

DELINQUENCY COLLECTION POLICY
AOAO THE VILLA ON EATON SQUARE

On this date, in accordance with Hawaii Revised Statutes, Chapter 514A, as amended by Act 236 of the 1999 Hawaii Legislature, effective into law on July 2, 1999, the Board of Directors of the Association of Apartment Owners of The Villa on Eaton Square ("Association"), hereby adopts this Delinquency Collection Policy (hereinafter referred to as, "Policy"), which shall become effective immediately upon the obtaining of either the approval of a majority of those owners present at an annual or special meeting, or the obtaining of the written consent of a majority of all unit owners approving this Policy.

In order to facilitate the collection of delinquent maintenance fees and assessments, the Board of Directors shall, as it may determine to be necessary, implement any or all of the following procedures against any unit owner who is more than thirty (30) days delinquent on payment of any monthly maintenance fees for common expenses:

1. **Collection of Rents from Tenants.** The Board of Directors, or legal counsel for the Association, and/or the Property Manager, acting at the direction of the Board of Directors, shall make demand in writing and receive each month from any tenant occupying the apartment, an amount sufficient to pay all sums due from the apartment owner to the Association, including interest, if any, but the amount shall not exceed the tenant's rent due each month. Prior to taking of this action, the Board of

Directors shall give to the delinquent apartment owner written notice of its intent to collect the rent owed. Such notice shall: (1) Be sent by both first-class and certified mail; (2) Set forth the exact amount the association claims is due and owing by the apartment owner; (3) Indicate the intent of the Board of Directors to collect such amounts that become due and remain unpaid. However, the Board of Directors shall not demand payment from the tenant pursuant to this section if: (1) A commissioner or receiver has been appointed to take charge of the premises pending a mortgage foreclosure; (2) A mortgagee is in possession pending a mortgage foreclosure; (3) The tenant is served with a court order directing payment to a third party.

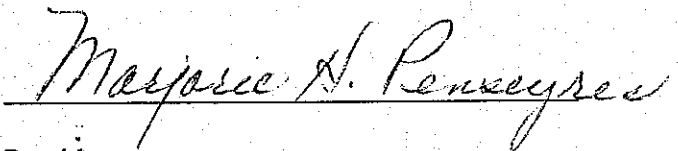
2. **Judicial and/or Non-Judicial Foreclosure Proceedings.** In addition to the recording of a Notice of Lien, and/or the filing of a non-foreclosure collection lawsuit, the Board may institute judicial and/or non-judicial foreclosure proceedings in accordance with H.R.S. 514A-90(a) and/or H.R.S. Chapter 667;
3. **Discontinue Services and Privileges.** As an alternative to institution of judicial and/or non-judicial foreclosure proceedings, where an apartment is owner-occupied, the Board of Directors, after sixty (60) days' written notice to the apartment owner and to the apartment's first mortgagee of the nonpayment of the apartment's share of common expenses, may terminate the delinquent apartment's access to the common elements and cease supplying a delinquent apartment with any and all services normally

supplied or paid for by the Association of Apartment Owners. Further, not less than ten (10) days prior to the date such services are to be discontinued, the Property Manager shall physically affix written notice to the front door of such unit advising as to date of termination of such services. Finally, prior to the termination of services by the Association pursuant to the provision, the Property Manager shall take reasonable steps to ascertain whether an invalid or medically dependent individual resides in any such unit, and should it be determined that such an individual resides in the unit, electricity and water will not be discontinued.

This Policy shall be uniformly applied to all unit owners, and shall be administered by the Property Manager and/or legal counsel for the Association, under the supervision and direction of the Board of Directors.


Upon the approval of this Policy by the Association in accordance with the procedures set forth herein, this Policy shall immediately become effective. Following approval by the Association, a copy shall be posted prominently at the project known as the Academy Tower. Another copy of this Policy shall be maintained by the Property Manager with the project governing documents to be made available for inspection in accordance with Hawaii law.

ADOPTED BY THE BOARD OF DIRECTORS OF AOA THE VILLA ON
EATON SQUARE ON THIS 12th DAY OF February, 2000.



President
AOAO THE VILLA ON EATON SQUARE

I CERTIFY ON THE 12th DAY OF February, 2000, A
MAJORITY OF THOSE OWNERS OF THE ASSOCIATION OF APARTMENT
OWNERS OF THE VILLA ON EATON SQUARE EITHER THOSE PRESENT AT A
SPECIAL OR ANNUAL MEETING, OR A MAJORITY OF ALL OWNERS GAVE
THEIR WRITTEN CONSENT APPROVING ADOPTION OF THE
AFOREMENTIONED POLICY.



Secretary
AOAO THE VILLA ON EATON SQUARE