

Article III
USE AND CONDUCT

3.1 Framework for Regulation. Declarant has established a general plan of development for the Properties as a master planned community. Declarant's objectives include enhancing owners' quality of life and collective interests, protecting the aesthetics of and environment in the Properties, and engendering a pride of place and sense of community. To accomplish these objectives, the Properties are subject to (a) land development, architectural, and design standards, (b) the provisions of this Declaration governing individual conduct and use, and (c) the guidelines, rules and restrictions promulgated pursuant to this Article, all of which establish affirmative and negative covenants, easements, and restrictions for DC Ranch.

Notwithstanding the provisions in the preceding paragraph, pursuant to this Article, the Board shall have the ability, through the rulemaking procedures set forth below, to respond to changes in circumstances, conditions, needs, and desires within the Properties.

All provisions of the Community Council Governing Documents and rules adopted in accordance therewith shall apply to all Persons on the Properties.

3.2 Rule Making Authority. Subject to this Declaration and in accordance with its duty of care and undivided loyalty to the DC Ranch community and those who reside therein, the Board may adopt, modify, and repeal rules governing the access to and the use of the Area of Common Responsibility.

Article IV
OPERATION, MAINTENANCE AND INSURANCE OF AREA OF
COMMON RESPONSIBILITY

4.1 Obligation To Operate, Maintain and Insure. The Community Council shall cause the Area of Common Responsibility and improvements thereon to be maintained and operated consistent with the Community-Wide Standard. This shall include the obligation to make any necessary capital repairs and replacements. In addition, the Community Council shall obtain and maintain in effect property and public liability insurance on the Area of Common Responsibility and fidelity insurance on all persons responsible for handling funds on behalf of the Community Council in such amounts as Board may determine in the exercise of its business judgment and as required in the Bylaws.

Upon resolution of the Board, premiums for insurance on portions of the Area of Common Responsibility primarily benefiting one or more Commercial Districts shall be included in the Commercial District Expenses of the Commercial Districts which receive the primary benefit from such areas.

4.2 Other Activities of the Community Council. The Community Council may, but shall not be obligated to, provide or perform such services for the DC Ranch community as permitted by the Bylaws and the Articles and as it deems to be in the DC Ranch community's best interest, as determined in the exercise of the Board's business judgment. The Community Council may assess the cost of providing such services as a General Assessment. The Community Council shall be the coordinator and facilitator of activities and regulation among and between all components of DC Ranch. The Community Council has the power to require or to prohibit actions on a community-wide basis.

All Persons who take title to property subjected to this Declaration acknowledge that the Community Council's responsibilities and powers are not limited to property management and maintenance but extend to varied programmatic activities intended to build and maintain a sense of community.

4.3 Compliance and Enforcement. Every resident or occupant within the Properties shall comply with the Community Council Governing Documents.

(a) The Board may impose sanctions for violation of the Community Council Governing Documents after notice, and in appropriate cases, an opportunity to cure the violation. Any Person charged with a violation may request a hearing in accordance with the procedures set forth in Section 4.23 of the Bylaws. The sanctions which may be imposed include, without limitation:

(i) imposing reasonable monetary fines which shall constitute a lien upon the violator's property. (In the event that any occupant, guest or social or business invitee violates the Community Council Governing Documents and a fine is imposed, the fine shall first

be assessed against the violator; provided, 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);

(ii) suspending any Person's right to use any recreational facilities within the Area of Common Responsibility; provided, nothing herein shall authorize the Board to limit ingress to or egress from a Person's property;

(iii) suspending any services provided by the Community Council to an owner or the owner's property if the owner is more than 30 days delinquent in paying any assessment or other charge owed to the Community Council;

(iv) exercising self-help or taking action to abate any violation of the Community Council Governing Documents in a non-emergency situation; and

(v) levying Specific Assessments to cover costs incurred by the Community Council to bring any Person's property into compliance with the Community Council Governing Documents.

(b) In addition, the Board may take the following enforcement procedures to ensure compliance with the Community Council Governing Documents without the necessity of compliance with the procedures set forth in Section 4.23 of the Bylaws:

(i) 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

(ii) subject to the requirements of Article X, bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both. The Board may 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 Community Council Governing Documents, nor shall it operate to estop the Board from enforcing any provision of the Community Council Governing Documents.

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

The Community Council shall not be obligated to take any action if the Board reasonably determines that the Community Council's position is not strong enough to justify taking such action. Such a decision shall not be construed as a waiver of the right of the Community Council to enforce such provision at a later time under other circumstances or estop the Community Council from enforcing any other covenant, restriction or rule.

The Community Council, by contract or other agreement, may, but shall not be obligated to, enforce applicable city and county ordinances and may, but shall not be obligated to, permit Maricopa County or the City of Scottsdale, Arizona, to enforce ordinances within the community for the benefit of the Community Council and the residents.

4.4 Property Primarily Benefiting Commercial District(s). Upon resolution of the Board, the owners within each Commercial District shall be responsible for paying, through Commercial District Assessments, the costs of operating, maintaining and insuring certain portions of the Area of Common Responsibility primarily benefiting such Commercial Districts. This may include, without limitation, the costs of maintaining any signage, entry features, rights-of-way and greenspace between the Commercial District and adjacent public roads, private streets within the Commercial District, and lakes or ponds within the Commercial District, regardless of ownership and regardless of the fact that such maintenance may be performed by the Community Council; provided, all Commercial Districts which are similarly situated shall be treated the same.

The Community Council may assume maintenance responsibility for property within any Commercial District, in addition to that designated by any Supplemental Covenant, by agreement with the Commercial District or because, in the opinion of the Community Council, the level and quality of service then being provided is not consistent with the Community-Wide Standard. All costs of maintenance pursuant to this paragraph shall be assessed as a Commercial District Assessment only against the individually owned property within the Commercial District to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

COMMUNITY GOVERNANCE AND ADMINISTRATION

The success of DC Ranch is dependent upon the support and participation of every owner in its governance and administration. This Declaration establishes the Community Council as the mechanism through which each owner is able to provide that support and participation.