

CYPRESS LANDING HOMEOWNERS ASSOCIATION, INC.

POLICY RESOLUTION NO. 1

PROCEDURE FOR COLLECTION OF ASSESSMENTS

WHEREAS, Article IV, Section 1, of the Declaration of Covenants, Conditions and Restrictions ("the Declaration"), creates an obligation for owners to pay annual and special assessments to Cypress Landing Homeowners Association, Inc. ("the Association"); and

WHEREAS, Article IV, Section 8 of the Declaration sets forth certain remedies and options relative to non-payment of assessments; and

WHEREAS, the Board of Directors recognizes that there is a need to establish orderly policies and procedures for the collection of said assessments;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Cypress Landing Homeowners Association, Inc. hereby adopts the following policy and procedure for collection of assessments:

I. COLLECTIONS

A. The annual assessment shall be due and payable in equal quarterly installments in advance on the first day of each quarter beginning on the first day of January of each assessment year.

B. Special Assessments shall be payable as fixed in the resolution authorizing the assessment and as further directed by the Board of Directors as provided in Article IV, Section 4 of the Declaration.

C. All documents, correspondence, and notices relating to the charges shall be mailed to the address of the owner of the property as such address appears on the books and records of the Association as maintained by the Board of Directors from time to time. If the owner has not designated a different address to be listed on the books and records, all such documents, correspondence and notices shall be sent to the owner at the property address.

D. Interest shall accrue upon any delinquent assessment not paid within thirty (30) days after it is due, from the due date, at the rate of eighteen percent (18%) per annum and subject to a late payment charge of twenty five dollars (\$25.00) as provided in Article IV, Section 8 of the Declaration.

E. A handling fee of not less than twenty five dollars (\$25.00) will be assessed for any personal check returned unpaid by the bank.

F. Partial payments tendered either to the Association's Board of Directors or its attorney may be accepted, but only payment in full will stop collection proceedings unless the Board of

Directors expressly agrees otherwise. Unless otherwise specifically agreed in writing by the Board of Directors, payments will be applied in the order first to last as follows: 1) attorneys' fees, 2) collection costs, 3) interest charges, 4) other properly assessed fees and charges, 5) principal arrearage, and finally 6) current principal due.

G. An Owner who transfers his or her Lot shall notify the Board of Directors or the Board of Directors in writing of the name and address of the purchaser(s) within thirty days after transfer.

II. PROCEDURE FOR NON-PAYMENT OF ASSESSMENT

A. If payment of any assessment is not received by the Association or its Board of Directors by the thirtieth (30th) day of the month when due, the Board of Directors or its agent shall send to the owner of record, a notice of the owner's delinquency. The notice shall request immediate payment of the delinquent balance and advise the owner of the total balance due.

B. If payment of an assessment is not received by the Association or its Board of Directors by the forty-fifth (45th) day when due, the Board of Directors shall send to the owner of record, a notice of the owner's delinquency as provided in this paragraph. The notice shall:

1. Request immediate payment of the delinquent balance and advise the owner of the total balance due; and

2. Advise the owner of his obligations under the Declaration; and

3. State that if the account is not current within fifteen (15) days, the delinquency will be turned over to an attorney for collection without further notice and the owner will be responsible for all costs of collection, interest on delinquent assessments, and all attorneys' fees incurred to collect the delinquent account.

C. Non-receipt of any notice shall not relieve the owner of the obligation to remit the amount due in a timely manner.

D. The Board of Directors shall forward to the attorney a list of all delinquencies for collection as soon after the sixtieth (60th) day of delinquency as possible, and in any event before the seventy-fifth (75th) day of delinquency. The list sent to the attorney shall reflect the current information contained in the Association's official books and records and shall include for each delinquent owner; the owner's complete name, mailing address, address of unit owned, and a breakdown of the total fees due. A copy of all notices mailed to the owner as required herein above shall be sent to the attorney. Once a delinquent account has been referred to the attorney for collection, no further billing statements, or other correspondence relating to the delinquency, shall be sent to the owner by the Board of Directors without first notifying the attorney of its nature and content.

E. Promptly upon receipt of the list of delinquencies from the Board of Directors, the attorney shall cause a title search to be conducted and will cause each delinquent owner to be served with a demand letter and a Notice of Intent to Create a Lien pursuant to Maryland law. The letter will demand payment to be made to the Board of Directors within ten (10) days of all assessments due, interest at eighteen percent (18%), the actual costs of collection (including service costs) plus reasonable attorneys' fees, and any other properly assessed amount due from whatever source. The letter will also advise that each unit owner must sign for and accept the Notice of Intent to Create a Lien sent by certified mail, or be responsible for additional costs involved for personal service by other means. Notice of the delinquency may also be sent to the mortgagee(s), if any. The letter will contain any and all additional information required by law.

F. The attorney will promptly advise the Board of Directors if the owner files a Complaint in the Circuit Court for Anne Arundel County to determine whether probable cause exists for the establishment of a lien pursuant to the Maryland Contract Lien Act. The Attorney will take any and all legal action necessary to establish the lien and will promptly advise the Board of Directors of hearing dates and other pertinent events. If a Court hearing is required, representatives of the Board of Directors shall be made available upon request by the attorney to testify on behalf of the Association concerning the legitimacy of all amounts claimed in the Notice of Intent to Create a Lien and concerning all other matters as deemed appropriate by the attorney. In such proceeding, the attorney shall request the Court to assess all legal expenses against the owner for costs incurred in establishing the lien.

G. If the Circuit Court determines that probable cause exists for the establishment of the lien, the attorney will undertake to establish the lien. If the Circuit Court determines that probable cause does not exist for the establishment of the lien, the attorney will advise the Board of Directors of the decision and recommend what further action, if any, should be taken to collect the amounts due.

III. REMEDIES FOR NON-PAYMENT OF ASSESSMENT

A. If, within thirty days of service upon the owner of the Notice of Intent to Create a Lien, the delinquent owner fails to remit the total amount due as claimed, and does not exercise the rights as stated in the information mailed by the attorney, the Statement of Lien previously prepared by the attorney and executed by the Association President will be filed by the attorney among the Land Records of Anne Arundel County. The Statement of Lien shall claim all assessments, interest, collection costs, and other charges permitted by law, together with reasonable attorney's fees.

B. Upon recordation of the lien among the Anne Arundel County Land Records, the attorney will evaluate the various collection alternatives in accordance with Paragraph IV.D. below, and recommend the best alternative to the Board of Directors. The Board of Directors will instruct the attorney, at that time, what further action, if any, should be taken to collect the amounts due.

C. If an action is filed by the Association to foreclose on a recorded Statement of Lien, payment of the delinquent account may be accepted and applied in accordance with Paragraph I.F. above at any time until completion of the auction of the property under foreclosure. Only full payment of all obligations of the owner to the Association including costs and expenses of the foreclosure sale and all attorneys' fees, will stop the foreclosure proceedings.

D. If a judgment for delinquent assessments is entered on behalf of the Association, the judgment will be recorded among the Land Records of Anne Arundel County if not promptly paid. Thirty days after the date of the judgment, the attorney will send a post-judgment collection letter to the debtor demanding payment in full within fifteen days from the date of that letter.

E. The Board of Directors, its attorneys and agents may take any other lawful action deemed necessary or advisable to collect any delinquent assessments.

IV. GENERAL COLLECTION PROCEDURE POLICIES

A. The Board of Directors shall provide the attorney with a statement of collection costs incurred by it prior to referral, and all collection costs incidentally incurred by it thereafter. In order to facilitate any collection procedure employed, the Board of Directors will advise the attorney of any and all information available to it that pertains to the delinquent owner, including place of employment and bank account information.

B. The Board of Directors shall promptly notify the attorney of any payments or other correspondence it receives on behalf of the delinquent owner while the attorney is actively involved in the collection.

C. The attorney will keep a full accounting of all legal fees and expenses paid by the law firm on the Association's behalf. All monies received in payment of the delinquent account will be transmitted directly to the Association.

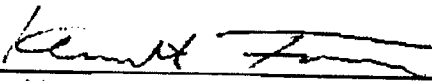
D. These procedures shall serve only as guidelines and non-compliance with any of these procedures by the Association, its Board of Directors, or its attorneys, shall not excuse payment of assessments when due.

E. It is the intention of the Board of Directors that the least cumbersome, most effective method of collection be used at all times. In this regard, those employing this collection procedure are authorized to deviate from it when special circumstances indicate that such deviation is in the best interest of the Association. As such, the Board of Directors is empowered to grant a waiver of any provision herein upon a written request from an owner alleging a compelling reason. Such relief, if granted, shall be appropriately documented in the records of the Association.

F. This procedure will be reviewed periodically by the Board of Directors of the Association in consultation with the attorney to ensure that the procedure is effective and in compliance with current law.

THIS COLLECTION PROCEDURE WAS DULY ADOPTED BY A MAJORITY OF THE MEMBERS OF THE BOARD OF DIRECTORS THIS 1 DAY OF MARCH , 1999.

ATTEST:



President



Secretary