

LAKE HILLS RESERVE HOMEOWNERS ASSOCIATION
ASSESSMENT COLLECTION POLICY

Prompt payment of assessments by all owners is critical to the financial health of Lake Hills Reserve Homeowners Association ("Association"), and to the enhancement of the property values of our homes. Your Board of Directors takes very seriously its obligation to enforce the members' obligation to pay assessments pursuant to the Davis-Stirling Common Interest Development Act (Civil Code ("CC") §4000, et seq.) (the "Act"), and the First Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded on February 14, 2006 as Instrument No. 2006-0107885 ("CC&R's"). The Board has adopted this Assessment Collection Policy in an effort to discharge that obligation in a fair, consistent and effective manner. The following are the Association's assessment collection practices and policies, pursuant to CC §5310(a)(7):

1. Due Dates: Regular assessments are due and payable on the first day of each month. It is the owner's responsibility to timely pay each assessment regardless of whether a statement is received. All other assessments, including special assessments, are due and payable on the date specified in the notice of assessment.

2. Obligation to Pay: Assessments, late charges, interest, reasonable collection costs, and reasonable attorneys' fees, if any, are the personal obligation of the owner of the property at the time the assessment or other sums are levied. (CC&R's, Article VI, §6.1; CC §5650(a)) Owners shall be responsible for all such amounts unless it is determined that all assessments were paid on time to the Association.

3. Late Charges: Unpaid monthly assessment installments are delinquent 15 days after they are due. (CC&R's, Article VI, §6.11; CC §5650(b)) A late charge of \$10.00 will be charged for any assessment which is not paid in full within 30 days of the due date. (CC&R's, Article VI, §6.11; CC §5650(b)(2))

4. Interest: Interest on the balance due will accrue at the rate of 12% per annum, commencing thirty (30) days after the assessment becomes due. (CC&R's, Article VI, §6.14.4; CC §5650(b)(3))

5. Application of Payments: Any payments received will be applied first to assessments owed, and, only after the assessments owed are paid in full will the payments be applied to fees and costs of collection, late charges and/or interest. Payments will be applied to assessments so that the oldest assessment arrearages are retired first, unless the payment indicates that it shall be otherwise applied. A late charge may accrue if payment is not sufficient to satisfy all delinquent assessments, and the current month's assessment.

6. Delinquency Notice: If any assessment becomes delinquent, the Association will send a notice regarding the delinquency, and demanding payment thereof, to the owner at his/her address or addresses on file with the Association. The owner may be charged a fee for such delinquency notice. If the amount set forth in the delinquency notice is not received before the due date set forth therein, the matter may be turned over to a collection agent or an attorney for further action, including legal action, or the Association may take such other collection action as it deems appropriate.

7. Right to Submit Secondary Address: Owners may submit a written request to the Association to use a secondary address. (CC §5260(b)) Any such request must be delivered to the Association in a manner that complies with CC §4035. The Association will send notices to the indicated secondary address only from and after the point that the Association receives any such request. Nothing herein shall require the Association to re-send or duplicate any notice sent to the owner prior to the date that a request for a secondary address is received.

8. Suspension of Privileges: Without prejudice to its right to continue with and/or take other collection action, in the event an assessment is not paid within 15 days of its due date, an owner's membership rights, including, but not limited to voting rights, or rights of use and enjoyment of the recreational common areas and common facilities may be suspended after notice and a hearing pursuant to CC §5855. The Association will not deny an owner or occupant physical access to his or her separate interest by way of any such suspension of privileges. (CC §4510)

9. Pre-Lien Notice: Prior to recording a lien for delinquent assessments, the Association, its collection agent or attorney will send a pre-lien letter to the record owner as required by CC §5660, by certified mail to the owner's address of record with the Association. The owner will be charged a fee for such pre-lien letter. The Association may obtain a vesting report from a title company in connection with preparation of a pre-lien letter. If a vesting report is obtained, the owner will be charged a fee for the report.

10. Opportunity to Meet and Confer and/or Request ADR: An owner may dispute the debt noticed in the pre-lien letter by submitting to the board a written request to meet and confer with a designated director of the Association pursuant to the Association's Internal Dispute Resolution Policy established in accordance with Article 2, Chapter 10 of the Act ("IDR") and/or a written request for alternative dispute resolution with a neutral third party pursuant to Article 3, Chapter 10 of the Act ("ADR"). (CC §5660)

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11. Right to Request a Payment Plan: Owners may submit a written request to meet with the board to discuss a payment plan. If such request is mailed within 15 days of the postmark of the pre-lien notice, the board will meet with the owner, in executive session, within 45 days of the postmark of such request, unless there is no regularly-scheduled meeting of the board within that period of time, in which case the board may designate a committee of one or more directors to meet with the owner. (CC §5665) In addition to the foregoing procedure for requesting a payment plan, an owner may negotiate a payment plan with the Association's managing agent, attorney or authorized collection agent. Any payment plan must comply with any standards for payment plans adopted by the Association.

12. Lien: If an owner to whom a pre-lien letter is sent fails to pay the amounts demanded therein within thirty (30) days from the date such pre-lien letter is mailed, a lien for the amount of any delinquent assessments, late charges, interest and/or costs of collection, including attorneys' fees may be recorded against the owner's property. (CC §5675) The owner will be charged a fee for such lien. No lien will be recorded unless a majority of the members of the board of directors approves the decision to record the lien at an open board meeting. (CC §5673)

13. Notice of Recordation of Lien: A copy of the lien will be sent to every person whose name is shown as an owner of the Property in the Association's records, via certified mail, within ten (10) calendar days of recordation of the lien. (CC §5675(e)) Any lien recorded by the Association will remain as an encumbrance against the property until the debt secured thereby is satisfied.

14. Dispute Resolution: Prior to initiating foreclosure of any lien, the association shall offer to the owner of the property, and if so requested by the owner, shall participate in IDR and/or ADR pursuant to CC §5705. The decision to pursue IDR or a particular type of ADR shall be the choice of the owner, except that binding arbitration shall not be available if the Association intends to pursue judicial foreclosure.

15. Foreclosure of Lien: The Association will not seek to foreclose any lien through judicial or non-judicial foreclosure unless and until the amount of delinquent assessments secured thereby reaches \$1,800.00, or until the assessments are at least twelve (12) months delinquent. (CC §5720(b)(2)) The decision to initiate foreclosure of any lien shall be made by a majority vote of the board members, in executive session.

16. Notice to Owner of Decision to Foreclose: If the board of directors decides to initiate foreclosure of a lien, it shall provide notice of such decision to the owner pursuant to CC §5705(d). Such notice will be by personal service to an owner who occupies the property or to the owner's legal representative. The board shall provide written notice to an owner of property who does not occupy the property by first-class mail, to the most current address shown on the books of the Association. In the absence of written notification by the owner to the Association, the address of the owner's property shall be treated as the owner's mailing address. (CC §5705(d))

17. Release of Lien Upon Satisfaction of Debt: Within 21 days of full payment to satisfy a lien, and after confirmation that such payment has cleared, the Association will record a release of lien, and provide a copy thereof to the owner. (CC §5685(a))

18. Right to Inspect Records: Owners have the right to inspect certain Association records pursuant to CC §5205.

19. Association's Addresses: Any payments, notices or requests sent to the Association should be sent to the following address:

Regular payments:

Lake Hills Reserve Homeowners Association
c/o Association Payment Processing
P.O. Box 60399
Los Angeles, CA 90060-0399

Overnight payment of assessments, notices and requests:

Lake Hills Reserve Homeowners Association
c/o The Avalon Management Group, Inc.
31608 Railroad Canyon Road
Canyon Lake, CA 92587

20. Association's Right to Collect by Any Lawful Means: Nothing herein limits or otherwise affects the Association's right to proceed in any other lawful manner to collect any delinquent sums owed to the Association. The Association reserves the right to change the amount of any collection fee or charge, without notice, and reserves the right to modify or amend this collection policy at any time.

Revised 5/9/14