

MERIDIAN HOMEOWNERS' ASSOCIATION

ASSESSMENT COLLECTION POLICY

WHEREAS, the Association has authority pursuant to Article IV of the Declaration of Covenants, Conditions and Restrictions for Meridian (the "Declaration") to levy assessments against Owners of Lots located within Meridian, a planned community located in Denton County, Texas (the "Development"); and

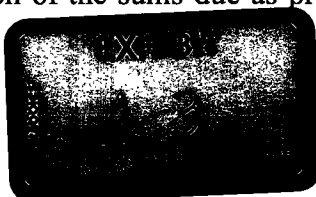
WHEREAS, the Board of Directors (the "Board") finds there is a need to set forth in a policy the procedures established in the Declaration to collect assessments and a need to set out orderly procedures for the collection of assessments and all related charges that remain unpaid beyond the prescribed 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 Association will pursue collection of all assessments and related costs, including Annual Assessments, Special Assessments and any Specific Assessments in the most expedient and cost-effective manner possible, subject to the provisions of the Declaration, the Bylaws and this Policy. The Association may delegate to management those duties determined by the Board in its sole discretion to be necessary to accomplish the foregoing objectives.

2. Ownership Interests. 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 IV of the Declaration, the Board of Directors may collect the Annual Assessment on a monthly, quarterly or annual basis. The Annual Assessment is currently paid quarterly (i.e., January 1, April 1, July 1 and October 1). The due date for a Special Assessment or Specific Assessment shall be set by the Board, but in no event shall it be less than thirty (30) days after the date the Owner is invoiced therefor. The due date for any assessment shall be collectively referred to in this Assessment Collection Policy as the "Due Date". Any assessment which is not paid in full within ten (10) days after the Due Date is delinquent (the "Delinquency Date") and the Association shall have the right to charge late fees, interest, costs and fees related to collection of the sums due as provided in Paragraphs 6 and 7 below.



4. Reminder Notice. If an assessment has not been paid within ten (10) days following the Due Date, the Association will send a second invoice or notice (referred to as the "Reminder Notice") which will include the unpaid assessments, collection fees, late charges and interest charges claimed to be due. The Reminder Notice will be sent via first-class United States mail.

5. Default Letter. If an assessment has not been paid within thirty (30) days following the Due Date, the Association will send a notice (referred to as the "Default Letter") to the Owner 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, late charges, interest, and collection costs claimed to be due.

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

6. Interest. In the event any assessment, or any portion thereof, is not paid in full within ten (10) days after the Due Date, interest on the principal amount due may be assessed against the Owner, the rate of said interest to be eighteen percent (18%) per annum and shall accrue from the day after the Delinquency 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.

In the event any assessment, or any portion thereof, is not paid in full within ten (10) days after the Due Date, a late charge may 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 Paragraph 7 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 interest, then late charges;
- b. Next, to handling charges, returned check fees and other collection costs incurred by the Association;
- c. Next, to attorney's fees and related costs advanced by the attorney for and on behalf of the Association;
- d. Next, to delinquent Special Assessments, then Specific Assessments (including fines);
- e. Next, to Annual Assessments;
- f. Next, to outstanding Special Assessments or Specific Assessments (including fines), though same may not then be delinquent;
- g. Last, to outstanding Annual Assessments, though same may not then be delinquent.

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 for more than thirty (30) days after the sending of the Default Letter (as provided for 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.

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. 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. The Notice 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 Notice Letter. If the amounts owing are disputed, Management and/or Legal Counsel will provide verification of the amounts claimed to be due.

b. Title Search. If a Delinquent Owner fails to pay the amounts set forth in the initial Notice 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. Where the Board has determined that foreclosure of the Association's assessment lien is to be pursued, if an Owner fails to pay in full all amounts indicated by the Notice Letter by the date specified or fails to dispute the debt within the allotted thirty (30) day period, 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 Denton 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 Lot covered by such lien and a description of the Lot 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 an additional 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.

d. 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.

e. 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. 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 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 its corporate office.

14. 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 assessment, interest, late charge, handling charge, collection cost, legal fee or any other applicable charge. The Association may, at its option, notify the Internal Revenue Service of the waiver or forgiveness of any assessment obligation.

15. Credit Bureaus. The Association may also notify any credit bureau of an Owner's delinquency. The Association will notify the Owner that it has filed such a report and will comply with any local, state, or federal laws in connection with the filing of such report.

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 _____, and has not been modified, rescinded or revoked.

DATE: 12/18/06

Mindy Hazelwood
Secretary

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