

Dear Verrado Homeowner,

In compliance with Verrado's governing documents, the Verrado Assembly and Verrado Community Association, Inc., produces an annual governance package to share with all Verrado homeowners. Enclosed – and also available on verrado.net – please find copies of the following:

- 1) 2012 Budget Notification
- 2) 2012 Budget Summary
- 3) 2012 Verrado Governance Overview
- 4) 2012 Assessment and Fee Schedule
- 5) Noncompliance Enforcement Guidelines

In addition, the Community Association wanted to share some additional details about two fee changes noted in the Verrado Community Association, Inc., & Verrado Assembly 2012 Assessment and Fee Schedule:

- **Rental Setup Fee:** Effective January 1, 2012, homeowners that rent their Verrado home will be charged \$100.00 for each new lease agreement (no retroactive charges). Following best practices in community management and in accordance with Verrado's governing documents and Arizona state law, these renter fees ensure that the Verrado Community Association, Inc., has current records for all residents in order to protect the assets of the community and engage with residents about community news and events.
- **Retroactive Design Review Application Fee:** Effective January 1, 2012, homeowners who do not adhere to the Community Association's Design Review process for exterior home modifications are subject to a \$250.00 Retroactive Design Review Application Fee that may be removed if the approved modifications are made within 30 days to meet Community Standards.

It is the goal of the Verrado Community Association, Inc., to work in partnership with residents to protect Verrado's unique Community Standards. Currently, Design Review is a free and mandatory approval process for residential homeowners that want to change or modify the exterior of their home. Established to ensure the character of Verrado remains true to its vision, and to maintain consistency in the quality of improvements within Verrado, Design Review requires prior approval of the Design Review Committee, as outlined in the Charter, before any exterior changes or modifications are made. This includes, but is not limited to, the addition of structure(s), modification of front-yard landscaping (and back-yard landscaping for lots with view fencing), for example, sunscreens, painting, security and screen doors, and solar systems.

To submit a Design Review Application in advance of exterior home modifications, visit verrado.net and select the *Apply to Modify Your Home Exterior* Quick Link.

For any questions regarding the information enclosed in this correspondence, please contact the Verrado Community Association, Inc., at communityassociation@verrado.net or 623-466-7008. We also invite you to join us at the Verrado Community Association, Inc. Annual Membership Meeting slated for March 2012; date TBD. Please visit verrado.net for Annual Meeting details and to RSVP.

By order of the Boards of Directors,
Verrado Assembly & Verrado Community Association, Inc.



**Verrado Assembly & Verrado Community Association, Inc.
Notice of 2012 Budget
November 15, 2011**

Annually, the Boards of Directors for the Verrado Assembly and the Verrado Community Association, Inc. prepare a budget for the upcoming fiscal year and set an assessment level to meet the fiduciary requirements of the Assembly and the Community Association, ensuring that operating expenses and reserve allocations are adequately funded in accordance with Chapter two of the Verrado Community Covenant and Chapter twelve of the Community Charter.

Enclosed – and also available on verrado.net – please find a copy of the 2012 budget. The 2012 budget reflects the Assembly and Community Association’s efforts to continue to responsibly and sustainably manage our resources, prioritizing protection of Verrado’s long-term vision. This includes the Community Association’s priorities for maintaining our distinguishing community features such as community parks, common areas, and tree-lined streets; it also includes the Assembly’s priorities for supporting our unique community programs such as community events, leadership programs, and club and group activities.

In that spirit, the Boards of Directors have found it necessary to set the Assembly base assessment to \$20.00, and to set the Community Association base assessment to \$94.00; in addition, the separate, mandatory Telecommunications Fee is \$40.99* for a total monthly amount of \$154.99 per month.

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 adjust the withdrawal amount for your monthly assessments beginning January 2012 (and please confirm your account number and mailing address ensuring proper and timely payment). You may pay for the entire year in advance by submitting payment in January; there are no discounts available for full-year payments.

The Verrado Assembly and Verrado Community Association, Inc., offer homeowners secure and convenient opportunities to access your account and to make assessment payments online, including scheduling recurring and making one-time payments. For details, visit verrado.net and select the *Assessments* option from the *In My Home* navigation menu.

In 2012, DMB Associates, Inc. will continue to prudently manage its business to meet the ongoing and changing needs of the market. DMB remains committed to moving Verrado forward for long-term success. The Assembly and Community Association staff is well positioned to support Verrado’s community life for a sustainable, legacy community.

By order of the Boards of Directors,
Verrado Assembly and Verrado Community Association, Inc.

*The separate, mandatory monthly Telecommunications Fee for Cox High-Speed Internet – a special discount rate for Verrado – is a pass-through fee facilitated by the Community Association. Telecommunications Fees are determined by Cox Communications, and in accordance with Verrado’s governing documents, fee increases are passed directly to residential property owners.



VERRADO COMMUNITY ASSOCIATION, INC.
2012 BUDGET

FEES

Verrado Community Association Assessment	\$	94.00
Verrado Assembly Assessment	\$	20.00
Mandatory Telecommunity Fee*	\$	40.99

REVENUE

Community Association Assessment	\$	3,602,568
Special Service Area Assessment	\$	62,220
CFD Reimbursement	\$	200,000
Legal, Collection & Compliance Fees	\$	125,820
Transfer & Disclosure Fees	\$	206,724
Interest	\$	8,930
Other Revenue	\$	12,098
GROSS REVENUE	\$	4,218,360

Bad Debt	\$	335,902
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NET REVENUE	\$	3,882,458
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OPERATING EXPENSES

Administrative	\$	803,356
Utilities	\$	1,090,638
Landscaping	\$	2,067,943
Community Building	\$	22,100
Repairs & Maintenance	\$	219,877
Special Service Area	\$	56,228
Communications	\$	20,100
Other Expenses	\$	13,050
TOTAL OPERATING EXPENSES	\$	4,293,291

INCOME BEFORE RESERVES & SUBSIDIES	\$	(410,833)
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TOTAL RESERVE DISTRIBUTIONS	\$	(18,041)
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TOTAL SURPLUS (DEFICIT)**	\$	(428,874)
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Developer Subsidy	\$	-
Future Reserve Contributions	\$	193,999

*This is a separate, mandatory monthly Telecommunications Fee for COX High-Speed Internet – a special discount rate for Verrado residents and is an exact-cost pass-through fee facilitated by the Community Association. Telecommunications Fees are determined by COX Communications, and in accordance with Verrado's governing documents, property fee increases are passed directly to residential owners.

** 2012 budgeted deficit will be covered with 2011 surplus



VERRADO ASSEMBLY 2012 BUDGET

FEES

Verrado Community Association Assessment	\$	94.00
Verrado Assembly Assessment	\$	20.00
Mandatory Telecommunity Fee*	\$	40.99

REVENUE

Assembly Assessment	\$	809,760
Telecommunity Fee	\$	957,772
Apartment & Commercial Dues	\$	48,240
Legal & Collection Fees	\$	42,600
Transfer & Disclosure Fees	\$	373,000
Interest	\$	1,290
Special Events & Programs	\$	11,400
Other Revenue	\$	-
GROSS REVENUE	\$	2,244,062

Bad Debt	\$	99,239
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NET REVENUE	\$	2,144,823
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OPERATING EXPENSES

Administrative	\$	541,834
Community Building	\$	248,380
Telecommunity	\$	957,772
Communications	\$	19,000
District Club Fees	\$	403,665
Other Expenses	\$	58,290
TOTAL OPERATING EXPENSES	\$	2,228,941

INCOME BEFORE RESERVES & SUBSIDIES	\$	(84,118)
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TOTAL RESERVE DISTRIBUTIONS	\$	(1,090)
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TOTAL SURPLUS (DEFICIT)**	\$	(85,208)
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Developer Subsidy	\$	-
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*This is a separate, mandatory monthly Telecommunications Fee for COX High-Speed Internet – a special discount rate for Verrado residents and is an exact-cost pass-through fee facilitated by the Community Association. Telecommunications Fees are determined by COX Communications, and in accordance with Verrado's governing documents, property fee increases are passed directly to residential owners.

** 2012 budgeted deficit will be covered with 2011 surplus



2012 VERRADO® GOVERNANCE OVERVIEW

Verrado is a community defined by its extraordinary setting and by the people who live in and care for this special place we call “home.” As neighbors, we share a common vision to be part of an authentic community that enhances our quality of life, today and in the future. Achieving our shared vision for Verrado is assisted by two distinct, yet complementary nonprofit entities, Verrado Community Association, Inc., (the “Community Association”) and the Verrado Assembly (the “Assembly”).

VERRADO COMMUNITY ASSOCIATION, INC.

The Community Association preserves Verrado's special community landscapes and unique neighborhood settings by ensuring that community standards are maintained for an enhanced quality of life. Please contact the Community Association for questions and suggestions about community life, including: governance and operations issues, assessments and fees, landscape and general maintenance of community common areas and parks, community guidelines including compliance issues and design review applications.

The Community Association is responsible for the maintenance of the following common areas unique to Verrado: major thoroughfares and parkways, various common areas, path and trail system, natural washes, neighborhood and district parks within Verrado, and landscape tracts funded by the Verrado Community Facilities Districts (“Verrado CFDs”). For more information on CFDs refer to the *CFD Statement*.*

Governed by a Board of Directors, and overseen by a Community Operations Manager, the Community Association's responsibility is to enforce the *Community Charter* (the “Charter”).* The Charter establishes 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 strives to enhance the quality of life for Verrado residents by fostering unique and outstanding opportunities for social and civic engagement that facilitate shared experiences and lasting traditions. Please contact the Assembly for questions and suggestions about community life including: events and activities, programs including Verrado Leadership® and Verrado Youth Leadership®, clubs and groups, park reservations, volunteer and philanthropic opportunities, and verrado.net and other communications tools.

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.

ASSESSMENTS AND FEES

The Community Association and the Assembly are funded by a predetermined mandatory monthly fee collected from all residential property owners. The combined monthly fee as of January 1, 2012 is as follows:

\$94.00 - Community Association base assessment

\$20.00 - Assembly base assessment

\$114.00 total, **plus** a separate mandatory monthly Telecommunications Fee

The mandatory monthly Telecommunications Fee for residential property owners in Verrado is \$40.99 per month for Cox High Speed Internet capability – a special bulk-rate discount off the regular retail price for Verrado residents. Other services provided by Cox Communications, such as telephone and cable TV, are separate and determined by each resident's unique needs; arrangements for additional services must be made directly with Cox.



In addition to the above fees, homes in certain neighborhoods may be subject to additional monthly Service Area Assessments levied to pay expenses incurred for benefits or services provided by the Community Association for certain portions of the Community that are 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, 2012, 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. Please see the 2012 Verrado Assembly/Verrado Community Association Fee Schedule.**

DESIGN GUIDELINES

To ensure that the character of Verrado remains true to its vision, and to maintain consistency in the quality of improvements within Verrado, Design Review is a mandatory approval process for owners that want to change or modify the exterior of their home. Design Review in Verrado is detailed in a document, *Residential Design Guidelines*.^{*} Prior approval must be obtained from the Design Review Committee, as outlined in the Charter, before any exterior changes or modifications are made.

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*.^{*} All of these Guidelines may be amended periodically.

Note: It is the goal of the Community Association to get all exterior home modifications in compliance. Effective January 1, 2012, homeowners who do not adhere to the Community Association's Design Review process for exterior home modifications are subject to a \$250.00 Retroactive Design Review Application Fee that may be removed if the approved modifications are made within 30 days to meet our community standards.

GOVERNING DOCUMENTS

The Charter and the Covenant for Verrado have been drafted 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 the Assembly should be overseen and govern internal affairs such as voting, elections and meetings.

^{*}All current governing documents, including amendments and supplements, and also all current financial documents, including budgets, fee schedules, and financial statements, are available on verrado.net.

CONTACT INFORMATION

Please refer to the current Community Association and Assembly governing documents for more information or visit the Community Governance section of verrado.net. You may contact the Community Association at 623-466-7008 or communityassociation@verrado.net and the Assembly at 623-466-7000 or assembly@verrado.net; you may also visit our offices at 4236 N. Verrado Way, Suite A200, Buckeye, AZ 85396 during normal business hours.

Verrado's Community Association & Assembly Overview is not an offer in any jurisdiction where prior registration or qualification is required. Offer void where prohibited or otherwise restricted by law. No binding offer to sell or lease may be made or accepted prior to issuance of the final Arizona Subdivision Public Report for the property. Lot reservations or conditional sales only may be currently offered in certain neighborhoods. Obtain the Property Report or its equivalent, required by Federal and State law, and read it before signing anything. No Federal or State agency had judged the merits or value, if any, of this property. These materials are the features and amenities depicted herein and are based upon current development plans effective as of January 2012, which are subject to change without notice and should not be relied upon as a commitment by the developer to complete the amenities as proposed or the time when such will be completed, if at all. No guarantee is made that the features and amenities depicted by artist's renderings or otherwise described will be built, or, if built, will be the same type, size, or nature as depicted or described. © January 1, 2012, DMB White Tank, LLC. All rights reserved. The Verrado® name and logos are trademarks of DMB White Tank, LLC.



Verrado Community Association, Inc. & Verrado Assembly 2012 Assessment and Fee Schedule

Monthly Assessments and Fees

Verrado Community Association Assessment (Community Charter for Verrado, Chapter 12, Section 12.2 (b))	\$94.00
Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a))	\$20.00
Tele-Community Fee (Covenant for Community for Verrado, Chapter 6, Section 6.4)	\$40.99
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)	\$20.00/ERU
Apartment Maintenance Charge (Commercial Covenant for Verrado, Chapter 4, Section 4.3; Exhibit C)	\$30.00/ERU
Commercial – Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a)) (Commercial Covenant for Verrado, Exhibit C)	\$20.00/ERU
Commercial Maintenance Charge (Commercial Covenant for Verrado, Chapter 4, Section 4.3; Exhibit C)	\$30.00/ERU

Delinquency and Legal Fees

(Community Charter for Verrado, Chapter 12, paragraph 12.5)
(Verrado Community Association Delinquency Account 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		\$89.00
Payment Agreement Default Letter		\$85.00
Record Notice of Lien		\$185.00
Delinquency Lawsuit		\$275 & up
Post-Judgment Collection Service		\$135 & up

Property Transfer and Setup Fees

(Board of Directors Meeting [November 2, 2011], unless otherwise stated)
(ARS 33-1806 Resale of units; information required; fees; civil penalty; definition)

Rental Setup Fee	\$100.00
First Time Home Buyer Transfer Fee per Lot	\$100.00
Resale Transfer Fee	\$300.00
Resale Disclosure Fee	\$100.00
Resale Rush Fee – 72 hours	\$100.00
Resale Update Fee – After 30 days	\$50.00
Foreclosure Setup Fee	\$400.00
Builder to Builder Transfer Fee per Lot	\$50.00
Builder Recreation Fee (Covenant for Community for Verrado, Section 2.3(g))	\$250.00
Community Enhancement Fee (Covenant for Community for Verrado, Section 2.3(f))	½ of 1% of the Gross Sales Price + \$250.00
Capitalization of the Assessment - 1/6 of the Annual Assessment (Community Charter for Verrado, Chapter 12, Section 12.9)	\$188.00

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))

Unapproved Architectural Modification(s)	\$200.00
Landscape Maintenance Violation(s)	\$150.00
Commercial Vehicle, Recreational Vehicle, Inoperable Vehicle Violation	\$50.00/day
Trash / Recycling Container Violation; Unapproved Signage; Unapproved Exterior Ornamentation	\$25.00/day
Specific Assessment – Self-Help	\$150.00 & up

Design Review Submittal Fees

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

Retroactive Design Review Application Fee	\$250.00
Custom Home Application	\$2,750.00
Additional Reviews - Each Submittal	\$250.00
Residential Application	\$0.00
Commercial Application	\$0.00

Park Rentals

Founders Park, Grand Lawn, Hamilton's Run, Hillcrest Park, King's Green, Village Commons, Walton Park,
Welcome Center Lawn

- Park Reservation Non-Wedding – 3 hour minimum \$10.00/Hour
- Park Reservation Wedding – 3 hour minimum \$50.00/Hour



Verrado Community Association, Inc.
Noncompliance Enforcement Guidelines
Adopted November 2, 2011

1. First Written Notice

Courtesy Notice informing the homeowner of the noncompliance issue and requesting corrective action be taken.

2. Second Written Notice

Advises homeowner they have ten (10) business days to remedy the noncompliance issue, except for trash/recycling container(s), which is immediate, or further enforcement action will be taken.

3. Hearing Notice

Advises homeowner if the violation is not corrected within ten (10) business days, a monetary penalty may be imposed and provides the homeowner an opportunity to be heard in accordance with Arizona State Law.

4. Monetary Penalty Notice

This letter states the nature of the violation, stipulates the monetary penalty (fine) to be imposed. The homeowner is also advised that if the violation is not corrected within ten (10) business 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 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

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

Violation	Monetary Penalty
Unapproved Architectural Modification(s)	\$200.00
Landscape Maintenance Violation(s)	\$150.00
Commercial Vehicle/Recreational Vehicle/Inoperable Vehicle	\$50.00 per day
Trash/Recycling Container Visible on Non-Collection Days	\$25.00 per day

If you require further information, please contact the Verrado Community Association, Inc. at 623-466-7008. Management does not act on anonymous information.