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DECLARATION 1/5

MAGNOLIA SPRINGS OWNERS ASSOCIATION, INC.

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Assessment Collection Policy

WHEREAS, Magnolia Springs Owners Association, Inc. (the "Association") has authority pursuant to Article 7 of the Declaration of Covenants, Conditions & Restrictions for Magnolia Springs (the "Declaration") to levy assessments against Owners of Lots located within Magnolia Springs (the "Development"); and

WHEREAS, the Association has authority pursuant to the Bylaws and Article 8, Section 8.1.10 of the Declaration to establish rules regarding the application of payments; and

WHEREAS, the Board of Directors (the "Board") finds there is a need to establish a policy for the application of payments and collection of assessments that remain unpaid beyond the prescribed due dates in order to encourage Owners to promptly pay their assessments.

NOW, THEREFORE, IT IS RESOLVED that the following policies, rules, procedures and practices are established for the collection of assessments owing and to become owing by Owners in the Development and for the application of payments made by Owners and the same are to be known as the "Assessment Collection Policy" for the Association:

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

a. The Association will diligently pursue collection of all assessments, including Regular Assessments, Special Assessments and Individual Assessments (hereinafter the three types of Assessments are sometimes referred to as "assessments") for each fiscal year.

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.

2. Ownership Interests. Pursuant to Article 7 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 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 holdstitle 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 7 of the Declaration, the Board may levy Regular

Assessments on an annual, semi-annual, quarterly or monthly basis. The due date for Regular Assessments is the first day of the period for which the assessment is levied. The due date for a Special Assessment or Individual Assessment shall be set by the Board in the notice of assessment to the Owners, or if no date is given in the notice, then the due date shall be ten (10) days after the date the notice of the assessment is given to the Owner. The due date for any assessments shall be collectively referred to in this Assessment Collection Policy as the "Due Date". Any assessment which is not received by the Association on the Due Date is delinquent (the "Delinquency Date").

4. Reminder Notice. If an assessment has not been paid by the Delinquency Date, the Association will send a reminder invoice to the Owner (referred to as the "Reminder Notice") which will include the unpaid assessments, collection fees and interest charges claimed to be owing. The Reminder Notice will be sent via first-class United States mail.

5 Default Letter. If an assessment has not been paid within the sixty (60) days following the Due Date, the Association will send a default 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: The unpaid assessments, interest, late charges, collection costs and the handling charges claimed to be owing.

6. Interest and Late Fees. In the event any assessment, or any portion thereof, is not paid in full and received by the Association on or before the Due Date, interest on the principal amount due shall be assessed against the Owner, the rate of said interest to be ten percent (10%) per annum and shall accrue from the Due Date until paid. In the event any assessment, or portion thereof, is not paid in full and received by the Association on or before ten (10) days from the Due Date, the Association may charge the Owner a late fee of \$15.00. Such interest and late fees, as and when accrued 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 and in the Declaration for assessments.

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, 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 \$30.00 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 in accordance with current Texas State Laws.

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 (as defined by Section 1.15 of the Declaration) 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 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 and 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. Notice Letter. As the initial correspondence to a Delinquent Owner, counsel will send a notice letter (the "Notice Letter") to the Owner providing notice of all outstanding assessments and related charges, including the charges for the attorney's fees and costs incurred for counsel's services. If the amounts owing are disputed by the Owner within thirty (30) days of Owner's receipt of the Notice Letter, 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 demanded in the initial Notice Letter sent by counsel, 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, 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 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 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.

d.. 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. Alternative Processes. At any point in the Collection Process, the Board, in its sole discretion, may opt to pursue alternative remedies besides Attorney Action, which may include, but is not limited to, (1) removal from the vehicle access gate database and/or (2) referral to a Collection Agency in accordance with the laws of the State of Texas and/or (3) an agent of the Association seeking judicial redress in a court of appropriate jurisdiction. Any fee or charge becoming due and payable pursuant to this Paragraph 13 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.

14. Verification of Indebtedness. Where an Owner timely 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.

15. 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 fee, 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.

IT IS FURTHER RESOLVED that this Assessment Collection Policy replaces and supersedes in all respects all prior rules, 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 rules, policy and/or resolution was adopted by the Board of Directors at a meeting of same on September 17, 2011, and has not been modified, rescinded or revoked.

DATE: 9-17-11 Pennie Collins
Secretary

This instrument was acknowledged and signed before me on

the 9th day of September, 2011, by Pennie Collins,
the Secretary
of Magnolia Springs Owners Association, Inc.



Jennifer Powe

Notary Public-State of Texas

Filed and Recorded
Official Public Records
John F. Warren, County Clerk
Dallas County, TEXAS
12/08/2011 09:22:50 AM
\$32.00



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RETURN RECORDED DOCUMENT TO:
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