

KEY RANCH ESTATES PROPERTY OWNERS ASSOCIATION, INC.

ASSESSMENT COLLECTION POLICY

WHEREAS, Key Ranch Estates Property Owners Association, Inc. (the "**Association**") has authority pursuant to Paragraph 17 of the Key Ranch Estates Subdivision Restrictions as amended February 10, 1981 (the "**Declaration**") and Article VI of the Second Amended Bylaws of Key Ranch Estates Property Owners Association (the "**Bylaws**") to levy annual membership dues or assessments against Owners of Lots located within the Key Ranch Estates Subdivision, a planned community located in Henderson County, Texas (the "**Development**"); and

WHEREAS, in order to facilitate the timely collection of assessments and other amounts owed by Owners, and in order to comply with the Declaration and state law regarding the collection of unpaid amounts, the Board desires to establish certain procedures for the collection of assessments that remain unpaid beyond the prescribed due dates.

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 same are to be known as the "Assessment Collection Policy" ("**Policy**") for the Association:

1. Generally. The steps and procedures contained in this Policy serve as a general outline of the Association's collection process. The Association is not bound to follow these exact procedures in every collection matter except as required by the Declaration and the laws that govern collection of assessments. The procedures below are not intended to constitute a prerequisite or condition precedent to the Association's legal ability to collect unpaid assessments and other amounts except as required by the Declaration or law.

2. Delegation to Management. To facilitate cost-effective and timely collection of all amounts owed by owners, including but not limited to maintenance fees, assessments, dues, charges and/or related costs, the Association may delegate to management those duties determined by the Board in its sole discretion to be necessary to assist collection efforts.

3. Ownership Interests. 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.

4. Due Dates. Pursuant to Article VI of the Bylaws, the due date for the Annual Assessment is the first day of July of each year. The due date shall be referred to in this Policy as the "Due Date." Any Annual Assessment which is not paid in full by July 10th of each year is delinquent (the "Delinquency Date") and shall be assessed late charge as provided in Paragraph 7 below.

5. Written Notice of Delinquency. The Association and/or its management company may send various notification letters to a Delinquent Owner regarding a delinquency. Prior to sending a delinquent account to the Association's legal counsel for collection, the Association will send written notice of the delinquency to the Owner via certified mail, return receipt requested (the "**Delinquency Notice**"). The Delinquency Notice shall: (i) specify each delinquent amount and the total amount owed; (ii) describe the options the Owner has to avoid having the account turned over to the Association's legal counsel, including the availability of a payment plan; and (iii) provide the Owner a period of at least forty-five (45) days to cure the delinquency before further collection action is taken.

6. Payment Plans. Section 209.0062 of the Texas Property Code requires that the Association adopt reasonable guidelines to establish an alternative payment schedule by which an owner may make partial payments for delinquent amounts owed to the Association in certain circumstances. The Association has adopted a policy governing payment plans, and the Association will follow the policies and procedures contained therein.

7. Late Fees. In the event any assessment, or any portion thereof, is not paid in full on or before the Delinquency Date, a late fee of up to \$50.00 may be assessed against the Owner and his or her Lot. Such late fee, 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 fee; provided, however, that the waiver of any late fee shall not constitute a waiver of the Board's right to collect any future assessments or late fees.

8. Application of Funds Received. All monies received by the Association will be applied to the Owner's delinquency in the following order of priority:

- a. First, to any delinquent assessment;
- b. Second, to any current assessment;
- c. Next, to any attorney's fees or third-party collection costs incurred by the Association associated solely with assessments or any other charge that could provide the basis for foreclosure;
- d. Next, to any attorney's fees incurred by the Association that are not subject to Subsection 10(c) above;
- e. Next, to any fines assessed by the Association; and
- f. Last, to any other amount owed to the Association.

If the Owner is in default under a payment plan entered into with the Association at the time the Association receives a payment from the Owner, the Association is not required to apply the payment in the order of priority specified in this Section, except that a fine assessed by the Association may not be given priority over any other amount owed to the Association.

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. It is the sole responsibility of the Owner to update the Association as to any changes in the Owner's address so that the Association's records reflect the Owner's current address. 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 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 Policy will be deemed full and effective for all purposes if given to such representative or agent.

11. Remedies and Legal Actions. If an Owner fails to cure the delinquency within the forty-five (45) day period stated in the Delinquency Notice (as provided for above), the Association may, at its discretion and when it chooses, refer the delinquency to legal counsel for the Association. Any attorney's fees and related charges incurred by virtue of legal action taken will become part of the Owner's assessment obligation and may be collected as such as provided herein.

At the direction of Management and/or the Board, legal counsel for the Association may pursue any and all available legal remedies with regard to the delinquencies referred to it including, but not limited to, the following:

a. Notice Letter. As the initial correspondence to a Delinquent Owner, counsel will send a notice letter (the "**Notice 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.

b. Notice of Lien. If an Owner fails to cure the delinquency indicated in the Notice Letter, upon being requested to do so by the Board and/or Management, counsel may prepare and record in the Real Property Records of Henderson County, a written notice of lien (referred to as the "**Notice of Lien**") against the Lot. A copy of the Notice of Lien will be sent to the Owner, together with an additional demand for payment in full of all amounts then outstanding.

c. Foreclosure. In the event that the Owner fails to cure the delinquency, the Board may direct legal counsel to pursue foreclosure of the lien. In any foreclosure proceedings, the Owner shall be required to pay the costs and expenses of such proceedings, including reasonable attorney's fees.

i. Expedited Foreclosure Pursuant to Rules 735 & 736 of the Texas Rules of Civil Procedure. The Board may decide to foreclose its lien by exercising its power of sale granted by the Declaration. In such event, counsel may commence an expedited foreclosure lawsuit under Rules 735 and 736 of the Texas Rules of Civil Procedure ("**Expedited Foreclosure**"). Upon receipt from the Court of an order authorizing foreclosure of the Lot, counsel may post the Lot for foreclosure at an upcoming foreclosure sale. 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. The Association may file suit for judicial foreclosure ("**Judicial Foreclosure**") of the assessment lien, which suit may also seek a personal money judgment. Upon receipt from the Court of an order foreclosing the Association's assessment lien against the Lot, the sheriff or constable may post the Lot for sheriff's sale at an upcoming foreclosure sale. 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.

d. Lienholder Notification. In pursuing Expedited Foreclosure or Judicial Foreclosure, the Association shall provide the 61-day notice letter to lienholders pursuant to Section 209.0091 of the Texas Property Code.

e. Lawsuit for Money Judgment. The Association may file suit for a money judgment in any court of competent jurisdiction.

f. Bankruptcy. Upon notification of a petition in bankruptcy, the Association may refer the account to legal counsel.

g. Suspension of Rights to Use Recreational Facilities. If authorized by the Declaration, Bylaws or rules and regulations, and in accordance with Chapter 209 of the Texas Property Code, the Association may suspend an Owner's privileges to use the Association's recreational facilities.

h. Remedies Not Exclusive. All rights and remedies provided in this Policy and hereinabove are cumulative and not exclusive of any other rights or remedies that may be available to the Association, whether provided by law, equity, the Association's governing documents or otherwise.

12. Lock Boxes. The Association may establish a lock box for the receipt of assessment payments. Payments made to the lock box are deposited in the Association's bank account without regard to communications or other notices enclosed with or stated on the payment. Any notice or communication (including, without limitation, a dispute of the debt) enclosed with or stated on the payment to the lock box will be ineffective and not binding on the Association. Any dispute of an assessment or related charge, any proposed tender of an amount less than the entire amount claimed to be due which is intended to satisfy the Owner's debt in full, or any change in the identity, status or address of an Owner, must be in writing, sent to and received by Management at the address

listed on the Association's most recent management certificate.

13. Compromise of Assessment Obligations. In order to expedite the handling of collection of delinquent assessments owed to the Association, the Board may, at any time, compromise or waive the payment of any applicable charge. The Association may, at its option, notify the Internal Revenue Service of the waiver or forgiveness of any assessment obligation.

14. Severability and Legal Interpretation. In the event that any provision herein shall be determined by a court with jurisdiction to be invalid or unenforceable in any respect, such determination shall not affect the validity or enforceability of any other provision, and this Policy shall be enforced as if such provision did not exist. Furthermore, in the event that any provision of this Policy is deemed by a court with jurisdiction to be ambiguous or in contradiction with any law, this Policy and any such provision shall be interpreted in a manner that complies with an interpretation that is consistent with the law. In the event any provision of this Policy conflicts with the Declaration, the Declaration controls.

IT IS FURTHER RESOLVED that this Assessment Collection Policy replaces and supersedes in all respects all prior policies and 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.

This is to certify that the foregoing resolution was adopted by the Board of Directors at a meeting of same on DECEMBER 6, and has not been modified, rescinded or revoked.

DATE: 12/9/2022


Secretary