

THE SOUTH BAY COMMUNITY ASSOCIATION

Resolution: Collection Policy

Whereas, The South Bay Community Association (the "Association") is a Washington nonprofit corporation and homeowners' association subject to chapter 64.38 RCW and chapter 64.90 RCW¹;

Whereas, the Association's Board of Directors is authorized to act in all instances on behalf of the Association, except for those matters reserved for a vote or decision of the Owners by chapter 64.38 RCW, chapter 64.90 RCW, the Declaration, or Bylaws of the Association;

Whereas, the South Bay Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, recorded under Jefferson County Auditor's file number 325175, and any amendments thereto (the "Declaration"), effects a common plan for the development and operation of the South Bay community (the "Community") which is binding upon and benefits the Association, any Village Association formed to serve specific subdivisions or properties within the Community, and the owners, residents, and occupants of Units (i.e., Lots) within the Community, and their heirs, executors, administrators, trustees, personal representatives, successors and assigns;

Whereas, pursuant to the Declaration, and RCWs 64.38.020(1) and 64.38.025(1), the Board of Directors may adopt and amend Rules and Regulations;

Whereas, pursuant to section 5.3 of the Declaration, the South Bay Rules shall have the same force and effect as if they were set forth and made part of the Declaration and "shall be binding on all persons or entities having an interest in, or make any use of, any part of the Master Association Land, Common Areas and/or Recreational Facilities, whether or not Members of the Master Association, and whether or not copies of the South Bay Rules are actually received by such persons or entities."

NOW THEREFORE, it is resolved that the following collection policy is hereby adopted by the Board and made a part of the South Bay Rules.

Rules and Regulations: Collection Policy

1. Authority and Purpose. The South Bay Community Association (the "Association") relies upon the payment of common expense assessments to conduct its operations, maintain common elements, pay for insurance, and otherwise manage and administer the affairs of the Association. The timely payment of Assessments by Owners is critical to the financial health of the Association and to preserve the property values of Units in South Bay (the "Community"). The Board has determined that it is in the best interests of the Association to adopt a collection policy regarding the procedures for payment and collection of Assessments. The Board further believes it to be in the best interest of the Association to refer delinquent accounts to the Association's attorney or collection agency to minimize the Association's loss of revenues from non-payment of Assessments.

¹ To the extent RCW 64.90 is applicable to the Association.

2. **Replacement of Prior Policies.** This collection policy shall supersede any previously existing policies, rules, regulations, or resolutions pertaining to collections of delinquent Assessments.

3. **Definition of Unit.** The term, 'Unit,' as used herein, is synonymous with the word "Lot" as defined by section 1.29 of the Declaration.

4. **Assessment** means all sums chargeable by the Association against a Unit, including regular and special assessments for common expense and specially allocated expenses, fines or fees levied or imposed by the Association pursuant to applicable law or the Governing Documents, interest and late charges on any delinquent account, certain costs for maintenance and repairs pursuant to section 10.2 of the Declaration, and all costs of collection incurred by the Association in connection with the collection of a delinquent Owner's account, including reasonable attorneys' fees.

5. **Due Date for Assessments.** Annual assessments for common expenses of the Association are assessed against each Unit on a quarterly basis. Quarterly payments are due on the first day of each calendar quarter (July 1, October 1, January 1, and April 1). Special assessments are payable as set forth in the budget for the special assessment, as ratified by the Owners, pursuant to RCW 64.90.525. If no payment schedule for the special assessment is included in the budget, the special assessment shall be due thirty (30) days after the date the Owners ratified the budget.

6. **Assessment Liens.**

6.1 **Assessments are a Lien.** Pursuant to article 7 of the Declaration, the Association has a lien with power of sale on any Unit for any unpaid Assessments levied against such Unit from the time the Assessment is due. The lien for each unpaid Assessments attaches to each Unit at the beginning of each Assessment period and shall continue to be a lien against each Unit until paid.

6.2 **Recording of Notice of Claim of Lien.** The Association may record a notice of claim of lien for unpaid Assessments against a Unit in the official records of Jefferson County, Washington. The costs and expenses for recording such notice of claim lien shall be added to the Assessment for the Unit against which such notice of claim of lien is recorded. *See Declaration at § 7.1, 7.11.*

6.3 **Fixed Fee for Recording Notice of Claim of Lien.** Pursuant to section 7.11 of the Declaration, the Board *may* establish a fixed fee to reimburse the Association for its costs associated with respect to each of the following: (a) recording notices of liens, (b) processing delinquencies, and (c) recording notices of payment (i.e., lien releases). Such fixed fees and attorneys' fees and costs of collection shall be treated as a collection cost of the Association secured by the Assessment lien. The Board may establish and change the fixed fees, from time to time, by resolution of the Board, and shall post such resolution (when adopted) on the Association's website <https://www.sbca.club>.

6.4 Homestead Exemption Not Available. Pursuant to section 7.4 of the Declaration, “The Association’s lien on each Unit for Assessments is superior to any homestead exemption now or hereafter provided by the laws of the State of Washington or any exemption now or hereafter provided by laws of the United States.” In addition, RCW 6.13.080 provides that “The homestead exemption is not available against an execution or forced sale in satisfaction of judgments obtained:...(6) On debts secured by a condominium, homeowners’, or common interest community association’s lien.”

6.5 Lien Superior to Villages Liens. Pursuant to section 7.4 of the Declaration, the Assessment liens of the Association are superior in all cases to the Assessment liens of the Village Associations established by Supplemental Declarations.

7. Personal Obligation. In addition to constituting a lien on the Unit, each Assessment is the joint and several obligation of the Owner or Owners of the Unit to which the same are assessed as of the time the Assessment became due. *See Declaration at § 7.1.*

8. Attorneys’ Fees and Collection Costs. The reasonable attorneys’ fees and costs incurred by the Association in pursuing the collection of unpaid Assessments are the personal obligation of the person who was the Owner of the Unit at the time when the Assessment became due and are also a charge and continuing lien upon the Unit against which each such Assessment is made. *See Declaration at §§7.1, 7.11.* Costs of collecting unpaid Assessments shall include, without limitation, the following: (a) postage and mailing costs; (b) costs of recording notice(s) of claims of lien and releases of lien; (c) court costs; (d) recording fees; (e) filing fees; (f) publication costs; (g) service of process costs; (h) title report fees or costs; (i) costs of foreclosure and Sheriff’s fees; and (j) management fees for delinquency notices and delinquent account monitoring.

9. Notices.

9.1 First Delinquency Notice. No later than 30 days after an Assessment becomes past due, the Association must provide a notice of delinquency (“First Notice”) to the Owner by first-class mail that meets the following criteria. The notice of delinquency must:

- (a) be mailed to the to the Owner’s address in the Community and to any other address that the Owner has provided to the Association for transmission of notices, and by email if the Owner’s electronic address is known to the Association;
- (b) be provided in English and any other language indicated as a preference for correspondence by an Owner; and
- (c) the notice shall include the preforeclosure notice language required by RCW 64.38.100 presently, or RCW 64.90.485(21) when such section becomes effective as to the Association.

Until the fifteenth (15th) day after providing an Owner with the First Notice, the Association may not: (i) take any other action to collect a delinquent Assessment; or (ii) charge an Owner for any costs related to the collection of the delinquent Assessment, except to assess:

(i) a late fee of not more than \$50.00 or five percent (5%) of the amount of the unpaid Assessment which triggered the fee, whichever is less, on the date the account becomes delinquent.

(ii) The actual cost of printing and mailing the notice of delinquency (“First Notice”); and

(iii) An administrative fee of no more than \$10 related to providing the First Notice, as adjusted for inflation pursuant to RCW 64.90.065.

9.2 Second Notice. If Assessments with respect to any Unit remain delinquent after sending the First Notice, the Association shall send a second delinquency notice (“Second Notice”) to the Unit Owner pursuant to the criteria listed in sub-sections 9.1 (a)-(c) above.

9.3 Third Notice. If Assessments with respect to any Unit remain delinquent after sending of the Second Notice and if the account is delinquent at least (60) days, the Association will send a written notice (“Third Notice”) that unless the account is paid in full within ten (10) days of said notice, it may be turned over to the Association’s attorney or collection agency for collection. The “Third Notice” shall be sent to the Owner pursuant to the criteria listed in sub-sections 9.1(a)-(c) above.

9.4 Additional Notices. If an account remains delinquent after the Association has sent the Third Notice, the Association may send such additional delinquency notices, as the Board or its designated managing agents deem appropriate, from time to time.

10. Interest, Late Fees, Admin Fees, and NSF Charges.

10.1 Late Fees. Any Assessment account which has a delinquent account balance on the first day of the month after a quarterly assessment became due shall be assessed a late charge of twenty (\$20.00). For avoidance of doubt, quarterly assessment payments are due on the first day of each calendar quarter (July 1st, October 1st, January 1st, and April 1st). This means late fees will be assessed if an account is delinquent on August 1st, November 1st, February 1st, and May 1st.

10.2 Interest. Interest will accrue and be assessed on an Owner’s delinquent Assessment balance at the rate of one percent (1%) per month from thirty (30) days after the due date of such Assessment until paid; provided that, interest on delinquent accounts will not be compounded (i.e., interest will not accrue on interest) and interest will not accrue on late fees.

10.3 NSF Charge. A charge of \$25.00 will be imposed against the Owner and such Owner’s Unit each time a check provided by or on behalf of the Owner is returned NSF (non-sufficient funds), rejected by the Association’s bank or financial institution on any grounds, or dishonored by the bank or financial institution against which such check or payment was drawn. Any costs charged to the Association by its bank as a result of such NSF or dishonored check shall be assessed to Owner and such Owner’s Unit in addition to the \$25.00 fee. All fees and charges assessed pursuant to this section 10.3 shall be collectable in the same manner as Assessments.

10.4 Billing for Late Fees, Interest, or NSF Fees. The Association may but is not required to bill or otherwise send statements to Owners for late charges, interest, NSF fees, or

administrative fees. These charges or fees will automatically accrue and be assessed to the Owner's account in accordance with this Collection Policy.

10.5 Management Collection Monitoring Fees and Costs. Subject to section 9.1 above, the Association may assess reasonable charges or fees for preparing and sending delinquency notices and may also assess mailing costs and such other costs incurred by the Association in connection therewith. The cost for sending the First Notice shall not exceed:

- (ii) The actual cost of printing and mailing the notice of delinquency ("First Notice"); and
- (iii) An administrative fee of no more than \$10 related to providing the First Notice, as adjusted for inflation pursuant to RCW 64.90.065.

The Board may establish and change the fees associated with sending delinquency notices, from time to time, by resolution of the Board, and shall post such resolution (when adopted) on the Association's website <https://www.sbca.club>.

11. Payoff. If a payoff is requested for a delinquent account after the account has been referred to an attorney or collection agency for collections, the Association will incur minimum collection costs of \$200 with respect to preparing and transmitting a payoff of the amount required to be paid to bring the Owner's account to a zero balance, which payoff will include the fees and costs associated with recording a release of any lien against the Owner's Unit, recording of a satisfaction of judgment, or such other action as may be required to fully settle and resolve the Owner's delinquent account. An update to a payoff that is requested within sixty (60) days of providing a prior payoff to an Owner will be charged an additional fee of at least \$100.00.

12. Collections. If the dollar amount owed to the Association for unpaid Assessments exceeds seven hundred and fifty dollars (\$750.00), and the delinquent Owner has been sent the delinquency notices provided for by sections 9.1 through 9.3 above by the Association, and the Unit Owner has failed to satisfy the delinquency within ten (10) days of the Third Notice, the Board may refer the delinquent Unit Owner's account to a collection agency or attorney. The Association's attorneys are authorized to send demand letters, record claims of lien, file court documents, and represent the Association in legal proceedings as the authorized attorney for the Association.

13. Payments. All payments to the Association shall be made payable to The South Bay Community Association. As a standard practice, payments will be applied to the oldest charges appearing on an Owner's Assessment balance ledger first, then to newer charges (oldest to newest), regardless of the category of the Assessment. However, if a judgment has been obtained, payments will be applied first to any new Assessments that accrued after the date of judgment, and then to the judgment. If the Association receives payment from an Owner directly after such Owner's account has been referred to a collection agency or attorney, the Association shall only deposit such payment with the approval of the Association's collection agency or attorney handling the file. For accounts not in collections, Assessments may be paid by cash, personal check, cashier's check, or money order to the Association, free of charge, by mail, courier, or personal delivery to the following address: 120 Spinnaker Place, Port Ludlow, WA 98365.

14. Foreclosure, Bankruptcy, and Probate. Notwithstanding anything to the contrary herein, the Board of Directors may consult with the Association's attorney at any time when: (a) the Unit Owner has filed for bankruptcy or is the subject of a petition for relief under the bankruptcy code; (b) a lender has started a foreclosure action against the Unit; (c) the Unit is the subject of a receivership; (d) any other legal proceeding has been commenced with respect to the Unit that may affect the Association's lien rights or ability to recover Assessments from the Owner or the Unit; or (e) a probate action has been commenced or a will filed with the Court with respect to a deceased Owner. All attorneys' fees and costs incurred pursuant to this section shall be collectable as Assessments against the Owner and the Owner's Unit.

15. Communications Regarding Delinquent Account. After an account has been turned over to the Association's attorney or collection agency for collections, the Association shall cease sending delinquency notices and account statements to the delinquent Owner, and the delinquent Owner shall direct all communications through the Association's attorney or collection agency, unless directed otherwise by the Association, its attorneys, or agents.

16. Requests for an Accounting. If the Association or its manager provides the Owner with an account ledger or balance while the Association's collection agency or attorney is handling the Owner's account, any such statement shall not bind the Association. The Owner may not rely on a statement of account from any source other than the Association's collection agency or attorney so long as the attorney or collection agency is handling the Owner's delinquency. See section 11, "Payoffs," above.

17. Payment Plan Policy. The Board may consider payment plan requests on a case-by-case basis and with the advice of the Association's collection agency or attorney. All attorneys' fees and costs associated with the communications with a delinquent Owner about a payment plan, negotiation of a payment plan, and drafting of a payment plan agreement shall be collectable as Assessments against the delinquent Owner and Owner's Unit. The Board is under no obligation to grant payment plan requests and payment plans shall not interfere with the Association's right to record a lien, or notice of claim of lien, against the Unit.

18. Foreclosure. As provided by article 7 of the Declaration and this Collection Policy, the Association may foreclose the Association's lien judicially (via the courts) against the Owner's Unit. Foreclosure of the Association's lien against the Unit could result in the Unit's Owner losing ownership of the Unit. Foreclosure will result in significant additional attorneys' fees and costs, which are collectable as Assessments against the Owner and the Owner's Unit.

19. Suspension of Membership Privileges.

19.1 Suspension of Membership for Violations. Pursuant to section 3.1.2 of the Declaration, the Association may suspend the right "to use the Master Association Land, Common Areas, and Recreational Facilities by any Member... (ii) for a period not to exceed sixty (60) days for any infraction of [this] Declaration, a Supplemental Declaration or the South Bay Rules; and (iii) for successive sixty day periods if any such infraction is not corrected during any prior sixty (60) day suspension period."

19.2 Suspension of Privileges for Nonpayment of Assessments. The Board may suspend any right or privilege of a Unit Owner who fails to pay an Assessment which suspension shall continue until one business day after the Association receives full payment of the delinquent Assessment and the Board has received confirmation of payment and cleared funds, but may not:

- (i) Deny a Unit Owner or other occupant access to the Owner's Unit, or any limited common elements allocated only to that Unit, or any Common Elements necessary to access the Unit;
- (ii) Suspend a Unit Owner's right to vote; or
- (iii) Withhold services provided to a Unit or a Unit Owner by the Association if the effect of withholding the service would be to endanger the health, safety, or property of any person.

The foregoing paragraph expressly includes the right to suspend an Owner's right to use the Recreational Facilities.

20. Non-Waiver. Nothing in this collection policy limits or otherwise affects the Association's right to pursue collection of delinquent Assessments in accordance with the Governing Documents and applicable law. Specifically, the Association retains the right to refer a delinquent account to the Association's attorney or collection agency at any time. The failure of the Association, or its attorneys, or agents, to comply with any provision of this policy shall not operate to waive the Association's right to collect delinquent Assessments in accordance with the Governing Documents and applicable law.

21. Enforceability and Effective Date. If any portion of this collection policy is determined to be legally unenforceable, it shall not negate the enforceability of the remaining portions hereof. This collection policy shall be effective upon being adopted by the Board and a copy thereof being provided to the Owners.

BOARD CERTIFICATION

The undersigned, being the President, of The South Bay Community Association, a Washington nonprofit corporation, certifies that the foregoing Resolution and Collection Policy were adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on 3/12/2026. A copy of the collection policy was given to all Unit Owners according to their notice preference on or before 3/20/2026.

Date: 3/12/2026.

The South Bay Community Association, a Washington nonprofit corporation

By: Carolyn E. O'Keeffe

Print Name: Carolyn E. O'Keeffe, SBCA Board President

HE SOUTH BAY COMMUNITY ASSOCIATION
Resolution: Collection Policy

Whereas, The South Bay Community Association (the "Association") is a Washington nonprofit corporation and homeowners' association subject to chapter 64.38 RCW and chapter 64.90 RCW;¹

Whereas, the Association's Board of Directors is authorized to act in all instances on behalf of the Association, except for those matters reserved for a vote or decision of the Owners by chapter 64.38 RCW, chapter 64.90 RCW, the Declaration, or Bylaws of the Association;

Whereas, the South Bay Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, recorded under Jefferson County Auditor's file number 325175, and any amendments thereto (the "Declaration"), effects a common plan for the development and operation of the South Bay community (the "Community") which is binding upon and benefits the Association, any Village Association formed to serve specific subdivisions or properties within the Community, and the owners, residents, and occupants of Units (i.e., Lots) within the Community, and their heirs, executors, administrators, trustees, personal representatives, successors and assigns;

Whereas, pursuant to the Declaration, and RCWs 64.38.020(1) and 64.38.025(1), the Board of Directors may adopt and amend Rules and Regulations;

Whereas the Association's Collection Policy in its Rules and Regulations provides for the Board to establish fees in connection with the collection of delinquent Assessments and methods of payment:

NOW THEREFORE, it is resolved, as follows:

1. **Delinquency Notices.** The Association shall charge a fee of twenty dollars (\$20.00), in addition to mailing costs, to a delinquent owner for sending delinquency notices or statements regarding unpaid Assessments. Notwithstanding the foregoing, the First Notice as provided for in the Rules and Regulations shall not exceed:

- (ii) The actual cost of printing and mailing the notice of delinquency ("First Notice");
- and
- (iii) An administrative fee of no more than \$10 related to providing the First Notice, as adjusted for inflation pursuant to RCW 64.90.065.

2. **Fixed Fees.** Not all costs associated with collecting delinquent Assessments are susceptible to fixed fees. Pursuant to Section 7.11 of the Declaration, the Association *may* establish a fixed fee for: (a) Recording Notices of Claims of Lien; (b) Processing Delinquencies; and (c) Recording Lien Releases. In accordance therewith, the Association establishes the following fixed fees:

¹ To the extent RCW 64.90 is applicable to the Association.

Initial collection demand letter; Follow up demand letters; Final demand letter (collection of assessments only)	\$300.00* plus costs of mailing or process server costs *If debtor/owner responds to the demand to pay off their debt in full to the Association, no additional attorneys' fees will be incurred, other than to release any recorded lien(s). If debtor/owner responds to dispute the debt, request additional documentation, submit questions, or submit a payment plan or settlement offer, additional attorneys' fees will be incurred.
Claim of Lien Only, Amended Lien	\$250.00 Fee + \$304.50 Recording Cost + Electronic Messenger Cost and taxes
Combined Demand Letter and Lien (collection of assessments only)	\$400.00 Fee + \$304.50 Recording Cost + Electronic Messenger Cost, and taxes + Mailing Costs
Payoff Quotes	\$200.00 initial payoff , updated payoffs billed hourly
Payment Plan	\$500.00 - \$750.00 plus mail costs
Release of Lien	\$200.00 Fee + \$304.50-\$305.50 Recording Cost + Electronic Messenger Cost and taxes

3. **Methods of Payment.** For accounts not in collections, Assessments may be paid by cash, personal check, cashier's check, or money order to the Association, free of charge, by mail, courier, or personal delivery to the following address: 120 Spinnaker Place, Port Ludlow, WA 98365.

4. **Change in Rates.** The fees, costs, and rates set forth in this resolution may be changed, from time to time, by resolution of the Board and posting such resolution (when adopted) on the Association's website.

BOARD CERTIFICATION

The undersigned, being the President, of The South Bay Community Association, a Washington nonprofit corporation, certifies that the foregoing resolution was adopted by the Board of Directors of the Association, at a duly called and held meeting of the Board of Directors on 3/12/2026. A copy of the resolution was given to all Unit Owners according to their notice preference on or before 3/20/2026.

Dated this third, day of March 2026.

The South Bay Community Association, a Washington nonprofit corporation

By: Cardyn E. O'Keeffe

Print Name: CARDYN E. O'KEEFFE, SBCA Board President