



VERRADO® 2016
ANNUAL GOVERNANCE
PACKAGE



December 1, 2015

Dear Verrado® Homeowner,

On behalf of the Boards of Directors, the Verrado Community Association, Inc. ("VCA") and Verrado Assembly ("VA") produce an annual governance package to share with all Verrado homeowners in compliance with our governing documents.

In this package, please find the following:

- 1) Notice of 2016 Budget
- 2) 2016 Budget Summary
- 3) 2016 Verrado Governance Overview
- 4) 2016 Assessment and Fee Schedule
- 5) Noncompliance Enforcement Guidelines & Schedule of Monetary Penalties
- 6) Delinquency Policy and Guidelines

The VCA would like to highlight some policy clarifications noted in this package:

Noncompliance Enforcement Guidelines and Schedule of Monetary Penalties: Per Section 7.1(b) of the Community Charter, lease agreements must be a minimum of one (1) year. Vacation rentals are not permitted. Owners who violate this policy may be subject to deactivation of access cards to community amenities and also a monetary penalty of \$500.00.

Restrictions on Commercial Vehicles: Per the Community Charter for Verrado, Exhibit "C", Initial Rules, the parking of commercial vehicles in places other than enclosed garages, is prohibited. To further clarify this rule, commercial vehicles are defined as any motorized vehicle or towed vehicle designed or used for a commercial or industrial function, including:

- Any vehicle registered or insured as a commercial vehicle.
- Panel trucks with commercial signage.
- Any vehicle, regardless of rating, that has visible racks for equipment, supplies or tools installed, or other appurtenances commonly used for commercial or industrial function.
- Vehicles with commercial lettering/signage or wraps that serve to promote or advertise a business or service. Magnetic overlays that closely match the vehicle color may be used to completely cover commercial lettering/signage.
- This definition shall not apply to vehicles protected under A.R.S. § 33-1809.

We appreciate your cooperation to help preserve and protect our community standards.

For any questions regarding information in the annual governance package, please contact the VCA at communityassociation@verrado.com or 623-466-7008. We also invite you to attend the Annual Membership Meeting of the Verrado Community Association, Inc. slated for February 16, 2016. Please visit verrado.net for Annual Meeting details and to RSVP.

Sincerely,
The Staff of Verrado Community Association, Inc. & Verrado Assembly



Verrado Community Association, Inc. & Verrado Assembly
Notice of 2016 Budget
December 1, 2015

Annually, the Board of Directors for the Verrado Community Association, Inc. ("VCA") and the Board of Trustees for the Verrado Assembly ("VA") prepare a budget for the upcoming fiscal year and set an assessment level to meet the fiduciary requirements of the VCA and the VA, ensuring that operating expenses and reserve allocations are adequately funded in accordance with Chapter 12 of the Community Charter and Chapter 2 of the Community Covenant.

These budgets reflect the VCA's and VA's efforts to continue to responsibly manage our resources and protect Verrado's long-term vision. This includes the VCA's priorities for maintaining important community amenities like The Center on Main™ and Heritage Swim Park and for preserving our distinguishing community landscapes such as tree-lined streets, community parks and common areas. It also includes the VA's priorities for supporting our unique and growing community programs.

The Boards have found it necessary to increase the VCA base assessment to \$113.00 and also decrease the VA base assessment to \$12.00 (no change in the combined base assessment from 2015). A copy of the VCA and VA budget is available on verrado.net and at the VCA office located at 4252 N. Verrado Way, Suite B200, Buckeye, AZ 85396.

Please remember: Assessments are due in full on the 1st of each month; late charges will be assessed after the 15th of the month. If you use an Online Bill Pay service with your bank or credit card, please confirm the withdrawal amount for your monthly assessments beginning January 1, 2016 (and please confirm your account number and mailing address, ensuring proper and timely payment).

For your convenience, the VCA and VA offers Direct Debit for automatic monthly assessment withdrawals. Visit verrado.net to enroll with the ACH Direct Debit Form – select the *Community Assessments* Quick Link or select *Community Assessments* from the menu under *My Home*. Here you will also find secure links to third party websites to make a payment and/or access account information. Our accounting team is also available to provide assistance at accounting@verrado.com.

As we head into 2016, Verrado's founder, DMB, our Verrado team, and the VCA and VA staff, are committed to moving our community forward for long-term success.

By order of the Boards of Directors,

Verrado Community Association, Inc. and Verrado Assembly



Verrado Community Association, Inc. 2016 Budget

FEES

Verrado Community Association, Inc. Assessment	\$	113.00
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REVENUE

Community Association Assessment	\$	5,914,699
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Special Service Area Assessment		77,520
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CFD Reimbursement		155,500
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Legal, Collection & Compliance Fees		112,969
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Transfer & Disclosure Fees		199,881
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Interest		552
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Other Revenue		11,638
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GROSS REVENUE	\$	6,472,759
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Bad Debt		(80,442)
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NET REVENUE	\$	6,392,317
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OPERATING EXPENSES

Administrative	\$	1,240,214
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Utilities		1,523,789
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Landscaping		2,582,422
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Community Engagement		49,300
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Repairs & Maintenance		313,266
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Special Service Area		74,903
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Communications		41,145
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Community Center		533,498
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Other Expenses		9,650
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TOTAL OPERATING EXPENSES	\$	6,368,187
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TOTAL SURPLUS (DEFICIT)	\$	24,130
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Verrado Assembly 2016 Budget

FEES

Verrado Assembly Assessment	\$	12.00
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REVENUE

Assembly Assessment	\$	664,878
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Commercial Maintenance Fees		118,872
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Legal & Collection Fees		33,369
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Transfer & Disclosure Fees		560,386
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Interest		366
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Special Events & Programs		88,560
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GROSS REVENUE	\$	1,466,431
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Bad Debt		(9,632)
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NET REVENUE	\$	1,456,799
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OPERATING EXPENSES

Administrative	\$	869,051
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Community Engagement		410,322
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Commercial Maintenance Expense		118,872
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Communications		42,295
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Other Expenses		5,050
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TOTAL OPERATING EXPENSES	\$	1,445,590
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TOTAL SURPLUS (DEFICIT)	\$	11,209
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2016 VERRADO® GOVERNANCE OVERVIEW

Achieving the shared vision for Verrado is assisted by three distinct, yet complementary nonprofit entities, Verrado Community Association, Inc., (the “Community Association”), Verrado Assembly (“Assembly”), and Victory District Association, Inc. (the “Victory Association”).

VERRADO COMMUNITY ASSOCIATION, INC.

The Community Association preserves Verrado's special landscapes and unique neighborhood settings. Contact the Community Association about governance and operations, assessments and fees, landscape and maintenance of amenities and common areas including parks, community guidelines including compliance and design review applications.

The Community Association is responsible for maintaining Verrado amenities and common areas: The Center on Main® and Heritage Swim Park, major thoroughfares and parkways, path and trail system, natural washes, neighborhood and district parks, and landscape tracts funded by the Verrado CFDs. See *Verrado District 1 and Verrado Western Overlay Community Facilities Districts Disclosure Statement*.*

Governed by a Board of Directors and overseen by a Community Operations Manager, the Community Association enforces the *Community Charter* (the “Charter”)* – a flexible system of standards and procedures for the overall development, administration and preservation of the residential portion of Verrado. All residential property owners are members of the Community Association.

VERRADO ASSEMBLY

The Assembly fosters unique opportunities for social and civic engagement among Verrado residents. Contact the Assembly about events and activities, programs including recreation and Verrado Leadership®, clubs and groups, park and facility reservations, volunteer and philanthropic opportunities, and resident communications.

Governed by a Board of Trustees, and overseen by an Executive Director, the Assembly administers the *Covenant for Community* (the “Covenant”) * – a comprehensive plan for fostering a unified sense of belonging, inclusiveness and pride of place in Verrado.

VICTORY DISTRICT ASSOCIATION, INC.

The Victory District is a 55 plus neighborhood within the Verrado community. Victory residents can enjoy the greater Verrado community and also exclusive access to the Victory Club. Contact the Victory Association about the Victory Club.

Governed by a Board of Directors, and overseen collaboratively by an Executive Director, Community Operations Manager, and Victory Club General Manager, the Victory Association enforces the Declaration of Covenants, Conditions and Restrictions (the “CC&Rs”) – a set of guidelines establishing Victory as an age

qualified neighborhood and providing exclusive use of the Victory Club. All Victory residential property owners are members of the Victory Association.

ASSESSMENTS AND FEES

The Community Association, Assembly and Victory Association are funded by a Board approved, mandatory monthly fee collected from all residential property owners. As of January 1, 2016 the fees are as follows:

\$113.00	Community Association base assessment
\$12.00	Assembly base assessment
\$65.00	Victory Association base assessment

In addition to the above fees, homes in certain neighborhoods may be subject to additional monthly Service Area Assessments for benefits or services provided by the Community Association not common to all owners.

*Note: Other assessments and fees may be applicable as delineated in the governing documents. All assessments and fees, as of January 1, 2016, are subject to change in accordance with the governing documents. Special use and consumption fees may be required for certain amenities, programs, events and activities. See the 2016 Verrado Assessment & Fee Schedule.**

DESIGN GUIDELINES

To preserve the character and to maintain consistency in the quality of improvements within the Verrado community, Design Review is a free, mandatory and advance approval process for owners who want to modify the exterior of their home. See *Residential Design Guidelines*.*

In addition to the *Residential Design Guidelines*, custom home/homesite owners should also refer to the *Custom Home Design Guidelines* and *Custom Home Design Guidelines – Regent Hills*.*

GOVERNING DOCUMENTS

The Charter, Covenant and CC&Rs for Verrado are documents in accordance with Arizona regulations regarding the establishment of non-profit organizations, and cannot be changed without a specific vote by Verrado property owners. If approved, these changes become amendments and are recorded with the Maricopa County Recorder's Office. Please be advised that failure to abide by the governing documents can result in specified legal remedies and/or a fine. The *Bylaws** outline the manner in which the Community Association and Assembly should be overseen and govern internal affairs such as voting, elections and meetings.

*Governing documents may be amended periodically. All current governing and financial documents are available on verrado.net.

CONTACT INFORMATION

Community Association 623-466-7008 or communityassociation@verrado.com
Assembly 623-466-7000 or assembly@verrado.com
Victory Association 623-466-7008 or victoryassociation@verrado.com

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Verrado Community Association, Inc.
 Verrado Assembly
 Victory District Association, Inc.
 2016 Assessment and Fee Schedule

Monthly Assessments and Fees

Verrado Community Association, Inc. Assessment (Community Charter for Verrado, Chapter 12, Section 12.2 (b))	\$113.00
Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a))	\$12.00
Victory District Association, Inc. Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.2.1)	\$65.00
Frank Special Service Area Assessment (Community Charter for Verrado, Chapter 12, Section 12.2(c))	\$85.00
Apartment - Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a)) (Commercial Covenant for Verrado, Exhibit C)	\$12.00/ERU
Apartment Maintenance Charge (Commercial Covenant for Verrado, Chapter 4, Section 4.3; Exhibit C)	\$39.00/ERU
Commercial – Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a)) (Commercial Covenant for Verrado, Exhibit C)	\$12.00/ERU
Commercial Maintenance Charge (Commercial Covenant for Verrado, Chapter 4, Section 4.3; Exhibit C)	\$39.00/ERU

Delinquency and Legal Fees

(Community Charter for Verrado, Chapter 12, paragraph 12.5) (Current Delinquency Account Collection Process)		
Late Fee	Assessed monthly on the 16 th	\$15.00
Demand Fee	Assessed after the 2 nd month Delinquent	\$35.00
Pre-Lien Fee	Assessed after the 3 rd month Delinquent	\$70.00
Collection Agent Fee		\$125.00
Payment Agreement Default Letter		\$85.00
Record Notice of Lien		\$185.00
Delinquency Lawsuit		\$275 & up
Post-Judgment Collection Service		\$135 & up

Property Transfer Fees

(Board of Directors Meeting [October 27, 2015], unless otherwise stated)
(ARS 33-1806 Resale of units; information required; fees; civil penalty; definition)

Builder Transfer

First Time Home Buyer Transfer Fee per Lot	\$100.00
Builder Community Recreation Fee (Covenant for Community for Verrado, Section 2.3(g))	\$250.00
Capitalization of the Assessment - 1/6 of the Annual Assessment (Community Charter for Verrado, Chapter 12, Section 12.9)	\$226.00
Upfront Monthly Assessment Collected at Closing 2 months (Board of Directors Meeting [October 27, 2015])	\$250.00

Builder Transfer for Victory District; In Addition to Above Fees

First Time Home Buyer Transfer Fee per Lot	\$100.00
Start-Up Fee – 1/6 th of the Annual Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.13) (Builder to First Purchaser)	\$130.00
Reserve Fund – 1/4 th of the Annual Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.14) (Builder to First Purchaser; Resale Owner to Owner)	\$195.00
Upfront Monthly Assessment Collected at Closing 2 months (Board of Directors Meeting [October 27, 2015])	\$130.00

Resale Transfer

Resale Transfer Fee	\$300.00
Resale Disclosure Fee	\$75.00
Community Enhancement Fee (Covenant for Community for Verrado, Section 2.3(f))	½ of 1% of the Gross Sales Price + \$250.00
Upfront Monthly Assessment Collected at Closing 2 months (Board of Directors Meeting [October 27, 2015])	\$250.00

Resale Transfer for Victory District; In Addition to Above Fees

Resale Transfer Fee	\$100.00
Reserve Fund – 1/4 th of the Annual Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.14) (Builder to First Purchaser; Resale Owner to Owner)	\$195.00
Upfront Monthly Assessment Collected at Closing 2 months (Board of Directors Meeting [October 27, 2015])	\$130.00

Builder to Builder Transfer

Builder to Builder Transfer Fee per Lot	\$50.00
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Any Non-Exempt Transfer Other Than a Sale

Community Enhancement Fee [Covenant for Community for Verrado, Section 2.3(f)]	½ of 1% of the Estimated Fair Market Value + \$250.00
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Property Setup Fees

(Board of Directors Meeting [October 27, 2015], unless otherwise stated)
(ARS 33-1806 Resale of units; information required; fees; civil penalty; definition)
(ARS 33-1806.01 Rental property; member and agent information; fee; disclosure)

Tenant Account Setup Fee	\$25.00
Foreclosure Setup Fee	\$400.00
Administrative Transfer Setup Fee (Applicable for Community Enhancement Fee Exempt Transfers Covenant for Community for Verrado Section 2.3(f)(iv))	\$75.00
Third Party Disclosure Fee www.homewisedocs.com	\$25.00
Resale Rush Fee – 72 hours	\$100.00
Resale Update Fee – After 30 days	\$50.00

Non-Compliance Monetary Penalties

(Community Charter for Verrado, Chapter 8, Sections 8.2(a)(i) & 8.2(a)(vii))
(Community Charter for Verrado, Chapter 12, Section 12.4 (b))

Amenity Violation	\$100.00
Animals & Pets	\$50.00
Commercial Vehicle/Recreational Vehicle/Inoperable Vehicle	\$50.00 per day
Exterior Architectural Maintenance; Missing/Damaged Elements	\$150.00
Landscape Maintenance Violation(s)	\$150.00
Property Rental – Short Term Rental	\$500.00
Trash/Recycling Container Stored in Unapproved Location	\$25.00 per day
Unapproved Architectural Modification(s)	\$200.00

Design Review Submittal Fees

(Community Charter for Verrado, Chapter 5, Section 5.2(d))

Residential Application	\$0.00
Commercial Application	\$0.00
Retroactive Design Review Application Fee <i>Non-refundable fee for work completed prior to Design Review Approval</i>	\$50.00
Custom Home Design Review Fee <i>Parcels 3.101, 5.701, 5.802, 5.803, 5.804</i>	\$3,300.00

Custom Home Design Review Fee
Parcel 5.505 – Regent Hills \$4,000.00

Custom Home Additional Reviews - Each Submittal \$250.00

Park Rentals Available At:

Founders Park, Hamilton’s Run, Hillcrest Park, King’s Green, Village Commons, Walton Park, Cambridge Plaza, Park Meadows

Park Reservation Non-Wedding – 3 hour minimum \$10.00/Hour

Park Reservation Wedding – 3 hour minimum \$50.00/Hour

Celebration Lawn (6am – 10pm) \$250.00/Day

The Center on Main Room Rentals:

Board Room – 3 hour minimum \$25.00/Hour
[20 people allowed in the pool during reservation]

Multipurpose Room – 3 hour minimum \$50.00/Hour
[40 people allowed in the pool during reservation]

Board & Multipurpose Room Combined (Weddings) – 5 hour minimum \$100.00/Hour

Heritage Swim Park:

Heritage Swim Park Ramada – 3 hour minimum \$20.00/Hour
[20 people allowed in the pool during reservation]

The Giving Tree Pavilion – 3 hour minimum \$20.00/Hour
[20 people allowed in the pool during reservation]

Access Cards – Per Lot

First & Second Card – Supplied as a Courtesy for Owners & Tenants \$0.00

Third Card or Replacement Card \$25.00

Minors’ Fitness Room Eligibility Card or Replacement Card \$15.00



Verrado Community Association, Inc. Noncompliance Enforcement Guidelines

Adopted October 27, 2015

Effective January 1, 2016

Courtesy Notice

A Courtesy Notice may be verbal or in writing informing the resident of the noncompliance issue, including any violation(s) of the CC&Rs, Verrado Resident Access Card Agreement, The Center on Main™ and Heritage Swim Park ("The Amenities") rules, Facility Rental Agreement, Minor's Use of Fitness Room at The Center on Main™ Agreement and requests corrective action be taken.

Second Notice

Advise resident they have ten (10) days to remedy the noncompliance issue, or further enforcement action may be taken, except for:

- a. Trash/recycling container(s), which is immediate;
- b. Commercial Vehicle/Recreational Vehicle/Inoperable Vehicle Parking, which is immediate;
- c. Violations of the Verrado Resident Access Card Agreement, which is immediate;
- d. Violations of the Facility Rental Agreement and/or Amenity rules, which is immediate;
- e. Violations of the Minors' Use of Fitness Room at The Center on Main Agreement, which is immediate;

Hearing Notice

Advise resident that if the violation is not corrected within ten (10) days, a monetary penalty may be imposed, and access to the amenities may be terminated for a period up to ten (10) days and provides the resident an opportunity to be heard in accordance with Arizona State Law.

Monetary Penalty Notice

Advise resident of the nature of the violation, stipulates the monetary penalty (fine) to be imposed. The resident is also advised that if the violation is not corrected within ten (10) days, additional monetary penalties may be imposed every ten (10) days until the violation is corrected.

Note: When a violation of the Community Charter, Exhibit "C", Initial Rules, Prohibited Conditions and/or the Declaration of Covenants, Conditions and Restrictions for the Victory District is noted, the Board may take whatever enforcement action necessary to remedy the violation without adherence to the above procedures (e.g., impose monetary penalty, exercise self-help, suspend privileges, proceed with legal action, etc., at the owner's expense).



Verrado Community Association, Inc.
Schedule of Monetary Penalties
Adopted October 27, 2015
Effective January 1, 2016

In accordance with the Community Charter for Verrado, Chapter 8, Compliance and Enforcement, paragraph 8.1(a), the following schedule of monetary penalties, approved by the Board of Directors of Verrado Community Association, Inc., may be imposed for violations of the governing documents.

Violation	Monetary Penalty
Amenity Violation	\$100.00
Animals & Pets	\$50.00
Commercial Vehicle*/Recreational Vehicle/Inoperable Vehicle	\$50.00 per day
Exterior Architectural Maintenance; Missing/Damaged Elements	\$150.00
Landscape Maintenance Violation(s)	\$150.00
Short Term Property Rental	\$500.00
Trash/Recycling Container Stored in Unapproved Location	\$25.00 per day
Unapproved Architectural Modification(s)	\$200.00

*See attached Exhibit A, Defining Commercial Vehicles

Complaints must be in writing through the Verrado Community Concern Form, available on www.verrado.net. Management does not act on anonymous information in accordance with A.R.S. § 33-1803.

Monetary Penalties are subject to change. Please refer to the current years VCA & VA Assessment & Fee Schedule. If you require further information, please contact the Verrado Community Association, Inc. at 623-466-7008 or communityassociation@verrado.com.



Exhibit A
Defining Commercial Vehicles
Adopted October 27, 2015
Effective January 1, 2016

The term "Commercial Vehicle" is defined as any motorized vehicle or towed vehicle designed or used for a commercial or industrial function. This includes:

- Any vehicle registered or insured as a commercial vehicle.
- Panel trucks with commercial signage.
- Any vehicle, regardless of rating, that has visible racks for equipment, supplies or tools installed, or other appurtenances commonly used for commercial or industrial function.
- Vehicles with commercial lettering/signage or wraps that serve to promote or advertise a business or service. Magnetic overlays that closely match the vehicle color may be used to completely cover commercial lettering/signage.
- This definition shall not apply to vehicles that are permitted under A.R.S. § 33-1809.



VERRADO COMMUNITY ASSOCIATION, INC.
DELINQUENCY POLICY AND GUIDELINES

Adopted October 27, 2015

Effective January 1, 2016

RECITALS:

A. All terms not specifically defined herein shall have the meaning(s) ascribed to them in the Community Charter for Verrado recorded on September 30, 2002, as Instrument No. 20021008906, in the Official Records of Maricopa County, Arizona, as amended and supplemented from time to time (collectively, the “**Charter**”).

B. Pursuant to Chapter 12 of Charter, the Board of Directors of Verrado Community Association, Inc. (the “**Association**”) has the responsibility of collecting various fees as well as assessments, such as Base Assessments, Service Area Assessments, Special Assessments, and Specific Assessments, from the Owners for the various purposes set forth therein. The fees and the Base Assessments, Service Area Assessments, Special Assessments, and Specific Assessments are collectively referred to herein as, the “**Fees and Assessments.**”

C. The Association is entitled to recover the Fees and Assessments and reasonable collection costs, reasonable attorney’s fees, late fees and interest (collectively, the “**Delinquency Costs**”) when the Fees and Assessments are not paid on time. Each Fee and Assessment payable with respect to a Unit, and all associated Delinquency Costs, are the personal obligation of the Owner(s) of such Unit at the time when the Fees or Assessments becomes due, and is also an obligation secured by a lien on the Unit as set forth in Sections 12.6 and 12.7 of the Charter.

D. The following Delinquency Policy and Guidelines were approved and adopted by the Board of Directors of the Association by a Unanimous Written Consent dated effective as of October 27, 2015 (the “**Unanimous Consent**”), with said Delinquency Policy and Guidelines to become effective on January 1, 2016:

Action to Be Taken When Account is Delinquent

1. Payment Schedule, Late Fees and Charge Back Fees.

(a) Pursuant to Section 12.5 of the Charter, both the Base Assessment and any Service Area Assessment shall be due and payable in advance, on the first (1st) day of each fiscal year of the Association, unless the Board directs otherwise. Pursuant to this authority, the Board has determined that the Base Assessments and any Service Area Assessments shall be collected on a monthly basis and are due and payable in full on the first (1st) day of each month.

(b) The Base Assessments and any Service Area Assessments will be deemed delinquent if they are unpaid by 5:00 p.m. on the fifteenth (15th) day of the month. The Association shall post payments on the day that the payment is received by the Association.

(c) Pursuant to Section 12.3 of the Charter, Special Assessments may be due and payable in one payment or periodically as the Board shall direct at the time that the Special Assessment is levied; however, in no event shall the installment of a Special Assessment be due from an Owner sooner than thirty (30) days after the Board has adopted its resolution authorizing such Special Assessment.

(d) Pursuant to Section 12.4 of the Charter, Specific Assessments shall be due and payable at times determined by the Board. Any Specific Assessments levied pursuant to Section 12.4(b) shall be due and payable only after written notice and an opportunity for a hearing that is provided in accordance with the By-Laws.

(e) A \$15.00 late fee will be charged on the delinquent Fees and Assessments (the "**Late Fee**"). All delinquent charges shall be due and payable immediately, without notice, in the manner provided in the Charter (and as set forth herein) for payment of Fees and Assessments.

(f) Any check returned by the bank for insufficient funds, stop payment or for other reasons is subject to a charge back to the Owner of the amount of the check, an administrative fee and any bank fees charged to the Association (the "**Insufficient Fund Fee**"). The Insufficient Fund Fee shall be in addition to any Late Fee or interest incurred by an Owner.

(g) Unless otherwise directed by the payor, payments received will be applied in the following order: (1) Unpaid principal, (2) Interest, (3) Late Fees, (4) Collection Costs, (5) Attorney's fees incurred due to the delinquency, and (6) to unpaid penalties or other charges on the account.

(h) Pursuant to Section 12.6(a) of the Charter, if an Owner requests, in writing, verification of Fees and Assessments, then within fifteen (15) days of such request, the Association (or the Association through its managing agent) will supply such verification. No further debt collection will be taken with respect to such Owner for a period of fifteen (15) days after the verification has been provided.

(i) Any Owner may submit a request for special consideration to the Board of Directors in writing to delay the payment of any Fees and Assessments imposed by the Association. The Association may, on a case by case basis, make special arrangements with the Owner for the delayed payment of any Fees and Assessments.

2. Notices to Delinquent Owners. The Association, or the Association via its managing agent, may send late notices after a delinquency has arisen on an account. Once an account

has had a delinquency for greater than forty-five (45) days, the Association, or the Association via its managing agent, may also send a letter to such Owner that the Association reserves the right to turn such delinquent account over to legal counsel for handling. The failure of the Association or its managing agent to send such a letter is not a violation of the Delinquency Policy and Guidelines. Such a letter is a courtesy only and is not required under the Charter or applicable state law.

3. Debt Collection Referral to Legal Counsel.

(a) Though generally a delinquent account will not be turned over to legal counsel for handling until there has been a delinquency for at least ninety (90) days, the Association reserves the right to turn an account over to its legal counsel at any time after a delinquency has arisen.

(b) Once an account has been turned over to legal counsel, the Association will rely on the advice and guidance of legal counsel in determining what course of action should be taken related to such delinquent account. Options include, but are not limited to, the following or any combination of the following if the above collection efforts have not been successful: (1) Demand letter requesting payment by certain date, (2) Notice of Lien being recorded, (3) Personal Judgment litigation, and (4) Foreclosure of the Association's assessment lien. The decision to pursue one remedy does not limit or prohibit the Association from pursuing any and all other available remedies pursuant to the Charter and/or state or federal law.

(c) The facts and circumstances of each file will be taken into consideration, which may include, but are not limited to, the following: (1) amount of delinquency, (2) length of time a delinquency has existed on such account, (3) residency of Owners (i.e., in state or out of state), and (4) whether a Trustee's Sale is set to occur on that property or has already occurred.

(d) Pursuant to the provisions of Sections 12.6 and 12.7 of the Charter, any collection costs and/or attorney's fees the Association incurs related to a delinquent account, will be posted to the Assessment account ledger of the delinquent Owner, and are not only the personal obligation of the delinquent Owner(s), but are also secured by an assessment lien against the Unit of such delinquent Owner(s).

4. Amendments. The Delinquency Policy and Guidelines may be amended from time to time by the Board of Directors.

Verrado Community Association, Inc.
4252 North Verrado Way, Suite B200
Buckeye, Arizona 85396