

DAYBREAK COMMUNITY ASSOCIATION
Definition of Bad Debt Reserve and Procedure

In accordance with generally accepted accounting principles, the Association uses the Allowance Method to recognize contingency losses for receivables, which are both probable and estimable.

Amounts will be reserved on the balance sheet as a bad debt reserve for accounts that are delinquent. Amounts to be reserved are as follows:

- All owner and builder accounts that are 90 days or more delinquent.
 - If an account is 90 days or more delinquent, an amount equal to 60% of the amount in all aging categories, including current, will be reserved.
- Board will agree to review bad debt on a monthly basis and adjust the percentage as needed on a semi-annual basis.

Bad debt amounts to be booked monthly:

- The bad debt reserve will be adjusted monthly based on the procedure above.


Accounts to be written-off:

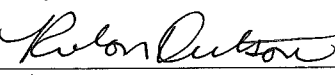
- The Board, with information provided by Management and their attorney, has the right to determine if an account is no longer collectible, and should be written off.
- All accounts will be written off to the bad debt reserve, if they are included in the reserve or directly to bad debt expense if they are not included in the reserve.

The Board reserves the right to make modifications to this Definition and Procedure at its discretion. The Association's intent is to make every attempt to collect these delinquent amounts and the recognition of related contingency losses is for receivable valuation purposes only. The delinquent amounts will remain on the member's accounts until it is determined that the delinquent amounts are not collectible.

The undersigned, in their capacity as the Board of Directors of the Association, by affirming their signatures hereto, hereby consent to, authorize, and approve of the foregoing definition for use in managing the financial affairs of the Daybreak Community Association this 23 day of FEBRUARY, 2011 until such date as it may be modified, rescinded or revoked.

DAYBREAK COMMUNITY ASSOCIATION, INC

By:  Date: 2.23.11
Ty McCutcheon, President

By:  Date: 2/23/11
Rulon Dutson, Secretary