

**COLINA DEL NORTE HOMEOWNERS ASSOCIATION
C/O MORRISON GROUP, INC.
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July 9, 2009

Dear Colina Del Norte Homeowner:

The Board of Directors adopted the enclosed Assessment and Fine Policy at the June 30, 2009 Board Meeting. Additionally, the Paint Palette has been updated per the enclosed Guidelines. You will want to keep this information with your governing documents for future reference.

The Board has two paint color books that may be borrowed when selecting paint colors for the exterior of your house. You may contact Jarrod Robinson to direct to you to a board member should you want to borrow the Color Book.

Enclosed is a Preferred Customer Card from Frazee Paint, which is the preferred paint manufacturer for the exterior of the homes. If you or your painter presents this card at any Frazee store they will provide a discount on your purchase of paint and supplies.

It's time to get ready for the Annual Meeting. It is scheduled for Tuesday, September 29th, 2009 at 6:30 p.m. at the Harris Bank. If you would like to be a part of the Board, please complete the enclosed Nominee Synopsis and return to Morrison Group, Inc. (MGI) by July 31st. We look forward to seeing you at the Annual Meeting.

Sincerely,

The Board of Directors

3. ASSOCIATION INFORMATION

3.1. ASSESSMENTS

The Board is responsible for setting and collecting annual assessments (i.e., HOA dues). Annual assessments may be increased by the Board as of each January 1st; however, the increase is limited, as specified in the §4.3(H)(ii) of the CC&Rs, to an amount based upon the increase in the Consumer Price Index or 5% of the maximum annual assessment for the immediately preceding year, whichever is greater. Per §4.3(G) of the CC&Rs, larger increases must be approved by a specified majority of the Members.

Annual assessments are due in semiannual installments on the dates specified in the notices of assessment.

Special assessments, per §4.4 of the CC&Rs, may be levied by the Association, but only for the purpose of defraying the cost of construction, reconstruction, repair or replacement of capital improvements to the Common Area, or for any other lawful Association purpose. Special assessments must be approved by a specified majority of the Members.

Per §4.1 of the CC&Rs, annual and special assessments, together with interest, costs and reasonable attorneys' fees, are a lien upon each Lot against which such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, is also a personal obligation of the Owner of such Lot at the time the assessment becomes due.

3.2. ASSESSMENT COLLECTION POLICY

3.2.1. LATE FEE

If an Owner does not pay an assessment in full by the last day of the month in which such assessment was due, the Owner will be charged a late fee in an amount **equal to 10% of the unpaid amount of the assessment.**

3.2.2. ASSESSMENT COLLECTION SCHEDULE

If an Owner does not pay an assessment in full by the last day of the month in which such assessment was due, the following assessment collection schedule shall be applicable:

- (A) The **First Notice** of such nonpayment shall be mailed to the Owner via regular mail, as soon as practicable after the last day of the month in which such installment was due, (i) indicating that the Owner's account is delinquent and a late fee has been applied to the account, and (ii) demanding payment in full of the delinquent account within a 15-day period beginning on the date

of the first notice.

- (B) If the delinquent account is not paid in full per the first notice, the **Second Notice** of such nonpayment shall be mailed to the Owner via certified mail, return receipt requested, (i) demanding payment in full of the delinquent account a 15-day period beginning on the date of the second notice, and (ii) stating that a lien will be filed on the Owner's Lot unless such payment is made.
- (C) If the delinquent account is not paid in full per the second notice, a **lien** shall be filed on the Owner's Lot. All costs incurred by the Association in connection with the filing of the lien, including, without limitation, recording fees and reasonable attorneys' fees, shall be charged to the delinquent account. The lien shall not be released unless and until such time as the delinquent account is paid in full.
- (D) After the lien is filed on the Owner's Lot, the delinquent account may be sent to the Association's attorneys for **collection**. All costs incurred in connection with the collection of the delinquent account, including, without limitation, reasonable attorneys' fees and court costs, shall be charged to the delinquent account.
- (E) All payments to the delinquent account will be applied in the following order:
- (i) past due assessments;
 - (ii) lien recording fees;
 - (iii) collection costs, including, without limitation, reasonable attorneys' fees and court costs;
 - (iv) fines; and
 - (v) late fees.

The Association shall not be required to consider waiving any charges to a delinquent account unless the charges were attributable to the fault of the Association or the Management Company.

3.2.3. PAYMENT PLANS

Payment plans shall be accepted under the following conditions:

- (A) Partial payments made in the absence of a properly executed payment plan (i.e., a written payment plan executed by both the Owner

and the Association) shall not be considered a payment plan, and shall not defer the Association's actions under the Assessment Collection Policy.

- (B) Late fees as provided in the Assessment Collection Policy shall not be charged during the term of a payment plan as long as payments are made in accordance with the plan.
- (C) The minimum monthly payment under a properly executed payment plan must equal at least 1/6th of the total amount of delinquent account at the time the plan is executed.

If the Owner defaults on a payment plan, the Association shall resume its actions under the Assessment Collection Policy with no further notice to the Owner.

3.3. FINE POLICY

3.3.1. FINE SCHEDULE

If an Owner or a tenant, guest or invitee of an Owner is found to be in violation of the CC&Rs or these Guidelines, the following fine schedule shall apply to such violation:

- (A) The **First Notice** of such violation shall be mailed to the Owner via regular mail, requesting compliance within a 14-day period beginning on the date of the first notice. **No fine** shall be assessed on the date of the first notice.
- (B) If such violation is not corrected per the first notice, (i) the **Second Notice** of such violation shall be mailed to the Owner via regular mail requesting compliance within a 14-day period beginning on the date of the second notice; and (ii) a **\$50.00 fine** shall be assessed as of the end of such 14-day period, which fine shall be due and payable within 30 days immediately thereafter.
- (C) If such violation is not corrected per the second notice, (i) the **Third Notice** of such violation shall be mailed to the Owner via certified mail, return receipt requested, requesting compliance within a 14-day period beginning on the date of the third notice; and (ii) an additional **\$100.00 fine** shall be assessed as of the end of such 14-day period, which fine shall be due and payable within 30 days immediately thereafter.
- (D) If such violation is not corrected per the third notice, (i) the **Fourth Notice** of such violation shall be mailed to the Owner via certified mail, return receipt requested, requesting compliance within a 14-day period beginning on the date of the fourth notice; and (ii) an additional **\$200.00 fine** shall be assessed as of the end of such 14-day period, which fine shall be due and payable within 30 days immediately thereafter.

- (E) If such violation continues without resolution after the fourth notice, the Board shall consider legal action against the Owner.
- (F) The Board reserves the right to accelerate this fine schedule for any violation which the Board, in its sole discretion, deems (i) a safety hazard, (ii) an egregious violation of the CC&Rs or these Guidelines, or (iii) a violation committed by a blatant and repeat offender.
- (G) This fine schedule is not applicable to parking or safety violations, which must be resolved immediately.

3.3.2. PROCESS TO APPEAL FINES

An Owner who has been fined may appeal the fine to the Board of Directors in accordance with the following appeal process:

- (A) The appeal shall be in writing and must be received by the Association, in care of the Management Company, at the address specified in Appendix A3, within 10 days immediately following the date as of which the fine was assessed.
- (B) The appeal shall specify all grounds for the appeal, as well as any and all extenuating circumstances which, according to the Owner, justify elimination of the fine.
- (C) If a complete and timely appeal is received by the Association, the Board shall conduct a hearing on the appeal within 60 days immediately following the date on which the appeal shall have been received. The Management Company shall give written notice of the hearing to the Owner at least 10 days prior to the hearing.
- (D) The Board shall determine the procedure to be followed at the hearing, and shall render a decision on the appeal either at the hearing or as soon as practicable thereafter. The Board shall notify the Owner of the decision either in person at the hearing or in writing as soon as practicable thereafter.
- (D) The fine being appealed, as well as any and all fines subsequently assessed for the same violation, shall be held in abeyance pending the hearing. If the appeal is denied, all such fines shall become immediately due and payable.
- (E) If the appeal does not meet all of the requirements specified above, the appeal shall not be heard by the Board, and shall be deemed to have been **denied**.
- (F) The decision of the Board on the appeal shall be final, and may not be

further appealed.

(G) Each routine violation of the CC&Rs or these Guidelines shall be removed from the active list of violations after six months shall have passed from the date such violation shall have been corrected.

3.3.3. OTHER REMEDIES

Fines shall not be the exclusive remedy for enforcing the CC&Rs and these Guidelines. The Association shall have the right to enforce the CC&Rs and these Guidelines by any proceeding at Law or in equity. In the event that an Owner violates any provision of the CC&Rs or these Guidelines, the Owner shall pay to the Association, on demand, all costs incurred by the Association in connection with the enforcement of the violated provision of the CC&Rs or these Guidelines, including, without limitation, reasonable attorneys' fees, whether or not a lawsuit is commenced as a part of the enforcement process. No failure or delay by the Association in exercising any of its rights, powers or privileges shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Colina Del Norte Guidelines

A.2 Color Palette (Revised 6/1/2009)

The following color palette represents the colors and combinations approved for exterior use. Paint colors are Frazee Paint. Homeowner responsible of make sure color matches to Frazee color.

Note: This list represents the same options originally offered by Declarant and is noted by the package number.

Additional colors have been added as of 6/1/2009 and are noted with an "A" following the original package number. Homeowner may use the new color combination "A" only if they have the original combination. Example: In order to use color package #139A current package must be #139. Homeowner can not use #139A if current color package is something other than #139.

See grid on next page:

A.2 Color Palette (Revised 6/1/2009) continued

Package	Frazee Paint Body of House	Frazee Paint Trim including door if not wood.	Pioneer Roof Tile: Regal "S" or Slat Brushed only)	Stone Veneer
#139	Bark Mulch #8734M	Staghorn #8731W	Alpine #445	Chardonnay Drystack #CSV2012
#139A	Logwood #CL2685A	Museum #CL2681W	Alpine #445	Chardonnay Drystack #CSV2012
#140	Washed Suede #8304M	Mineral Mauve #8302W	Cabo Blend #584	Carmel Drystack #CSV2007
#140A	Dogpaw #CL2635A	Dawn Chorus #CL2632W	Cabo Blend #584	Carmel Drystack #CSV2007
#141	Stratford Brown #8704D	Beige Pediment #8702W	Ascot Blend #584	Cedar Drystack #CSV2011
#141A	Exile #CL2865D	Tracing Paper #CL2862W	Ascot Blend #584	Cedar Drystack #CSV2011
#142	Crisp Khaki #8233M	Sawyer's Fence #8231W	Suntan #444	Suede Drystack #CSV2010
#142A	Endpoint #CLC1271D	Museum #CL2681W	Suntan #444	Suede Drystack #CSV2010
#143	Cornico Beige #8753M	Alecon Lace #8751W	Cocoa Grey Blend #544	Suede Drystack #CSV2010
#143A	Talisman #CL2643D	Splodgy #CL2653W	Cocoa Grey Blend #544	Suede Drystack #CSV2010