedies set forth herein do not constitute an election of remedies by the Association which reserves all such remedies available at law and in equity. The Association shall have the right to enforce the collection of Assessments through any other remedies available to the Association concurrently with the collection procedures set forth herein.

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 by the Board at any time and from time to time.

This is to certify that the foregoing resolutions were adopted by the Board of Directors of Lockett Ranches Owners Association on the 18th day of February, 2025 to be effective as of the 15th day of March, 2025, and have not been modified, rescinded or revoked.


Kevin Baltzell (Feb 27, 2025 14:52 MST)

Name: Kevin Baltzell

Title: President of Lockett Ranches Owners Association