

ASSESSMENT COLLECTION POLICY

FOR

SKY MOUNTAIN HOMEOWNERS' ASSOCIATION

This Policy is effective July 1st, 2020, and replaces any Assessment Collection Policy adopted previously by SKY MOUNTAIN HOMEOWNERS' ASSOCIATION (the "Association").

This Association is responsible for the operation and maintenance of the property. In order to carry out this responsibility the Association assesses each owner for that owner's percentage common expense liability as required by the governing documents and the laws of the State of Washington.

The common expenses are based on the Association's projection of the expenses necessary to conduct its activities as set forth in the budget adopted by the Association. It is necessary to ensure that all owners pay their assessments promptly so that sufficient funds are available to fulfill the Association's obligations to all its members.

Failure of any owner to promptly pay assessments results in additional burdens on all owners. It is, therefore, this Association's policy to take such steps as are necessary to ensure compliance by owners with their obligation to promptly pay assessments levied by the Association.

Section 1. Assessments. Assessments are based on the budget adopted by the Association and are due in accordance with the payment schedule adopted by the Board. Assessments include all sums chargeable by the Association against a Lot including, without limitation, regular and special assessments for Common Expenses, charges and fines levied by the Association, interest and late charges on any delinquent account, and costs of collection, including reasonable attorneys' fees incurred by the Association in connection with the collection of a delinquent Owner's account.

Section 2. Delinquency. Accounts are delinquent if payment in full is not received by the fifteenth of the month in which the payment is due.

Section 3. Late Fees. Late Fees deter owner delinquencies and reimburse the Association for some of the additional administrative time and costs associated with late payments. The Association may assess Late Fees against owners who do not pay their assessments in a timely manner. Late Fees are a minimum \$25.00 and are assessed each month where an account is delinquent.

Section 4. Administrative Fees. Administrative Fees are in addition to Late Fees and include specific administrative or service fees and costs such as the preparation and mailing costs of a delinquency notice, a bank charge for a dishonored check, an account monitoring fee, and a credit card processing fee. Should the Association incur Administrative Fees associated with an owner's account it may assess that owner those Administrative Fees.

Section 5. Interest. As provided in the governing documents, assessments not paid by the fifteenth of the month accrue interest from the first of the month at the greater of 12% per annum or the highest rate permitted by State law.

Section 6. Attorneys Fees and Costs. As provided in the governing documents and Washington State Law, should the Association be required to use the services of legal counsel and should

the Association incur costs in the collection of delinquent assessments, the delinquent owner shall be responsible for all attorney's fees and costs incurred.

Section 7. Application of Payment. Payments made by a delinquent Owner toward a delinquent debt are applied as follows: first to interest accrued; then to late fees; then to administrative fees; then to any other costs and reasonable attorneys' fees incurred in collection; then to fines; and lastly to specific assessments and budgeted special and periodic assessments. The Association may change the order in which payment are applied if it determines that such a change is in the Association's interest. This policy regarding Application of Payment does not require the Association to change how it applies payments in its standard bookkeeping practice.

Section 8. Restrictive Endorsements. Notwithstanding any restrictive endorsement, designation or instruction placed on or accompanying a payment, the payment shall be applied as indicated above.

Section 9. Owner's Responsibility. Each owner has the responsibility to pay the owner's share of the common expenses to the Association so that the payment arrives on or before the date the payment is due.

Section 10. Collection Steps. The following steps are those the Association will typically take in collecting an unexcused delinquency. The Association is neither required to take these specific steps nor must it adhere to these specific time frames. The Association may evaluate each delinquency on a case-by-case basis and determine which steps and what timing it believes will best achieve the payment of delinquent assessments:

Day 15 - Late fee assessed to Owner.

Day 30 - Letter to Owner requesting prompt payment.

Day 60 – Letter to Owner requesting prompt payment.

Day 90 - Matter Referred to Association's legal counsel with notice provided to the Owner.

Day 100 - Claim of Lien prepared and recorded; demand letter from legal counsel to Owner.

In the event of continued non-payment after affording the Owner an opportunity to respond to the demand letter, legal counsel may commence suit, and take such other action permitted by the governing documents and/or the laws of the State of Washington.

It is the intention of the Association to follow the above procedure and owners are strongly encouraged to make payments promptly to avoid additional costs and legal action.

Once referred to legal counsel, all contacts regarding a delinquent account with a delinquent owner shall be handled through the Association's attorney. The attorney shall have authority to settle the collection of the account directly with an owner after it has been turned over to the Association's attorney.

The Association reserves the right to vary from the policy adopted above where particular circumstances warrant such deviation in the reasonable business judgment of the Association or its legal counsel.

Section 11. Protection of Board Members. Persons exercising authority of the Board or a Committee are not liable for action or inaction done in good faith. Association action under this Policy shall not create any liability of the Board, Association, or Committee, or any employee or member of the Board, Association, or the Committee.

Section 12. Lien and Homestead Protection. The Association has a lien against each Lot to secure payment of delinquent assessments. Nonpayment of the Association's assessment may result in enforcement of the Association's lien, and homestead protection under RCW 6.13.080 is not available for debts secured by the Association's lien.

Effective Date. The Collection Policy shall take effect on July 1st, 2020, and replaces any pre-existing policy.

Approved by the Board of Directors of SKY MOUNTAIN HOMEOWNERS' ASSOCIATION on February 5th, 2020.