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AMENDED AND RESTATED

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

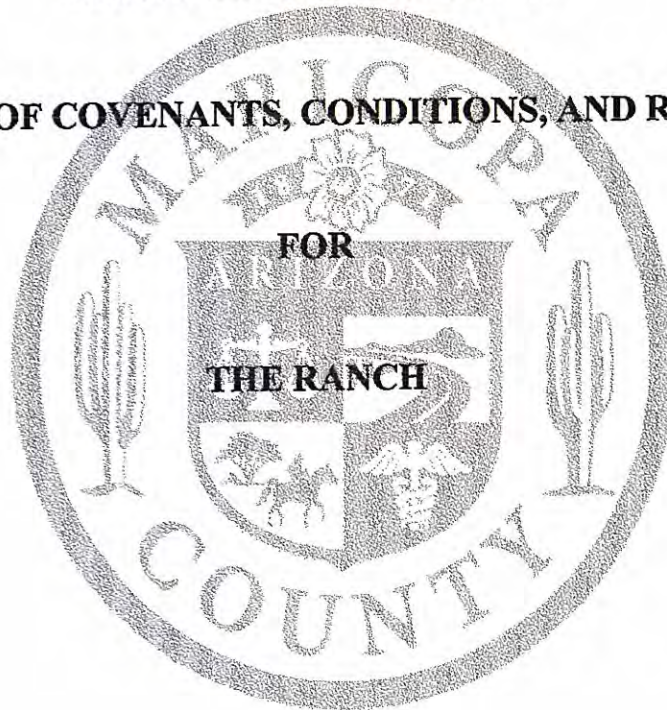


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AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
THE RANCH

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS ("Declaration") is made by DC Ranch L.L.C., an Arizona limited liability company ("Declarant"), as of the date set forth on the signature page hereof.

RECITALS

A. On December 10, 1996, Declarant executed that certain Declaration of Covenants, Conditions and Restrictions for The Ranch which was recorded on December 13, 1996 in the official records of the Maricopa County Recorder as Instrument No. 96-0868791; and

B. On July 15, 1998, Declarant executed that certain Irrevocable Disclaimer of Right to Annex (the "Disclaimer"), which was recorded on July 15, 1998 in the official records of the Maricopa County Recorder as Instrument No. 98-0605830, in connection with the sale to the City of Scottsdale of the property described in the Disclaimer, commonly known as "Planning Units 7 through 13" of DC Ranch, whereby Declarant disclaimed any right to annex into the Declaration of Covenants, Conditions and Restrictions for The Ranch any portion of such property; and

C. Pursuant to Article IX of the original Declaration, Supplemental Declarations were recorded as follows:

- (i) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 2.9, recorded March 27, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0195818;
- (ii) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 2.10, recorded August 27, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0591928;
- (iii) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 2.13/2.14, recorded February 12, 1998, in the official records of the Maricopa County Recorder as Instrument No. 98-0106500;
- (iv) Amendment to Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 2.13/2.14, recorded October 26, 1998, in the official records of the Maricopa County Recorder as Instrument No. 98-0954657;

- (v) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.1, recorded December 13, 1996, in the official records of the Maricopa County Recorder as Instrument No. 96-0868794;
- (vi) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.4, recorded June 30, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0442230;
- (vii) Amendment to Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.4, recorded December 7, 1998, in the official records of the Maricopa County Recorder as Instrument No. 98-1105456;
- (viii) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.6, recorded May 15, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0324224;
- (ix) Amendment to Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.6, recorded May 8, 1998, in the official records of the Maricopa County Recorder as Instrument No. 98-0383038;
- (x) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.7, recorded March 5, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0143112;
- (xi) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.8, recorded November 19, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0811564;
- (xii) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.11, recorded September 17, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0642732;
- (xiii) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.13, recorded October 28, 1998, in the official records of the Maricopa County Recorder as Instrument No. 98-0963689;
- (xiv) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.14, recorded March 19, 1998, in the official records of the Maricopa County Recorder as Instrument No. 98-0211727;
- (xv) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.15, recorded November 6, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0781300; and

- (xvi) Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 4.16, recorded June 27, 1997, in the official records of the Maricopa County Recorder as Instrument No. 97-0435861

(collectively, the "Existing Supplemental Declarations"); and

D. Pursuant to Section 19.1 of the original Declaration, Declarant reserved the right to unilaterally amend that instrument for any purpose until termination of the Class "B" Membership; and

E. The Class "B" Membership has not terminated; and

F. Declarant desires to amend the original Declaration in various respects;

NOW, THEREFORE, the original Declaration is hereby replaced and superseded in its entirety and the following Amended and Restated Declaration is substituted in its place:

This document contains diagrammatic summaries to aid the reader's comprehension and use of the Ranch Governing Documents. In the event of a conflict between any diagrammatic summary and the text of any of the Ranch Governing Documents, the text shall control.

PART ONE: INTRODUCTION TO THE COMMUNITY

Declarant has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, administration, maintenance, and preservation of the Ranch as a master planned community.

The Ranch is an element of the larger, entire DC Ranch community, which is created by the Recorded DC Ranch Community Council Declaration of Covenants and Easements, ("Covenants and Easements"). The Covenants and Easements contemplate the existence, within DC Ranch, of one or more community associations, called "Ranch Associations," as well as other individually owned property. The DC Ranch Association, an association comprised of all owners of real property in the Ranch, is a "Ranch Association" as defined in the Covenants and Easements.

The Covenants and Easements provides for the operation of the DC Ranch Community Council, Inc. ("Community Council"), which has the power to coordinate and facilitate activities and regulations among and between all components of DC Ranch, as well as provide for the maintenance, management, and preservation of designated property at the Ranch.

The following diagram summarizes the powers and authority of the Community Council. The diagram is intended only as a summary and shall not serve to limit the power of the Community Council. The powers and authority of the Community Council are more specifically set forth in the Covenants and Easements.

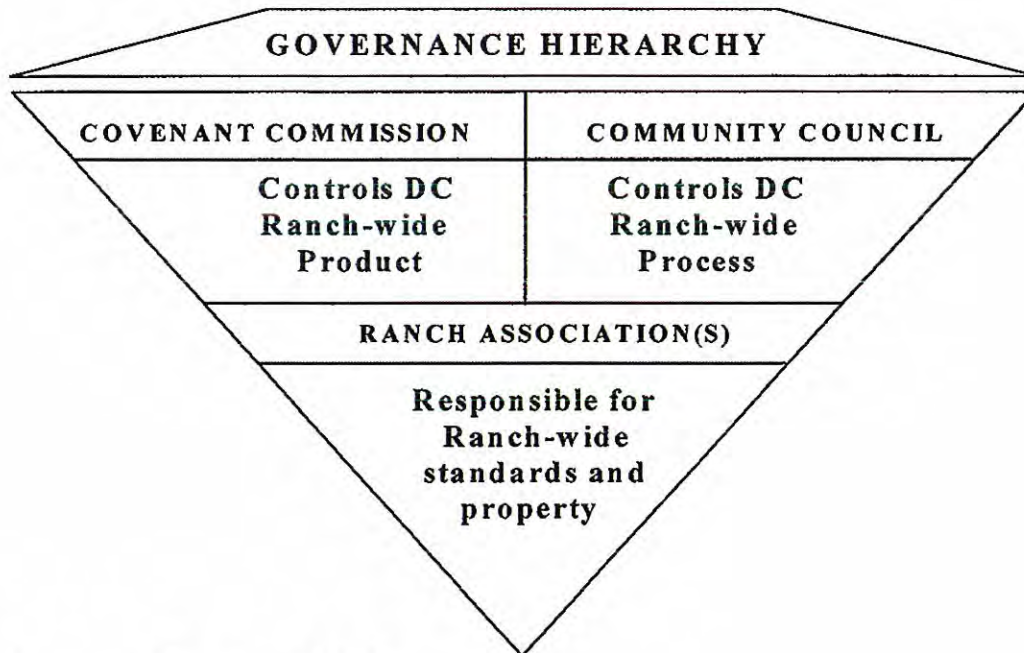
DC Ranch Community Council Powers and Authority

- Provides services to community & third parties
- Requires or prohibits actions community-wide
- Coordinates childhood and adult education programs
- Implements community clubs and volunteer clearinghouses
- Implements health and wellness programs
- Establishes regulations, restrictions, and controls for environmental and wildlife
- Coordinates cultural and artistic programs & activities

The DC Ranch Association, on the other hand, has the power to establish standards and conduct activities only for the property within the Ranch and shall be subordinate to the Community Council in particular matters, as more specifically provided in this Declaration and the Covenants and Easements. The Community Council may delegate to the Association one or more of the powers, rights, functions, responsibilities, or obligations which the Covenants and Easements, any applicable Supplemental Covenants, the Articles of Incorporation of the Community Council, the Bylaws of the Community Council, and any rules or regulations adopted by the Board of Directors of the Community Council (collectively, "Community Council Governing Documents") grant to the Community Council.

Another component of DC Ranch is The Covenant Commission, which has jurisdiction over all matters of design review for all property within DC Ranch. The Covenant Commission, in any matters relating to the design, development, aesthetics, and character of the DC Ranch community, is superior to any other organization, entity, community association, or individual. The Covenant Commission administers, interprets, and enforces The Covenant at DC Ranch ("The Covenant"), the Recorded document which is designed to enhance the quality of all planning, architecture, development, and land use at DC Ranch and which is superior to all other covenants placed upon any portion of DC Ranch.

The following diagram illustrates the governance hierarchy for DC Ranch:



Article I Creation of the Community.

1.1 Purpose and Intent.

By recording this Declaration, Declarant intends to create a general plan of development for the planned community known as the Ranch. This Declaration provides a flexible and reasonable procedure for future expansion of the Ranch to include additional real property as Declarant deems appropriate and provides for the overall development, administration, maintenance, and preservation of the real property now and hereafter comprising the Ranch. An integral part of the development plan is the creation of the DC Ranch Association, an association comprised of all owners of real property in the Ranch, to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Ranch Governing Documents referred to in this Declaration.

This document does not and is not intended to create a condominium within the meaning of A.R.S. §§ 33-1201 to 33-1270.

1.2 Binding Effect and Term.

All property described in Exhibit "A" and any additional property which has been made or in the future is made a part of the Ranch by Recording one or more Supplemental Declarations, shall be owned, conveyed, and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of the Ranch, their heirs, successors, successors-in-title, and assigns.

This Declaration shall remain in effect for a term of 40 years from the date it is Recorded. Declarant, the Association, any Owner, and their respective legal representatives,

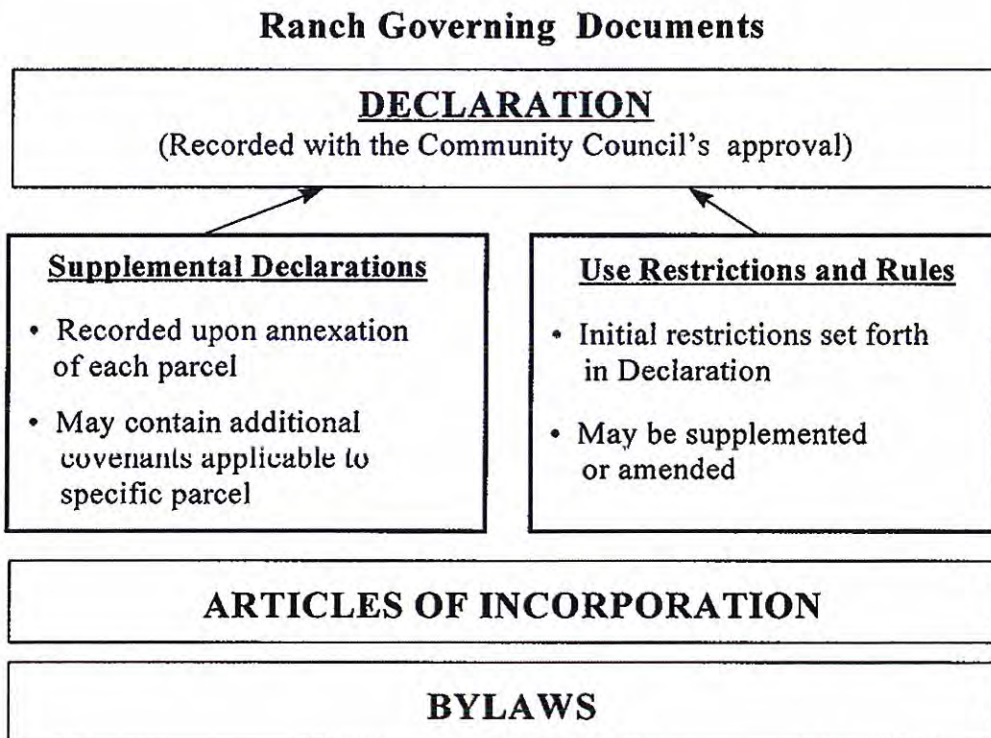
heirs, successors, and assigns may enforce it. After such 40-year period, this Declaration's term shall automatically extend for successive ten-year periods unless 75% of the then Owners sign and Record, within the year preceding any extension, an instrument which terminates or amends, in whole, or in part, this Declaration.

Notwithstanding any other provision of this Declaration, this Declaration shall not terminate without the consent of the City of Scottsdale, Arizona for so long as such termination is prohibited by the First Amendment to Development Agreement recorded on July 21, 1995 as Document No. 95-0425859, in the Maricopa County Recorder's Office, Maricopa County, Arizona, as amended from time to time ("Development Agreement"), or until July 31, 2020, whichever is later.

Notwithstanding this, if any provision of this Declaration would be unlawful, void, or voidable by reason of applicability of the rule against perpetuities, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3 Ranch Governing Documents.

The Ranch Governing Documents create a general plan of development for the Ranch which may be supplemented by additional covenants, restrictions, and easements applicable to particular Neighborhoods within the Ranch. The following diagram summarizes the Ranch Governing Documents.



In the event of a conflict between or among the Ranch Governing Documents and any additional covenants or restrictions, and/or the provisions of any other articles of incorporation, bylaws, rules or policies governing any Neighborhood, the Ranch Governing Documents shall control. In the event of a conflict between the Ranch Governing Documents and the Community Council Governing Documents, the latter shall control.

Nothing in this Section shall preclude Recording a Supplemental Declaration or other instrument applicable to any portion of the Ranch containing additional restrictions or more restrictive provisions. However, any Person who seeks to Record any instrument applicable to the Ranch must obtain Declarant's written consent so long as Declarant owns any property described in Exhibits "A" or "B" of this Declaration and that of the Community Council thereafter. Any attempted Recordation without such consent shall result in the instrument being void and of no force and effect unless subsequently approved by Recorded consent signed by Declarant, so long as Declarant owns any property described in Exhibit "A" or Exhibit "B," and the Community Council thereafter. The Association may, but shall not be required to, enforce any such covenants, restrictions, or other instruments applicable to any Neighborhood.

The Ranch Governing Documents apply to all Owners and any occupants of a Unit. They also apply to tenants, guests, and invitees. Any lease of a Unit shall provide that the lessee and all occupants of the leased Unit shall be bound by the terms of the Ranch Governing Documents.

If any court determines that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications.

Article II Concepts and Definitions.

The terms used in the Ranch Governing Documents shall be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms shall be defined as set forth below. If not defined herein, capitalized terms shall be defined as set forth in The Covenant or Covenants and Easements, as applicable.

2.1 "Area of Ranch Responsibility": The Common Area, together with any other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration or other applicable covenants, contracts, or agreements or for which responsibility is delegated to the Association by the Community Council.

2.2 "Association": The DC Ranch Association, an Arizona nonprofit corporation, its successors or assigns.

2.3 "Base Assessment": Assessments levied on all Units subject to assessment under Article VIII to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 8.1.

2.4 "Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the Bylaws. Unless otherwise specifically noted, any reference to the Board in this Declaration means the DC Ranch Association Board.

2.5 "Builder": Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers, or who purchases one or more parcels of land within the Ranch for further subdivision, development, or resale in the ordinary course of such Person's business.

2.6 "Class "B" Control Period": The period of time during which the Class "B" Member is entitled to appoint a majority of the members of the Board as provided in the Bylaws.

2.7 "Common Area": All real and personal property, including easements, which the Association owns, leases, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term shall include the Exclusive Common Area, as defined below.

2.8 "Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Ranch Governing Documents. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development or other original construction costs unless approved by Voting Members representing a majority of the total Class "A" votes of the Association.

2.9 "Covenant to Share Costs": One or more Recorded Declaration(s) of Easements and Covenant to Share Costs executed by Declarant, which create certain easements for the benefit of the Association and the present and future owners of the real property subject to such Covenant to Share Costs and which obligates the Association and such owners to share the costs of maintaining certain property described in such Covenant to Share Costs.

2.10 "Declarant": DC Ranch L.L.C., an Arizona limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibits "A" or "B" for the purpose of development and/or sale and who is designated as Declarant in a Recorded instrument executed by the immediately preceding Declarant.

2.11 "Exclusive Common Area": A portion of the Common Area primarily benefiting one or more, but less than all, Neighborhoods or Owners, as more particularly described in Article XII.

2.12 "Master Plan": That certain master plan as approved in Case No. 54-CN-89 #2 and Ordinance No. 2811, together with that certain Development Agreement by and among Joyce M. Corrigan, Kemper Marley, Ethel Mae Marley, and the City of Scottsdale dated March 15, 1990, Recorded on March 27, 1990 as Instrument No. 90-133973, as amended by the First Amendment to Development Agreement by and among the City of Scottsdale, DMB Property Ventures Limited Partnership, a Delaware limited partnership, and DC Livestock Company Limited Partnership, an Arizona limited partnership, Recorded as Instrument No. 95-0425859, or any subdivision plats, drainage plans, grading plans, or environmental planning plans adopted

pursuant to such master plan or the Development Agreement, as all of the foregoing may from time to time be amended, which includes all of the property described in Exhibit "A" and all or a portion of the property described in Exhibit "B." Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property described in Exhibit "B" from the Master Plan bar its later subjection to this Declaration, as provided in Article IX.

2.13 "Member": A Person subject to membership in the Association pursuant to Section 6.2.

2.14 "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. A "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

2.15 "Neighborhood": A group of Units designated as a separate Neighborhood for one or more of the following purposes: (a) sharing Exclusive Common Areas; (b) receiving other benefits or services from the Association which are not provided to all Units within the Ranch; or (c) electing a Voting Member as provided in Section 6.4. A Neighborhood may be comprised of more than one housing type and may include noncontiguous parcels of property. If the Association provides benefits or services to less than all Units within a particular Neighborhood, then the benefited Units shall constitute a sub-Neighborhood for purposes of determining and levying Neighborhood Assessments for such benefits or services. Where the context permits or requires, the term Neighborhood shall also refer to the Neighborhood Committee (established in accordance with the Bylaws) or Neighborhood Association, if any, having concurrent jurisdiction over the property within the Neighborhood. Neighborhood boundaries may be established and modified as provided in Section 6.4.

2.16 "Neighborhood Assessments": Assessments levied against the Units in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses, as described in Section 8.2.

2.17 "Neighborhood Association": A condominium association or other owners association, if any, having concurrent jurisdiction with the Association over any Neighborhood. Nothing in this Declaration shall require the creation of a Neighborhood Association for any Neighborhood.

2.18 "Neighborhood Expenses": The actual and estimated expenses which the Association incurs or expects to incur for the benefit of Owners of Units within a particular Neighborhood or Neighborhoods, which may include a reasonable reserve for capital repairs and replacements and a reasonable administrative charge, as may specifically be authorized pursuant to this Declaration or in the Supplemental Declaration(s) applicable to such Neighborhood(s).

2.19 "Owner": One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a Recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

2.20 "Person": A human being, a corporation, a partnership, a trustee, a limited liability company, or any other legal entity.

2.21 "Private Amenities": Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within the Ranch, which are privately owned and operated by Persons other than the Association for recreational and related purposes, on a club membership basis or otherwise, and shall include, without limitation, the golf course, if any, which is so located and all related and supporting facilities and improvements.

2.22 "Ranch": The real property described in Exhibit "A," together with such additional property as has been subjected or in the future is subjected to this Declaration in accordance with Article IX.

2.23 "Ranch Governing Documents": A collective term referring to this Declaration and any applicable Supplemental Declaration, the Bylaws of DC Ranch Association ("Bylaws"), the Articles of Incorporation of DC Ranch Association ("Articles"), the Use Restrictions and Rules and any design review standards promulgated in accordance with Section 4.2, as they may be amended.

2.24 "Ranch-Wide Standard": The standard of conduct, maintenance, or other activity generally prevailing throughout the Ranch. Such standard shall be established initially by Declarant and may be more specifically defined in The Covenant, the Use Restrictions and Rules, Board resolutions, the budget, levels of maintenance, and the Association's operation of its facilities. The Ranch-Wide Standard shall at least meet, and may exceed, that standard established as the Community-Wide Standard for all of DC Ranch, as defined in the Covenants and Easements.

2.25 "Record," "Recording," or "Recorded": To file, filing, or filed of record in the official records of the Maricopa County Recorder's Office, Maricopa County, Arizona. The date of Recording shall refer to that time at which a document, map, or plat is Recorded.

2.26 "Special Assessment": Assessments levied in accordance with Section 8.4.

2.27 "Specific Assessment": Assessments levied in accordance with Section 8.5.

2.28 "Supplemental Declaration": An instrument Recorded pursuant to Article IX, which accomplishes one or more of the following purposes: (a) subjects additional property to this Declaration, (b) designates Neighborhoods, or (c) imposes, expressly or by reference, additional restrictions and obligations on the land described in the instrument. The term also shall refer to an instrument Recorded by Declarant pursuant to Section 6.4(c), which designates Voting Groups.

2.29 "Unit": A portion of the Ranch, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. In the case of a building within a condominium or other structure containing multiple dwellings, each dwelling shall be deemed to be a separate Unit. In the case of a parcel of vacant land or land on which improvements are under

construction, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the Master Plan or the site plan approved by Declarant, whichever is more recent, until such time as a subdivision plat or condominium plat is Recorded on all or a portion of the parcel. Thereafter, the portion encompassed by such plat shall contain the number of Units determined as set forth thereon and any portion not encompassed by such plat shall continue to be treated in accordance with this paragraph.

2.30 "Use Restrictions and Rules": The initial use restrictions and rules set forth in Exhibit "C," as they may be supplemented, modified, and repealed pursuant to Article III.

2.31 "Voting Group": One or more Voting Members who vote on a common slate for election of directors to the Board, as more particularly described in Section 6.4(c) or, if the context so indicates, the group of Members whose Units are represented thereby.

2.32 "Voting Member": The representative selected by the Class "A" Members within each Neighborhood pursuant to Section 6.4(b) to cast the Class "A" votes attributable to their Units on all matters requiring a vote of the membership (except as otherwise specifically provided in this Declaration and in the Bylaws). The term "Voting Member" shall also refer to alternate Voting Members acting in the absence of Voting Members and any Owners authorized personally to cast the votes for their respective Units pursuant to Section 6.4(b).

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use, conduct, maintenance, and architecture at the Ranch give the community its identity and make the Ranch a place that people want to call "home." Yet those standards must be more than a static recitation of "thou shalt not's." This Declaration establishes procedures for rule making as a dynamic process which allows the community standards to evolve as the community changes and grows and as technology and public perception change.

Article III Use and Conduct.

3.1 Framework for Regulation.

The Ranch Governing Documents establish, as part of the general plan of development for the Ranch, a framework of affirmative and negative covenants, easements, and restrictions which govern the Ranch. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technologies which inevitably will affect the Ranch, its Owners, and residents. This Article establishes procedures for modifying and expanding the initial Use Restrictions and Rules set forth in Exhibit "C." Any modification or expansion shall be effective whether or not Recorded.

3.2 Rule Making Authority.

(a) Board Authority. Subject to the terms of this Article and the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand the Use Restrictions and Rules. The Board shall send notice to all Owners concerning any proposed action at least five business

days prior to the Board meeting to consider the change. Voting Members shall have a reasonable opportunity to be heard at such Board meeting.

After compliance with subsection (c) below, the proposed change shall be approved, unless disapproved at a meeting by Voting Members representing a majority of the total Class "A" votes and by the Class "B" Member, if any. The Board is not obligated to call a meeting of the Voting Members to consider disapproval unless it receives a petition of the Voting Members as required for special meetings in the Bylaws. If the Board receives such a petition before the change's effective date, the change shall not become effective until after a meeting is held, and then subject to the outcome of the meeting.

(b) Voting Member Authority. Alternatively, the Voting Members representing a majority of the Class "A" votes at an Association meeting duly called for such purpose, may vote to change the Use Restrictions and Rules then in effect. Any such change shall require approval of the Class "B" Member, if any.

(c) Notice. At least 30 days prior to the effective date of any action taken under subsections (a) or (b) of this Section, the Board shall send a copy of the new rule or explanation of any changes to the Use Restrictions and Rules to each Owner specifying the effective date. The Association shall provide, without cost, a copy of the Use Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) The Covenant and Community Design Book. Nothing in this Article shall authorize the Board or the Voting Members to modify, repeal, or expand The Covenant or the Community Design Book. In the event of a conflict between The Covenant and the Use Restrictions and Rules, The Covenant shall control.

(e) Actions of Community Council. Nothing in this Article shall authorize the Association, the Board, or the Voting Members to modify, repeal, or expand any action of the Community Council or any rule regarding use and conduct which the Community Council enacts or implements. In the event of a conflict between any rule regarding use or conduct enacted by the Association and any rule regarding use or conduct enacted by the Community Council, the action of the Community Council shall control.

3.3 Owners' Acknowledgment and Notice to Purchasers.

All Owners are hereby given notice that use of their Units and the Common Area is limited by the Use Restrictions and Rules as they may be amended, expanded, and otherwise modified hereunder. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of such Owner's Unit can be affected by this provision and that the Use Restrictions and Rules may change from time to time. All Unit purchasers are on notice that changes may have been adopted by the Association. Copies of the current Use Restrictions and Rules may be obtained from the Association.

3.4 Protection of Owners and Others.

Except as may be contained in this Declaration either initially or by amendment or in the initial Use Restrictions and Rules set forth in Exhibit "C," all rules shall comply with the following provisions:

(a) Similar Treatment. Similarly situated Owners shall be treated similarly; provided, the Use Restrictions and Rules may vary by Neighborhood.

(b) Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Units of the kinds normally displayed in dwellings located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside the dwelling. No rules shall regulate the content of political signs; however, rules may regulate the time, place, and manner of posting such signs (including design criteria).

(c) Household Composition. The Association shall not interfere with an Owner's freedom to determine the composition of his or her household, except that it shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Unit on the basis of the Unit's size and facilities and fair use of the Common Area.

(d) Activities Within Dwellings. The Association shall not interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance.

(e) Allocation of Burdens and Benefits. The Association shall not alter the allocation of financial burdens among the various Units or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association, except as provided in Sections 7.10 and 11.1.

Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area or violate the Ranch Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article VIII.

(f) Alienation. The Association shall not prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; provided, the Association or the Board may require a minimum lease term of up to 12 months. The Association may require that Owners use lease forms approved by the Association, but shall not impose any fee on the lease or transfer of any Unit greater than an amount reasonably based on the costs to the Association of administering that lease or transfer.

(g) Abridging Existing Rights. The Association shall not require an Owner to dispose of personal property that was in or on a Unit in compliance with previous rules. This exemption shall apply only during the period of such Owner's ownership of the Unit and shall not apply to subsequent Owners who take title to the Unit after adoption of the rule.

(h) Reasonable Basis. The Association may not prohibit any activity, condition, or conduct unless there exists a reasonable basis for the enactment of such rule. For purposes of this subsection, reasonable basis may include, but not be limited to, restrictions as to time, place, and manner of activity or conduct; concerns relating to safety; fair use of Common Area, cost, aesthetics; or the goals of the comprehensive plan for the development of the Ranch.

(i) Reasonable Rights to Develop. Neither the Association nor the Board shall unreasonably impede Declarant's right to develop the Properties.

(j) Interference with Private Amenities. The Association shall not interfere with the use or operation of any Private Amenity.

The limitations in subsections (a) through (h) of this Section shall only limit rule making authority exercised under Section 3.2 only; they do not limit amendments to this Declaration adopted in accordance with Article XIX.

Article IV Architecture and Landscaping.

4.1 General.

The Covenant Commission shall have primary jurisdiction over all matters of design review for all property in DC Ranch. The Covenant Commission may, however, delegate some of its powers or responsibilities, with respect to design review for the Ranch to the Association. Unless and until such time as The Covenant Commission delegates a portion of its reserved rights to the Association, the Association shall have no jurisdiction over architectural matters. In the event the Covenant Commission delegates any of its powers or obligations to the Association such delegation may be limited, expanded, modified or revoked at any time in the sole discretion of the Covenant Commission.

4.2 New Construction.

So long as Declarant owns any portion of the property described in Exhibits "A" or "B" to this Declaration, Declarant, by agreement with The Covenant Commission, may establish a higher standard of design review for initial construction for all, or a portion of, the Ranch than that which is applicable to other portions of DC Ranch. In such event, Declarant shall administer the design review standards that exceed those imposed by The Covenant Commission in accordance with procedures, policies, and standards agreed upon by Declarant and The Covenant Commission.

4.3 Modifications.

If The Covenant Commission delegates to the Association its design review authority for exterior alterations of existing improvements or planting or removal of landscaping, the Association shall establish a Modifications Committee. The structure, policies, procedures, and

standards set forth in this Section shall apply to the Modifications Committee unless The Covenant Commission otherwise establishes or modifies such matters.

The Modifications Committee shall consist of at least three and no more than five persons appointed by and serving at the Board's discretion. Members of the Modifications Committee may include architects or similar professionals who are not Owners. The Covenant Commission may veto any action of the Modifications Committee.

The Modifications Committee may adopt detailed application and review procedures and design standards governing its area of responsibility consistent with The Covenant and the Community Design Book, subject to approval by The Covenant Commission. All alterations of existing improvements, land, or plants or construction of additional improvements (collectively, "Modifications") shall take place in strict compliance with The Covenant, the Community Design Book, the application and review procedures promulgated by The Covenant Commission, and any application and review procedures and design standards adopted by the Modifications Committee.

Prior to commencing any Modifications within the scope of this Article, an Owner shall submit to the Modifications Committee an application for approval in such form as the Modifications Committee shall require. The application shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Modifications Committee, The Covenant, or the Community Design Book may require the submission of additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Modifications Committee may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. *Each Owner acknowledges that determinations as to such matters are purely subjective* and opinions may vary as to the desirability and/or attractiveness of particular improvements.

Within 30 days after receipt of a completed application and all required information, the Modifications Committee shall respond in writing to the applicant at the address specified in the application. The response may (a) approve the application, with or without conditions; (b) approve a portion of the application and disapprove other portions; or (c) disapprove the application. The Modifications Committee may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

In the event that the Modifications Committee fails to respond in a timely manner, approval shall be deemed to have been given, subject to Declarant's and The Covenant Commission's right to veto approval by the Modifications Committee pursuant to this Section. Any approval inconsistent with The Covenant or the Community Design Book is void unless a variance has been granted pursuant to Section 4.5.

The Modifications Committee shall notify Declarant, so long as Declarant owns any property described in Exhibits "A" or "B," and The Covenant Commission in writing within three business days after the Modifications Committee has approved any application relating to

proposed Modifications unless Declarant or The Covenant Commission, respectively, waives, in writing, its right to such notification. The notice shall be accompanied by a copy of the application and any additional information which The Covenant Commission may require. Declarant, so long as Declarant owns any property described in Exhibits "A" or "B," and The Covenant Commission shall have ten days after receipt of such notice to veto any such action, in the sole discretion of each, by written notice to the Modifications Committee and the applicant.

If construction does not commence on a Modifications project for which plans have been approved within one year after the date of approval, such approval shall be deemed withdrawn and the Owner shall reapply for approval before commencing the proposed Modifications. After construction is commenced, it shall be diligently pursued to completion. All Modifications shall be completed within one year after commencement unless otherwise specified in the notice of approval or unless the Modifications Committee grants an extension in writing, which it shall not be obligated to do. Any Modifications not completed within the required time shall be considered nonconforming and shall be subject to enforcement action by The Covenant Commission, the Association, Declarant, or any aggrieved Owner.

The Modifications Committee, by resolution, may exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution. No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint, or redecorate the interior of a Unit without approval. Modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structure shall be subject to approval. This Section shall not apply to either the activities of Declarant, or to activities of the Association during the Class "B" Control Period.

4.4 No Waiver of Future Approvals.

Each Owner acknowledges that the persons reviewing applications under this Article (collectively, the "Reviewer") will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of The Covenant or the Community Design Book, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features of proposed activity within the scope of this Article until the work is completed, in which case it may be unreasonable to require changes to the improvements involved. Approval of applications or Plans for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right of any Reviewer to withhold approval as to any similar applications, Plans, or other matters subsequently or additionally submitted for approval.

4.5 Variances.

A Reviewer may authorize variances from compliance with any guidelines and procedures (a) in narrow circumstances where the design meets the intent of the provision sought to be varied and where granting of the variance would enhance design innovation and excellence or (b) when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations so require, but only in accordance with duly adopted rules and regulations. A variance may be granted only when special circumstances so dictate and no

variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, issuance of any permit, or the terms of any financing shall not constitute hardships.

4.6 Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Ranch; they do not create any duty to any Person. Review and approval of any application pursuant to this Article are made on the basis of aesthetic considerations only, and the Reviewer shall not bear any responsibility for ensuring (a) structural integrity or soundness of approved construction or modifications; (b) compliance with building codes and other governmental requirements; or (c) conformity of quality, value, size, or design among Units.

Declarant, The Covenant Commission, the Association, the Board, or any committee, or member of any of the foregoing shall not be held liable for soil conditions, drainage or other general site work, or for any defects in plans revised or approved hereunder, or for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit. In all matters, the Association shall defend and indemnify the Reviewer as provided in Section 7.6.

4.7 Certificate of Compliance.

Any Owner may request that the Reviewer issue a Certificate of Architectural Compliance certifying that there are no known violations of this Article or The Covenant. The Association shall either grant or deny such request within 30 days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall estop the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

4.8 Fees; Assistance.

The Reviewer may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review. The Board may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

Article V Maintenance and Repair.

5.1 Maintenance of Units and Private Amenities.

Each Owner shall maintain such Owner's Unit, including all landscaping and improvements comprising the Unit, in a manner consistent with the Ranch Governing Documents, the Ranch-Wide Standard and all applicable covenants, unless, such maintenance responsibility is otherwise assumed by or assigned to the Association or a Neighborhood

pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit.

5.2 Maintenance of Neighborhood Property.

Any Neighborhood Association shall maintain its property and any other property for which it has maintenance responsibility in a manner consistent with the Ranch Governing Documents, the Ranch-Wide Standard and all applicable covenants.

Upon Board resolution, Owners within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Area of Ranch Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that the Association may perform such maintenance. In any event, all similarly situated Neighborhoods shall be treated the same.

The Association may assume maintenance responsibility for property within any Neighborhood, in addition to that designated by any Supplemental Declaration, either by agreement with the Neighborhood or because, in the opinion of the Board, the level and quality of service then being provided is not consistent with the Ranch-Wide Standard. All costs of maintenance pursuant to this Section shall be assessed as a Neighborhood Assessment only against the Units within the Neighborhood to which the services are provided. Provision of services in accordance with this Section shall not constitute discrimination within a class.

5.3 Responsibility for Repair and Replacement.

Unless otherwise specifically provided in the Ranch Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary to maintain the property to a level consistent with the Ranch-Wide Standard.

By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on such Owner's Unit, less a reasonable deductible, unless either the Neighborhood Association (if any) for the Neighborhood in which the Unit is located or the Association carries such insurance (which either one may, but is not obligated to do hereunder). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising such Owner's Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. Alternatively, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with

the Ranch-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

The requirements of this Section shall apply to any Neighborhood Association responsible for its property within the Neighborhood in the same manner as if the Neighborhood Association were an Owner and the common property were a Unit. Additional Recorded covenants applicable to any Neighborhood may establish more stringent requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Units within such Neighborhood and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

The success of the Ranch is dependent upon the support and participation of every Owner in its governance and administration. This Declaration establishes the Association as the mechanism by which each owner is able to provide that support and participation. While many powers and responsibilities are vested in the Association's Board of Directors, some decisions are reserved for the Association's membership — the owners of property in the Ranch.

Article VI The Association and its Members.

6.1 Function of Association.

The Association is the entity responsible for management, maintenance, operation and control of the Area of Ranch Responsibility. The Association also is the primary entity responsible for enforcement of the Ranch Governing Documents. The Association shall perform its functions in accordance with the Ranch Governing Documents and the laws of the State of Arizona.

6.2 Membership.

Every Owner is a Member of the Association. There is only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the Bylaws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner or trustee, or by the individual designated from time to time by the Owner in writing provided to the Association's Secretary.

6.3 Voting.

The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one vote for each Unit in which they hold the interest required for membership under Section 6.2, except that there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.9. All Class "A" votes shall be cast as provided in Section 6.3(c).

(b) Class "B". The sole Class "B" Member shall be Declarant. The Class "B" Member may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in the Bylaws. Additional rights of the Class "B" Member are specified in the relevant sections of the Ranch Governing Documents. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the Bylaws.

The Class "B" membership shall terminate upon the earlier of:

- (i) two years after expiration of the Class "B" Control Period; or
- (ii) when, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to one Class "A" vote for each Unit that it owns.

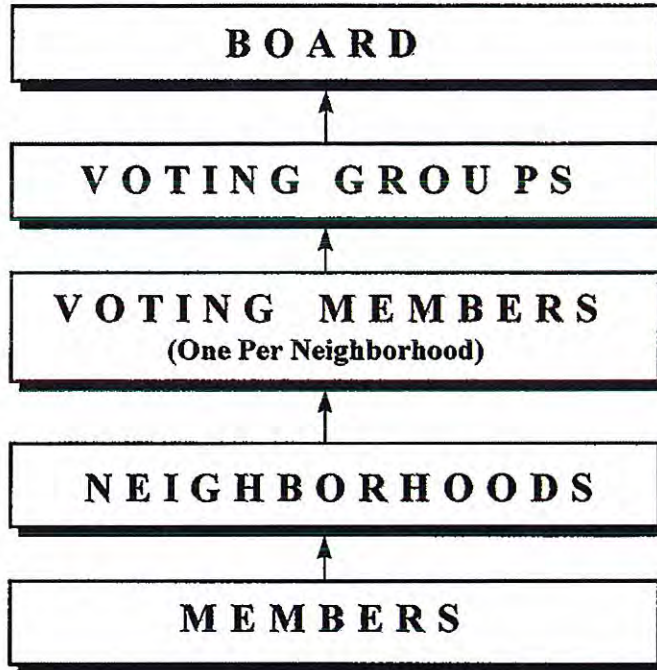
(c) Exercise of Voting Rights. Except as otherwise specified in this Declaration or the Bylaws, the vote for each Unit a Class "A" Member owns shall be exercised by the Voting Member representing the Neighborhood, as provided in Section 6.4(b). The Voting Member may cast all such votes as it, in its discretion, deems appropriate.

In any situation where a Member is entitled personally to exercise the vote for his or her Unit, and there is more than one Owner of the Unit, the vote for the Unit shall be exercised as the co-Owners determine among themselves and advise the Association's Secretary in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise such vote.

6.4 Neighborhoods, Voting Members, and Voting Groups.

The following diagram illustrates the interrelationships between various components of the Association:

Components of Association



(a) Neighborhoods. Any Neighborhood, acting either through a Neighborhood Committee elected as provided in the Bylaws or through a Neighborhood Association, if any, may request that the Association provide a higher level of service than that which the Association generally provides to all Neighborhoods or may request that the Association provide special services for the benefit of Units in such Neighborhood. Upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Units within the Neighborhood, the Association shall provide the requested services; provided, the Board, in its sole discretion, shall have the authority to veto such request by a Neighborhood.

The cost of such services requested by a Neighborhood and provided by the Association, which may include a reasonable administrative charge in such amount as the Board deems appropriate (provided, any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the benefited Units within such Neighborhood as a Neighborhood Assessment.

Exhibit "A" to this Declaration and each Supplemental Declaration submitting additional property to this Declaration shall initially assign the property submitted thereby to a specific Neighborhood (by name or other identifying designation), which Neighborhood may be then existing or newly created. So long as it has the right to subject additional property to this Declaration pursuant to Section 9.1, Declarant may unilaterally amend this Declaration or any Supplemental Declaration to redesignate Neighborhood boundaries; provided that Declarant shall not combine two or more Neighborhoods without the consent of the Owners of a majority of Units in the affected Neighborhoods.

The following is a summary of the formation and function of Neighborhoods:

NEIGHBORHOOD

- Created by Declarant when property is annexed or later
- Comprised of Units which share common interests
- May request that the Association provide special services or a higher level of services

(b) Voting Members. Each Neighborhood shall elect a Voting Member who shall be responsible for casting all votes attributable to Units owned by Class "A" Members in the Neighborhood on all Association matters requiring a membership vote, except as otherwise specified in this Declaration or the Bylaws. In addition, each Neighborhood shall elect an alternate Voting Member who shall be responsible for casting such votes in the absence of the Voting Member.

The Voting Member and alternate Voting Member from each Neighborhood shall be elected on an annual basis, either by written ballot cast by mail or at a meeting of the Class "A" Members within such Neighborhood, as the Board determines. Upon written petition signed by Class "A" Members holding at least ten percent of the votes attributable to Units within any Neighborhood, the election for such Neighborhood shall be held at a meeting. The presence, in person or by proxy or by written ballot, of Class "A" Members representing at least 30% of the total Class "A" votes attributable to Units in the Neighborhood shall constitute a quorum at any Neighborhood meeting.

The Board shall call for the first election of a Voting Member from a Neighborhood not later than one year after the conveyance of a Unit in the Neighborhood to a Person other than a Builder. Subsequent elections shall be held each year on a date established by the Board. Each Class "A" Member who owns a Unit within the Neighborhood shall be entitled to cast one vote per Unit owned. The candidate who receives the greatest number of votes shall be elected as Voting Member and the candidate receiving the next greatest number of votes shall be elected as the Alternate Voting Member. The Voting Member and the Alternate Voting Member shall serve a term of one year until their successors are elected.

Any Voting Member may be removed, with or without cause, upon the vote or written petition of Owners of a majority of the total number of Units owned by Class "A" Members in the Neighborhood which the Voting Member represents.

Until the Board first calls for election of a Voting Member for any Neighborhood, the Owners within such Neighborhood shall be entitled personally to cast the votes attributable to their respective Units on any issue requiring a membership vote under the Ranch Governing Documents.

The following is a summary of the function of Voting Members and the manner in which Voting Members are elected:

VOTING MEMBERS

- Voting representatives of Class "A" Members
- Each Neighborhood elects one Voting Member
- Votes on specific issues for Class "A" Members:
 - Board members
 - Limited rule-making issues
 - Expansion of Ranch Association
 - Limited common expense issues

(c) Voting Groups. Declarant may designate Voting Groups consisting of one or more Neighborhoods for the purpose of electing directors to the Board. Voting Groups may be designated to ensure groups with dissimilar interests are represented on the Board and to avoid allowing Voting Members representing similar Neighborhoods to elect the entire Board, due to the number of Units in such Neighborhoods, excluding representation of others. Following termination of the Class "B" Control Period, the number of Voting Groups within the Ranch shall not exceed the total number of directors to be elected by the Class "A" Members pursuant to the Bylaws. The Voting Members representing the Neighborhoods within each Voting Group shall vote on a separate slate of candidates for election to the Board, with each Voting Group being entitled to elect the number of directors specified in the Bylaws.

The following is a summary of the formation and function of Voting Groups:

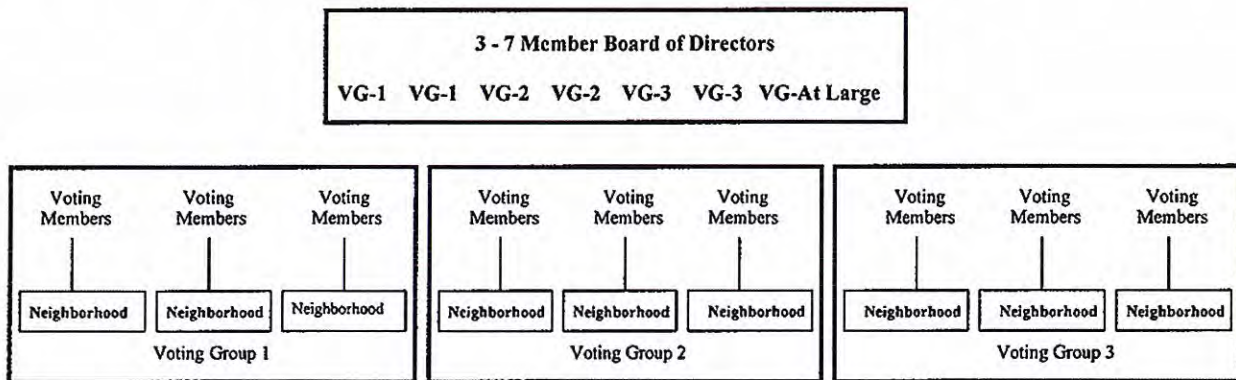
VOTING GROUPS

- Established at Declarant's option to assure balance representation throughout community for different product types
- Each voting group elects one or more directors

Any Voting Group that Declarant wishes to establish shall be formed no later than the date of expiration of the Class "B" Control Period by Recording and filing with the Association a Supplemental Declaration identifying each Voting Group by legal description or other means such that the Units within each Voting Group can easily be determined. Such designation may be amended from time to time by Declarant, acting alone, at any time prior to the expiration of the Class "B" Control Period.

After expiration of Declarant's right to expand the Ranch pursuant to Article IX, the Board shall have the right to Record or amend such Supplemental Declaration upon a majority vote of the total number of directors and approval of Voting Members representing a majority of the total number of Neighborhoods and a majority of the total Class "A" votes in the Association. Neither Recordation nor amendment of such Supplemental Declaration by Declarant shall constitute an amendment to this Declaration, and no consent or approval of any Person shall be required except as stated in this paragraph. Until such time as Voting Groups are established, the Ranch shall constitute a single Voting Group. After a Supplemental Declaration establishing Voting Groups has been filed and Recorded, any and all portions of the Ranch which are not assigned to a specific Voting Group shall constitute a single Voting Group.

The following diagram illustrates the manner in which Voting Members and Voting Groups elect the Board of Directors. The number of Neighborhoods and Voting Groups are for demonstrative purposes only, and the actual number may be different. The diagram does not reflect the rights of the Class "B" Member to elect a majority of the directors during the Class "B" Control Period, as provided in the Bylaws.



- The Class A Members within each Neighborhood will elect one Voting Member to represent them on any matters requiring a membership vote.
- Declarant has the option to establish Voting Groups. If established, the Voting Members within each Voting Group will vote on a separate slate for election of directors, with each Voting Group electing an equal number of directors and any additional directors elected at large by all Voting Members (without regard to Voting Groups).

Article VII Association Powers and Responsibilities.

7.1 Standard of Care.

In all actions in connection with the authority and powers the Ranch Governing Documents grant the Board, including but not limited to, management, personnel, maintenance and operations, interpretation and enforcement of the Ranch Governing Documents, the

development of rules and restrictions, insurance, contracts and finance, and design review, a director shall act in good faith, in a manner he or she believes is in the best interests of the Association and with the care an ordinarily reasonable person in a like position would exercise under similar circumstances.

When performing his/her duties, a director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, prepared or presented by any of the following, so long as the director acts without knowledge that would cause such reliance to be unwarranted:

(a) one or more officers or employees of the Association whom the director believes are reliable and competent in the matters presented;

(b) legal counsel, public accountants or other Persons as to matters which the director believes to be within such Person's professional or expert competence; or

(c) a committee of or appointed by the Board, of which the director is not a member as to matters within its designated authority, which committee the director believes to merit confidence.

This section is intended to be a restatement of the business judgment rule established in applicable law as it applies to the Association. All amendments, modifications, restatements, and interpretations of the business judgment rule applicable to the Association shall be interpreted to amend, modify, restate, or interpret this section.

7.2 Acceptance and Control of Association Property.

The Association may acquire, hold, and dispose of tangible and intangible personal property and real property. Declarant and its designees may convey to the Association personal property and fee title, leasehold, or other property interests in any real property, improved or unimproved, described in s "A" or "B." The Association shall accept and maintain such property at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association. Upon Declarant's written request, the Association shall re-convey to Declarant any unimproved portions of the Ranch originally conveyed by Declarant to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make minor adjustments in property lines.

7.3 Maintenance of Area of Ranch Responsibility.

In accordance with the Ranch-Wide Standard, the Association shall maintain the Area of Ranch Responsibility, which shall include, but need not be limited to:

(a) all portions of and structures situated upon the Common Area;

(b) landscaping within public rights-of-way within or abutting the Ranch, unless the Community Council, or the owner of an adjacent lot, is responsible for maintaining such landscaping;

(c) such portions of any additional property included within the Area of Ranch Responsibility as may be dictated by this Declaration, any Supplemental Declaration, any Covenant to Share Costs, any assignment by the Community Council, or any contract or agreement for maintenance thereof entered into by the Association;

(d) all washes and wash areas located within the Ranch (and outside the boundaries of any Unit) which serve as part of the storm water drainage system for the Ranch, including improvements and equipment installed therein or used in connection therewith; provided, Declarant, the Community Council, The Covenant Commission, and the Association shall have no liability for any damage or injury caused by flooding or surface runoff resulting from rainfall or other natural occurrences; and

(e) any property and facilities owned by Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities shall be identified by written notice from Declarant to the Association and shall remain a part of the Area of Ranch Responsibility, and be maintained by the Association, until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association.

The Association may maintain other property which it does not own, including property dedicated to the public, property owned by the Community Council, or property for which the Community Council has maintenance responsibility, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Ranch-Wide Standard. The Association shall maintain other property for which maintenance responsibility is delegated to the Association by the Community Council. In addition, the Association shall have the power, but not the obligation, to maintain any open spaces between a golf course and rear yard fences constructed on any lot located adjacent to any golf course.

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

The Association shall maintain the facilities and equipment within the Area of Ranch Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance and repairs, unless Members representing 75% of the Class "A" votes in the Association and the Class "B" Member, if any, agree in writing to discontinue such operation. Any such decision to terminate said maintenance shall require the approval of the Community Council and shall be subject to compliance with the Community-Wide Standard for DC Ranch as defined in the Covenants and Easements.

Except as provided above, the Area of Ranch Responsibility shall not be reduced by amendment of this Declaration or any other means except with Declarant's prior written approval as long as Declarant owns any property described in Exhibits "A" or "B" of this Declaration.

The costs associated with maintenance, repair, and replacement of the Area of Ranch Responsibility shall be a Common Expense. However, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Ranch Responsibility pursuant to this Declaration, a Covenant to Share Costs, other Recorded

covenants, or agreements with the owner(s) thereof. Maintenance, repair, and replacement of Exclusive Common Areas shall be a Neighborhood Expense assessed to the Neighborhood(s) to which the Exclusive Common Areas are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

7.4 Insurance.

(a) Required Coverages. The Association, on its own behalf or through its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(i) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and within the Area of Ranch Responsibility to the extent that Association has assumed responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(ii) Commercial general liability insurance on the Area of Ranch Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage;

(v) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment but not less than an amount equal to one-sixth of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(vi) Such additional insurance as the Board, in its business judgment, determines advisable.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Neighborhood, obtain and maintain property insurance on the insurable improvements within such Neighborhood which insurance shall comply with the requirements of

Section 7.3(a)(i). Any such policies shall provide for a certificate of insurance to be furnished, upon request, to the Owner of each Unit insured.

Premiums for all insurance on the Area of Ranch Responsibility shall be Common Expenses, except that (i) premiums for property insurance on Units within a Neighborhood shall be a Neighborhood Expense and (ii) premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Expenses of the Neighborhood(s) to which such Exclusive Common Areas are assigned unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the metropolitan Scottsdale area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment. Additionally, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such loss against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in the State of Arizona which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Areas shall be for the benefit of the Association and its Members. Policies secured on behalf of a Neighborhood shall be for the benefit of the Owners within the Neighborhood and their Mortgagees, as their interests may appear;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement;

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(vi) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Area as a Member in the Association (provided, this provision shall not be construed as giving an Owner any interest in the Common Area other than that of a Member);

(vii) provide a waiver of subrogation under the policy against any Owner or household member of a Owner;

(viii) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and

(ix) include an endorsement precluding cancellation, invalidation, or condition to recovery under the policy on account of any act or omission of any one or more individual Owners, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:

(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(iii) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(iv) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(v) a cross liability provision; and

(vi) a provision vesting in the Board exclusive authority to adjust losses; provided that no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Area or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Area shall be repaired or reconstructed unless the Voting Members representing at least 75% of the total Class "A" votes in the Association, and the Class "B" Member, if any, decide within 60 days after the loss not to repair or reconstruct. If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Ranch-Wide Standard.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by the Association for the benefit of its Members or the Owners of Units within the insured Neighborhood, as appropriate, and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Voting Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums.

7.5 Compliance and Enforcement.

Every Owner and occupant of a Unit shall comply with the Ranch Governing Documents. The Board may impose sanctions for violation of the Ranch Governing Documents after notice and a hearing in accordance with the procedures set forth in the Bylaws. Such sanctions may include, without limitation:

- (a) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit. (In the event that any occupant, guest, or invitee of a Unit violates the Ranch Governing Documents and a fine is imposed, the fine shall first be assessed against the violator, but if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);
- (b) suspending an Owner's right to vote;
- (c) suspending any Person's right to use any recreational facilities within the Common Area; provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;
- (d) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(e) exercising self-help or taking action to abate any violation of the Ranch Governing Documents in a non-emergency situation;

(f) requiring an Owner, at the Owner's expense, to remove any structure or improvement on such Owner's Unit in violation of Article IV and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(g) without liability to any Person, prohibiting any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and The Covenant from continuing or performing any further activities in the Ranch; and

(h) levying Specific Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Ranch Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Ranch Governing Documents without the necessity of compliance with the procedures set forth in the Bylaws:

(a) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); and

(b) subject to the requirements of Article XIII, bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both. The Board shall have the authority, but not the obligation, to institute such legal proceedings and the failure to commence such legal proceedings shall not constitute a waiver of the right to enforce any provision of the Ranch Governing Documents, nor shall it operate to estop the Board from enforcing any provision of the Ranch Governing Documents.

In addition to any other enforcement rights, if an Owner fails properly to perform such Owner's maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as a Specific Assessment. If a Neighborhood Association fails to perform its maintenance responsibilities, the Association may perform such maintenance and assess the costs as a Specific Assessment against all Units within such Neighborhood. Except in an emergency situation, the Association shall provide the Owner or Neighborhood Association with reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Ranch Governing Documents shall be cumulative of any remedies available at law or in equity. If the Association prevails in any action to enforce the Ranch Governing Documents, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take any action, including, but not limited to, the commencement of any legal proceeding, if the Board reasonably determines that the

Association's position is not strong enough to justify taking such action. Such a decision shall not be construed as a waiver of the Association's right to enforce such provision at a later time or under other circumstances, nor shall it operate to estop the Association from enforcing any other covenant, restriction, or rule.

The Association may, but shall not be obligated to, enter into agreements to enforce applicable city and county ordinances within the Ranch Properties, or to permit Maricopa County or the City of Scottsdale to enforce applicable ordinances within the Ranch Properties for the benefit of the Association and its Members.

While conducting the business affairs of the Association, the Board shall act within the scope of the Ranch Governing Documents and in good faith to further the legitimate interests of the Association and its Members. In fulfilling its governance responsibilities, the Board's actions shall be governed and tested by the standard of care set forth in Section 7.1. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Ranch Governing Documents.

7.6 Implied Rights; Board Authority.

The Association may exercise any right or privilege expressly given to the Association by the Ranch Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Ranch Governing Documents, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

The Board may institute, defend, settle, or intervene on the Association's behalf in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Ranch Responsibility, enforcement of the Ranch Governing Documents, or any other civil claim or action. However, the Ranch Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or the Members.

In exercising the Association's rights and powers, making decisions on the Association's behalf, and conducting the Association's affairs, Board members are subject to, and their actions shall be judged in accordance with, the standards set forth in Section 7.1 and the By-Laws.

7.7 Indemnification of Officers, Directors, and Others.

To the fullest extent permitted by Arizona law as amended from time to time, the Association shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law. The foregoing indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

7.8 Security.

The Association may, but shall not be obligated to, maintain or support certain activities at the Ranch designed to enhance the security of the Ranch. Neither the Association nor Declarant are insurers or guarantors of security at the Ranch, nor shall either be held liable

for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken.

The Association and Declarant make no representation or warranty that any systems or measures, including any mechanism or system for limiting access to the Ranch, cannot be compromised or circumvented, or that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and covenants to inform its tenants and all occupants of its Unit that the Association, its Board and committee members, and Declarant are not insurers and that each Person at the Ranch assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

7.9 Powers of the Association Relating to Neighborhoods.

The Association shall have the power to veto any action taken or contemplated to be taken by any Neighborhood Association which the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Ranch-Wide Standard. The Association also shall have the power to require specific action be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance, repairs, or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefor.

A Neighborhood Association shall take the action specified by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to take such action on behalf of the Neighborhood Association and levy Specific Assessments to cover the costs thereof, as well as an administrative charge and sanctions.

7.10 Provision of Services.

The Board may enter into and terminate contracts or agreements with other entities, including Declarant, to provide services to, and facilities for, the Members and their guests, lessees and invitees; the Board may charge use and consumption fees for such services and facilities. By way of example, some services and facilities which might be offered include landscape maintenance, pest control service, cable television service, security, caretaker, transportation, fire protection, utilities, and similar services and facilities. Upon request, the Board shall have the authority, but not the obligation, to provide increased levels of service or additional services to a Member or Members and may charge an increased use or consumption fee for such increased levels of service or additional services.

7.11 Facilities and Services Open to the Public.

Certain facilities and areas within the Area of Ranch Responsibility may be open for the use and enjoyment of the public. Such facilities and areas may include, by way of example: greenbelts, trails and paths, a town center, parks and other neighborhood spots at which to gather and interact, roads, sidewalks, medians, and parking lots. Declarant may designate such areas and facilities as open to the public at the time Declarant makes such facilities or areas a part of the Area of Ranch Responsibility or the Board may so designate at any time thereafter.

7.12 Delegation by and Directives of Community Council.

The Community Council may delegate to the Association one or more of the powers, rights, responsibilities, or obligations which the Community Council Governing Documents grant to the Community Council. In the event of such delegation, the Association shall accept such power, right, responsibility, or obligation. Any such delegation shall be (a) in the form of a Recorded delegation and assumption agreement, executed by the Community Council and the Association, evidencing such delegation; (b) in the form of a Recorded Supplemental Declaration, approved by the Community Council, which establishes any of the Association's delegated powers, rights, functions, responsibilities, or obligations; or (c) set forth in a Recorded subdivision plat or other declaration approved by the Community Council. Unless and until the Community Council delegates a portion of such powers, rights, responsibilities, or obligations, no Ranch Association shall have jurisdiction over such matters.

The Community Council, in its sole discretion, may revoke all or a part of any such delegation of powers or responsibilities at any time. Any such revocation shall be in the form of a written, Recorded agreement, executed by the Community Council. In the event of such a revocation, the revoked powers and obligations shall again be vested in the Community Council.

The Community Council may require that the Association provide specific services or perform specific actions for the benefit of the DC Ranch community and the Members. The Association shall comply with any such directive issued by the Community Council. The Association may request that the Community Council provide a specific service or program, in which event the Community Council shall have the authority to direct the Association to provide such service or program. The Association shall comply with any such directive.

7.13 Association's Responsibility with Respect to Transfer of Units.

Within ten days after receipt of written notice of the pending sale of a Unit, the Association shall provide to the purchaser of the Unit, the following information and documents provided that the notice contains the name and address of the purchaser. The Association shall deliver or mail to the proposed purchaser a copy of the Ranch Governing Documents, a copy of the most recent financial report for the Association, a copy of the most recent reserve study of the Association if any such study exists, and a dated document containing the following:

- (a) the telephone number and address of a principal contact for the Association, as designated by the Board;
- (b) the amount of all assessments, fees, or charges then owed by the seller of the Unit;
- (c) a statement regarding whether any portion of the subject Unit is covered by insurance the Association maintains;
- (d) the total amount of money held by the Association as reserves;

(e) a statement as to whether the records of the Association reflect any alterations or improvements to the Unit, that violate any provision of this Declaration, that have occurred within the six years before the proposed sale;

(f) a statement of case names and case numbers for pending litigation with respect to the unit filed by the Association against the Member or filed by the Member against the Association;

(g) a copy of the current operating budget;

The Association may charge a fee to cover the costs the Association incurs in preparing any document required by this Section.

Article VIII Association Finances.

8.1 Budgeting and Allocating Common Expenses.

At least 45 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units, as authorized in Section 8.6.

The following diagram summarizes funding sources available to The Ranch Association:



Association Funding Sources

- Association Assessments
 - Base Assessments
 - Special Assessments
 - Specific Assessments
- Association User Fees
- Association Sanctions
- Declarant's assessment on its property
- Declarant's contributions
- Declarant's advances against assessments

The Association is hereby authorized to levy Base Assessments, in accordance with the formula set forth in Exhibit "D," against all Units subject to assessment under Section 8.6 to fund the Common Expenses. In determining the Base Assessment rate per Unit, the Board may consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 8.7(b)), which may be either a contribution, an advance against future assessments due from Declarant or a loan, in Declarant's absolute discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The payment of such subsidy in any year shall not obligate Declarant to continue payment of a subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

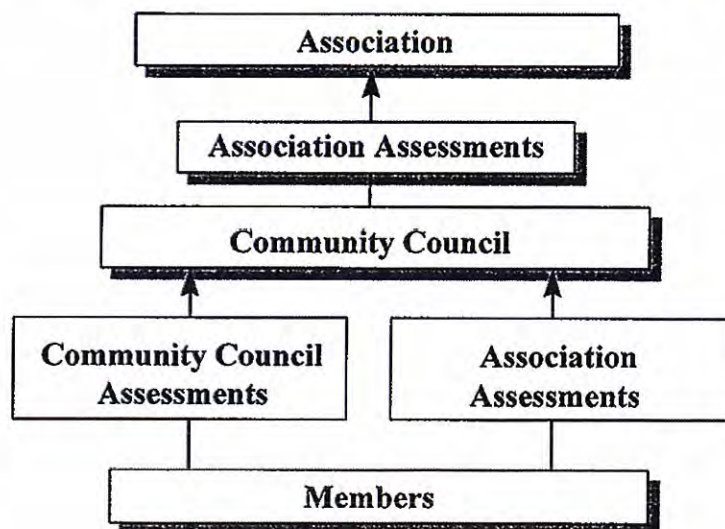
The Board shall send a copy of the final budget and notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Owner at least 30 days prior to the effective date of such budget. The budget shall automatically become effective unless disapproved at a meeting by Voting Members representing at least 75% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Voting Members as provided for special meetings in the Bylaws, which petition must be presented to the Board within ten days after delivery of the budget and notice of any assessment.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

The Board shall notify the Community Council of any Base Assessment to be levied by the Association at least 15 days prior to the beginning of each fiscal year of the Association. The Community Council shall collect such Base Assessments on behalf of the Association.

The following diagram depicts the manner of collection and disbursement:



8.2 Budgeting and Allocating Neighborhood Expenses.

At least 45 days before the beginning of each fiscal year, the Board shall prepare a separate budget covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. Each such budget shall include any costs for additional services or a higher level of services which the Owners in such Neighborhood have approved pursuant to Section 6.4(a) and any contribution to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount required to be generated through the levy of Neighborhood and Special Assessments against the Units in such Neighborhood.

The Association is hereby authorized to levy Neighborhood Assessments, in accordance with the formula set forth in Exhibit "D," against all Units in the Neighborhood which are subject to assessment under Section 8.6 to fund Neighborhood Expenses; provided, if so specified in the applicable Supplemental Declaration or if so directed by petition signed by a majority of the Owners within the Neighborhood, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Units in proportion to the benefit received.

The Board shall send a copy of the Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to each Owner in the Neighborhood at least 30 days before the fiscal year begins. Such budget and assessment shall become effective unless disapproved at a meeting of the Neighborhood by a majority of Unit Owners in the Neighborhood to which the Neighborhood Assessment applies. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of Owners of at least ten percent of the Units in such Neighborhood. This right to disapprove shall only apply to those line items in the Neighborhood budget which are attributable to services requested by the Neighborhood and shall not apply to any item which the Ranch Governing Documents require to be assessed as a Neighborhood Assessment.

If the proposed budget for any Neighborhood is disapproved or if the Board fails for any reason to determine the budget for any year, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

The Board may revise the budget for any Neighborhood and the amount of any Neighborhood Assessment from time to time during the year, subject to the notice requirements and the right of Unit Owners in the affected Neighborhood to disapprove the revised budget as set forth above.

The Board shall notify the Community Council of any Neighborhood Assessment to be levied by the Association at least 15 days prior to the beginning of each fiscal year of the Association. The Board shall notify the Community Council of any revision in the amount of the Neighborhood Assessments to be levied during any year. The Community Council shall collect such Neighborhood Assessments on behalf of the Association.

8.3 Budgeting for Reserves.

At least annually the Board shall prepare and review reserve budgets for the Area of Ranch Responsibility and for each Neighborhood for which the Association maintains capital items as a Neighborhood Expense. The budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Common Expense budget adopted pursuant to Section 8.1 and the Neighborhood Expense budgets adopted pursuant to Section 8.2, as appropriate, capital contributions to fund reserves in amounts sufficient to meet projected needs with respect both to amount and timing by annual contributions over the applicable budget period.

8.4 Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of the amount budgeted. Special Assessments may be levied against the entire membership if the Special Assessment is for Common Expenses, or against the Units within any Neighborhood if the Special Assessment is for Neighborhood Expenses. The Association shall levy any Special Assessment in accordance with the formula set forth in Exhibit "D." Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Voting Members (if a Common Expense) or Owners (if a Neighborhood Expense) representing more than 50% of the total votes allocated to Units which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

The Association shall notify the Community Council of any Special Assessment to be levied by the Association. The Community Council shall collect such Special Assessments on behalf of the Association.

8.5 Specific Assessments.

The Association may levy Specific Assessments against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to a Unit upon request of an Owner pursuant to any menu of special services which may be offered by the Association (which might include the items identified in Section 7.10). Specific Assessments for special services may be levied in advance of the provision of the requested service; and

(b) to cover costs incurred in bringing a Unit into compliance with the Ranch Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of a Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit's Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any Specific Assessment under subsection (b).

The Association may levy a Specific Assessment against the Units within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into

compliance with the provisions of the Ranch Governing Documents, provided the Board gives prior written notice to the Owners of Units in, or the Voting Member representing, the Neighborhood and an opportunity for the Owners or Voting Member to be heard before levying any such assessment.

The Association shall notify the Community Council of any Specific Assessment to be levied by the Association. The Community Council shall collect the Specific Assessment on the Association's behalf.

8.6 Authority to Assess Owners; Time of Payment.

Declarant hereby establishes and the Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Ranch Governing Documents. The obligation to pay assessments shall commence for each Unit on the first day of the month following: (a) the month in which the Unit is made subject to this Declaration or (b) the month in which the Board first determines a budget and levies assessments pursuant to this Article, whichever is later, provided, if any Recorded Supplemental Declaration specifies a different date for the commencement of assessments against a portion of the Properties, such date shall control the issue with respect to the property covered by such Recorded Supplemental Declaration. The first annual Base Assessment and Neighborhood Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Owners shall pay assessments in the manner and on the dates the Board establishes. The Board may require advance payment of assessments at the closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

Owners shall pay all assessments levied by the Association to the Community Council, which shall collect the assessments on behalf of the Association.

8.7 Obligation for Assessments.

(a) Personal Obligation. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of the Ranch, is deemed to covenant and agree to pay all assessments authorized in the Ranch Governing Documents and the Community Council Governing Documents. All assessments, together with interest (computed from its due date at a rate of ten percent per annum or such higher rate as the Board may establish, subject to the limitations of Arizona law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Board's failure to fix assessment amounts or rates or to deliver to each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself or herself from liability for assessments by non-use of Common Area, abandonment of a Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

Upon written request from an Owner, lienholder, or other Person designated by the Owner, the Association shall furnish a statement setting forth the amount of any unpaid assessments against the Owner's Unit. The Association shall furnish the statement within 15 days after receipt of the request (unless another time period is designated by A.R.S. Section 33-1807, any amendments thereto, any successor statute, or any other applicable statute). The statement shall be binding upon the Association, the Board, and the Owners if the statement is requested by an escrow agency that is licensed pursuant to Title 6, Chapter 7 of the Arizona Revised Statutes. Failure to provide the statement to the escrow agent within 15 days of the request shall extinguish any lien for unpaid assessment then due. The Association may require the advance payment of a reasonable processing fee for the issuance of the statement.

(b) Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may satisfy its obligation for assessments on Units which it owns either by paying such assessments in the same manner as any other Owner or by paying the difference between the amount of assessments levied on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year (the "budget deficit"). Unless Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. Regardless of Declarant's election, Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, Declarant shall pay assessments on its unsold Units in the same manner as any other Owner.

(c) Sale Property. If during any assessment period Declarant conveys any real property subject to this Declaration ("Sale Property") for which Declarant has elected, pursuant to subsection (b), to pay the budget deficit rather than assessments on a per Unit basis, then the Association may require the grantee of the Sale Property to pay to the Association an amount equal to the pro rata portion of the assessments that would have been payable with respect to the Sale Property for the applicable assessment period had Declarant not made such election; provided the grantee shall have no such obligation if the Sale Property is otherwise exempt from assessment pursuant to Section 8.9. The amount of such pro rata portion shall be based on the number of days remaining in the assessment period in which such conveyance occurs.

8.8 Lien for Assessments.

All assessments and other charges of the Association authorized in this Article or elsewhere in this Declaration shall constitute a lien against the Unit against which they are levied from the time such assessments or charges become delinquent until paid. The lien shall also secure payment of interest (subject to the limitations of Arizona law), late charges (subject to the limitations of Arizona law), and costs of collection (including attorneys' fees, lien fees, and administrative costs). The lien shall be superior to all other liens except those deemed by Arizona law to be superior. The lien created by this Article shall have priority over any lien for assessments asserted by any other community or property owners association, including, without limitation, any Neighborhood Association. The Association may enforce such lien, when any assessment or other charge is delinquent, by suit, judgment, and/or foreclosure; provided, if enforcement proceedings are not instituted within one year after the full amount of the assessment or other charge becomes due, the lien shall be deemed extinguished, if Arizona law requires extinguishment in such cases.

The Association may bid for the Unit at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Unit. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

Sale or transfer of any Unit shall not affect the assessment lien or relieve such Unit from the lien for any subsequent assessments. However, the sale or transfer of any Unit pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to the Mortgagee's foreclosure. The subsequent Owner to the foreclosed Unit shall not be personally liable for assessments on such Unit due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Units subject to assessment under Section 8.6, including such acquirer, its successors and assigns.

Notwithstanding any other provision of this Declaration, no governmental authority or public utility shall be liable for assessments on any Unit dedicated to and accepted by the governmental authority or public utility ("Dedicated Property") which arose prior to its acceptance of such Unit. Dedicated Property shall include, without limitation, such areas created by or dedicated in the form of easements, including, perpetual easements, tract easements, and easements in favor of the City of Scottsdale or municipal use property.

If only a portion of a Unit is Dedicated Property, any assessments which arose prior to the dedication shall remain due and owing against the non-dedicated portion of the Unit. If the entire Unit is Dedicated Property, such unpaid assessments shall be deemed to be Common Expenses collectible from owners of all Units subject to assessment under Section 8.6.

In the event that a lien exists on any Dedicated Property, (a) the lien shall remain in effect with respect to the undedicated portion of the Unit and shall terminate with respect to the

Dedicated Property if only a portion of the Unit is Dedicated Property, or (b) the lien shall terminate with respect to the entire Unit if the entire Unit is Dedicated Property.

8.9 Exempt Property.

The following property shall be exempt from payment of Base Assessments, Neighborhood Assessments, and Special Assessments:

- (a) all Common Area and all portions of the property owned by Declarant as are included in the Area of Ranch Responsibility pursuant to Section 7.2;
- (b) any property owned by the Community Council;
- (c) any and all Dedicated Property (as defined in Section 8.8); and
- (d) property owned by any Neighborhood Association for the common use and enjoyment of its members, or owned by the members of a Neighborhood Association as tenants-in-common.

In addition, both Declarant and the Association shall have the right, but not the obligation, to grant exemptions to schools, houses of worship, or Units owned by and used by Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

Dedicated Property also shall be exempt from paying Specific Assessments.

8.10 Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant or a Builder, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount the Board determines periodically. This amount shall not exceed the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in any manner permitted by the Ranch Governing Documents, including, but not limited to, operating expenses, maintenance, costs of enforcement of the Ranch Governing Documents, and any other uses that are deemed necessary and appropriate in the Board's sole discretion.

8.11 Limitation on Increases of Assessments.

Notwithstanding any provision to the contrary, the Board may not impose an assessment increase exceeding that allowable under Arizona law.

PART FOUR: COMMUNITY DEVELOPMENT

This Declaration reserves various rights to Declarant in order to facilitate the smooth and orderly development of the Ranch and to accommodate changes in the Master Plan which inevitably occur as the Ranch grows and matures.

Article IX **Expansion of the Ranch.**

9.1 Expansion by Declarant.

Declarant may from time to time subject to the provisions of this Declaration all or any portion of the property described in Exhibit "B" by Recording a Supplemental Declaration describing the additional property to be subjected. A Supplemental Declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of the property, if other than Declarant.

Declarant's right to expand the Ranch pursuant to this Section shall expire when all of the property described in Exhibit "B" has been subjected to this Declaration or 40 years after this Declaration is Recorded, whichever is earlier. Until then, Declarant may transfer or assign this right to annex property to any Person who is the developer of at least a portion of the real property described in Exhibit "A" or "B." Declarant shall memorialize such transfer in a Recorded instrument.

Nothing in this Declaration shall require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

9.2 Expansion by the Association.

The Association may subject additional property to the provisions of this Declaration by Recording a Supplemental Declaration describing the additional property. The Supplemental Declaration shall require the affirmative vote of Voting Members representing more than 50% of the Class "A" votes of the Association represented at a meeting duly called for such purpose and the consent of the property owner. In addition, so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, Declarant's consent shall be necessary. The Supplemental Declaration shall be signed by the Association's President and Secretary, by the owner of the property, and by Declarant, if Declarant's consent is necessary.

9.3 Additional Covenants and Easements.

Declarant may subject any portion of the Ranch to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be

evidenced by their execution of the Supplemental Declaration. The Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

9.4 Effect of Recording Supplemental Declaration.

A Supplemental Declaration shall be effective upon Recording unless otherwise specified. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

9.5 Condominium Conversions.

In the event that any property now or hereafter subjected to the Covenants and Easements and located within the property described in Exhibit "B" is converted to a condominium, the owner of such property, subject to Declarant's approval requirements below, shall subject such property to the provisions of this Declaration by Recording a Supplemental Declaration describing the property and specifically subjecting it to the terms of this Declaration. Such Supplemental Declaration shall not require the consent of the Association but shall require the signature of an officer of the Association acknowledging it. In addition, Declarant's prior written consent shall be necessary so long as Declarant owns any property described in Exhibit "A" or "B." Thereafter, each condominium unit within the condominium shall be treated in all respects as a Unit.

9.6 Existing Supplemental Declarations.

Each of the Existing Supplemental Declarations is hereby deemed to supplement this Declaration, and each is hereby ratified and confirmed by the Declarant. The terms of each Existing Supplemental Declaration, with respect to the parcel affected thereby, are hereby incorporated into this Declaration as if fully set forth herein. In the event of any conflict between the terms of this Declaration and the terms of any Existing Supplemental Declaration, the terms of this Declaration shall control.

Article X Additional Rights Reserved to Declarant.

10.1 Withdrawal of Property.

So long as it has a right to annex additional property pursuant to Section 9.1, Declarant reserves the right to amend this Declaration to remove any unimproved portion of the Ranch, provided such withdrawal does not reduce the total number of Units then subject to this Declaration by more than ten percent. Such amendment shall not require the consent of any Person other than the Owner(s) of the property to be withdrawn, if not Declarant. If the property is Common Area, the Association shall consent to such withdrawal.

10.2 Marketing and Sales Activities.

Declarant and Builders authorized by Declarant may construct and maintain upon portions of the Common Area such facilities and activities as, in Declarant's sole opinion, may be

reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. Declarant and authorized Builders shall have a license for access to and use of such facilities.

10.3 Right To Develop.

Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

Every Person that acquires any interest in the Ranch acknowledges that the Ranch is a master planned community, the development of which is likely to extend over many years, and agrees not to use Association funds to protest, challenge, or otherwise object to (a) changes in uses or density of property outside the Neighborhood in which such Person holds an interest or (b) changes in the Master Plan as it relates to property outside the Neighborhood in which such Person holds an interest.

10.4 Right To Approve Changes in Ranch Standards.

No amendment to or modification of any Use Restrictions and Rules shall be effective without prior notice to and the written approval of Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1.

10.5 Right To Transfer or Assign Declarant Rights.

Any or all of Declarant's special rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a Recorded instrument signed by Declarant. Declarant may allow other Persons to exercise, on a one time or limited basis, any Declarant right without transferring the entire right. In such case, a Recorded instrument is not required.

10.6 Exclusive Rights To Use Name of Development.

No Person shall use the name "the Ranch" or any derivative of such name in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "the Ranch" in printed or promotional matter where such term is used solely to specify that particular property is located at the Ranch.

10.7 Termination of Rights.

The rights contained in this Article shall not terminate until the earlier of (a) 40 years from the date this Declaration is Recorded or (b) Recording by Declarant of a written statement that all sales activity has ceased.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others in or adjacent to the community.

Article XI Easements.

11.1 Easements in Common Area.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Area, subject to:

- (a) the Ranch Governing Documents and any other applicable covenants;
- (b) any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) the Board's right to:
 - (i) adopt rules regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;
 - (ii) suspend an Owner's right to use recreational facilities within the Common Area (A) for any period during which any charge against such Owner's Unit remains delinquent and (B) for a period not to exceed 30 days for a single violation, or for a longer period in the case of any continuing violation, of the Ranch Governing Documents after notice and a hearing pursuant to the Bylaws;
 - (iii) dedicate or transfer all or any part of the Common Area, subject to any approval requirements as may be set forth in this Declaration;
 - (iv) impose reasonable membership requirements and charge reasonable admission or other use fees for the use of any recreational facility situated upon the Common Area;
 - (v) permit use of any recreational facilities situated on the Common Area by persons other than Owners, their families, lessees, and guests upon payment of use fees established by the Board;
 - (vi) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
 - (vii) designate certain areas and facilities within the Area of Ranch Responsibility as open for the use and enjoyment of the public in accordance with Section 7.10; and

(viii) limit the use of those portions of the Common Area designated Exclusive Common Areas, as described in Article XII, to the exclusive use of certain owners.

Any Owner may extend the rights of use and enjoyment hereunder to the members of such Owner's family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board. An Owner who leases a Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

Declarant, so long as Declarant owns any property described in Exhibit "A" or "B," and the Association shall have the right to grant easements in and to the Common Area to any service provider or third-party contractor as may be necessary, in the sole discretion of Declarant or the Association, in connection with such service provider's or contractor's provision of services to the Ranch. Any such easements shall be subject to any limitations or restrictions placed upon the easement by the grantor. The grantor of such easements, either Declarant or the Association, shall have the right to require specifically that the party exercising the easements, after exercising the easement, take restorative or ameliorative action with respect to the burdened property.

11.2 Easements of Encroachment.

Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Area and between adjacent Units or any Unit and any Private Amenity due to the unintentional placement, settling, or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

11.3 Easements for Utilities, Etc.

(a) The property described in Exhibit "A" and "B" shall be subject to such easements as are set forth in any and all separate, duly Recorded instruments, including without limitation, any and all applicable subdivision plats, maps of dedication, easements, and easement agreements, subject to such terms, conditions, limitations, or restrictions as may be set forth in such separate instruments. Such easements may include (but shall not be required to include) easements for ingress and egress, private streets, public and private paths and trails, access for maintenance purposes, drainage and storm drains, landscape irrigation, private and public utilities, open space and visibility, emergency vehicle, and service vehicle access. Declarant and the Association, for themselves and their respective successors and assigns, each reserve the right to grant, convey, and dedicate over, upon, beneath, and across any land they own, any and all easements they may deem appropriate, whether in favor of any governmental entity, including Maricopa County and the City of Scottsdale, any public or private utility company, or any other third party, on such terms and subject to such conditions, limitations, or restrictions as may be necessary or appropriate to carry out the purpose of such easement.

(b) Declarant also reserves for itself and grants to the Association the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant or the Association, as applicable, in connection with the orderly development of any property described in Exhibit "A" and "B"; provided, the Association shall have such right and power only with respect to property that has been subjected to this Declaration in accordance with Article IX and only with respect to property that is owned by Declarant or the Association, as applicable.

(c) All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. The grantor of the easements described in subsection (a) or (b), either Declarant or the Association, shall have the right to require specifically that the party exercising the easement, after exercising the easement, take restorative or ameliorative action with respect to the burdened property. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

11.4 Easements To Serve Additional Property.

Declarant reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Association Common Area for enjoyment, use, access, and development of the property described in Exhibit "A" and "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property.

Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Common Area as a result of their actions in connection with development of such property. In the event of any such damage to the property, whether to natural conditions or structures and regardless of whether such damage is the result of negligent, willful, or any other type of action, Declarant, its successors, or assigns, whichever is appropriate, shall repair such property and shall restore it to the condition which existed prior to the occurrence of the damage or to the condition any governmental entity having jurisdiction requires, whichever standard is stricter. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof benefiting from such easement is not made subject to this Declaration, Declarant, its successors, or assigns shall enter into a reasonable agreement with the Association to share the cost of any maintenance which the Association provides to or along any roadway providing access to such property.

11.5 Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over the Ranch as necessary for the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons; to perform maintenance; and to inspect for the purpose of ensuring compliance

with and enforce the Ranch Governing Documents. Except to avoid imminent threat of personal injury or property damage, entry into any portion of any property not generally open to the public shall only be authorized during reasonable hours and after receipt of the Owner's or occupant's consent, which consent shall not unreasonably be withheld.

11.6 Easements for Irrigation Lake Maintenance and Flood Water.

To the extent that any irrigation lake is located within the Area of Ranch Responsibility, this Declaration hereby creates, in favor of Declarant, its successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon any irrigation lake located within the Area of Ranch Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Ranch Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Ranch-Wide Standard.

To the extent that any irrigation lake is located within the Area of Ranch Responsibility, this Declaration hereby creates in favor of the Association, its successors, assigns, and designees, the nonexclusive right and easement to enter upon any irrigation lake located within the Area of Ranch Responsibility to (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Ranch Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; and (c) maintain such areas in a manner consistent with the Community-Wide Standard.

Declarant, the Association, their successors, assigns, and designees shall have an access easement over and across any of the Ranch abutting or containing any irrigation lake to the extent reasonably necessary to exercise their rights under this Section.

Declarant reserves for itself, the Association, their successors, assigns, and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Area and Units (but not the dwellings thereon) adjacent to or within 100 feet of any irrigation lake at the Ranch, in order to (a) alter in any manner and generally maintain any irrigation lake within the Area of Ranch Responsibility and (b) maintain and landscape the slopes and banks pertaining to such areas. All persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant, the Association, or any other Person liable for damage or injury resulting from flooding or surface runoff due to rainfall or other natural occurrences.

11.7 Easements for Drainage Areas.

This Declaration creates in favor of Declarant, so long as Declarant owns any property described in Exhibit "A" or "B," and the Association, their successors, assigns, and designees, the nonexclusive right and easement to enter upon drainage ways, drainage culverts, natural drainage areas, washes and wash areas, other areas at the Ranch, including areas within Units, used to drain surface runoff and flood waters, and any improvements and equipment installed or used in connection therewith (collectively, "Drainage Areas") to install, maintain, repair, and replace such areas and property. Except to avoid imminent threat of personal injury or property damage, entry onto any portion of any property not generally open to the public shall

only be authorized during reasonable hours and after receipt of the Owner's or occupant's consent, which consent shall not unreasonably be withheld.

11.8 Easements for Golf Course.

Every Unit and the Common Area in each "Golf Neighborhood" which is designated as such by Exhibit "A" to this Declaration or the Supplemental Declaration submitting such Neighborhood to this Declaration and the common property of any Neighborhood Association for any "Golf Neighborhood" are burdened with an easement permitting errant golf balls, golf clubs, or parts thereof (collectively, "errant golf equipment") unintentionally to come upon such areas and for golfers at reasonable times and in a reasonable manner to come upon the Common Area, common property of a Neighborhood, or the exterior portions of a Unit to retrieve errant golf equipment; provided, if any Unit is fenced or walled, the golfer shall seek the Owner's permission before entry.

The existence of this easement shall not relieve golfers of liability for damage caused by errant golf equipment. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf equipment or the exercise of this easement: Declarant; the Association or its Members (in their capacities as such); the Community Council, The Covenant Commission; the owner of the golf course or its successors-in-title to the golf course; the architect or builder of the golf course; any builder or contractor (in their capacities as such); any affiliate, successor, or assign of the foregoing; any officer, director, or partner of any of the foregoing; or any officer or director of any partner.

The owner of any golf course within or adjacent to any portion of the Ranch, its agents, successors, and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Areas reasonably necessary to the operation, maintenance, repair, and replacement of its golf course.

Any portion of the Ranch immediately adjacent to any golf course is hereby burdened with a non-exclusive easement in favor of the adjacent golf course for overspray of water from the irrigation system serving such golf course. Under no circumstances shall the Association or the owner of such golf course be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

The owner of any golf course within or adjacent to any portion of the Ranch, its successors and assigns, shall have a perpetual, exclusive easement of access over the Ranch for the purpose of retrieving golf balls from bodies of water within the Common Areas lying reasonably within range of golf balls hit from its golf course.

11.9 Easements for Community Council.

In accordance with the Covenants and Easements, the Community Council may periodically delegate one or more responsibilities to the Association and later may reassume one or more such responsibilities. Therefore, this Declaration creates in favor of the Community Council, easements in and over the Common Areas and any areas in or over which this Article establishes easements for the Association's benefit, to the extent necessary to enable the Community Council to reassume any such responsibility.

Article XII Exclusive Common Areas.**12.1 Purpose.**

Certain portions of the Common Area may be designated as Exclusive Common Area and reserved for the exclusive use or primary benefit of Owners and occupants within a particular Neighborhood or Neighborhoods. For example, Exclusive Common Areas may include entry features, recreational facilities, landscaped medians and cul-de-sacs, lakes, and other portions of the Common Area within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of an Exclusive Common Area shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Exclusive Common Areas are assigned.

12.2 Designation.

Any Exclusive Common Area shall be designated as such in the deed conveying such area to the Association or on the subdivision plat relating to such Common Area; provided any such assignment shall not preclude Declarant from later assigning use of the same Exclusive Common Area to additional Units and/or Neighborhoods, so long as Declarant has a right to subject additional property to this Declaration pursuant to Section 9.1.

A portion of the Common Area may be assigned as Exclusive Common Area and Exclusive Common Area may be reassigned upon approval of the Board and the vote of Voting Members representing a majority of the total Class "A" votes in the Association, including a majority of the Class "A" votes within the Neighborhood(s) affected by the proposed assignment or reassignment. As long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1, any such assignment or reassignment shall also require Declarant's written consent.

12.3 Use by Others.

Upon approval of a majority of the Neighborhood Committee members or Neighborhood Association board of directors for the Neighborhood(s) to which any Exclusive Common Area is assigned, the Association may permit Unit Owners in other Neighborhoods to use all or a portion of such Exclusive Common Area upon payment of reasonable user fees, which fees shall be used to offset the Neighborhood Expenses attributable to such Exclusive Common Area.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of the Ranch as a community in which people enjoy living, working, and playing require good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with its neighbors, and protection of the rights of others who have an interest in the community.

Article XIII **Dispute Resolution and Limitation on Litigation.**

13.1 Consensus for Association Litigation.

Except as provided in this Section, the Association shall not commence a judicial or administrative proceeding without the approval of at least two-thirds of the Voting Members. A Voting Member representing Units owned by Persons other than the Voting Member shall not vote in favor of bringing or prosecuting any such proceeding unless authorized to do so by a vote of Owners of two-thirds of the total number of Units in the Neighborhood represented by the Voting Member. This Section shall not apply, however, to (a) actions brought by the Association to enforce the Ranch Governing Documents (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments; (c) proceedings involving challenges to *ad valorem* taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

Prior to the Association or any Member commencing any judicial or administrative proceeding to which Declarant is a party and which arises out of an alleged defect at the Ranch or any improvement constructed upon the Ranch, Declarant shall have the right to be heard by the Members, or the particular Member, and to access, inspect, correct the condition of, or redesign any portion of the Ranch, including any improvement as to which a defect is alleged. In addition, the Association or the Member shall notify the builder who constructed the subject improvement prior to retaining any other expert as an expert witness or for other litigation purposes.

13.2 Alternative Method for Resolving Disputes.

Declarant; the Community Council, its officers, directors, and committee members; The Covenant Commission; the Association, its officers, directors, and committee members; all Persons subject to this Declaration; any Builder; and any Person not otherwise subject to this Declaration who agrees to submit to this Article (each such entity being referred to as a "Bound Party") agree to encourage the amicable resolution of disputes involving the Ranch, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees to submit those claims, grievances, or disputes described in Sections 13.3 (collectively, "Claims") to the procedures set forth in Section 13.4 prior to filing suit in any court.

13.3 Claims.

Unless specifically exempted below, all Claims arising out of or relating to the interpretation, application, or enforcement of the Ranch Governing Documents; the rights, obligations, and duties of any Bound Party under the Ranch Governing Documents; or the design or construction of improvements on the Ranch shall be subject to the provisions of Section 13.4.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 13.4:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article VIII;

(b) any suit by the Association or Declarant to obtain a temporary restraining order or injunction (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to act under and enforce the provisions of Article III or Article IV;

(c) any suit by an Owner to challenge the actions of Declarant, the Association, the Modifications Committee, The Covenant Commission, any covenants committee, or any other committee with respect to the enactment and application of standards or rules or the approval or disapproval of plans pursuant to the provisions of Article III or Article IV;

(d) any suit between or among Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Ranch Governing Documents;

(e) any suit in which any indispensable party is not a Bound Party; and

(f) any suit as to which any applicable statute of limitations has expired or would expire within 180 days of giving the Notice required by Section 13.4(a).

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 13.4.

13.4 Mandatory Procedures.

(a) Notice. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent") (the Claimant and the Respondent referred to herein being individually, as a "Party," or, collectively, as the "Parties") shall notify each Respondent in writing (the "Notice"), stating plainly and concisely:

(i) the nature of the Claim, including the Persons involved and Respondent's role in the Claim;

(ii) the legal basis of the Claim (*i.e.*, the specific authority out of which the Claim arises);

(iii) the proposed remedy; and

(iv) the fact that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation and Mediation.

(i) The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing,

accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in negotiation.

(ii) If the Parties do not resolve the Claim within 30 days after the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days to submit the Claim to mediation under the auspices of an independent mediation service designated by the Association or, if the Community Council is a party to the Claim, by the Community Council, or, if the Parties otherwise agree, to an independent agency providing dispute resolution services in the Scottsdale area.

(iii) If Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

(iv) Any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the Parties. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation, or within such other time as determined by the mediator or agreed to by the Parties, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth that the Parties are at an impasse and the date that mediation was terminated.

Upon Termination of Mediation, Claimant shall thereafter be entitled to sue in any court of competent jurisdiction or to initiate proceedings on the Claim before any appropriate administrative tribunal. Each Party shall bear its own costs of the mediation, including attorneys' fees, and each Party shall share equally all charges rendered by the mediator. If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with Section 13.4 and any Party thereafter fails to abide by the terms of such agreement, then any other Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in Section 13.4. In such event, the Party taking action to enforce the agreement shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement, including, without limitation, attorneys' fees and court costs.

Article XIV Private Amenities.

14.1 General.

Membership in the Association or ownership or occupancy of a Unit shall not confer any ownership interest in or right to use any Private Amenity. Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the respective owners of the Private Amenities. The owners of the Private Amenities shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities, including, without limitation, the right to determine eligibility for and duration of use of the Private Amenity, categories of use and extent of use privileges, and number of users, and

shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any written agreements with their respective members.

14.2 Conveyance of Private Amenities.

All Persons, including all Owners, acknowledge and agree that no representations or warranties have been or are made by Declarant, the Association, The Covenant Commission, the Community Council, any Builder, or by any Person acting on behalf of any of the foregoing, with respect to the continuing ownership or operation of any Private Amenity. No purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the record owner of the Private Amenity.

The ownership, use, operation, boundaries, or routing of any Private Amenity may change at any time by virtue of, but without limitation, (a) the sale to or assumption of operations of any Private Amenity by a Person other than the current owner or operator; (b) the establishment of, or conversion of the membership structure to, an "equity" club or similar arrangement whereby the members of the Private Amenity or an entity owned or controlled by its members become the owner(s) and/or operator(s) of the Private Amenity; (c) the conveyance of any Private Amenity to one or more affiliates, shareholders, employees, or independent contractors of Declarant; or (d) the discontinuance of use of the Private Amenity. No consent whatsoever of the Association, any Neighborhood Association, any Voting Member, or any Owner shall be required to effectuate any change in ownership or operation of any Private Amenity.

14.3 View Impairment.

Declarant, the Association, and the owner of any Private Amenity do not guarantee or represent that any view over and across the Private Amenity from Units adjacent to the Private Amenity will be preserved without impairment. Owners of the Private Amenities, if any, shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in their sole and absolute discretion, to add trees and other landscaping to the Private Amenities from time to time. In addition, the owner of any Private Amenity which includes a golf course may, in its sole and absolute discretion, change the location, configuration, size and elevation of the trees, bunkers, fairways and greens from time to time. Any such additions or changes may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

14.4 Rights of Access and Parking.

There is established for the benefit of all Private Amenities, if any, and their members (regardless of whether such members are Owners hereunder), guests, invitees, employees, agents, contractors, and designees a right and nonexclusive easement of access and use over all roadways located within the Ranch reasonably necessary to travel between the entrance to the Ranch and the respective Private Amenities and over those portions of the Ranch (whether Common Area or otherwise) reasonably necessary to the operation, maintenance, repair, and replacement of the respective Private Amenities. Without limiting the generality of the foregoing, members, guests, and invitees of the Private Amenities shall have the right to park their vehicles on the roadways located in the Ranch at reasonable times before, during, and after tournaments and other similar

functions held by or at the Private Amenity to the extent that the Private Amenity has insufficient parking to accommodate such vehicles.

14.5 Covenant to Share Costs.

The Association may enter into a contractual arrangement or Covenant to Share Costs with any Private Amenity obligating such Private Amenity to contribute funds for, among other things, shared property or services and/or a higher level of Common Area maintenance.

14.6 Architectural Control.

Declarant, the Association, any Neighborhood Association, or any committee shall not approve any construction, addition, alteration, change, or installation on or to any portion of the Ranch which is adjacent to, or otherwise in the direct line of sight of, any Private Amenity without giving such Private Amenity at least 15 days' prior written notice of its intent to approve together with copies of the request and all other documents and information finally submitted in such regard. Such Private Amenity shall then have 15 days to respond in writing approving or objecting to the proposal, stating in detail the reasons for any objection.

The failure of such Private Amenity to respond to the notice within the 15-day period shall constitute a waiver of such Private Amenity's right to object to the matter. This Section shall confer upon the Private Amenities only an opportunity to comment upon proposals; this Section shall not confer upon any Private Amenity the right to veto any decision of Declarant, the Association, any Neighborhood Association, or any committee. This Section also applies to any work on the Common Area or any common property or common elements of a Neighborhood Association, if any.

14.7 Limitations on Amendments.

In recognition of the fact that the provisions of this Article are for the benefit of the Private Amenities, no amendment to this Article, and no amendment in derogation of any other provisions of this Declaration benefiting any Private Amenity, may be made without the written approval of the Private Amenities. The foregoing shall not apply, however, to amendments made by Declarant.

14.8 Jurisdiction and Cooperation.

Declarant intends that the Association and the Private Amenities cooperate to the maximum extent possible in the operation of the Ranch and the Private Amenities. Each shall reasonably assist the other in upholding the Ranch-Wide Standard as it pertains to maintenance and compliance with The Covenant. The Association shall have no power to promulgate Use Restrictions or Rules other than those set forth in Exhibit "C" affecting activities on or use of the Private Amenities without the prior written consent of the owners of the Private Amenities affected thereby.

Article XV Mortgagee Provisions.

The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Units. This Article applies to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

15.1 Notices of Action.

An institutional holder, insurer, or guarantor of a first Mortgage which provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Ranch Governing Documents relating to such Unit or the Owner or Occupant which is not cured within 60 days;

(c) any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) any proposed action which would require the consent of a specified percentage of Eligible Holders.

15.2 Special FHLMC Provision.

So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing Section. Unless at least 67% of the first Mortgagees or Voting Members representing at least 67% of the total Association vote consent, the Association shall not:

(a) by act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (a decision, including contracts, by the Board or provisions of any declaration subsequently Recorded on any portion of the Ranch regarding assessments for Neighborhoods or other similar areas shall not be subject to this provision where such decision or subsequent declaration is otherwise authorized by this Declaration);

(c) by act or omission, change, waive, or abandon any scheme of regulations or enforcement pertaining to architectural design, exterior appearance, or maintenance of Units and the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) fail to maintain insurance, as required by this Declaration; or

(e) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

15.3 Other Provisions for First Lien Holders.

To the extent not inconsistent with Arizona law:

(a) Any restoration or repair of the Ranch after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications unless the approval is obtained of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to Mortgages held by such Eligible Holders are allocated.

15.4 Amendments to Documents.

The following provisions do not apply to amendments to the Ranch Governing Documents or to termination of the Association as a result of destruction, damage, or condemnation pursuant to Section 15.3, or to the addition of land in accordance with Article IX:

(a) The consent of Voting Members representing at least 67% of the Class "A" votes and of Declarant, so long as it owns any land subject to this Declaration, and the approval of the Eligible Holders of first Mortgages on Units to which at least 67% of the votes of Units subject to a Mortgage appertain, shall be required to terminate the Association.

(b) The consent of Voting Members representing at least 67% of the Class "A" votes and of Declarant, so long as it owns any land subject to this Declaration, and the approval of Eligible Holders of first Mortgages on Units to which more than 50% of the votes of Units subject to a Mortgage appertain, shall be required materially to amend any provisions of this

Declaration, Bylaws, or Articles of Incorporation, or to add any material provisions thereto which establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) assessments, assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the Common Area;
- (iv) insurance or fidelity bonds;
- (v) rights to use the Common Area;
- (vi) responsibility for maintenance and repair of the Ranch;
- (vii) expansion or contraction of the Ranch or the addition, annexation, or withdrawal of Ranch to or from the Association;
- (viii) boundaries of any Unit;
- (ix) leasing of Units;
- (x) imposition of any right of first refusal or similar restriction of the right of any Owner to sell, transfer, or otherwise convey his or her Unit;
- (xi) establishment of self-management by the Association where professional management has been required by an Eligible Holder; or
- (xii) any provisions included in this Declaration, Bylaws, or Articles of Incorporation which are for the express benefit of holders, guarantors, or insurers of first Mortgages on Units.

15.5 No Priority.

No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

15.6 Notice to Association.

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

15.7 Failure of Mortgagee To Respond.

Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not

receive a written response from the Mortgagee within 30 days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

15.8 Construction of Article XV.

Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under this Declaration, Bylaws, or Arizona law for any of the acts set out in this Article.

Article XVI Relationship With City of Scottsdale.

The Association shall promulgate and implement a process for and shall appoint a staff member who serves as a single point of contact for the City of Scottsdale and members of the public for all purposes including communication of any complaints relating to governance within the Ranch. The responsibilities of such staff member shall include, without limitation, communicating with the City of Scottsdale regarding maintenance issues within the purview of the Association and answering questions relevant to any matters for which the Association has responsibility or authority.

Notwithstanding anything to the contrary in this Declaration, the provisions of this Declaration shall not apply to any property that is owned in fee by the City of Scottsdale (but only for so long as such property is owned in fee by the City of Scottsdale), except as may be expressly provided otherwise in a separate Recorded instrument executed by the City of Scottsdale.

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as the Ranch are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. The Ranch and the Ranch Governing Documents must be able to adapt to these changes while protecting the special features that make the Ranch unique.

Article XVII Changes in Ownership of Units.

Any Owner desiring to sell or otherwise transfer title to a Unit shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Unit Owner, including assessment obligations, until the date upon which such notice is received by the Board or the date title transfers, whichever is later.

Article XVIII Changes in Common Area.

18.1 Condemnation.

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Voting Members representing at least 67% of the total Class "A" votes in the Association and of Declarant, as long

as Declarant owns any property subject to this Declaration or which may be made subject to this Declaration in accordance with Section 9.1) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice of such taking or conveyance prior to disbursement of any condemnation award or proceeds from such conveyance. Such award or proceeds shall be payable to the Association to be disbursed as set forth in this Article.

If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking, Declarant, so long as Declarant owns any property subject to this Declaration or which may be made subject to this Declaration in accordance with Section 9.1, and Voting Members representing at least 75% of the total Class "A" vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 7.3(c) regarding funds for restoring improvements shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

18.2 Partition.

Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of any portion of the Common Area without the written consent of all Owners and Mortgagees. This Section shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

18.3 Transfer or Dedication of Common Area.

The Association may dedicate portions of the Common Area to Maricopa County, Arizona, the City of Scottsdale, or to any other local, state, or federal governmental or quasi-governmental entity.

Article XIX Amendment of Declaration.

19.1 By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until termination of the Class "B" membership, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state or federal governmental agency. Any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

So long as Declarant owns property described in Exhibit "A" or "B" for development as part of the Ranch, it may unilaterally amend this Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner.

19.2 By Members.

Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Voting Members representing 75% of the total Class "A" votes in the Association, including 75% of the Class "A" votes held by Members other than Declarant, and the consent of Declarant, so long as Declarant owns any property subject to this Declaration or which may become subject to this Declaration in accordance with Section 9.1. In addition, the approval requirements set forth in Article XV shall be met, if applicable.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

19.3 Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege). All amendments must be consistent with the requirements set forth in the Development Agreement, as amended from time to time.

If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that the Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

19.4 Exhibits.

Exhibits "A," "B," "C," and "D" attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration which refer to such exhibits.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the 7th day of July, 1999.

DC RANCH L.L.C., an Arizona limited liability company

By: DMB Property Ventures Limited Partnership,
a Delaware limited partnership,
administrative member

By: DMB GP, Inc., an Arizona corporation,
general partner

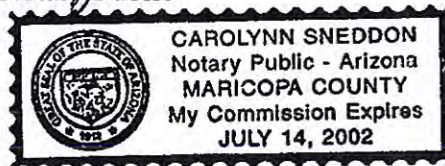
By: *Charley Freericks*
Charley Freericks
Vice President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 7th day of July, 1999, by Charley Freericks, Vice President of DMB GP, Inc., an Arizona corporation, for and on behalf of the corporation as general partner of DMB Property Ventures Limited Partnership, a Delaware limited partnership, for and on behalf of the partnership as the administrative member of DC Ranch L.L.C., an Arizona limited liability company, for and on behalf of the limited liability company.

My Commission Expires:
7-14-02

Carolynn Sneddon
Notary Public



DCRANCH\GOVERNANCE\WORD\CCRRA-RV

Exhibit "A"
(Page 1 of 2)

Legal Description of Submitted Property

Parcel 2.9

Lots 1 through 49, inclusive, and Tracts "A", "B", "C", "D", "E", and "F", inclusive, of DC RANCH PARCEL 2.9, a subdivision according to the plat recorded in Book 437 of Maps, Page 34, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 97-0391070, records of Maricopa County, Arizona.

Parcel 2.10

Lots 1 through 46, inclusive, and Tracts "A" through "D", inclusive, of DC RANCH PARCEL 2.10, a subdivision according to the plat recorded in Book 448 of Maps, Page 32, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 98-0092993, records of Maricopa County, Arizona.

Parcel 2.13/2.14

Lots 1 through 166, inclusive, and Tracts "A" through "S", inclusive, of DC RANCH PARCEL 2.13/2.14, a subdivision according to the plat recorded in Book 461 of Maps, Page 10, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 98-0257259 and by Certificate of Correction recorded as Instrument No. 98-0828191, records of Maricopa County, Arizona.

Parcel 4.1

Lots 401 through 478, inclusive, and Lots 486 through 495, inclusive, and Tracts A through H, inclusive, of DC RANCH PARCEL 4.1, a subdivision according to the plat recorded in Book 430 of Maps, Page 5, records of Maricopa County, Arizona.

Parcel 4.4

Lots 1 through 64, inclusive, and Tracts "A" through "P", inclusive, of DC RANCH PARCEL 4.4, a subdivision according to the plat recorded in Book 444 of Maps, Page 34, records of Maricopa County, Arizona.

Parcel 4.6

Lots 101 through 154, inclusive, and Tracts "A" through "K", inclusive, of DC RANCH PARCEL 4.6 REPLAT, a subdivision according to the plat recorded in Book 469 of Maps, Page 24, records of Maricopa County, Arizona.

Exhibit "A"
(Page 2 of 2)

Parcel 4.7

Lots 479 through 485, inclusive, of DC RANCH PARCEL 4.7, a subdivision according to the plat recorded in Book 435 of Maps, Page 35, records of Maricopa County, Arizona.

Parcel 4.8

Lots 500 through 504, inclusive, and Tracts "A" and "B", inclusive, of DC RANCH PARCEL 4.8, a subdivision according to the plat recorded in Book 454 of Maps, Page 43, records of Maricopa County, Arizona.

Parcel 4.11

Units 1 through 45, inclusive, and Tracts "A" through "C", inclusive, of TAPADERO AT DC RANCH, a condominium according to the condominium plat recorded in Book 450 of Maps, Page 03, records of Maricopa County, Arizona.

Parcel 4.13

Lots 801 through 816, inclusive, and Tracts "A" through "E", inclusive, of DC RANCH PARCEL 4.13, a subdivision according to the plat recorded in Book 482 of Maps, Page 40, records of Maricopa County, Arizona.

Parcel 4.14

Lots 701 through 733, inclusive, and Tracts "A" through "I", inclusive, of DC RANCH PARCEL 4.14, a subdivision according to the plat recorded in Book 464 of Maps, Page 17, records of Maricopa County, Arizona.

Parcel 4.15

Lots 637 through 661, inclusive, and Tracts "A" through "E", inclusive, of DC RANCH PARCEL 4.15, a subdivision according to the plat recorded in Book 453 of Maps, Page 39, records of Maricopa County, Arizona.

Parcel 4.16

Lots 600 through 624, inclusive, and Tracts "A" through "G", inclusive, of DC RANCH PARCEL 4.16, a subdivision according to the plat recorded in Book 444 of Maps, Page 33, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 97-0466171, records of Maricopa County, Arizona.

WOOD/PATEL

CIVIL ENGINEERS • HYDROLOGISTS • LAND SURVEYORS

Darrel E. Wood, P.E., R.L.S.
 Ashok C. Patel, P.E., R.L.S.
 James S. Campbell, P.E.
 Gordon W. R. Wark, P.E.
 Thomas R. Gettings, R.L.S.
 Bruce Friedhoff, P.E.
 Scott A. Nelson, R.L.S.
 Richard L. Hiner, P.E.
 Timothy A. Huval, P.E.
 Michael J. Sexton, R.L.S.
 Jack K. Moody, P.E.
 Leslie J. Kland, P.E.
 Carl Sitterley, R.L.S.
 Curtis L. Brown, P.E.
 Jim Lynck, P.E., R.L.S.
 R. Scott Rasmussen, P.E.
 Paul M. Haas, P.E.
 Shimin Zou, Ph.D., P.E.
 David T. Phelps, P.E.
 Michael T. Young, P.E.

WP #95302

Revised October 1, 1998

Revised April 9, 1998

May 30, 1997

Exhibit "B"
(Page 1 of 6)

PARCEL DESCRIPTION
DC Ranch Planning Units 1 through 6

A parcel of land lying within Sections 19-23, 27-29, and 31, Township 4 North, Range 5 East, of the Gila and Salt River Meridian, Maricopa County, Arizona, more particularly described as follows:

Commencing at the northwest corner of said Section 19, said point being the **POINT OF BEGINNING** of the herein described parcel;
THENCE along the north line of said Section 19, North 89°57'31" East, a distance of 2378.29 feet, to the north quarter corner of said section;
THENCE continuing along said north line, North 89°54'27" East, a distance of 2640.80 feet, to the northeast corner of said Section 19, said point also being the northwest corner of said Section 20;
THENCE along the north line of said Section 20, North 89°54'12" East, a distance of 2632.16 feet, to the north quarter corner of said Section 20;
THENCE continuing along said north line, North 89°56'46" East, a distance of 2652.92 feet, to the northeast corner of said Section 20 said point also being the northwest corner of said Section 21;
THENCE along the north line of said Section 21, North 89°58'06" East, a distance of 2631.25 feet, to the north quarter corner of said Section 21;
THENCE continuing along said north line, North 89°50'12" East, a distance of 2639.84 feet, to the northeast corner of said Section 21, said point also being the northwest corner of said Section 22;
THENCE along the north line of said Section 22, South 89°39'54" East, a distance of 2632.52 feet, to the north quarter corner of said Section 22;
THENCE continuing along said north line, South 89°49'37" East, a distance of 2634.86 feet, to the northeast corner of said Section 22, said point also being the northwest corner of said Section 23;
THENCE along the north line of said Section 23, North 89°55'32" East, a distance of 413.72 feet;
THENCE leaving said north line, South 16°34'02" West, a distance of 298.78 feet;
THENCE South 32°29'06" West, a distance of 249.03 feet;
THENCE South 54°43'46" West, a distance of 200.14 feet;
THENCE South 25°30'00" West, a distance of 369.61 feet;
THENCE South 43°02'24" West, a distance of 101.25 feet;
THENCE South 69°41'17" West, a distance of 142.10 feet;
THENCE South 58°43'14" West, a distance of 294.53 feet;
THENCE South 71°34'33" West, a distance of 202.88 feet;
THENCE South 79°37'56" West, a distance of 356.23 feet;
THENCE South 55°47'54" West, a distance of 447.58 feet;
THENCE South 71°34'33" West, a distance of 187.28 feet;
THENCE South 82°42'05" West, a distance of 194.05 feet;

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PARCEL DESCRIPTION
DC Ranch Planning Units 1 through 6

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THENCE South 64°42'37" West, a distance of 333.93 feet;
THENCE South 51°35'48" West, a distance of 103.11 feet;
THENCE South 29°22'16" West, a distance of 306.79 feet;
THENCE South 38°40'28" West, a distance of 214.03 feet;
THENCE South 50°50'28" West, a distance of 194.04 feet;
THENCE South 60°57'31" West, a distance of 114.73 feet;
THENCE South 68°45'40" West, a distance of 107.61 feet;
THENCE South 27°46'18" West, a distance of 119.61 feet;
THENCE South 14°37'49" West, a distance of 132.40 feet;
THENCE South 33°02'16" West, a distance of 132.88 feet;
THENCE South 68°12'37" West, a distance of 150.03 feet;
THENCE South 42°10'51" West, a distance of 398.36 feet;
THENCE South 19°18'03" West, a distance of 118.03 feet;
THENCE South 42°31'31" West, a distance of 90.69 feet;
THENCE South 55°45'09" West, a distance of 232.21 feet;
THENCE South 26°44'51" West, a distance of 319.89 feet;
THENCE South 37°36'39" West, a distance of 267.11 feet;
THENCE South 20°14'10" West, a distance of 85.70 feet;
THENCE South 14°46'17" East, a distance of 282.77 feet;
THENCE South 52°54'17" West, a distance of 178.37 feet;
THENCE South 14°46'17" East, a distance of 341.46 feet;
THENCE South 75°09'53" West, a distance of 571.95 feet;
THENCE South 69°08'35" West, a distance of 558.45 feet;
THENCE South 14°16'53" West, a distance of 143.97 feet;
THENCE South 24°41'53" East, a distance of 105.07 feet;
THENCE South 65°54'24" East, a distance of 337.06 feet;
THENCE North 85°50'13" East, a distance of 607.74 feet;
THENCE South 06°30'10" West, a distance of 621.01 feet;
THENCE South 54°53'38" West, a distance of 779.19 feet;
THENCE South 69°28'29" West, a distance of 615.81 feet;
THENCE South 52°14'20" West, a distance of 209.45 feet;
THENCE South 31°46'10" West, a distance of 213.58 feet;
THENCE South 07°07'55" West, a distance of 338.74 feet;
THENCE South 47°13'03" West, a distance of 140.57 feet;
THENCE South 29°29'21" West, a distance of 100.92 feet;
THENCE South 79°13'26" West, a distance of 163.36 feet;
-THENCE South 39°42'01" West, a distance of 233.31 feet;
THENCE South 67°22'13" West, a distance of 387.07 feet;
THENCE South 61°50'49" West, a distance of 275.20 feet;
THENCE South 49°02'35" West, a distance of 192.27 feet;
THENCE South 36°23'56" West, a distance of 180.31 feet;
THENCE South 26°00'58" West, a distance of 174.25 feet;
THENCE South 04°20'17" West, a distance of 183.42 feet;
THENCE South 73°18'39" West, a distance of 159.56 feet;
THENCE South 78°41'55" West, a distance of 146.12 feet;

Exhibit "B"
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PARCEL DESCRIPTION
DC Ranch Planning Units 1 through 6

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THENCE South 49°15'56" West, a distance of 400.91 feet;
THENCE South 31°15'32" West, a distance of 556.26 feet;
THENCE South 60°37'02" West, a distance of 273.06 feet;
THENCE South 88°47'09" West, a distance of 157.53 feet;
THENCE South 71°57'00" West, a distance of 162.13 feet;
THENCE South 82°45'14" West, a distance of 185.79 feet;
THENCE North 87°52'31" West, a distance of 181.08 feet;
THENCE South 72°04'57" West, a distance of 119.75 feet;
THENCE South 02°29'42" West, a distance of 154.24 feet;
THENCE South 11°40'04" West, a distance of 215.49 feet;
THENCE South 03°56'32" East, a distance of 97.37 feet;
THENCE South 00°36'19" East, a distance of 314.90 feet;
THENCE South 20°05'15" West, a distance of 86.02 feet, to the southeast corner of the southwest quarter of the southwest quarter of said Section 28;
THENCE along the south line of said Section 28, South 89°56'59" West, a distance of 1321.23 feet, to the southwest corner of said Section 28, said point also being the southeast corner of Section 29;
THENCE along the south line of said Section 29, South 89°47'45" West, a distance of 2644.56 feet, to the south quarter corner of said Section 29;
THENCE continuing along said south line, North 89°47'17" West, a distance of 2642.74 feet, to the southwest corner of said Section 29, said point also being the northeast corner of said Section 31;
THENCE along the east line of said Section 31, South 00°02'24" East, a distance of 1321.15 feet, to the southeast corner of the northeast quarter of the northeast quarter of said Section 31;
THENCE along the south line of the north half of the northeast quarter of said Section 31, South 89°57'25" West, a distance of 1319.45 feet, to the southwest corner of the northeast quarter of the northeast quarter of said Section 31;
THENCE along the west line of the east half of the northeast quarter of said Section 31, South 00°01'17" East, a distance of 1320.96 feet, to the northwest corner of the northeast quarter of the southeast quarter of said Section 31;
THENCE along the east-west mid-section line of said Section 31, North 89°57'56" East, a distance of 659.94 feet, to the southwest corner of the southeast quarter of the southeast quarter of the northeast quarter of said Section 31;
THENCE along the west line of the southeast quarter of the southeast quarter of the northeast quarter of said Section 31, North 00°01'50" West, a distance of 660.53 feet, to the northwest corner of the southeast quarter of the southeast quarter of the northeast quarter of said Section 31;
THENCE along the north line of the southeast quarter of the southeast quarter of the northeast quarter of said Section 31, North 89°57'40" East, a distance of 659.83 feet, to the northeast corner of the southeast quarter of the southeast quarter of the northeast quarter of said Section 31;
THENCE along the east line of said Section 31, South 00°02'24" East, a distance of 660.58 feet, to the east quarter corner of said Section 31;
THENCE continuing along said east line, South 00°02'54" East, a distance of 1321.03

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PARCEL DESCRIPTION
DC Ranch Planning Units 1 through 6

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feet, to the southeast corner of the northeast quarter of the southeast quarter of said Section 31;

THENCE along the south line of the north half of the southeast quarter of said Section 31, South 89°58'20" West, a distance of 2640.80 feet, to the southeast corner of the northeast quarter of the southwest quarter of said Section 31;

THENCE along the south line of the north half of the southwest quarter of said Section 31, South 89°58'20" West, a distance of 1319.36 feet, to the southwest corner of the northeast quarter of the southwest quarter of said Section 31;

THENCE along the west line of the northeast quarter of the southwest quarter of said Section 31, North 00°03'25" West, a distance of 1320.57 feet, to the northwest corner of the northeast quarter of the southwest quarter of said Section 31;

THENCE along the west line of the east half of the northwest quarter of said Section 31, North 00°03'27" West, a distance of 2641.14 feet, to the north line of the northwest quarter of said Section 31;

THENCE leaving said west line along said north line, North 89°56'55" East, a distance of 1323.11 feet, to the north quarter corner of said Section 31;

THENCE along the north line of the northeast quarter of said Section 31, North 89°56'55" East, a distance of 2638.05 feet to the northeast corner of said Section 31, said point also being the southwest corner of said Section 29;

THENCE along the west line of said Section 29, North 00°01'02" West, a distance of 2641.12 feet, to the west quarter corner of said Section 29;

THENCE continuing along said west line, North 00°04'28" West, a distance of 2641.66 feet, to the northwest corner of said Section 29, said point also being the southeast corner of said Section 19;

THENCE along the south line of said Section 19, South 89°55'31" West, a distance of 2639.09 feet, to the south quarter corner of said Section 19;

THENCE continuing along said south line, South 89°57'09" West, a distance of 2385.32 feet, to the southwest corner of said Section 19;

THENCE along the west line of said Section 19, North 00°00'43" East, a distance of 2640.27 feet, to the west quarter corner of said Section 19;

THENCE continuing along said west line, North 00°00'19" East, a distance of 2639.60 feet to the **POINT OF BEGINNING**.

Subject to existing rights-of-way and easements.

EXCEPT the following property:

Exhibit "B"
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Parcel 2.9

Lots 1 through 49, inclusive, and Tracts "A", "B", "C", "D", "E", and "F", inclusive, of DC RANCH PARCEL 2.9, a subdivision according to the plat recorded in Book 437 of Maps, Page 34, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 97-0391070, records of Maricopa County, Arizona.

Parcel 2.10

Lots 1 through 46, inclusive, and Tracts "A" through "D", inclusive, of DC RANCH PARCEL 2.10, a subdivision according to the plat recorded in Book 448 of Maps, Page 32, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 98-0092993, records of Maricopa County, Arizona.

Parcel 2.13/2.14

Lots 1 through 166, inclusive, and Tracts "A" through "S", inclusive, of DC RANCH PARCEL 2.13/2.14, a subdivision according to the plat recorded in Book 461 of Maps, Page 10, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 98-0257259 and by Certificate of Correction recorded as Instrument No. 98-0828191, records of Maricopa County, Arizona.

Parcel 4.1

Lots 401 through 478, inclusive, and Lots 486 through 495, inclusive, and Tracts A through H, inclusive, of DC RANCH PARCEL 4.1, a subdivision according to the plat recorded in Book 430 of Maps, Page 5, records of Maricopa County, Arizona.

Parcel 4.4

Lots 1 through 64, inclusive, and Tracts "A" through "P", inclusive, of DC RANCH PARCEL 4.4, a subdivision according to the plat recorded in Book 444 of Maps, Page 34, records of Maricopa County, Arizona.

Parcel 4.6

Lots 101 through 154, inclusive, and Tracts "A" through "K", inclusive, of DC RANCH PARCEL 4.6 REPLAT, a subdivision according to the plat recorded in Book 469 of Maps, Page 24, records of Maricopa County, Arizona.

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Parcel 4.7

Lots 479 through 485, inclusive, of DC RANCH PARCEL 4.7, a subdivision according to the plat recorded in Book 435 of Maps, Page 35, records of Maricopa County, Arizona.

Parcel 4.8

Lots 500 through 504, inclusive, and Tracts "A" and "B", inclusive, of DC RANCH PARCEL 4.8, a subdivision according to the plat recorded in Book 454 of Maps, Page 43, records of Maricopa County, Arizona.

Parcel 4.11

Units 1 through 45, inclusive, and Tracts "A" through "C", inclusive, of TAPADERO AT DC RANCH, a condominium according to the condominium plat recorded in Book 450 of Maps, Page 03, records of Maricopa County, Arizona.

Parcel 4.13

Lots 801 through 816, inclusive, and Tracts "A" through "E", inclusive, of DC RANCH PARCEL 4.13, a subdivision according to the plat recorded in Book 482 of Maps, Page 40, records of Maricopa County, Arizona.

Parcel 4.14

Lots 701 through 733, inclusive, and Tracts "A" through "I", inclusive, of DC RANCH PARCEL 4.14, a subdivision according to the plat recorded in Book 464 of Maps, Page 17, records of Maricopa County, Arizona.

Parcel 4.15

Lots 637 through 661, inclusive, and Tracts "A" through "E", inclusive, of DC RANCH PARCEL 4.15, a subdivision according to the plat recorded in Book 453 of Maps, Page 39, records of Maricopa County, Arizona.

Parcel 4.16

Lots 600 through 624, inclusive, and Tracts "A" through "G", inclusive, of DC RANCH PARCEL 4.16, a subdivision according to the plat recorded in Book 444 of Maps, Page 33, records of Maricopa County, Arizona, as amended by Certificate of Correction recorded as Instrument No. 97-0466171, records of Maricopa County, Arizona.

EXHIBIT "C"**Initial Use Restrictions and Rules**

The following restrictions shall apply to all of the Ranch until such time as they are amended, modified, repealed or limited by rules of the Association adopted pursuant to Article III of this Declaration.

1. General. The Ranch shall be used only for residential, recreational, and related purposes (which may include, without limitation, an information center and/or a sales office for any real estate broker retained by Declarant to assist in the sale of property described in Exhibits "A" or "B," offices for any property manager retained by the Association, or business offices for Declarant or the Association) consistent with this Declaration and any Supplemental Declaration.

2. Restrictions. The following activities are prohibited at the Ranch unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board:

(a) Parking of mobile homes or inoperable vehicles in places other than enclosed garages;

(b) Raising, breeding or keeping of livestock or poultry. A reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Unit. However, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of or constitute a nuisance or inconvenience to the occupants of other Units shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. Pets shall be registered, licensed and inoculated as required by law;

(c) Any activity which emits foul or obnoxious odors outside the Unit or creates noise or other conditions which tend to disturb the peace or threaten the safety of the occupants of other Units;

(d) Any activity which violates local, state or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Pursuit of hobbies or other activities which tend to cause an unclean, unhealthy or untidy condition to exist outside of enclosed structures on the Unit;

(f) Dumping of debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any drainage ditch, stream, pond, or lake, or elsewhere within the Ranch, except that legally-sanctioned fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff, and Declarant and Builders may dump and bury rocks and trees removed from a building site on such building site;

(g) Accumulation of rubbish, trash, or garbage;

(h) Subdivision of a Unit into two or more Units, or changing the boundary lines of any Unit after a subdivision plat including such Unit has been approved and Recorded, except that Declarant shall be permitted to subdivide or replat Units which it owns;

(i) Any activities which materially disturb or destroy the vegetation, wildlife, or air quality at the Ranch or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution; and

(j) Any construction, erection, or placement of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of this Declaration and The Covenant. This shall include, without limitation, signs, basketball hoops, swing sets and similar sports and play equipment; clotheslines; umbrellas, awning-type, or related patio accessories visible from outside the Unit; garbage cans; woodpiles; above-ground swimming pools; docks, piers and similar structures; antennas, satellite dishes, or other apparatus for the transmission or reception of television, radio, satellite, or other signals of any kind; and hedges, walls, dog runs, animal pens, or fences of any kind.

3. Prohibitions.

The following shall be prohibited at the Ranch:

(a) Plants, animals, devices or other things of any sort of which activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Ranch;

(b) Structures, equipment or other items on the exterior portions of a Unit which have become rusty, dilapidated or otherwise fallen into disrepair;

(c) Use of any carport for storage or parking of any item, except for guest vehicles, or for any form of vehicle maintenance;

(d) Sound-amplification instruments of any kind, placed on exterior portions of any Unit, the use of which, in the discretion of the Board, negatively impacts anyone outside the Unit; and

(e) Storage of recreational vehicles, campers, or boats within the Ranch, except in enclosed portions of a Unit.

4. Leasing of Units. "Leasing," for purposes of this paragraph, is defined as regular, exclusive occupancy of a Unit by any person, other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or in-kind benefit. All leases shall be in writing. The Board may require a minimum lease term, which requirements may vary from Neighborhood to Neighborhood. Notice of any lease, together with such additional information as may be required by the Board, shall be given to the

Board by the Unit Owner within ten days after execution of the lease. The Owner shall make available to the lessee copies of the Ranch and Community Council Governing Documents.

EXHIBIT "D"**Calculation of Assessments****PART I**

The following provisions shall apply to all Parcels and Lots (as defined below) sold by Declarant pursuant to a written sale agreement entered into BEFORE September 1, 1999; for provisions applicable to Parcels and Lots sold by Declarant pursuant to a written sale agreement entered into ON OR AFTER September 1, 1999 see PART II below.

(A) Determination of Equivalent Units. Assessment obligations under this Declaration shall be based upon the number of "Equivalent Units" assigned to a particular Parcel or Lot. For purposes of this Exhibit, a "Parcel" is any separately owned unit of real property in DC Ranch that is not a "Lot," and a "Lot" is any separately owned unit of real property in DC Ranch that is identified as a lot on a Recorded subdivision plat or as a unit on a Recorded condominium plat. As set forth in Table 1 below, the Association shall assign each Lot Equivalent Units based upon the stage of development of the Lot. The Association shall determine the appropriate number of Equivalent Units to assign to each Lot and Parcel at least annually, and shall make at least one such determination within a reasonable period before the adoption of a budget for the following fiscal year.

For purposes of Table 1, (a) a Lot shall be deemed "created" when it is identified as a lot on a Recorded subdivision plat or as a unit on a Recorded condominium plat, (b) "building permit issuance" shall be deemed to occur with respect to *all* Lots owned by a single Person (and any affiliates of such Person) and subject to a single Recorded subdivision plat or condominium plat at such time as a building permit is issued by the City of Scottsdale for a residential dwelling on *any* such Lot, and (c) "certificate of occupancy issuance" shall be deemed to occur with respect to *all* Lots owned by a single Person (and any affiliates of such Person) and subject to a single Recorded subdivision plat or condominium plat upon the issuance of a certificate of occupancy by the City of Scottsdale for a residential dwelling on *any* such Lot.

Land Classification	Stage of Development	Equivalent Units
Single-Family Residential, Lot	From date Lot created through earlier of (i) six months after building permit issuance or (ii) certificate of occupancy issuance or (iii) December 31, 1999	0.25 per Lot
Single-Family Residential, Lot	From six months and one day after building permit issuance through earlier of (i) twelve months after building permit	0.50 per Lot

	issuance or (ii) certificate of occupancy issuance or (iii) December 31, 1999	
Single-Family Residential, Lot	From and after earlier of (i) twelve months and one day after building permit issuance or (ii) certificate of occupancy issuance or (iii) December 31, 1999	1.00 per Lot
Single-Family Residential, Parcel		0.00

(B) Calculation of Assessment. Each Lot's or Parcel's proportionate share of any Common Expenses (whether a General Assessment or a Special Assessment), and each such Lot or Parcel's proportionate share of the Neighborhood Expenses applicable to such Lot or Parcel, shall be a fraction, the numerator of which shall be the total number of Equivalent Units allocated to such Lot or Parcel, and the denominator of which shall be the total number of Equivalent Units allocated to all Lots and Parcels subject to the assessment.

(C) Change in Stage of Development. If the stage of development attributed to any Lot or Lots changes during a fiscal year, or if any portion of a Parcel is subdivided into one or more Lots, the Association may, but need not, levy an additional General Assessment, Special Assessment, or Neighborhood Assessment (for purposes of this paragraph, collectively referred to as an "additional assessment") against the affected Lot(s) to reflect the new stage of development and the additional Equivalent Units allocable to such Lots due to the change in the stage of development. Any such allocation of additional Equivalent Units shall be effective as of the date of the change in the stage of development (e.g., the Recordation of a subdivision plat subdividing a Parcel into Lots or the issuance of a building permit or a certificate of occupancy).

The additional assessment shall be equal to the difference between the assessments originally levied against such Lot(s) and the assessments that would have been levied if the new stage of development had been applicable at the time of the original levy, such difference to be pro rated based on the number of days remaining in the fiscal year on the date of the levy of the additional assessment. The owner(s) of the affected Lot(s) shall pay any additional assessment within 30 days after receipt of notice of levy of the additional assessment from the Association. Notwithstanding any such additional assessment, the Association need not adjust any assessments against any other Lot or Parcel to take into account such additional assessment until the budget for the next fiscal year is determined.

(D) Examples. The following examples are intended to illustrate the foregoing provisions:

1. A Person has title to a single-family residential Parcel, for which there is no Recorded plat creating Lots. Although the Parcel has been subjected to this Declaration, the Parcel's share of any assessments levied is \$0.00 because the Parcel has not yet been "subdivided," and the Association, therefore, would allocate to the Parcel 0.00 Equivalent Units.

2. A Person has title to 20 separate subdivided Lots as shown on a Recorded subdivision plat. The Association would assign each such Lot 0.25 Equivalent Units initially and would assign the group of Lots a total of five (5.00) Equivalent Units initially (0.25 Equivalent Units per Lot multiplied by 20 Lots = 5.00 Equivalent Units).

At a later date within the same fiscal year, the Association inspects the Lots to determine their stage of development. Seven months prior to the inspection, the City of Scottsdale issued a building permit for a residential dwelling on one such Lot (the "Permitted Lot"). (The City of Scottsdale has not issued a building permit for any of the other 19 separate subdivided Lots on the Recorded subdivision plat.) The Association may then assign 0.50 Equivalent Units to the Permitted Lot and each other Lot that is owned by the same Person (or any affiliate of such Person) and created on the same Recorded subdivision plat as the Permitted Lot, and then adjust the assessments payable with respect to each such Lot. The allocation of additional Equivalent Units would be effective as of the date on which the City of Scottsdale issued the building permit for the Permitted Lot.

PART II

The following provisions shall apply to all Parcels and Lots (as defined below) sold by Declarant pursuant to a written sale agreement entered into ON OR AFTER September 1, 1999; for provisions applicable to Parcels and Lots sold by Declarant pursuant to a written sale agreement entered into BEFORE September 1, 1999 see PART I above.

(A) Determination of Equivalent Units. Assessment obligations under this Declaration shall be based upon the number of "Equivalent Units" assigned to a particular Parcel or Lot. For purposes of this Exhibit, a "Parcel" is any separately owned unit of real property in DC Ranch that is not a "Lot," and a "Lot" is any separately owned unit of real property in DC Ranch that is identified as a lot on a Recorded subdivision plat or as a unit on a Recorded condominium plat. As set forth in Table 1 below, the Association shall assign each Lot Equivalent Units based the length of time since the "date of the first sale" of the Lot (as defined below).

The Association shall determine the appropriate number of Equivalent Units to assign to each Lot and Parcel at least annually, and shall make at least one such determination within a reasonable period before the adoption of a budget for the following fiscal year.

For purposes of Table 1, (a) a Lot shall be deemed "created" when it is identified as a lot on a Recorded subdivision plat or as a unit on a Recorded condominium plat, (b) the "date of the first sale" shall mean, with respect to all Lots owned by a single Person (and any affiliates and successors-in-title of such Person) and subject to a single Recorded subdivision plat or condominium plat, the date on which Declarant first sold to such Person (or any affiliate of such Person) a Lot within the applicable subdivision or condominium, and (c) "certificate of occupancy issuance" shall be deemed to occur with respect to *all* Lots owned by a single Person (and any affiliates and successors-in-title of such Person) and subject to a single Recorded subdivision plat or condominium plat upon the issuance of a certificate of occupancy by the City of Scottsdale for a residential dwelling on *any* such Lot.

TABLE 1		
Land Classification	Stage of Development	Equivalent Units
Single-Family Residential, Lot	From date Lot is created through earlier of (i) certificate of occupancy issuance or (ii) one year after the date of the first sale	0.50 per Lot
Single-Family Residential, Lot	From and after earlier of (i) certificate of occupancy issuance or (ii) one year after the date of the first sale	1.00 per Lot
Single-Family Residential, Parcel		0.00

(B) Calculation of Assessment. Each Lot's or Parcel's proportionate share of any Common Expenses (whether a General Assessment or a Special Assessment), and each such Lot or Parcel's proportionate share of the Neighborhood Expenses applicable to such Lot or Parcel, shall be a fraction, the numerator of which shall be the total number of Equivalent Units allocated to such Lot or Parcel, and the denominator of which shall be the total number of Equivalent Units allocated to all Lots and Parcels subject to the assessment.

(C) Additional Assessments. If the first annual anniversary of the "date of the first sale" occurs during a fiscal year, the Association may, but need not, levy an additional General Assessment, Special Assessment, or Neighborhood Assessment (for purposes of this paragraph, collectively referred to as an "additional assessment") against all Lot(s) owned by such Person in the applicable subdivision, or if any portion of a Parcel is subdivided into one or more Lots, the Association may, but need not, levy an additional assessment against the new subdivided Lots. The additional assessment shall be equal to the difference between the assessments originally levied against such Lot(s) and the assessments that would have been levied if the first annual anniversary of the "date of the first sale" or the subdivision of the Parcel (as applicable) had occurred before the original levy, such difference to be pro rated based on the number of days remaining in the fiscal year on the date of the levy of the additional assessment. The owner(s) of the affected Lot(s) shall pay an additional assessment within 30 days after receipt of notice of levy of the additional assessment, the Association need not adjust any assessments against any other Lot or Parcel to take into account such additional assessment until the budget for the next fiscal year is determined.

(D) Examples. The following examples are intended to illustrate the foregoing provisions:

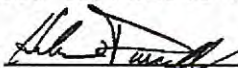
1. A Person has title to a single-family residential Parcel, for which there is no Recorded plat creating Lots. Although the Parcel has been subjected to this Declaration, the Parcel's share of any assessments levied is \$0.00 because the Parcel has not yet been "subdivided," and the Association, therefore, would allocate to the Parcel 0.00 Equivalent Units.

2. A Person has title to 20 separate subdivided Lots as shown on a Recorded subdivision plat, which were sold to such Person by Declarant in several separate transactions over the course of nine months. Each such Lot would be assigned 0.50 Equivalent Units initially and the group of Lots would be assigned a total of ten (10.00) Equivalent Units initially (0.50 Equivalent Units per Lot multiplied by 20 Lots = 10.00 Equivalent Units). On the first annual anniversary of the date on which the first such Lot was sold to the Person by Declarant, the Association may assign 1.00 Equivalent Units to that Lot and to each other Lot in the subdivision that is owned by the same Person (or any affiliate of such Person) and then levy an additional assessment against each such Lot from the date on which such anniversary occurred.

19990673267
OFFICIAL RECORDS OF
MARICOPA COUNTY RECORDER
HELEN PURCELL



The foregoing instrument is an
electronically prepared
full, true and correct copy
of the original record in this
office.
Attest: 02/11/2013 08:38:02 AM

By  Recorder

To Verify this purchase visit
<http://recorder.maricopa.gov/cert.aspx?id=97159>