

GOOSE HOLLOW HOMEOWNERS ASSOCIATION, INC.

Resolution of The Board of Directors

COLLECTION OF UNPAID CHARGES

WHEREAS, "Declaration" is the *Declaration of Covenants, Conditions and Restrictions of Goose Hollow Subdivision*, "Bylaws" is *Bylaws of Goose Hollow Homeowners Association, Inc.*, "Act" is the *Oregon Planned Community Act, ORS 94.550 - 94.783* and "Association" is *Goose Hollow Homeowners Association, Inc.*;

WHEREAS, "assessments," as used in this Resolution, includes all amounts validly assessed against a Lot or Unit Owner ("Owner") pursuant to the Declaration, the Association's Bylaws, Rules and Regulations, and any Board of Directors ("Board") Resolution, including, but not limited to common expenses, interest, fees, fines, attorney fees and all collection costs;

WHEREAS, Article V, Section 9 of the Declaration, Article III, Sections 6(g) and 6(h) of the Bylaws allow the Association to adopt rules and enforce compliance with the Declaration, Bylaws, and administrative rules and regulations;

WHEREAS, Article XII, Section 2 and Article XV, Section 3 of the Declaration and Article III, Section 6(h) of the Bylaws authorize the Board to enforce provisions of the Declaration, Bylaws and Rules and Regulations, including action to collect unpaid assessments;

WHEREAS, Article XII, Section 4 of the Declaration and ORS 94.630(1)(n) authorize the Board to establish late charges and fines;

WHEREAS, Article XI, Section 1 of the Declaration provides that all assessments, together with interest, attorney fees and costs of collection shall be a continuing lien upon the unit against which each such assessment is made;

WHEREAS, Article XII, Sections 6 and 7 of the Declaration authorize the Board, on behalf of the Association, to bring suit to foreclose the lien against the unit and/or to bring an action to obtain a money judgment against an Owner for damages and/or for unpaid assessments;

WHEREAS, Article XII, Section 8 of the Declaration provides that Owners shall be obligated to pay reasonable fees and costs including, but not limited to, attorney fees incurred in connection with efforts to collect delinquent and unpaid assessments, regardless of whether

suit or action is commenced, and/or to enforce the provisions of the Declaration, Bylaws, rules and regulations or the Act;

WHEREAS, assessments are currently due and payable annually in advance on the first day of every calendar year, with an option by Owner to pay annually or quarterly;

WHEREAS, from time to time Owners become delinquent in the payments of their assessments and fail to respond to the demands from the Board to bring their accounts current, and it is imperative assessment payments are timely received;

WHEREAS, pursuant to Article XII, Section 4 of the Declaration interest at the rate of 12% per annum on all unpaid charges shall accrue;

WHEREAS, pursuant to Article XII, Section 4 of the Declaration and ORS 94.630(1)(n), a late charge may be charged for each delinquent assessment in an amount established by resolution of the Board;

WHEREAS, the Board deems it in the Association's best interest to adopt a uniform and systematic procedure for the collection of unpaid assessments in a timely manner, and further believes it to be in the Association's best interest to refer these accounts promptly to an attorney for collection so as to minimize the Association's loss of assessment revenue.

NOW, THEREFORE IT IS RESOLVED, that the following steps be adopted to provide for the uniform and systematic procedure for the collection of unpaid assessments:

1. All assessments shall accrue interest at the rate of twelve percent (12%) from the date each assessment is first due;

2. There is hereby levied a late fee against any assessment which is not paid in full on the last day of the month such assessment in full, or installment payment of assessment, is due; and such late fee shall be twenty-five dollars (\$25).

3. If any assessment remains unpaid by an Owner for more than thirty (30) days from the due date for its payment, the Board shall send a notice to the Owner indicating the amount due, including notice of the late fees and interest, and demand for immediate payment thereof. See Exhibit "A" attached hereto.

3. If any assessment remains unpaid by the Owner for more than sixty (60) days from the due date for its payment, the Board shall turn over collection to the Association's attorney ("Attorney"), who shall: (a) send a written demand for payment and any notice as required by the federal Fair Debt Collection Practices Act, if applicable; (b) prepare and record a lien

against the Owner's unit; (c) notify the Owner within twenty (20) days of recording that the lien has been recorded; and (d) may notify any first mortgage or trust deed holder of the Owner's default, if applicable. The lien amount shall include all collection costs to date, including attorney's fees and the cost of preparing and/or recording the lien, any notice of lien required by law, and any notice to a first mortgage holder, if applicable. The demand for payment shall notify the Owner of the Owner's liability for payment of charges imposed by Attorney to cover fees and costs associated with all collection efforts. The demand for payment shall include all collection costs to date.

4. If any assessment remains unpaid by the Owner thirty (30) days after the date of Attorney's demand, Attorney shall send Owner a ten (10) day demand letter for payment notifying the Owner that if full payment is not received within ten (10) days of the date of the letter the Association intends to file suit to either obtain a money judgment or foreclose on the lien. The demand shall include the updated amount owing, including all collection costs to date.

5. If any assessment remains unpaid by the Owner ten (10) days after the Attorney's ten-day demand letter/notice of intent to file suit, the Attorney shall file suit for a money judgment, unless the Board, after recommendation by Attorney, determines that lien foreclosure is advisable under the circumstances. In such cases, the Attorney may file a lawsuit for a money judgment, for foreclosure, or for both a money judgment and foreclosure, as permitted by applicable law.

6. If the Association is successful in obtaining a money judgment, Attorney shall collect on the judgment in this order, unless Attorney determines other actions or another order of collection is appropriate under the circumstances: (a) file and send a ten (10) day demand to pay judgment; (b) garnish accounts, wages and/or rents; (c) levy against any personal and real property; and (d) levy against the unit. Additional steps may be necessary to determine the availability and location of the judgment debtor's assets. If the Association is successful in a suit to foreclose on the lien, Attorney shall proceed as necessary to complete the foreclosure unless otherwise directed by the Board.

NOW, BE IT FURTHER RESOLVED, that all legal fees and costs incurred in the collection of a delinquent account shall be assessed against the delinquent Owner and shall be collected as an assessment as provided in the Bylaws, Declaration and the Act.

NOW, BE IT FURTHER RESOLVED, that all contacts and/or contracts with the delinquent Owner shall be through Attorney. Neither the Board nor any of its agents shall discuss the collection of the account directly with the Owner after it has been turned over to Attorney, unless one of the Attorneys is present or has consented to the contact and/or contract.

NOW, BE IT FURTHER RESOLVED, that Attorney shall have the discretion to enter into an installment payment plan with a delinquent Owner in appropriate circumstances. In all cases in which a law suit has been filed, any such plan must be secured by a Stipulated Judgment. Any payment plan providing for a down payment of less than the greater of one-third (1/3) of the delinquent balance or twice the current monthly assessment, or a duration in excess of twelve (12) months shall require approval of the Board president.

NOW, BE IT FURTHER RESOLVED, that Attorney, in its initial demand notice, shall communicate to Owner that the account has been turned over to it for collection, and that all payments are to be made to Attorney until the account has been brought current. The Association hereby grants to Attorney its limited power of attorney to endorse for deposit checks made payable to the Association (or its agent management company, if any) in satisfaction of accounts sent to Attorney for collection. Attorney shall deposit all payments in its trust account. All amounts collected shall be disbursed by Attorney according to the provisions of the Association and Attorney representation agreement.

NOW, BE IT FURTHER RESOLVED, that nothing in this Resolution precludes the Board from taking further action in the collection of unpaid assessments permitted by the Association's governing documents or applicable law, including, but not limited to, adopting or enforcing rules regarding the termination of utility services paid for out of assessments of the association and access to and use of recreational and service facilities available to Owners and, after giving notice and an opportunity to be heard, terminate the rights of any Owners to receive such benefits or services until the correction of any violation covered by such rule has occurred.

NOW, BE IT FURTHER RESOLVED, that a copy of this resolution shall be sent to all Owners at their last known address.

ATTEST:



President, Board of Directors
Goose Hollow Homeowners Association, Inc.



Secretary, Board of Directors
Goose Hollow Homeowners Association, Inc.

Date: 12-19-07

Please sign and
return to our office



Vial Fotheringham LLP

Helping Clients Navigate
Today's Complex Legal Environment.

December 4, 2007

6786-001

GREGORY B. COXEY ♦♦

ROB C.
FOTHERINGHAM

JASON L. GROSZ

KEVIN V. HARKER ♦

KORI A. HENRIE

THOMAS M.
JOHNSON ♦

CHRISTOPHER M.
TINGEY

A. RICHARD VIAL ♦♦

MICHAEL J. VIAL

TIMOTHY J.
ZIMMERMAN ♦

Also Admitted in:
‡ CALIFORNIA
■ DIST. OF COLUMBIA
‡ IDAHO
● UTAH
♦ WASHINGTON

Goose Hollow Homeowners Association

Attn: Julie Hughes

2504 Meridian Court

Woodburn, OR 97071

Re: Representation Agreement - Cash Flow Enhancement

Dear Board of Directors:

We are pleased that you have chosen Vial Fotheringham LLP to serve as your legal counsel, and we would like to take this opportunity to confirm the terms of our representation as discussed. As with any successful relationship, effective legal representation requires absolute trust and candor between attorney and client. Accordingly, we will make every effort to keep you informed of the progress of our work on matters. In return, we ask that you respond promptly and completely to our requests for pertinent documents and other information which we believe might be relevant. Please note that all communications between us pertaining to the subject of our representation are confidential attorney-client communications, and will be used by us solely for the purpose of pursuing your interests.

Each collection file turned over to us under this agreement will be treated separately for determining applicability of the "Cash Flow Enhancement Collections" method ("CFE Method"). The CFE Method will apply to collection files against homeowners for unpaid assessments except contested matters or other matters which we opt not to take under the CFE method. When you turn over a file to us you will be required to provide us with all information you have about the owner and the situation surrounding the non-payment of assessments, including any bankruptcy or foreclosure notices. Upon receipt, we will assess the file and determine whether the owner has a valid claim or defense relating to the non-payment of assessments. We will notify you in writing if we are unwilling to accept the collection under the CFE Method.

e-mail:
lg@vf-law.com

Portland Office

Northwest HOA Law Center
7000 SW Varns Street
Portland, OR 97223-8006
503.684.4111
503.598.7758 fax

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If we do opt out, you may choose to have us proceed with collection on that file under our general billing terms. A separate fee agreement will be necessary for all general billing matters.

Under the CFE Method, as long as you do not terminate the collection before it is completely satisfied or we do not determine the matter as uncollectible, you will not be required to pay any attorney fees associated with the collection. We will front costs (copies, postage, filing fees, and the like). You will not be required to pay these costs as they accrue; however, you will be responsible to pay the costs at the termination of the particular collection matter in the event the costs are not recovered from the owner. If the court awards a prevailing party fee, the fee will be retained by Vial Fotheringham LLP.

If a collection matter is turned over to us due to Association or property manager error, and the error is discovered within 30 days of the date the file was turned over to us, we will bill the Association a flat fee of \$150, plus costs. If the mistake is discovered more than 30 days after turnover, the Association will be billed for all attorney fees and costs incurred.

In addition to payment of costs, if Vial Fotheringham LLP determines that a collection matter undertaken by us under the CFE Method is uncollectible, you agree to pay at termination of our representation on that matter, plus attorney fees incurred up to, but not exceeding, \$400 plus out of pocket costs. We may deem a matter uncollectible due to a bankruptcy of the adverse party or a co-debtor or due to the foreclosure by a senior mortgage, trust deed, or lien holder resulting in unenforceability of the client's lien or claim of lien. We may also deem a matter uncollectible for other reasons, including but not limited to: (1) situations in which the adverse party is out-of-state; (2) the adverse party appears to lack assets or employment sufficient to pay the amounts owed; (3) the likelihood of recovery is low; (4) the debtor is a defunct company; or (5) the cost to collect will be excessive. Such determination shall be at the sole discretion of Vial Fotheringham LLP.

Once a file has been turned over to us, all payments from the delinquent owner must be processed by the Vial Fotheringham Collection Department. The association or its representative property manager must notify the Vial Fotheringham Collection Department of any payment received and forward all such payments to us unless otherwise directed by us. Under the CFE Method, payments received by us from owners will be applied equally (50/50) to outstanding balances held by the association (delinquent assessments and fees) and Vial Fotheringham LLP (our accrued hourly legal fees and costs). We will disburse the association's portion of the payment to you. The portion of payments we retain will first be applied to any costs incurred to date, and then to attorney fees to date. For example, the total debt is \$650 (\$500 assessments; \$125 legal fees; \$25 costs) and the owner pays \$100. We retain \$50 and send you \$50. If the same owner had paid \$400, we would retain \$150 (½ is \$200, but total in costs and fees to date is only \$150) and send you \$250.

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The association will be required to provide us with assessment information, including monthly assessment amount and due date, late charge amount and date imposed, interest rate, and any other similar information. The information will need to be updated when changes occur, including special assessments, fines, or other amounts that need to be added to the assessment total which we would not otherwise know about from any initial information received on the date the file was turned over to us.

The defaulting owner will be told in the initial demand to direct all future communications and payments to us. Members of the board should not discuss the collection matter with the owner after it has been turned over. If after the turnover date the owner makes payment to the association or property manager, the payment must be forwarded to us in order to be disbursed according to this agreement. Once the account is current, meaning the association and attorney fees and costs are paid in full, a closing letter will direct the owner to make all future payments directly to the Association, in whatever manner done prior to default.

If you choose to terminate our representation while any collection under the CFE Method remains outstanding, you agree to pay all attorney fees and costs to date. This includes termination before the owner is completely absolved of the unpaid portions through bankruptcy or before the Owner is completely absolved of the unpaid portions through court judgment.

We are committed to diligently follow the steps for collection outlined in your collection resolution. The collection process may be lengthy and complicated. We will send you status reports in order to inform you of the progress being made on each individual file. If you have any questions concerning a file please feel free to contact us with your question so that we can further inform you on the status of the file.

Other circumstances may affect the CFE Method outlined in your resolution. In the event the defaulting owner files for bankruptcy, the entire amount of attorney fees and costs to the date of filing will be added to the Association's claim. Any amounts paid after the date of bankruptcy will be disbursed in the manner described above for partial payment. At the time bankruptcy is filed, we will confer with you to determine whether and how best to proceed in the bankruptcy action.

Settlement may also affect the CFE Method. We will communicate to you offers made by the owner. Any settlement which will provide for payment of less than the full amount owed to the association must be approved by you. You agree to consult with us prior to offering or accepting a settlement. If you elect to enter into a settlement agreement, it must include payment in full of the attorney fees and costs unless an alternative amount is approved by us; otherwise the association will be responsible for payment of all of the attorney fees and costs. Payment from a settlement will be applied first to the attorney fees and costs and the remainder to the balance owed to the association.

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Lender or tax foreclosure may also affect the CFE Method. As a creditor with a secured interest in the unit, you have certain rights under a foreclosure. Any payments received as a result of the foreclosure will be disbursed in the manner provided above for partial payments. If you elect not to exercise your ability to redeem and we feel that redemption would be beneficial to the collection process, you agree to assign your redemption rights to us to permit us to complete the redemption and proceed with collection efforts. If we redeem, the sums spent by us to do so will be added to our portion of the overall debt and will factor into the distribution of payments described above. Foreclosure does not necessarily end the collection efforts, but it means the unit is not available as an asset of the debtor.

In a legal action, the court may reduce the amount of or deny attorney fees. Under the CFE Method we bear the risk of such occurrence and you will not be required to pay any fees the court refuses to award. Vial Fotheringham will be entitled, however, to any prevailing party or other similar fee awarded by the court.

Although we would prefer to be able to forecast with absolute certainty the financial obligation that may be incurred in connection with our services, in most cases this is simply impossible due to the unknown variables.

The services for which we would anticipate charging the delinquent owner will include: consultations and telephone calls with a client; consultations and telephone calls with witnesses, other lawyers or any other person associated with the client's case; legal research; drafting and preparation of legal documents; drafting and preparation of letters, depositions, trial preparations, travel time, investigation, court appearances, and all other services related to the handling of the account.

We consciously make every effort to minimize expenses. Typically, we will pass on to the delinquent owner any costs we are required to pay out of pocket in order to pursue a collection. These include reproduction/photocopy charges, postage fees, witness fees, filing and recording fees, process service fees, other court fees, and any other cost associated with the collection.

The association may terminate our representation at any time. In the event that our representation terminates, you may obtain a copy of any portion of the files created and maintained in connection with our representation (except our internal work papers) upon payment of all accrued fees and costs, and the costs of reproducing the files requested. Likewise, we have a corresponding right to terminate representation at anytime.

Please review this letter carefully, and if it accurately states your understanding of our attorney-client relationship and fee agreement, sign the attached copy of this correspondence where indicated, and return it to this office in the enclosed self-addressed envelope.

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We sincerely thank the association for coming to us for legal services; we look forward to working with Goose Hollow Homeowners Association in the future. Please call with any questions.

Sincerely,

VIAL FOTHERINGHAM LLP

Jason L. Grosz

JLG:jal
encl.

READ, UNDERSTOOD AND AGREED:

By: Julie Anne Hughes
Authorized Representative

12-18-07
Date

Julie Anne Hughes President Goose Hollow HOA
Printed name and position