

Council ten days after delivery of the notice of Special Assessment; (ii) in the event that two or more Ranch Associations exist at the time the notice of Special Assessment is sent, a petition of two or more Ranch Associations and 50% of all commercial owners subject to the Special Assessment shall be required. Any such petition must be presented to the Community Council within ten days after delivery of the notice of Special Assessment.

The Community Council shall send a notice of the Special Assessment for any Commercial District Expenses to each Commercial District to which such Special Assessment is applicable, at least 30 days prior to the date upon which the Special Assessment is due. The Special Assessment shall automatically become effective unless disapproved at a meeting by a 2/3 vote of the owners within such Commercial District. Any disapproval must include the disapproval of Declarant, so long as Declarant owns any portion of the Properties or has the right to annex property pursuant to the terms of this Declaration; provided, Declarant's disapproval shall not be required to disapprove any Special Assessment for Commercial District Expenses associated with the programs described in Section 6.20.

The Community Council shall have no obligation to call a meeting for the purpose of considering any Special Assessment for Commercial District Expenses except on petition of 50% of commercial owners within such Commercial District. The Owners must present such petition to the Community Council within ten days after delivery of notice of the Special Assessment for the Commercial District.

9.8 Specific Assessments. The Community Council shall have the power to levy Specific Assessments against property to cover costs incurred in bringing the property into compliance with the terms of the Community Council Governing Documents, or costs incurred as a consequence of the conduct of the owner(s) or occupants of individually owned property, their agents, contractors, employees, licensees, invitees, or guests; provided, the Community Council shall give the property owner or Ranch Association prior written notice and an opportunity for a hearing prior to levying any Specific Assessment.

9.9 Lien for Assessments. The Community Council shall have a lien against privately owned property to secure payment of delinquent assessments, as well as interest, late charges (subject to the limitations of Arizona law), and costs of collection (including attorneys fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, and (b) the lien or charge of any first mortgage of record (meaning any Recorded mortgage with first priority over other mortgages) made in good faith and for value. Such lien, when delinquent, may be enforced by suit, judgment, and foreclosure in the same manner as mortgages are foreclosed under Arizona law.

Although no further action is required to create or perfect the lien as to any such property, the Community Council may, as further evidence and notice of the lien, execute and Record a document setting forth the amount of the delinquent sums due at the time such document is executed and the fact that a lien exists to secure the repayment thereof. However, the failure of the Community Council to execute and Record any such document shall not, to any

extent, affect the validity, enforceability, perfection or priority of the lien. The lien may be foreclosed in the same manner as mortgages are foreclosed under Arizona law.

The Community Council may bid for the property on which a lien has been created at the foreclosure sale and acquire, hold, lease, mortgage, and convey the property. While such property is owned by the Community Council following foreclosure, no assessment shall be levied on it, and all other property shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such property had it not been acquired by the Community Council. The Community Council may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The sale or transfer of any property shall not affect the assessment lien or relieve such property from the lien for any subsequent assessments. However, the sale or transfer of any property pursuant to foreclosure of the first mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A mortgagee, its affiliate or any other purchaser who obtains title pursuant to foreclosure of the mortgage shall not be personally liable for assessments on such individually owned property due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from owners of all individually owned properties subject to assessment under Section 9.10, including such acquirer of the foreclosed property, its successors and assigns.

Notwithstanding any other provision of this Declaration, no governmental authority or public utility shall be liable for assessments on any property dedicated to and accepted by the governmental authority or public utility ("Dedicated Property") which arose prior to its acceptance of such property. 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 parcel is Dedicated Property, any assessments which arose prior to the dedication shall remain due and owing against the non-dedicated portion of the parcel. If the entire parcel is Dedicated Property, such unpaid assessments shall be deemed to be Common Expenses collectible from owners of all individually owned properties subject to assessment under Section 9.10.

In the event that a lien exists on any Dedicated Property, (a) if only a portion of the parcel is Dedicated Property, the lien shall remain in effect with respect to the undedicated portion of the parcel and shall terminate with respect to the Dedicated Property, and (b) if the entire parcel is Dedicated Property, the lien shall terminate with respect to the entire parcel.

9.10 Date of Commencement of Assessments. The obligation to pay any assessment shall commence on the date specified by the Community Council in its first resolution adopting a budget and approving the imposition of any assessment pursuant to this Article; provided that (a) no assessment shall be payable before such advance notice and approval of the assessment as may be required elsewhere in this Declaration, if any, have been duly given, and (b) if any Recorded Supplemental Covenant 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 Covenant.

If during any assessment period Declarant conveys any real property subject to this Declaration (the "Sale Property") for which Declarant has elected, pursuant to Section 9.3, to pay the budget deficit, rather than assessments on a per lot or per parcel basis, during such assessment period, then the Community Council may require the grantee of the Sale Property to pay to the Community Council 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, grantee shall have no such obligation if the Sale Property is otherwise exempt from assessment pursuant to Section 9.12. 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.

As and when additional property is made subject to this Declaration, the Community Council shall compute the assessments that would have been levied against such property had it been subject to this Declaration when the budget for the relevant fiscal year was determined. The Community Council may require all owners of such property to pay a pro rata portion of such assessments, based on the number of days remaining in the fiscal year in which such conveyance occurs. In such event the Community Council shall send notice of such assessments to the relevant owners, and payment shall be due within 30 days of receipt of such notices. Notwithstanding the foregoing, the Community Council need not reallocate assessments against any property already subject to this Declaration to take into account such levy against the additional property until the budget for the next fiscal year is determined.

9.11 Failure To Assess. Failure of the Community Council to fix assessment amounts or rates or to deliver or mail 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 General Assessments and Commercial District Assessments on the same basis as during the last year for which an assessment was made, if any, increased by five percent, until a new assessment is levied, at which time the Community Council may retroactively assess any shortfalls in collections.

9.12 Exempt Property. Except as provided in Section 9.8, the following property shall be exempt from payment of assessments:

(a) Any property owned by the Community Council or any tax-exempt entity with which the Community Council has an agreement for activities benefiting the DC Ranch community;

(b) Any and all Dedicated Property (as defined in Section 9.9), including, without limitation, such areas created by or dedicated in the form of easements, including, perpetual easements, tract easements, easements in favor of the City of Scottsdale, or municipal use property.

(c) Any common area of any Ranch Association or subassociations thereof (e.g., property owned by the Ranch Association for the common use and enjoyment of its members or property owned by the owners of units in a condominium as tenants-in-common), including, without limitation, any such areas created by or dedicated in the form of easements; and

(d) Any property upon which a house of worship is constructed, so long as such property is used exclusively for religious purposes.

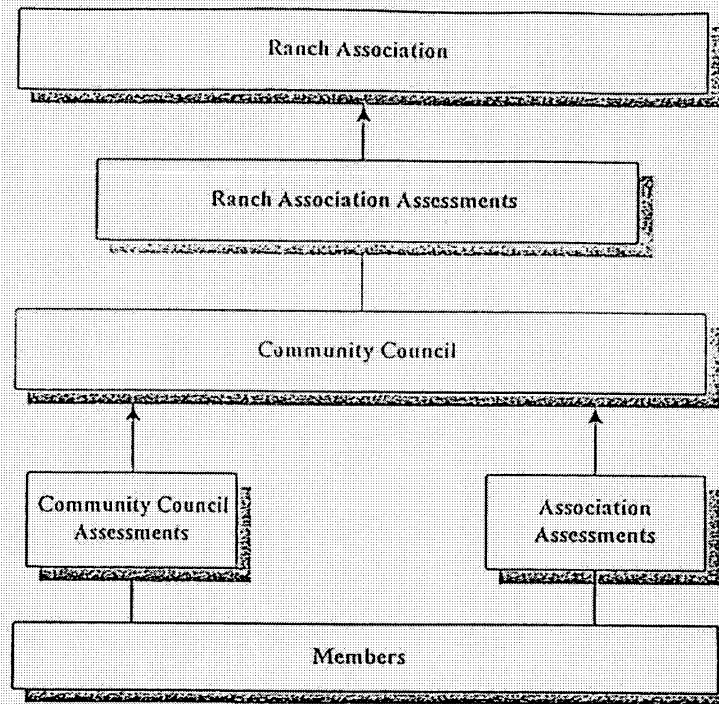
In addition, Declarant or the Community Council may grant exemptions to certain persons qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

Dedicated Property also shall be exempt from the payment of Specific Assessments.

9.13 Owners' Dual Assessment Obligations. Certain portions of the DC Ranch community may be separately organized into Ranch Associations, such as a residential community or condominium association. Owners who are members of a Ranch Association shall be responsible for paying assessments both to the Ranch Association and the Community Council.

9.14 Collection Role. If notified by any Ranch Association of any assessment to be levied by such Ranch Association, the Community Council shall collect such assessments on behalf of the Ranch Association and shall disburse any such collected funds, less reasonable costs of collection actually incurred, to the Ranch Association. This requirement of notification in no way reduces the Ranch Association's and its members' obligation to pay assessments to the Community Council.

The following diagram depicts the manner in which the Community Council will collect and pay to each Ranch Association all assessments levied by the Ranch Association:



9.15 Expenditure of Funds. The assessment funds collected by the Community Council shall be used in such manner as the Community Council deems appropriate in fulfilling the Community Council's responsibilities. The judgment of the Community Council in determining the level of assessments and the allocation and expenditure of such funds shall be final so long as such judgment is exercised in good faith. The Community Council, any Director, and any officer shall not be liable to any person or entity for any error in judgment, or any action or inaction of the Community Council, the Directors, or any officer, relating to the expenditure of such funds; provided, nothing herein shall protect any person from liability for gross negligence or willful misconduct in the handling of such funds.

9.16 Recordkeeping. The Community Council shall maintain or cause to be maintained full and accurate books of account with respect to the performance of its responsibilities under this Declaration. Such books and records and financial statements related thereto shall be made available for inspection and copying by any authorized representative of a Ranch Association upon request, during normal business hours or under other reasonable circumstances.

The party requesting such copies shall pay reasonable copying charges. If any party desires to have the records audited, an audit shall be performed by an auditor mutually agreed upon by the requesting party and the Community Council. The Community Council shall cooperate by making available to the party performing the audit the records, including all

supporting materials (*e.g.*, check copies, invoices, etc.) for the year in question. The party requesting the audit shall be responsible for all costs associated with performing the audit.

9.17 Capitalization of Community Council. Upon acquisition of record title to a lot or unit, in DC Ranch, 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 Community Council in an amount to be determined from time to time by the Board. This amount shall not exceed the annual General Assessment per unit or lot for that year. This amount shall be in addition to, not in lieu of, the annual General 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 Community Council for use in any manner permitted by the Community Council Governing Documents, including, but not limited to, operating expenses, maintenance, costs of enforcement of the Community Council Governing Documents and for such other uses that are deemed necessary and appropriate in the sole discretion of the Board.