

OWNERS ASSOCIATION OF MURPHY FARMS, INC.

ASSESSMENT COLLECTION POLICY

Pursuant to the provisions of Article 1396-9.10 of the Texas Non-Profit Corporation Act, as amended from time to time, and pursuant to Article 16 of the Articles of Incorporation of the Owners Association of Murphy Farms, Inc. (the "Association") and Article 2.6.10 of the Association's Bylaws, the Directors of the Owners Association of Murphy Farms, Inc. do hereby consent to the adoption of the following resolutions as and for the act of the Directors, to have the same force and effect as if adopted at a meeting of the Directors at which all Directors were present and voted.

WHEREAS, the Association has authority pursuant to Article 6 of the Declaration of Covenants, Conditions and Restrictions for Murphy Farms (the "Declaration") to levy assessments against Owners of Lots located within Murphy Farms, a planned residential community located in the City of Murphy, Collin County, Texas (the "Development"); and

WHEREAS, pursuant to Article 7 of the Declaration, the Association, acting through its Board of Directors (the "Board"), is responsible for taking action to collect delinquent assessments; and

WHEREAS, the Board finds there is a need to establish orderly procedures for the collection of assessments that remain unpaid beyond the prescribed due dates and the application of the payments made by Owners in order to encourage Owners to promptly pay their assessment obligations.

NOW, THEREFORE, IT IS RESOLVED that the following procedures and practices are established for the collection of assessments owing and to become owing by Owners in the Development and the application of payments made by Owners 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 against Owners and their Lots:

1. Policy Objectives. The collection of assessments and application of payments made by Owners pursuant to the Declaration and this Assessment Collection Policy will be governed by the following objectives:

a. The Association will pursue collection of all assessments, including regular assessments (sometimes referred to as "annual assessments"), special assessments and individual assessments for a given fiscal year such that should the recovery of amounts owing by a particular Owner require commencement of legal proceedings, those proceedings will be initiated prior to the end of the fiscal year for which the unpaid amounts are due.

b. 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 most expedient course of action.

c. The Association may delegate to the managing agent (referred to as "Management") those duties determined by the Board in its sole discretion to be necessary to accomplish the foregoing objectives.

2. Ownership Interests. Pursuant to Article 6, Section 6.2 of 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 that assessment. Further, the personal liability for unpaid assessments passes to the successors in title to a Lot only if expressly assumed by them. As used herein, the term "Delinquent Owner" refers to that person who held title to a Lot on the date an assessment became due. As used herein, the term "Current Owner" refers to that person who then holds title to a Lot. Unless expressly denoted otherwise, the "Owner" of a Lot refers to the Delinquent Owner or the Current Owner or both, as may be appropriate under the circumstances in question.

3. Due Dates. Pursuant to Article 6, Section 6.7 of the Declaration, the due date for the regular assessment is the first day of the period for which the assessment is levied. The Board has determined that regular assessments are due and payable January 1st and July 1st of each calendar year. The due date for a special assessment or individual assessment shall be stated in the notice of assessment or, if no date is stated, within ten (10) days after notice of the assessment is given. The due date for any assessment shall be collectively referred to in this Assessment Collection Policy as the "Due Date". Any assessment payment which is not submitted on or before the Due Date is delinquent (the "Delinquency Date"). Regular assessments are delinquent if not postmarked on or before January 1st and July 1st respectively.

a. Suspension of Privileges. Pursuant to the Declaration, Owners in good standing are entitled to vote and use the common area amenities as defined in Article 2 of the Declaration. Any Owner (including their family) not in good standing as of the delinquency date may have their privileges suspended until such time as their good standing is restored.

4. Late Notice: The Association, no sooner than fifteen (15) days after the Due Date, will send a late notice to the Owner, at Owner's expense, stating that the unpaid assessments, along with late charges, collection fees and interest charges claimed to be owing are outstanding. This late notice will be sent via first-class United States mail, and will include the address and telephone number of a person who may be contacted regarding payment of the amount due.

5. Default Letter: If an assessment remains unpaid following the Late Notice, the Association will send a notice (referred to as the "Default Letter") to the Owner, at the Owner's expense, no sooner than forty-five (45) days after the Due Date, stating that the Owner is in default of his/her obligations and making formal demand for payment of all outstanding amounts. The Default Letter will be sent via certified mail, return receipt requested, and via first-class United States mail and will, at a minimum, include the following information:

a. The unpaid assessments, interest, late charges and collection costs claimed to be owing.

b. A statement that the Association may report the Owner's delinquent account to the Credit Bureau, unless payment in full is received within ten (10) days from the date of the Default Letter.

c. A statement that if either (i) the delinquency is not cured in full, including all accrued interest and other charges then owing, within thirty (30) days of the date of the Owner's receipt of the Default Letter, or (ii) the Owner does not dispute, in writing, the amounts set forth in the Default Letter within thirty (30) days of the Owner's receipt of the Default Letter, the delinquency will be assumed to be valid and will be referred to the legal counsel for the Association for further collection action including the possibility of seeking foreclosure of the assessment lien, and that once such referral has occurred all attorney's fees and related costs incurred will be charged to the Owner and Lot.

d. Such other information as may be required by the debt collection statutes to the extent that any such statutes apply.

6. Interest and Late Charges:

a. In the event any assessment, or any portion thereof, is not paid in full by the Delinquency Date, interest on the principal amount due may be assessed against the Owner at the rate of ten percent (10%) per annum and shall accrue from the Due Date until paid. Such interest, as and when it accrues hereunder, will become part of the assessment upon which it has accrued and, as such, will be subject to recovery in the manner provided herein for assessments.

b. In the event any assessment, or any portion thereof, is not paid in full by the Delinquency Date, a late charge in the amount of \$25.00 shall be assessed against the Owner and his or her Lot. The Board may, from time to time, without the necessity of seeking Owner approval, change the amount of the late charge. Such late charge, as and when levied, will become part of the assessment upon which it has been levied and, as such, will be subject to recovery in the manner provided herein for assessments. The Board may, in its sole discretion, waive the collection of any late charge; provided, however, that the waiver of any late charge shall not constitute a waiver of the Board's right to collect any future assessments or late charges.

7. Handling Charges and Return Check Fees. In order to recoup for the Association the costs incurred because of the additional administrative expenses associated with collecting delinquent assessments, collection of the following fees and charges are part of the Assessment Collection Policy:

a. Any handling charges, administrative fees, collection costs, postage or other expenses incurred by the Association in connection with the collection of any assessment or related amount owing beyond the Delinquency Date for such assessment will become due and owing by the Delinquent Owner.

b. A charge of \$25.00 per item will become due and payable for any check tendered to the Association which is dishonored by the drawee of such check, the charge being in addition to any other fee or charge which the Association is entitled to recover from an Owner in connection with collection of assessments owing with respect to such Owner's Lot.

c. Any fee or charge becoming due and payable pursuant to this Assessment Collection Policy will be added to the amount then outstanding and is collectible to the same extent and in the same manner as the assessment, the delinquency of which gave rise to the incurrence of such charge, fee or expense.

8. Application of Funds Received. All monies received by the Association will be applied to amounts outstanding to the extent of and in the following order unless an Owner has placed a restrictive notation on the check or other form of payment or in correspondence accompanying the payment that a payment is to be applied in another specified manner:

- a. First, to fines (if applicable);
- b. Next, to attorney's fees and related costs incurred for and on behalf of the Association;
- c. Next, to handling charges, returned check fees and collection costs incurred by the Association;
- d. Next, to late charges;
- e. Next, to accrued interest;
- f. Next, to delinquent special assessments or individual assessments;
- g. Next, to delinquent regular assessments;
- h. Next, to outstanding special assessments or individual assessments, though same may not then be delinquent;
- i. Next, to outstanding regular assessments, though same may not then be delinquent.
- j. Last, to future assessments pursuant to the sequence noted above.

9. 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 a Lot 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, in both cases 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 from the Owner of any change in the identity or status of such Owner or its

address or both.

10. Notification of Owner's Representative. Where the interests of an Owner in a Lot have been handled by a representative or agent of such Owner or where an Owner has otherwise acted so as to put the Association on notice that its interests in a Lot have been and are being handled by a representative or agent, any notice or communication from the Association pursuant to this Assessment Collection Policy will be deemed full and effective for all purposes if given to such representative or agent.

11. Referral to Legal Counsel. If an Owner remains delinquent in the payment of assessments and related costs after expiration of the time periods set forth in Paragraph 5.c above, Management on behalf of the Board, or the Board, may, as soon as possible thereafter, refer the delinquency to the legal counsel for the Association for the legal action as required by this Assessment Collection Policy. Any attorney's fees and related charges incurred by virtue of legal action taken will become part of the assessment obligation and may be collected as such as provided herein, as well as provided for in the Declaration.

12. Legal Action. Legal counsel for the Association will take the following actions with regard to delinquencies referred to it upon legal counsel's receipt of a written request by Management and/or the Board to take a specific collection action:

a. Demand Letter. As the initial correspondence to a Delinquent Owner, counsel will send a demand letter (the "Demand Letter") to the Owner advising the Owner of the Association's claim for all outstanding assessments and related charges, adding to the charges the attorney's fees and costs incurred for counsel's services. The Demand Letter will inform the Owner that the Owner may dispute the validity of the amounts owing, in writing, within thirty (30) days of the Owner's receipt of the Demand Letter. If the amounts owing are disputed, Management and/or Legal Counsel will provide verification of the amounts claimed to be owing in accordance with Paragraph 13 of this Policy.

b. Title Search. If a Delinquent Owner fails to pay the amounts set forth in the initial Demand Letter sent by counsel or fails to dispute the amounts within the allotted thirty (30) day period, counsel will, upon direction from the Board and/or Management, order a search of the land records to verify current ownership of the Lot on which the delinquency exists. If the title report indicates that the Current Owner is other than the Delinquent Owner, counsel will communicate that fact to the Association. A determination will then be made by the Board whether to pursue collection of the unpaid assessments from the Delinquent Owner or the Current Owner or both. Based on that determination, the Board and/or Management will direct counsel to proceed according to this Assessment Collection Policy. Where the title report confirms that the Current Owner is the Delinquent Owner, the Association, Management and counsel will likewise proceed according to this Assessment Collection Policy.

c. Notice of Lien. If an Owner fails to pay in full all amounts indicated by the Notice Letter by the date specified, counsel, upon being requested to do so by the Board and/or Management, will cause to be prepared, executed by a duly authorized agent of the Association, and recorded in the Real Property Records of Collin County, a written notice of lien (referred to as the "Notice of Lien") setting forth therein the amount of the unpaid indebtedness, the name of

the Owner of the Unit covered by such lien and a description of the Unit covered by the lien. A copy of the Notice of Lien will be sent to the Owner contemporaneously with the filing of same with the County Clerk's office, together with a demand for payment in full of all amounts then outstanding within thirty (30) days of the date of the transmittal to the Owner of the Notice of Lien. Pursuant to the Declaration, the Association's lien for assessments, which includes, but is not limited to, assessments, interest, late fees, collection costs, attorney's fees and any other amount due to the Association by the Owner, is created by recordation of the Declaration and, therefore, recordation of a notice of lien is not required to perfect the lien.

d. Foreclosure. The Board will review continued delinquencies to determine when further collection action to be taken will be foreclosure.

i. Non-judicial foreclosure. When the Board has directed that the collection action to be taken is non-judicial foreclosure of the assessment lien, upon the expiration of the time period given in the demand letter accompanying the Notice of Lien, the continued delinquency of unpaid assessments owing will be reported to the Board by Management. As soon as practical thereafter, the Board and/or Management will direct counsel to initiate non-judicial foreclosure of the Lot, pursuant to Texas law. In any foreclosure proceedings, the Owner shall be required to pay the costs and expenses of such proceedings, including reasonable attorney's fees. The Association shall have the power to bid on the Owner's Lot and improvements at foreclosure and to acquire, hold, lease, mortgage, convey or otherwise deal with the same. The Association may institute a personal judgment suit against the former Owner for any deficiency resulting from the Association's foreclosure of its assessment lien.

ii. Judicial Foreclosure/Personal Judgment. When the Board has directed that the collection action to be taken is a suit for personal judgment against the Owner and/or for foreclosure of the assessment lien, upon the expiration of the time period given in the demand letter accompanying the Notice of Lien, the continued delinquency of unpaid assessments owing will be reported to the Board by Management. As soon as practical thereafter, the Board and/or Management will direct counsel to initiate legal proceedings in a court of competent jurisdiction seeking foreclosure of the assessment lien and/or recovery of a personal judgment against the Current Owner and, where different, the Delinquent Owner, or from the Current Owner only, for all amounts owing arising from the unpaid assessments and the collection thereof, including all attorney's fees and costs.

13. Verification of Indebtedness. For so long as the collection of assessments may be subject to the requirements of the Fair Debt Collection Practices Act (15 U.S.C. 1692 *et seq.*) (the "FDCPA") and the Texas Debt Collection Act (Tex. Rev. Civ. Stat., art 5096 *et seq.*) (the "TDCA"), all communications from Management and legal counsel will include such required notices as are prescribed by the FDCPA and the TDCA. Furthermore, where an Owner requests verification of the indebtedness, Management will, upon notification of the Owner's request, supply such verification before any further collection action is taken with respect to such Owner. The exercise of the collection rights of the Association regarding assessments will in all ways comply with the FDCPA and the TDCA to the extent such acts may apply.

14. Lock Boxes. The Association has established a lock box for the receipt of assessment payments. Payments made to the lock box are deposited in the Association's bank

