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Certificate of Amendment to
Second Amended and Restated Declaration of Covenants, Conditions and Restrictions,
Assessments, Charges, Servitudes, Liens, Reservations and Easements
For
Scottsdale Ranch Community Association

Scottsdale Ranch Community Association ("Association") is governed by the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements for Scottsdale Ranch Community Association, Maricopa County, Arizona, recorded at Recording number 2004-0735518, on June 28, 2004, in the Official Records of Maricopa County, Arizona Recorder, and all amendments thereto ("Declaration"), and governs

Parcel No. 1. The West half and the Southeast quarter of Section 28, Township 3 North, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; and .

Parcel No. 2. All of Section 29, Township 3 North, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, which is more particularly described in Exhibit A attached to the Declaration.

The Association, by and through its members, hereby amends the Declaration as follows:

1. Within Article XIII, Term, Amendments; Termination, Section 2, Amendments, the following language is hereby added to the end of the provision:

"The Board of Directors shall have the authority to amend this Declaration without the approval of the Members for the sole purpose of complying with the law."

2. Within Article VI, Memberships and Voting, Section 1, Owners of Lots and Parcels, a new subsection (f) is added as follows:

“(f) In the case of the conversion of a Parcel from Apartment Development Use to Condominium Development Use, the Dwelling Units shall continue to be treated in the same manner as Apartment Development Use for membership purposes for so long as the Dwelling Unit is owned by the Owner of the Apartment complex who is converting the Apartment Development into a Condominium Development (hereinafter called the “Condominium Development Owner”). When the Condominium Development Owner conveys a Dwelling Unit to a subsequent purchaser, the Dwelling Unit shall no longer be treated as Apartment Development Use but shall be treated as a Lot. Thereafter, the Owner of the Lot shall be entitled to one vote per Lot owned.”

3. Within Article VI, Memberships and Voting, Section 1, Owners of Lots and Parcels, subsection (b), the following language is added to the end of the provision:

“This Membership for each acre shall not apply to Apartment Development use.”

4. Within Article VII, Covenant For Assessments and Creation of Lien, a new Section 14 is added as follows:

“Section 14. Working Capital Fee. In addition to all other Assessments set forth herein, each Owner shall pay a Working Capital Fee equal to one year's Assessments to the Association at the time of purchasing a Lot. The Working Capital Fee shall be collectible at the close of escrow and shall be subject to the same lien rights as the other Assessments. The funds collected through the Working Capital Fee may be used to pay any expenses of the Association. The Board of Directors shall determine how such funds will be used by the Association.”

The President of the Association hereby certifies that the above amendments have been adopted by the required percentage of the members.

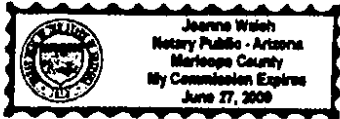
DATED this 1st day of May, 2006.

Scottsdale Ranch Community Association

By: Sandra Lee Barnett
Its: President

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 1st day of May, 2006, before me the undersigned
Notary Public, personally appeared Bonnie Lu Corville, who acknowledged to me
that s/he is the President of the Scottsdale Ranch Community Association and that s/he executed
the foregoing agreement on behalf of the Association for the purposes expressed therein.



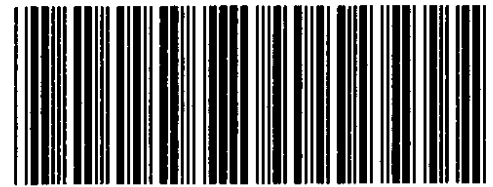
Joanne Walsh
Notary Public

My Commission expires:
June 27, 2009

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SECOND AMENDED AND RESTATED DECLARATION OF
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(Scottsdale Ranch Community Association)

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**SECOND AMENDED AND RESTATED DECLARATION OF
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(Scottsdale Ranch Community Association)

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SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
ASSESSMENTS, CHARGES, SERVITUDES, LIENS,
RESERVATIONS AND EASEMENTS

THIS SECOND AMENDED AND RESTATED DECLARATION of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements (hereinafter termed the "Declaration") is made this 15th day of April, 2004, by SCOTTSDALE RANCH COMMUNITY ASSOCIATION, an Arizona non-profit corporation (hereinafter sometimes termed "Association").

W I T N E S S E T H:

WHEREAS, Scottsdale Ranch is a development consisting of approximately one thousand one hundred twenty (1,120) acres of land in Scottsdale, Maricopa County, Arizona, legally described as follows:

Parcel No. 1. The West half and the Southeast quarter of Section 28, Township 3 North, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

Parcel No. 2. All of Section 29, Township 3 North, Range 5 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

including the following property which has heretofore been subdivided (see Exhibit "A"):

and

WHEREAS, Scottsdale Ranch was developed in stages, with the aforesaid lands into planned residential, office, commercial and other communities; and

WHEREAS, at Scottsdale Ranch has one or more shopping centers, office parks, lakes, parks, recreational areas, open spaces, walkways, riding paths, drives and other social, civic and cultural buildings and facilities; and

WHEREAS, the Scottsdale Ranch Partnership (hereinafter termed the "Developer"), has recorded various subdivision plats; dedicated portions of Scottsdale Ranch to the public for streets, roadways, drainage, flood control, parks and general public use; and recorded various Tract Declarations covering portions of Scottsdale Ranch, which Tract Declarations designate the purposes for which such portions of Scottsdale Ranch may be used and may set forth additional covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements applicable to such portions of Scottsdale Ranch; and

WHEREAS, the Association has been formed as an Arizona non-profit corporation for the social and recreational purposes of benefiting Scottsdale Ranch, the Owners, the Lessees and the Residents (as said terms are defined hereinbelow), which (1) acquires, constructs, operates, manages and maintains a variety of Common Areas upon Scottsdale Ranch; (2) establishes, levies, collects and disburses the Assessments and other charges imposed hereunder; and (3) as the agent and representative of the Members of the Association and Residents of Scottsdale Ranch, administers and enforces all provisions hereof and enforces use and other restrictions imposed on various parts of Scottsdale Ranch; and

WHEREAS, the Association has filed the necessary documents for the incorporation and organization of the Association; and

WHEREAS, in order to enable the Association to accomplish the purposes outlined above, all of Scottsdale Ranch was subjected to that certain Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, dated December 31, 1980, executed by the Developer and recorded on December 31, 1980, in Docket 14929, Pages 294-372, records of Maricopa County, Arizona (the "Original CC&R's"); and

WHEREAS, the Developer executed the amendment of the Original CC&R's with an Amended and Restated Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, dated August 10, 1981, was recorded August 10, 1981, in Docket 15439, pages 826 – 916, records of Maricopa County, Arizona (the "Amended CC&R's") which replaced the Original CC&R's in their entirety; and

WHEREAS, the Developer was the sole owner of the Property in Scottsdale Ranch when the Original and Amended CC&R's were recorded; and

WHEREAS, in order to enable the Association to better accomplish the purposes outlined above, the Association wishes to amend and restate the Amended CC&R's; and

WHEREAS, the Association therefore wishes to subject all of Scottsdale Ranch to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements (hereinafter collectively called "Covenants") hereinafter set forth; and

WHEREAS, in order to cause the Covenants to run with Scottsdale Ranch and to be binding upon Scottsdale Ranch and the Owners and Lessees

thereof from and after the date of recordation of this Declaration, the Association hereby makes all conveyances of Scottsdale Ranch, whether or not so provided therein, subject to the Covenants herein set forth; and by accepting Deeds, Leases, easements or other grants or conveyances to any portion of Scottsdale Ranch, the Owners, Lessees, and other transferees for themselves and their heirs, executors, administrators, trustees, personal representatives, successors and assigns, agree that they shall be personally bound by all of the Covenants (including but not limited to the obligation to pay Assessments) hereinafter set forth except to the extent such persons are specifically excepted herefrom.

NOW, THEREFORE, the Association hereby declares, covenants and agrees as follows:

ARTICLE I

DEFINITIONS

The following words, phrases or terms used in this Declaration shall have the following meanings:

A. “Annual Assessment” shall mean the charge levied and assessed each year against each Lot, Parcel, Owner or Lessee pursuant to Article VII, Section 2, hereof.

B. “Apartment Development” shall mean a Parcel or portion thereof which is described in a Tract Declaration, is limited by the Tract Declaration to residential use, and is comprised of Rental Apartments and surrounding area which are intended, as shown by the site plan therefor approved by the City of Scottsdale and the Architectural Committee or otherwise, as one integrated apartment operation under the same ownership.

C. “Architectural Committee” shall mean the committee of the Association to be created pursuant to Article XI below.

D. “Articles” shall mean the Articles of Incorporation of the Association as the same may from time to time be amended or supplemented.

E. “Assessable Property” shall mean any Lot or Parcel, except such part or parts thereof as may from time to time constitute Exempt Property.

F. “Assessment” shall mean an Annual Assessment, Special Assessment, Maintenance Charge, and/or other charges or amounts as authorized under Article VII Sections 12 and/or 13, Article VIII, or Article XII Section 2 of this Declaration.

G. “Assessment Lien” shall mean the lien created and imposed by Article VII.

H. “Assessment Period” shall mean the term set forth in Article VII, Section 7.

I. “Association” shall mean the Arizona non-profit corporation organized to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration, its successors and assigns.

J. “Association Land” shall mean such part or parts of Scottsdale Ranch, together with the buildings, structures and improvements thereon, and other real property which the Association may at any time own in fee or in which the Association may at any time have a leasehold interest, for as long as the Association is the owner of the fee or leasehold interest.

K. “Board” shall mean the Board of Directors of the Association.

L. “Bylaws” shall mean the Bylaws of the Association as the same may from time to time be amended or supplemented.

M. “Common Area and Common Areas” shall mean (a) all Association Land; (b) all land within Scottsdale Ranch which the Developer, by this Declaration or other recorded instrument, made available for use by Members of the Association; (c) all land within Scottsdale Ranch which is indicated on a recorded subdivision plat or Tract Declaration is to be used for landscaping, drainage, and/or flood control for the benefit of Scottsdale Ranch and/or the general public and is to be dedicated to the public or the City of Scottsdale upon the expiration of a fixed period of time, but only until such land is so dedicated; (d) all lands, up to the Upper Flood Easement Line on the Lots and Parcels, over which the Association or its Members has an easement pursuant to a recorded subdivision plat, Tract Declaration or this Declaration for the enjoyment, maintenance and operation of the Lake; (e) all other lands within the drainage easement areas as set forth on Plat recorded in Book 219 of Maps, Page 35, records of Maricopa County, Arizona, subject to any adjustment in such areas as may be made by recorded instruments; (f) areas on a Lot or Parcel within easements granted to the Association or its Members for the location, construction, maintenance, repair and replacement of a wall, which easement may be granted or created on a Recorded subdivision plat or Tract Declaration or by a deed or other conveyance accepted by the Association; and (g) areas that the

Association is responsible for maintaining, by agreement, this Declaration, recorded instrument, or other document, even if it does not own the same.

N. “Condominium Development” shall mean a horizontal property regime established under the laws of the State of Arizona which is limited by the Tract Declaration therefor to residential use.

O. “Condominium Unit” shall mean an apartment unit, together with any appurtenant interest in all general and common elements, which is created by a horizontal property regime established under Arizona law. Such term shall not include a Rental Apartment in an Apartment Development.

P. “Covenants” shall mean the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements set forth herein.

Q. “Developer” shall mean Scottsdale Ranch, a partnership, and the successors and assigns of Developer’s rights and powers as previously set forth.

R. “Declaration” shall mean this Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements, as amended or supplemented from time to time.

S. “Deed” shall mean a deed or other instrument conveying the fee simple title in a “Lot” or “Parcel”.

T. “Designee” shall mean a person designated by a Member pursuant to Article VI, Section 9, to exercise certain of the rights of a Member.

U. “Dwelling Unit” shall mean any building or portion of a building situated upon a Lot or Parcel designed and intended for use and occupancy as a residence by a single family.

V. “Easement Area and Easement Areas” shall mean areas that are not owned or maintained by the Association but are located within the boundaries and on the plats of the Association, other than the public streets. All use restrictions that apply to the Common Areas shall also apply to the Easement Areas, even if the use restrictions do not mention the Easement Areas.

W. “Exempt Property” shall mean the following parts of Scottsdale Ranch:

- (1) All land and improvements owned by or dedicated to and accepted by the United States, the State of Arizona, Maricopa County, the City of Scottsdale, or any political subdivision thereof, for as long as any such entity or political subdivision is the owner thereof or for so long as said dedication remains effective;
- (2) All Association Land, for as long as the Association is the owner thereof.

X. “Lake” shall mean the lake shown on the Master Development Plan for Scottsdale Ranch, including the land underlying such lake. The portions of the Lake owned by the Association are Association Land. The Lake shall be a part of the Common Area, although portions of the Lake will be on Lots and Parcels.

Y. “Lakefront Lot” shall mean a Lot which has a portion of its boundary on or in the Lake or, in the case of a Condominium Unit, a Condominium Unit which has a portion of its common elements adjacent to or in the Lake.

Z. “Lakefront Parcel” shall mean a Parcel which has a portion of its boundary on or in the Lake.

Aa. “Land Use Classification” shall mean the classification pursuant to Article IV, Section 1, which designates the type of improvements which may be constructed on a Lot, Parcel or Association Land and the purposes for which such improvements and surrounding land may be utilized.

Bb. “Lease” shall mean a lease, whether oral or written and regardless of the term thereof, whereby the owner of a Rental Apartment in an Apartment Development lets such Rental Apartment to a Lessee. A Lease (when the term is so capitalized) shall not, for purposes of this Declaration, include any subleases or any leasing arrangements involving property other than a Rental Apartment in an Apartment Development.

Cc. “Lessee” shall mean the lessee under a Lease, including an assignee of a Lease but excluding any person who has assigned all of his interest in a Lease.

Dd. “Lot” shall mean any (a) area of real property within Scottsdale Ranch designated as a Lot on any recorded subdivision plat and limited by a Tract Declaration to either Single Family Residential Use or Cluster Residential Use and (b) any Condominium Unit within Scottsdale Ranch which is limited to residential use by a Tract Declaration.

Ee. “Maintenance Charges” shall mean any and all costs assessed pursuant to Article X, Sections 2 or 3.

Ff. “Master Development Plan” shall mean the Scottsdale Ranch Development Plan approved by the City of Scottsdale, as the same may be

from time to time amended, a copy of which shall be on file at all times in the office of the Association.

Gg. “Member” shall mean any person holding a Membership in the Association pursuant to this Declaration.

Hh. “Membership” shall mean a membership in the Association and the rights granted to the Owners, Lessees and Developer pursuant to Article VI to participate in the Association.

Ii. “Normal Lake Level” shall mean the water level of the Lake when the Lake is at the capacity designed for normal use and enjoyment of the Lake; at such level the Lake does not contain any water for detention and discharge into the Indian Bend Flood Control Project.

Jj. “Owner” shall mean (when so capitalized) the record holder of legal title to the fee simple interest in any Lot or Parcel including contract sellers, but excluding others who hold such title merely as security. In the case of Lots or Parcels the fee simple title to which is vested of record in a trustee pursuant to Arizona Revised Statutes, Section 33-1801 et seq., or any subsequent statutes, legal title shall be deemed to be in the Trustor. An Owner shall include any person who holds record title to a Lot or Parcel in joint ownership with any other person or holds an undivided fee interest in any Lot or Parcel.

Kk. “Parcel” shall mean an area of real property within Scottsdale Ranch limited by a Tract Declaration to one of the following Land Use Classifications: Apartment Development, Condominium Development (but only until the horizontal property regime therefor is recorded), Shopping Center,

Commercial Office, General Commercial, or Well-Site. The term Parcel shall also include an area of land within Scottsdale Ranch as to which a Tract Declaration has been recorded designating the area for Single Family Residential use or Cluster Residential use but which has not yet been subdivided into Lots and related amenities and rights-of-way, but any such area shall cease to be a Parcel upon the recordation of a subdivision plat or other instrument covering the area and creating Lots and related amenities. A Parcel shall not include a Lot, any Exempt Property or any Association Land but, in the case of staged developments, shall include areas not yet included in a subdivision plat, horizontal property regime or other recorded instrument creating Lots and related amenities. A Parcel with a Land Use Classification of Apartment Development shall cease to be a Parcel if the Apartment Development is converted to Condominiums.

Ll. “Private Waterfront Area” shall mean the portion of a Lakefront Lot or Lakefront Parcel between (a) the portion of the Lot line thereof which lies within the Lake and (b) the Upper Flood Easement Line, as more particularly described in Article IV, Section 4.

Mm. “Recording” shall mean placing an instrument of public record in the office of the County Recorder of Maricopa County, Arizona, and “Recorded” shall mean having been so placed of public record.

Nn. “Rental Apartments” shall mean Dwelling Units within a permanent improvement consisting of four (4) or more commercially integrated Dwelling Units under single ownership upon one or more contiguous Parcels, each of which is designed and utilized, otherwise than as a hotel or on some other

transient basis, for rental or leased residential purposes to non-owners on a non-cooperative basis. This term is intended to include rented or leased apartments in the typically regarded sense as of the date hereof, and it is not intended to include unusual or atypical arrangements or any arrangements whereby the apartment occupant is, directly or indirectly, an owner or beneficiary of ownership in his apartment or whereby he occupies his apartment pursuant to some form of reciprocal use agreement, irrespective of whether any such arrangements may otherwise fall within the aforesaid definition.

Oo. “Resident” shall mean:

- (1) Each buyer under a contract of sale covering any part of the Assessable Property, regardless of whether the contract is recorded, and each tenant (other than a Lessee) actually residing or conducting a business on any part of the Assessable Property; and
- (2) Members of the immediate family of each Owner and Lessee and of each buyer and tenant referred to in subparagraph (1) actually living in the same household with such Owner or Lessee or such buyer or tenant.

Subject to such rules and regulations as the Association may hereafter specify (including the imposition of special non-resident fees for use of the Association Land if the Association shall so direct), the term “Resident” also shall include the employees, guests or invitees of any such Owner, Lessee, buyer or tenant, if and to the extent the Board in its absolute discretion by resolution so directs.

Pp. “Scottsdale Ranch” shall mean the real property described on Page 1 of this Declaration.

Qq. “Scottsdale Ranch Rules” shall mean the Rules for Scottsdale Ranch adopted by the Board pursuant to Article V, Section 3.

Rr. “Single Family” shall mean a group of one or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than three (3) persons not all so related, who maintain a common household in a Dwelling Unit.

Ss. “Special Assessment” shall mean any assessment levied and assessed pursuant to Article VII, Section 5.

Tt. “Special Use Fees” shall mean special fees authorized by this Declaration which an Owner, Lessee, Resident or any other person is obligated to pay to the Association over, above and in addition to any Annual or Special Assessments or Maintenance Charges imposed or payable hereunder.

Uu. “Tenant” shall mean any person who occupies property located on Scottsdale Ranch under any type of rental or letting arrangement but is not included in the definition of a Lessee.

Vv. “Tract Declaration” shall mean a declaration recorded pursuant to Article IV, Section 1 of this Declaration.

Ww. “Upper Flood Easement Line” shall mean that boundary line of the flood control easement established by subdivision plat or Tract Declaration on each Lakefront Lot or Lakefront Parcel which is approximately parallel to the Lakefront and located on the non-Lake portion of the Lot or Parcel.

Xx. “Visible From Neighboring Property” shall mean, with respect to any given object, that such object is or would be visible to a person six feet tall, standing at ground level on any part of such neighboring property.

Yy. “Waterfront Facilities” shall mean cantilevered docks, wharves, floats, slips, ramps, piers, landings and other structures or equipment designed for use with and access to the Lake.

ARTICLE II

PROPERTY SUBJECT TO SCOTTSDALE RANCH DECLARATION

Section 1. General Declaration of Scottsdale Ranch.

All of the real property within Scottsdale Ranch is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration and any recorded Tract Declarations applicable thereto, as amended or modified from time to time; provided, however, property which is not part of a Lot or Parcel and which is dedicated to the public or a governmental entity for public purposes shall not be subject to this Declaration and the Covenants herein contained while owned by the public or the governmental entity, although restrictions imposed in this Declaration upon the Owners, Lessees and Residents concerning the use and maintenance of such public areas shall at all times apply to the Owners, Lessees and Residents. This Declaration and the Tract Declarations are declared and agreed to be in furtherance of a general plan for the subdivision, improvement and sale of Scottsdale Ranch and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of Scottsdale Ranch and every part thereof. All of this Declaration shall run with all Lots, Parcels and Association Land for all purposes and shall be binding upon and inure to the benefit of the Association, all Owners, Lessees and Residents and their successors in interest.

Section 2. Association Bound. The Covenants shall be binding upon and shall benefit the Association.

Section 3. Previous CC&R's. This Declaration supersedes and replaces in full any previous CC&R's as of the date of recordation of this Declaration, which include the Original CC&R's and the Amended CC&R's. Upon the effective date of this Declaration, any previous CC&R's shall cease to be of any force and effect except with respect to events occurring prior to the effective date of this Declaration.

ARTICLE III

EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMON AREAS

Section 1. Easements of Enjoyment. Every Owner and Lessee and other Member of the Association shall have a right and easement of enjoyment in and to the Common Areas which shall be appurtenant to and shall pass with the title to every Lot, Parcel and Lease, subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other Special Use Fees for the use of any recreational or other facility situated upon the Common Areas. Fees shall be uniform among Members.

(b) The right of the Association to suspend the voting rights and right to use of the recreational facilities and other Common Areas by any Member (i) for any period during which any Assessment against his Lot, Parcel or Lease remains delinquent; (ii) for a period not to exceed 60 days for any infraction of this Declaration, a Tract Declaration or the Scottsdale

Ranch Rules; and (iii) for successive 60-day periods if any such infraction is not corrected during any prior 60-day suspension period.

(c) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Association. Unless otherwise required by zoning stipulations or agreements with the City of Scottsdale effective prior to the date hereof or specified on a recorded subdivision plat, no such dedication or transfer shall be effective unless an instrument signed by the Owners of two-thirds (2/3) of the Memberships in each class of Members agreeing to such dedication or transfer has been recorded, except that the Board shall have authority to transfer to such public agencies, authorities or utilities easements and rights-of-way which are intended to benefit Scottsdale Ranch and which do not have any substantial adverse effect on the enjoyment of the Common Areas by the Members.

(d) The right of the Association to regulate the use of the Common Areas through the Scottsdale Ranch Rules and to prohibit access to those Common Areas, such as landscaped right-of-ways, not intended for use by the Members. The Scottsdale Ranch Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Common Areas or the safety and convenience of the users thereof or otherwise shall serve to promote the best interests of the Owners, Lessees and Residents.

Section 2. Delegation of Use. Any Member may, in accordance with the Scottsdale Ranch Rules and the limitations therein contained and this Declaration (a) delegate his right of enjoyment in the Common Areas and facilities to the members of his family, his tenants, or his guests or invitees; or (b) designate another person to exercise all of his rights (but not liabilities or voting rights), which other person shall, during the period of such designation, have the sole right to delegate rights of enjoyment pursuant to subsection (a) of this Section.

ARTICLE IV

LAND USE CLASSIFICATIONS, PERMITTED USES AND RESTRICTIONS

Section 1. Land Use Classifications. Land Use Classifications, restrictions, easements, rights of way, and other matters, including new or different uses and restrictions therefore and including any number of subclassifications thereof for any special uses, shall be fixed in a Tract Declaration which may be recorded for that portion of Scottsdale Ranch. Any such Tract Declaration shall be construed as a supplement to this Declaration and fully a part hereof for all purposes to the same extent as if all of the provisions thereof were set forth in this Declaration. The land use classifications for Lots, Parcels and Association Land established by a Tract Declaration shall not be changed except as specifically permitted by this Declaration. The contemplated Land Use Classifications are as follows:

(a) Single Family Residential Use.

(b) Apartment Development Use, which may be converted to Condominium Development Use upon approval by the Board.

(c) Condominium Development Use, which may be converted to Apartment Development Use upon approval by the Board.

(d) Commercial Office Use.

(e) Shopping Center Use.

(f) General Commercial Use.

(g) Association Use, which may include Common Areas and may include well-sites owned by the Association and used for the withdrawal of groundwaters.

(h) Lake Area Use.

(i) Well-Site Use, which shall be used only for the withdrawal of groundwater.

(j) General Public Use.

(k) Cluster Residential Use, which shall consist of Lots with dwelling units intended for Single Family occupancy and may include those types of residential housing arrangements known as townhouses, clustered housing, zero-lot line housing and similar arrangements, together with related areas intended for the use and enjoyment of the Owners and residents of the Lots in the Cluster Development.

Unless otherwise specifically provided in this Declaration, the definitions and characteristics of such Land Use Classifications, and specific permitted and prohibited uses in such Classifications, shall be determined in the Tract Declaration. All Tract Declarations shall be subject to applicable zoning laws.

Section 2. Covenants, Conditions, Restrictions and Easements
Applicable to Lots and Parcels Within All Land Use Classifications. The

following covenants, conditions, restrictions and reservations of easements and rights shall apply to all Lots, Parcels and Leases, the Owners and Lessees thereof, and all Residents, regardless of Land Use Classifications.

(a) Architectural Control. All proposed improvements, alterations, repairs, excavations, grading, landscaping or other work which in any way alters the exterior appearance of any property within Scottsdale Ranch, or the improvements located thereon, subject to the Architectural Guidelines, require prior approval of the Architectural Committee, except as otherwise expressly provided in this Declaration or the Architectural Guidelines. No building, fence, wall, residence or other structure shall be commenced, erected, maintained, improved, altered, or made without the prior written approval of the Architectural Committee. All such buildings, fences, walls, residences, or other structures shall meet all regulations set by the local, state or federal agencies. No changes or deviations in or from the plans and specifications once approved by the Architectural Committee shall be made without the prior written approval of the Architectural Committee.

(b) Animals. No animal, bird, fowl, poultry or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot or Parcel and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal, bird, fowl, poultry, or livestock shall be allowed to make an unreasonable amount of noise or to become a nuisance or annoyance to other Members or Residents. A nuisance shall include, but not be limited

to, any pet leaving the owner's property, failure to clean up after one's own pet on Owner's Lot or Parcel or allowing one's pet to defecate on or damage another property or Common Area. No structure for the care, housing or confinement of any animal, bird, fowl, poultry, or livestock shall be maintained so as to be Visible From Neighboring Property. No Member or Resident shall feed or allow any domestic or wild animals or birds to feed outdoors, or shall take any action or inaction or place any object or structure on the Dwelling Unit, Lot or Parcel that would attract such animals or birds at such times and in such numbers that such feeding creates an unreasonable disturbance, accumulation of droppings, or causes damage to Neighboring properties or other Dwelling Units, Lots, Parcels, or Common Areas. Upon the written request of any Member or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, a particular animal, bird, fowl, poultry, or livestock is a generally recognized house or yard pet, or whether such a pet is a nuisance, or whether any action or inaction of a Member or Resident in relation to animals on the Lot, Parcel or Common Area is a nuisance, or whether such a pet is a nuisance, or whether the number of animals or birds on any such property is reasonable. The Member or Resident submitting the request for determination shall keep a log and documentation of proof for a minimum of two (2) weeks of the nuisance and shall provide any other documentation required by the Association. The Association is not required to bring legal action on this matter; however, should the matter go to court, the Member or Resident

submitting the complaint would be required to testify. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions contained herein. The Board shall also have the authority to exempt from the foregoing restrictions, or portions thereof, a pet shop in the General Commercial or Shopping Center Land Use Classification.

(c) Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Temporary buildings or structures used during the construction of a dwelling on any property shall be removed immediately after the completion of construction.

(d) Maintenance of Landscaping and Driveways. Each Owner of a Lot or Parcel shall keep all shrubs, trees, hedges, grass and plantings of every kind located on

(i) his Lot or Parcel (including set back areas and Common Areas),

(ii) planted public right-of-way areas between sidewalks (or bikepaths) and the street curb in front of his property, if any,

(iii) any other public right-of-way or easement area which abuts the Owner's Lot or Parcel and which is located between the boundary line of his Lot or Parcel and the paved area of any street, sidewalk, bikepath or similar area, and

(iv) any non-street public right-of-way or easement area adjacent to his Lot or Parcel, neatly trimmed, and shall keep all

such areas properly cultivated and free of trash, weeds, and other unsightly material; provided, however, that such Owner shall not be responsible for maintenance of any area over which (1) the Association assumes the responsibility in writing; (2) the Association has been given such responsibility by a Recorded instrument as provided in Article X, Section 1 of this Declaration; or (3) the City of Scottsdale assumes responsibility, for so long as the Association or the City of Scottsdale assumes or has responsibility as provided in Subsections (1), (2) or (3). The Architectural Committee may require landscaping by the Owner of the areas described in Subsections (ii), (iii) and (iv) above. Each Owner shall also maintain in good condition and repair all paved and concrete areas, including driveways, roadways, sidewalks and parking areas, located on his Lot or Parcel.

(e) Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot or Parcel, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Lot or Parcel so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no horns, whistles, firecrackers, bells or other sound devices,

except security devices used exclusively for security purposes, shall be located, used or placed on any such property. No exterior speakers shall be permitted to become a nuisance to other Dwelling Units, Lots, Parcels, or the Common Area. The Board in its sole discretion shall have the right to determine the existence of any nuisance.

(f) Construction and Maintenance Activities. Normal construction and maintenance activities and parking in connection with the building of improvements on or maintenance of a Lot or Parcel shall not be considered a nuisance or otherwise prohibited by this Declaration, but Lots and Parcels shall be kept in a neat and tidy condition during construction or maintenance periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber and other building materials and equipment and shall not be Visible From Neighboring Property, the Common Area, or Public View unless specifically approved by the Architectural Committee, which may also require screening of the storage area. The Owner shall be responsible for his contractors and shall promptly perform all on-site construction clean up of his Lot or Parcel when necessary.

(g) Diseases and Insects. No owner shall permit any thing or condition to exist upon any Lot or Parcel which shall induce, breed or harbor infectious plant diseases or noxious insects.

(h) Repair of Building and Improvements. No building, structure or improvements on any Lot or Parcel shall be permitted to fall into disrepair and each such building, structure or improvement shall at all

times be kept in good condition and repair and adequately painted or otherwise finished. In the event any building, structure or improvement is damaged or destroyed, then, subject to the approvals required by Subsection (a) above, such building, structure or improvement shall be immediately repaired or rebuilt or shall be demolished.

(i) Antennas. Unless governed by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, no antenna or other device for the transmission or reception of television, internet or radio signals or any other form of electromagnetic radiation or any associated equipment shall be erected, used or maintained outdoors on any Lot or Parcel or Common Area, whether attached to a building or structure or otherwise, so as to be Visible From Neighboring Property or Public View, unless approved in writing by the Architectural Committee. Any device governed by 47 C.F.R. § 1.400 (Over-the-Air Reception Devices Rule), as amended, repealed, or recodified, shall comply with the applicable Antenna Installation Rules of the Association and shall be mounted, to the extent reasonably possible, so as to not be Visible From Neighboring Property or Public View.

(j) Mineral Exploration. No Lot or Parcel (other than a Parcel designated as a Well-Site) shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance of any kind.

(k) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot or Parcel, except in covered containers of a type,

size and style which are approved by the Architectural Committee. In no event shall such containers be maintained so as to be Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from the Lots and Parcels and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot or Parcel. Trash dumpsters used during construction may be placed only on the Owner's Lot or Parcel and shall not be permitted to block any sidewalk or street and shall not remain on the Owner's Lot or Parcel for a period not to exceed ninety (90) days unless otherwise approved by the Architectural Committee. The Owner must obtain the prior approval of the Architectural Committee before placing any dumpster on a Lot or Parcel.

(l) Clothes Drying Facilities. Outside clotheslines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot or Parcel unless they are erected, placed and maintained exclusively within a fenced service yard or otherwise concealed and shall not be Visible From Neighboring Property.

(m) Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot or Parcel except (i) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of a building, appurtenant structures, or other improvements; (ii) that which the Association may require for the

operation and maintenance of Scottsdale Ranch; or (iii) that used in connection with any business permitted under a Tract Declaration.

(n) Signs. No signs whatsoever (including, but not limited to, commercial, political and similar signs) which are Visible From Neighboring Property shall be erected or maintained on any Lot or Parcel except:

(i) Signs required by legal proceedings.

(ii) Not more than two (2) identification signs for individual residences, each with a face area of seventy-two square inches or less.

(iii) Signs (including “for sale” and “for lease” signs) the nature, number, and location of which have been approved in advance and in writing by the Architectural Committee.

(iv) Signs of builders on any Lot or Parcel approved from time to time by the Association as to number, size, colors, design, message content, location and type.

(v) Such other signs (including but not limited to construction job identification signs, builder signs, and subdivision, shopping center, apartment and business identification signs) which are in conformance with the requirements of the City of Scottsdale and which have been approved in writing by the Architectural Committee as to size, colors, design, message content and location or which conform with the Association’s Architectural Guidelines.

(o) Restrictions on Further Subdivision, Property Restrictions and Rezoning. No Lot or Parcel shall be further subdivided or separated into smaller lots or parcels by any Owner, and no portion less than all of any such Lot or Parcel, nor any easement or other interest therein, shall be conveyed or transferred by any Owner, without the prior written approval of the Board, which approval shall be at the sole discretion of the Board and must be evidenced on the plat or other instrument creating the subdivision, easement or other interest. No portion of a Lot but for the entire Lot, together with the improvements thereon, may be rented, and then only to a single family. No further covenants, conditions, restrictions or easements shall be recorded by any Owner, Lessee, or other person against any Lot or Parcel without the provisions thereof having been first approved in writing by the Board and any covenants, conditions, restrictions or easements recorded without such approval being evidenced thereon shall be null and void. No application for rezoning of any Lot or Parcel, and no applications for variances or use permits, shall be filed with any governmental authority unless the proposed use of the Lot or Parcel has been approved by the Board and the proposed use otherwise complies with this Declaration and any applicable Tract Declarations.

(p) Utility Easements. There is hereby created a blanket easement upon, across, over and under each Lot and Parcel for ingress to, egress from, and the installation, replacing, repairing and maintaining of, all utility and service lines and systems, including, but not limited to water, sewers, gas, telephones, electricity, television cable or communication

lines and systems, etc. as such utilities are installed in connection with the initial development of the Lot or Parcel and the construction of the first Dwelling Unit or other building thereon. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the property and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings on the Lots and Parcels. Notwithstanding anything to the contrary contained in this Subsection, no sewers, electrical lines, water lines, or other utilities or service lines may be installed or relocated on any Lot or Parcel except as initially programmed and approved by the Architectural Committee, or, if installed after recordation of the Tract Declaration, approved by the Owner and the Architectural Committee.

(q) Party Walls. A Party Wall or Party Fence shall be defined as any wall or fence located on the border between contiguous pieces of property within Scottsdale Ranch, whether between Lots, between Lots and Parcels, between Lots or Parcels and Common Areas, or any similarly located wall or fence. Except as hereinafter provided, the rights and duties of Owners with respect to Party Walls between Lots and Parcels or Party Fences between Lots and Parcels shall be as follows:

(i) The Owners of contiguous Lots or Parcels who have a Party Wall or Party Fence shall both equally have the right to use such Wall or Fence, provided that such use by one Owner does not interfere with the use and enjoyment of same by the other Owner.

(ii) In the event that any Party Wall or Party Fence is damaged or destroyed through the act of an Owner or any of his tenants, Lessees, agents, guests, or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to rebuild and repair the Party Wall or Party Fence without cost to the Owner of the adjoining Lot or Parcel. Any dispute over an Owner's liability for such damage shall be resolved as provided in subsection (v) below, but any liability imposed on an Owner hereunder shall not prevent the Owner from seeking indemnity therefor from the persons causing such damage.

(iii) In the event any Party Wall or Party Fence is destroyed or damaged (including deterioration from ordinary wear and tear and lapse of time), other than by the act of an adjoining Owner, his tenants, Lessees, agents, guests or family, it shall be the obligation of all Owners whose Lots or Parcels adjoin such Party Wall or Party Fence to rebuild and repair such Wall or Fence at their joint expense, such expense to be allocated among the Owners in accordance with the frontage of their Lots or Parcels on the Party Wall or Party Fence.

(iv) Notwithstanding anything to the contrary herein contained, there shall be no impairment of the structural integrity of any Party Wall or Party Fence without the prior consent of all

Owners of any interest therein, whether by way of easement or in fee.

(v) In the event of a dispute between Owners with respect to the construction, repair or rebuilding of a Party Wall or Party Fence, or with respect to the sharing of the cost thereof, such adjoining Owners shall submit the dispute to the Board, the decision of which shall be final.

Anything in the foregoing to the contrary notwithstanding:

(vi) "In the case of Party Walls or Party Fences (1) between Common Areas and Lots or Parcels, or (2) constructed by the Developer or the Association on Common Areas within a Lot or Parcel, the Association shall be responsible for all maintenance thereof, subject to the provisions of Article X, Sections 2 and 3, except that each Owner of a Lot or Parcel shall be responsible for painting the block portion of the Party Wall or Party Fence facing his Lot or Parcel or the portion thereof which is not a portion of the Common Area. The Association shall be responsible for painting both sides of any wrought iron fencing located in these areas. However, for the Association to accomplish its maintenance and painting responsibilities of Party Walls and Party Fences as set forth herein, the Association has an easement over each Lot or Parcel as necessary for the Association to fulfill its maintenance obligations set forth herein. Furthermore, the Association has the power to cut back vegetation and move items away from any Party

Wall or Party Fence as necessary to accomplish its maintenance obligations. Owners are responsible for keeping landscaping cut back from any wrought iron fencing and block walls for which the Association has maintenance and painting responsibilities as set forth herein.

(vii) The provisions of this Subsection (p) shall not apply to any Party Wall which separates the interiors of two Dwelling Units and the rights of the owners of such Dwelling Units with respect to Party Walls shall be governed by plats to be recorded by the developer of the Dwelling Units.

(r) Utility Service. No lines, wires, or other devices for the communication or transmission of electric current or power, including but not limited to telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot or Parcel unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or structures approved by the Architectural Committee. All added wire, pipe and conduit additions to exterior surfaces of buildings or structures must first be concealed in walls whenever possible. If concealment is not feasible, then the installation shall be done close to eaves, concave corners, soffits or overhangs in such a way as to render the wire, pipe or conduits as inconspicuous as possible. All wires, pipes and conduits must consist of horizontal or vertical runs secured flat against the exterior surface of the building or structure in a workmanlike manner and painted to match the

surface to which it is fastened. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Architectural Committee.

(s) Overhead Encroachments. No tree, shrub, or planting of any kind on any Lot or Parcel shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way, or Common Areas from ground level to a height of eight (8) feet without the prior approval of the Architectural Committee. Encroachments of landscaping between lots are not addressed in this provision but are governed by general common law principles, to be addressed solely by the owners of the Lots or Parcels.

(t) Trucks, Trailers, Campers and Boats. No motor vehicle classed by manufacturer rating as exceeding ¾-ton, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, bus, boat, boat trailer, commercial vehicle, or other similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Lot or Parcel or on any street in Scottsdale Ranch so as to be Visible From Neighboring Property, the Common Areas or the Streets; provided, however, the provisions of this Section shall not apply to (i) pickup trucks of less than ¾-ton capacity with camper shells not exceeding 7 feet in height measured from ground level and mini-motor homes not exceeding 7 feet in height and 18 feet in length which are parked as provided in Subsection (u) below and are used on a regular and recurring basis for basic transportation, (ii) boats permitted to be stored or moored on Lots, Parcels,

or Lake Areas pursuant to Article IV, Section 4 below, or (iii) trucks, trailers and campers parked in areas designated for parking in non-residential Land Use Classifications. "Commercial Vehicle" shall be defined as any vehicle that meets any one or more of the following criteria: any type of signage, design or lettering for advertising, vehicle classed by manufacturer's rating exceeding ¾-ton, commercial utility racks located on the vehicle, or work equipment stored on the vehicle that is visible from outside of the vehicle.

(u) Motor Vehicles. No automobile, motorcycle, motorbike or other motor vehicle shall be constructed, reconstructed or repaired upon any Lot, Parcel or street in Scottsdale Ranch so as to be Visible From Neighboring Property or Common Areas or streets, and no inoperable vehicle (an inoperable vehicle shall be described as any vehicle without current required license plates and tags; or that is unused, stripped, scrapped, junked, discarded, dismantled, on blocks or similar devices, or vehicles with deflated tires) may be stored or parked on any such Lot, Parcel or Street, so as to be Visible From Neighboring Property or to be visible from Common Areas or streets; provided, however, that the provisions of this section shall not apply to (i) emergency vehicle repairs or temporary construction shelters or facilities maintained during, and used exclusively in connection with, the construction of any improvement approved by the Architectural Committee; (ii) any automobile repair business which may be permitted in any General Commercial or Shopping Center Land Use Classification; (iii) the parking of such vehicles during

normal business in areas designated for parking in a non-residential Land Use Classification; (iv) the storage of such vehicles in an area designated for such purposes on a Tract Declaration or on a site plan approved by the Architectural Committee.

(v) Motorized Vehicles. “No owner, tenant, resident or guest of an owner may operate any motorized vehicles including but not limited to “mo-peds”, “go-peds”, dirt bikes, All Terrain Vehicles (“ATV”) on the Common Areas.

(w) Parking. It is the intent of the Association to restrict On-Street parking as much as possible. Vehicles of all Owners, Lessees and Residents, and of their employees, guests and invitees, are to be kept in garages, carports, residential driveways of the Owner and other designated parking areas wherever and whenever such facilities are sufficient to accommodate the number of vehicles at a Lot or Parcel; provided, however, this Section shall not be construed to permit the parking in the above described areas of any vehicle whose parking on Scottsdale Ranch is otherwise prohibited or the parking of any inoperable vehicle. Before any vehicles may be parked on the street, all parking spaces on the Lot or Parcel located within an Owner’s garage and on an Owner’s driveway must be used for parking vehicles. At least two covered off-street parking spaces must be provided for each single family detached unit.

(x) Garage Doors. No garage door shall be open except when necessary for access to and from the garage.

(y) Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other occupant of a Lot or Parcel, any member of the Architectural Committee, any member of the Board, or any authorized representative of either of them, shall have the right to enter upon and inspect any Lot or Parcel, and the improvements thereon, except for the interior portions of any completed residence, for the purpose of ascertaining whether or not the provisions of this Declaration have been or are being complied with and such persons shall not be deemed guilty of trespass by reason of such entry.

(z) Health, Safety and Welfare. In the event additional uses, activities, and facilities are deemed by the Board to be a nuisance or to adversely affect the health, safety or welfare of Owners, Lessees and Residents, the Board may make rules restricting or regulating their presence on Scottsdale Ranch as part of the Scottsdale Ranch Rules or may direct the Architectural Committee to make rules governing their presence on Lots or Parcels as part of the Architectural Guidelines.

(aa) Incidental Uses. The Board may approve uses of property within a Land Use Classification which are incidental to the full enjoyment by the Owners of the property within that Land Use Classification. Such approval may be subject to such regulations, limitations and restrictions, including termination of the use, as the Board may wish to impose, in its sole discretion, for the benefit of Scottsdale Ranch as a whole. By way of example and not of limitation, the uses which the Board may permit are private roadways and streets within an

area having a land use classification of Cluster Residential Use or Condominium Development Use, tennis clubs and/or swimming clubs intended primarily for the benefit of all or certain Owners and Residents within areas having a land use classification of Cluster Residential or Condominium Development Use, a business office for the Association within an area having a land use classification of Association Use, tennis courts, swimming pools, lake and other recreational facilities intended for usage by the Residents or Owners of more than a single Lot or Parcel within any area classified for residential use.

Section 3. Covenants, Conditions, Restrictions and Easements

Applicable to Lots Within Single Family Residential Land Use Classification.

The following covenants, conditions, restrictions and reservations of easements and rights shall apply only to Lots and the Owners and Residents thereof lying within a Single Family Land Use Classification:

(a) General. Property classified as "Single Family Residential" under a Tract Declaration may be used only for the construction and occupancy of single family detached dwellings and typical residential activities incidental thereto, such as the construction and use of a family swimming pool. All property within such Land Use Classification shall be used, improved, and devoted exclusively to Single Family residential use. No occupation, profession, trade or other non-residential use, which shall include without limitation, any occupation, work, or activity undertaken on an on-going basis which involves the provision of goods or services to persons other than the provider's family, regardless of whether: (i) the

activity is engaged in full or part-time; or (ii) the activity is intended to or does generate a profit, may be conducted in or from a Lot, Parcel or dwelling, except that the owner or occupant residing within Scottsdale Ranch may conduct such auxiliary business activity within the residence so long as:

- (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from the exterior of the residence;
- (ii) the business activity does not involve persons coming into the community who do not reside in the community for the purposes of receiving products or services arising out of such usage or door-to-door solicitation of residences of the community;
- (iii) the business activity conforms to all zoning requirements for the community; and the business activity does not constitute a nuisance, a hazard, an offensive use, or threaten the security or safety of residents.

No structure whatever, other than one private, single family residence, together with a private garage for not more than four (4) cars, a guest house or servant quarters, shall be erected, placed or permitted to remain on any Lot and no facilities for the preparation of food shall be provided or permitted in any guest house or servants' quarters erected on said Lot. A guest house may be attached or detached and must adhere to the original zoning restrictions and setbacks for the Lot or Parcel. Facilities for the preparation of food are defined as a food preparation area having gas or

220 volt electricity. The guest house shall never be rented or leased separately from the house on the Lot or Parcel. The guest house shall be used only in a manner that the Lot or Parcel complies with the Single Family definition set forth in Article I, Section Qq of this Declaration or for short-term guests (not to exceed 90 days in any 365 day period).

(b) Tenants. No Owner may lease less than his entire Lot and the Resident Unit situated thereon. All leases shall be subject to the following restrictions:

(i) All leases must be in writing and must provide that the terms of the lease are subject in all respects to the provisions of this Declaration and the Association Rules and any State, County, or City Rules or Regulations regarding leasing of properties.

(ii) All leases shall contain a requirement that any violation of this Declaration or the Association Rules, State, County, or City Rules by the lessee or the other occupants shall be a default under the lease. Such default shall be subject to monetary penalties as determined by the Board of Directors and the provisions of the Declaration, Articles, Bylaws, Association Rules provided herein.

(iii) There shall be no subleasing of residential dwelling units or assignments of leases.

(iv) An Owner may not lease his Lot to more than one Single Family at one time. Furthermore, an Owner may not enter

into more than a total of two (2) leases for his Lot during any 365 day period.

(v) At least ten (10) days before commencement of the lease term, the Owner shall provide the Association with the following information in writing: (i) the commencement date and expiration date of the lease term; (ii) the names of each of the lessees and each other person who will reside in the residential dwelling unit during the lease term; (iii) the address and telephone number at which the Owner can be contacted by the Association during the lease term; and (vi) the name, address and telephone number of a person whom the Association can contact in the event of an emergency involving the Lot or residential dwelling unit. Any Owner who leases his Lot and the residential dwelling unit situated thereon must provide the lessee with copies of this Declaration and the Association Rules. An Owner who leases or otherwise grants occupancy rights to his Lot to any Person shall be responsible for assuring compliance by the Occupant with all of the provisions of the Declaration, Articles, By-Laws, Association Rules and Design Guidelines and shall be jointly and severally responsible for any violations by the Occupant thereof.”

(c) Use of Lots. No Lot or Residential Unit constructed thereon may be used and/or occupied by any Person pursuant to any Timesharing Plan, Fractional Ownership Plan, or Membership Plan herein referred to as a “Timesharing Plan”. For purposes of this Section,

“Timesharing Plan” means the joint or common ownership, use and/or occupancy of a Lot or residential dwelling unit constructed thereon by more than two (2) Family Units during any 365 day period for the primary purpose of allocating periodic use or occupancy of such residential dwelling unit among Family Units or their lessees, sublessees, assignees, or permittees on an ongoing basis over time pursuant to a timesharing plan or similar arrangement, regardless of whether such arrangement constitutes a timesharing plan or timeshare interests under Arizona law or under the laws of any other particular state. Any type of joint use or occupancy plan that allows the use and/or occupancy of the Lot by more than two (2) Family Units during any 365 day period, whether or not the Lot is only owned by one Person, and whether or not currency or other form of compensation, trade, or barter is provided in exchange for the use of the Lot, is prohibited. For purposes of this Section, “Family Units” means purchasers or holders of such rights of use or occupancy, whether by owning a fee title interest, or by holding some other right or interest, or some other right of occupancy, whether or not any interest in the Lot is connected to said right, directly or indirectly, individually or through a corporation, partnership, limited liability company, trust or other entity, who are not related by blood, adoption or marriage. In calculating more than two (2) Family Units, a husband and wife and their children (including the children of only one spouse), a family trust or any other entity comprised exclusively of same, or a group of not more than three (3) persons not all so related who maintain a

common household in a Dwelling Unit shall collectively constitute only one Family Unit.”

Section 4. Covenants, Conditions, Restrictions and Easements

Applicable to Lake Areas Land Use Classification.

(a) General. Lake Areas may include portions of Lots, Parcels and Common Areas, and Lake Areas shall be designated as such in a recorded plat of dedication, in a Tract Declaration, in a subdivision Plat recorded by the Developer, or in a Deed from Developer to the transferee of a Parcel. Lake Areas shall consist of the following:

(i) Water Access Areas, which shall be Common Areas where permitted users of the Lake may have access to the Lake for boating and other permitted recreational uses.

(ii) The Private Waterfront Areas, which shall be the portions of Lots and Parcels which are subject to easements, as shown on or created by a recorded plat of dedication, Subdivision Plat, Deed, or Tract Declaration, for access to and the creation, use, maintenance and operation of the Lake; and

(iii) The Lake.

(b) Lake Rules. The Scottsdale Ranch Rules shall contain specific rules regulating the use and operation of the Lake Areas, which rules shall be in addition to the provisions of this Section 4. All Owners, Lessees and Residents shall abide by the Lake Rules and shall be responsible for all acts of their family, guests, invitees, and Designees. The Board shall

have the right to supplement, amend, change or revoke the Lake Rules without advance notice to Owners.

(c) Swimming. There shall be no swimming in the Lake except in case of an emergency.

(d) Right-of-Way. The Association reserves the right to enter upon and use the portion of any Lot or Parcel within the Private Waterfront Area for any lawful purpose in connection with the creation, use, operation, and maintenance of the Lake which does not unreasonably interfere with the Owner's use of the Lot or Parcel.

(e) Waterfront Facilities. No Owner of any Private Waterfront Area shall locate, construct, maintain, or operate any Waterfront Facility except within the limits of the Private Waterfront Area of the Owner's Lot or Parcel. Each conveyance or transfer of a Lot or Parcel containing a private Waterfront Area shall include all rights, title, interest and estate of the Owner in the Private Waterfront Area and the Waterfront Facilities thereon. No Waterfront Facilities shall be constructed, erected, installed, placed, altered, or maintained without the prior written consent of the Architectural Committee. Each Owner of any Private Waterfront Area shall, at his sole cost and expense, keep and maintain all Waterfront Facilities located thereon in good and clean appearance and in good condition and repair, including the periodic repair, painting and refurbishing thereof. Without the prior written consent of the Board, no such Waterfront Facilities shall be used except by the Owner of the Lot or Parcel, or Lessees of a Rental Apartment on the Parcel, to which the

Waterfront Facilities are appurtenant and said Owner's and Lessee's family, guests, visitors or tenants. No structures, facilities or other improvements shall be located, constructed, maintained or operated in, upon or under any Private Waterfront Area or in the Lake except for Waterfront Facilities and other structures and improvements approved by the Architectural Committee.

(f) Boats and Watercraft. Unless otherwise approved in writing by the Board, only the following types of boats and watercraft shall be allowed in any Lake Area: power boats operated by the Association for maintenance, safety, or other community purposes; sailboats; canoes; paddle boats; and electrical or battery operated boats. Except for power boats operated by the Association, no gasoline or other combustible powered boats shall be permitted on any Lake Area. The size of all boats and watercraft shall be subject to restriction by the Board. All boats and watercraft must be registered with the Association and must bear identification numbers as assigned by the Association. All boats, watercraft and the equipment thereon shall not be allowed to be in disrepair.

(g) Lake Patrol. One or more persons may be named by the Association to constitute the Lake Patrol, which person(s) shall have authority to restrict the usage of any Lake Area or any portion thereof by any persons, including an Owner, Lessee or Resident, or their family, guests, tenants or designees, and of any boat or watercraft due to negligence in the operation of any boat or watercraft, violation of any

safety regulation, or violation of any of the Lake Rules. Any person whose use of the Lake Area is restricted by the Lake Patrol may request review of such restriction by the Board, the decision of which shall be final. The Board may also restrict the usage of the Lake Area by any person on account of any such negligence or violation, as well as for reasons elsewhere set forth in this Declaration.

(h) Use of Private Waterfront Area. The Private Waterfront Area shall be used only for the construction and operation thereon of Waterfront Facilities for the accommodation of private boats or other watercraft owned by the Owner or Residents of a Lot or Parcel, or by the Lessee or Residents of a Rental Apartment in an Apartment Development, containing the Private Waterfront Area and only for non-commercial, recreational purposes. No houseboat may be used or stored in the Private Waterfront Area and no boat or watercraft shall be used as a residence or shall be lived in while in the Lake Area. Nothing shall be done or kept in the Private Waterfront Area or on the Lake which would be a violation of any provision of this Declaration, any Tract Declaration, or the Scottsdale Ranch Rules.

(i) Waterfront Access Areas. The Board shall have the sole authority to regulate the use of the Waterfront Access Areas, the Waterfront Facilities to be erected thereon, and the storage of boats and watercraft thereon.

(j) Lake Integrity. No Owner or Resident or their agent, employee, tenant, guest or contractor may cause anything to affect

the quality of the lake's water, aquatic life, waterfowl, and structural integrity of the lake or recreational amenities. No Owner, Resident or their contractor shall allow any material to enter or be dumped into the lake, including but not limited to landscape debris and draining of pool water, and shall be subject to costs incurred by the Association for the removal of such.

Section 5. Variances. The Board may, at its option and in extenuating circumstances, grant variances from the restrictions set forth in Article IV of this Declaration or in any Tract Declaration if the Board determines in its discretion (a) either (i) that a restriction would create an unreasonable hardship or burden on an Owner or Lessee, or (ii) that a change of circumstances since the recordation of this Declaration has rendered such restriction obsolete and (b) that the activity permitted under the variance will not have any substantial adverse effect on the Owners, Lessees and Residents of Scottsdale Ranch and is consistent with the high quality of life intended for residents of Scottsdale Ranch.

ARTICLE V

ORGANIZATION OF ASSOCIATION

Section 1. Formation of Association. The Association shall be a nonprofit Arizona corporation charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws, and this Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

Section 2. Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers as the Board may

elect or appoint in accordance with the Articles and the Bylaws as the same may be amended from time to time. The Board may also appoint various committees and appoint a Manager who shall, subject to the direction of the Board, be responsible for the day-to-day operation of the Association. The Board shall determine the compensation to be paid to the Manager or any other employee of the Association.

Section 3. The Scottsdale Ranch Rules. By a majority vote of the Board, the Association may, from to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the Scottsdale Ranch Rules. The Scottsdale Ranch Rules may restrict and govern the use of any area by any Member or Resident, by the family and Designees of such Member, or by any invitee, licensee or tenant of such Member; provided, however, that the Scottsdale Ranch Rules shall not discriminate among Members and shall not be inconsistent with this Declaration, the Articles or Bylaws. Upon adoption, the Scottsdale Ranch Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

Section 4. Personal Liability. No member of the Board or of any committee of the Association, no officer of the Association, and no Manager or other employee of the Association shall be personally liable to any Member, or to any other person, including the Association for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, the Manager, any representative or employee of the Association, or any committee, committee member or officer of the Association; provided, however, the limitations set forth in this Section 4 shall not apply to any

person who has failed to act in good faith or has engaged in willful or intentional misconduct.

Section 5. Ancillary Associations. The articles of incorporation and bylaws or other governing documents for any homeowners or similar association of a Parcel or subdivision on Scottsdale Ranch, shall not be effective unless the contents thereof have been approved by the Board and the governing documents specify that such association and the rights of its members are subject and subordinate to the provisions of this Declaration, the provisions of the Articles and Bylaws of the Association, and the provisions of the Scottsdale Ranch Rules. The more restrictive document or rule shall prevail so long as such document or rule does not negate the provisions of this Declaration, the provisions of the Articles and Bylaws of the Association, and the provisions of the Scottsdale Ranch Rules.

ARTICLE VI

MEMBERSHIPS AND VOTING

Section 1. Owners of Lots and Parcels. Every Owner of a Lot or Parcel which is subject to assessment shall be a Member of the Association. Each Owner shall have the following number of Memberships:

- (a) One Membership for each Lot owned by the Member;
- (b) One Membership for each acre (43,560 square feet) or fraction thereof in each Parcel owned by the Member, except any Parcels which have a land use classification of Single Family Residential or Cluster Residential;

(c) One Membership for each completed Rental Apartment owned by the Member and not leased to a Lessee, but which has been previously leased to a Lessee.

(d) In the case of (i) the Owner of a Parcel designated for use as an Apartment Development, one Membership for each Dwelling Unit permitted upon the Parcel under the Master Development Plan then in effect for Scottsdale Ranch. The number of Memberships held by the Owner of an Apartment Development shall be reduced by one as soon as each completed Rental Apartment is occupied by a Lessee; and

(e) In the case of the Owner of a Parcel with a land use classification of Single Family Residential or Cluster Residential, one membership for each Dwelling Unit permitted upon the Parcel. All memberships attributable to the Parcel shall cease when the land area ceases to be a Parcel because all of the area in the Parcel has been platted or otherwise dedicated to the public and no unplatted Single Family Residential or Cluster Residential area remains within the Parcel.

Each such Membership shall be appurtenant to and may not be separated from ownership of the Lot or Parcel to which the Membership is attributable. There shall be only one Membership for each Lot, for each Dwelling Unit, for each Rental Apartment and for each acre (or fraction thereof) in a Parcel, which Memberships shall be shared by any joint owners of, or owners of undivided interests in, a Lot or Parcel.

Section 2. Lessees. Every Lessee of a Rental Apartment during the period the Lessee has the right to occupy the Rental Apartment shall be a

member of the Association. Each Lessee shall have one Membership for each Rental Apartment leased by the Lessee, but there shall be only one membership for each Rental Apartment. Each Membership shall be appurtenant to and may not be separated from the Lessee's Lease. Upon termination of a Lessee's Lease, the Membership held by the Lessee shall vest in the Owner of the Rental Apartment until the Membership is transferred to a new Lessee under this Section.

Section 3. Voting. The Association shall have one class of voting Membership. Memberships shall be all Memberships and each Owner and Lessee shall be entitled to one vote for each Membership held by the Owner or Lessee, subject to the authority of the Board to suspend the voting rights of the Owner or Lessee for violations of this Declaration in accordance with the provisions hereof.

Section 4. Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each such Membership must be cast as a unit, and fractional votes shall not be allowed. In the event that a Membership is owned by more than one person or entity and such owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other owners of the same Membership unless objection thereto is made at the time the vote is cast. In the event more than one vote is cast for a particular Membership, none of the said votes shall be counted and all said votes shall be deemed void.

Section 5. Voting for Board Members. In any election of the members of the Board, every owner of a Membership entitled to vote at such an election shall have the number of votes for each Membership equal to the number of directors to be elected. The candidates receiving the highest number of votes, up to the number of the Board members to be elected, shall be deemed elected.

Section 6. Membership Rights. Each Member shall have the rights, duties and obligations set forth in this Declaration and such other rights, duties and obligations as are set forth in the Articles and Bylaws, as the same may be amended from time to time.

Section 7. Transfer of Membership. A Membership in the Association shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon transfer of ownership to an Owner's Lot or Parcel or upon the commencement and termination of the rights to occupancy under a Lease, as applicable, and then only to the transferee of ownership to the Lot or Parcel, a new Lessee, or the owner of the Apartment Development. A transfer of ownership to a Lot or Parcel may be effected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record, or such other legal process as now in effect or as may hereafter be established under or pursuant to the laws of the State of Arizona. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Lot or Parcel shall operate to transfer the Membership(s) appurtenant to said Lot or Parcel to the new Owner thereof.

Section 8. Use of Membership; Designees. Subject to the Scottsdale Ranch Rules, all of the owners of a Membership may designate one or

more non-Members (herein referred to as a "Designee") to exercise all of the rights of the Member under this Declaration except the Member's voting rights, but such designation shall not relieve the Member of any liabilities or obligations as an Owner or Lessee or with respect to the Membership. So long as such designation is in effect, the Member shall be permitted to exercise only his voting rights and the Board may, among other things, in its discretion, set maximum or minimum periods for which such designation may be in effect and limit the number of persons who may be so designated by any Member at any one time. The Designee need not be a Resident and need not live on Scottsdale Ranch unless the Board adopts rules requiring such residence.

ARTICLE VII

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

Section 1. Creation of Lien and Personal Obligation of Assessments and Charges. Each Owner, for each Lot, Parcel and Rental Apartment established within Scottsdale Ranch, hereby covenants and agrees by acceptance of a Deed or Lease therefore (whether or not it shall be so expressed in such Deed or Lease) is deemed to covenant and agree, to pay to the Association the following assessments and charges: (1) Annual Assessments established by this Article VII, (2) Special Assessments for capital improvements or other extraordinary expenses or costs established by this Article VII, (3) Maintenance Charges established by Article X, Sections 2 and 3, and (4) other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 (all collectively known as "Assessments") all such Assessments to be established and collected as hereinafter provided. The Annual

Assessments, Special Assessments, Maintenance Charges, and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 together with interest, costs, costs of collection and reasonable attorney's fees (whether or not suit is filed), shall be a charge on the Lot or Parcel and shall be a continuing servitude and lien upon the Lot or Parcel against which each such Assessment is made and, in the case of Assessments against a Lessee and his Rental Apartment, shall be a charge and lien upon the Apartment Development to which the Lease relates. The Annual and Special Assessments against each Lot, Parcel or Lessee shall be based on the number of Memberships appurtenant to the Lot, Parcel or Lease. Each such Annual and Special Assessment, Maintenance Charge, and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 together with interest, costs, costs of collection and reasonable attorney's fees (whether or not suit is filed), shall also be the personal obligation

of the person who was the Owner or Lessee of the Lot, Parcel or Rental Apartment at the time when the Assessment fell due. The personal obligation for delinquent Assessments shall not pass to the successors in title of the Owner or Lessee unless expressly assumed by them. Anything in the foregoing to the contrary notwithstanding, the Owner of a Parcel which is an Apartment Development shall not be personally liable for the payment of any Maintenance Charges of a Lessee and such Maintenance Charges shall not be a lien against the Apartment Development.

Section 2. Annual Assessments. In order to provide for the uses and purposes specified in Article IX hereof, including the establishment of

replacement and maintenance reserves, the Board in each year, commencing with the year in which the first Tract Declaration is recorded, shall assess against each Lot, Parcel and Lessee an Annual Assessment. The amount of the Annual Assessment, subject to the provisions of Section 4 hereof, shall be in the sole discretion of the Board but shall be determined with the objective of fulfilling the Association's obligations under this Declaration and providing for the uses and purposes specified in Article IX.

Section 3. Uniform Rate of Assessment. The amount of any Annual or Special Assessment against each Lot, Parcel or Lessee shall be fixed at a uniform rate per Membership, except that the following Owners, shall pay only 25% of the Annual Assessment otherwise attributable to his Membership during the periods hereafter specified:

(a) The Owner of a Lot shall pay only 25% of the Annual Assessment attributable to his Membership until the earlier of (i) the completion of the first Dwelling Unit on the Lot or (ii) six months from the commencement of construction of the first Dwelling Unit on the Lot.

For purposes of this Section, a Dwelling Unit or other building shall be deemed completed when, in the opinion of the Board, the building is ready for occupancy or, in the case of a commercial rental building, ready for the making of interior tenant improvements. If the Owner of a Parcel or Lot ceases to qualify for the reduced 25% rate during the period to which an Annual Assessment is attributable or the Parcel ceases to be a Parcel because it has been subdivided for Single Family Residential usage, the Assessment attributable to a Membership shall be prorated between the applicable rates on the basis of the number of days in the

period that the Owner qualified for each rate. Annual Assessments may be collected on a monthly, quarterly or annual basis and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Association approving the Special Assessment.

Section 4. Annual Assessment. The Annual Assessment shall be established by the Board each year. The Board may not increase the Annual Assessment in excess of the maximum increase allowable by Arizona State Statutes unless otherwise approved by the percentage of the membership required by Arizona State Statutes.

Section 5. Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments authorized above, the Association may levy, in any Assessment Period, a Special Assessment applicable to that period only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Association Land, including fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of Members who are voting in person or by proxy at a meeting duly called for such purpose. In connection with any such Special Assessment, Owners qualifying for paying only 25% of the Annual Assessment attributable to their Memberships pursuant to Section 3 above shall also be required to pay only twenty-five percent (25%) of the Special Assessment otherwise attributable to each such Membership. The provisions of this Section are not intended to

preclude or limit the assessment, collection or use of Annual Assessments for the aforesaid purposes.

Section 6. Notice and Quorum for Any Action Authorized Under Sections 4 and 5. Written notice of any required meeting called for the purpose of taking action authorized under Sections 4 or 5 of this Article shall be sent to all Members no less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes (exclusive of suspended voting rights) of each class of Membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Establishment of Annual Assessment Period. The period for which the Annual Assessment is to be levied (the "Assessment Period") shall be the calendar year, except that the first assessment period shall commence upon the filing of the first Tract Declaration and terminate on December 31 of such year. The Board in its sole discretion from time to time may change the Assessment Period by recording with the County Recorder of Maricopa County, Arizona, an instrument specifying the new Assessment Period.

Section 8. Rules Regarding Billing and Collection Procedures. The Board shall have the right to adopt rules and regulations setting forth procedures for the purpose of making the Assessments provided herein and for the

billing and collection of the Annual and Special Assessment, the Maintenance Charges imposed pursuant to Article X, Section 2 and 3, other charges or amounts as authorized under Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 of this Declaration, provided that said procedures are not inconsistent with the provisions hereof. Such procedures may include an obligation for the Owner of an Apartment Development to collect Assessments imposed on a Lessee and forward the collected amounts to the Association. The failure of the Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment or charge under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days written notice prior to such foreclosure or enforcement, at the address of the Member on the records of the Association, that the Assessment or any installment thereof is or will be due and of the amount owing. Such notice may be given at any time prior to or after delinquency of such payment. The Association shall be under no duty to refund any payments received by it even though the ownership of a Membership changes during an Assessment Period; successor Owners of Lots or Parcels and successor Lessees shall be given credit for prepayments, on a prorated basis, made by prior Owners and Lessees. In case the owner of a Membership becomes liable for payment of an increased sum pursuant to Section 3 of this Article during the Assessment Period, he shall notify the Association but his failure to notify the Association shall not relieve him of the liability for such amounts. The amount of the Annual Assessment against Members who become such during an Assessment

Period upon the recordation of a Tract Declaration shall be prorated and such new Members shall not be liable for any previously levied Special Assessments.

Section 9. Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid when due shall be deemed delinquent and can bear interest from thirty (30) days after the due date until paid at a rate equal to twelve percent (12%) per annum, and the Member shall be liable for all costs of collection, including attorneys' fees, which may be incurred by the Association in collecting the same. The Board may also record a Notice of Delinquent Assessment against any Lot or Parcel as to which an Assessment is delinquent and constitutes a lien and may establish a fixed fee to reimburse the Association for the Association's cost in recording such Notice, processing the delinquency and recording a notice of payment, which fixed fee shall be treated as a collection cost of the Association secured by the Assessment Lien.

Section 10. Evidence of Payment of Annual and Special Assessments and Maintenance Charges. Upon receipt of a written request by a Member or any other person, the Association within a reasonable period of time thereafter shall issue to such Member or other person a written certificate stating (a) that all Annual and Special Assessments, Maintenance Charges and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 (including interest, costs, costs of collection and attorney's fees (whether or not suit is filed), if any, as provided in Section 9 above) have been paid with respect to any specified Lot, Parcel or Rental Apartment as of the date of such certificate, or (b) if all Annual and Special

Assessments, Maintenance Charges and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 have not been paid, the amount of such Annual and Special Assessments, Maintenance Charges and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 (including interest, costs, costs of collection and attorney's fees (whether or not suit is filed), if any) due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificates, which charges must be paid at the time the request for any such certificate is made. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with respect to any matter therein stated as against any bona fide purchaser of, or lender on, the Lot, Parcel or Rental Apartment in question.

Section 11. Property Exempted from the Annual and Special Assessments and Assessment Lien. Exempt Property shall be exempted from the assessment of the Annual and Special Assessments and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2, except as provided in Article X, Section 3, from Maintenance Charges and the Assessment Lien; provided, however, that in the event any change of ownership of Exempt Property results in all or any part thereof becoming Assessable Property in any year, the same thereupon shall be subject to the assessment of the Annual and Special Assessments and other charges or amounts as authorized under this Article VII, Sections 12 and/or 13, Article VIII, or Article XII, Section 2 and, if exempt therefrom, Maintenance

Charges (prorated as of the date it became Assessable Property) and the Assessment Lien.

Section 12. Transfer Fee. Immediately upon becoming the Owner of the Lot, and in any event no later than thirty (30) days after being invoiced for the same, said Member shall pay to the Association a transfer fee in such amount as from time to time is adopted by the Board to cover the expenses of the Association (or its management company) to change its records, to administer the change in ownership, and to pay any ancillary expenses related thereto.

Section 13. Resale Disclosure Fee. When per A.R.S. § 33-1806 (or any successors thereto), the Association (or its managing agent) receives written notification of a pending sale or transfer of Lot and complies with said resale disclosure requirements, a resale disclosure fee is due and owing to the Association (or its managing agent) in such amount as from time to time is adopted by the Board to cover the expenses of the Association for the purposes set forth in A.R.S. § 33-1806 (or any successors thereto). This resale disclosure fee is due and owing at or before the transfer in ownership, but in any event must be remitted to the Association (or its managing agent) regardless of whether the sale or transfer of ownership of the Lot is consummated or occurs no later than forty-five days (45) days after the Association (or its managing agent) provided said resale information to the purchaser as per A.R.S. § 33-1806 (or any successors thereto).

ARTICLE VIII

ENFORCEMENT OF PAYMENT OF ANNUAL AND SPECIAL ASSESSMENTS AND MAINTENANCE CHARGES AND OF

ASSESSMENT LIEN

Section 1. Association as Enforcing Body. The Association, as the agent and representative of the Members, shall have the exclusive right to enforce the provisions of this Declaration. However, if the Association shall fail or refuse to enforce this Declaration or any provision hereof for an unreasonable period of time after written request to do so, then any Member may enforce them on behalf of the Association by any appropriate action, whether in law or in equity.

Section 2. Association's Remedies to Enforce Payment of Annual and Special Assessments and Maintenance Charges. If any Member fails to pay the Annual or Special Assessments or installments when due, to pay Maintenance Charges assessed pursuant to Article X, Sections 2 and 3, or to pay the other charges or amounts as authorized under Article VII, Sections 12 and/or 13, the Association may enforce the payment of the Annual or Special Assessments, Maintenance Charges other charges or amounts as authorized under Article VII, Sections 12 and/or 13, or Article XII, Section 2 and/or the Assessment Lien by taking either or both of the following actions, concurrently or separately (and, by exercising either of the remedies hereinafter set forth, the Association does not prejudice or waive its right to exercise the other remedy):

- (a) Bring an action at law and recover judgment against the Member personally obligated to pay the Annual or Special Assessments, the Maintenance Charges or to pay the other charges or amounts as authorized under Article VII, Sections 12 and/or 13, or Article XII, Section 2;

(b) Foreclose the Assessment Lien against the Lot or Parcel (including an Apartment Development in the case of an Assessment against a Lessee) in accordance with the then prevailing Arizona law relating to the foreclosure of realty mortgages (including the right to recover any deficiency), and the Lot or Parcel may be redeemed after foreclosure sale as provided by law.

Section 3. Subordination of Assessment Lien to First Mortgage or Deed of Trust; Priority of Lien. The Assessment Lien provided for herein shall be subordinate to any first mortgage lien held by, or deed of trust of which the beneficiary is, a lender who has lent funds with the Lot or Parcel as security, or held by the lender's successors and assigns, and shall also be subject and subordinate to liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each Lot or Parcel. Sale or transfer of any Lot or Parcel shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to foreclosure of a mortgage or deed of trust to which the Assessment Lien is subordinate, or pursuant to any sale or proceeding in lieu thereof, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by deed in lieu of foreclosure, shall take the Lot or Parcel free of the Assessment Lien for all Annual and Special Assessments, Maintenance Charges and the other charges or amounts as authorized under Article VII, Sections 12 and/or 13, or Article XII, Section 2 that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure; but upon the

date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure, the Assessment Lien immediately shall become and remain superior to any and all other charges, liens or encumbrances (except liens for taxes or other public charges which by applicable law are expressly made superior), and such mortgage or deed of trust foreclosure sale purchaser or grantee shall take subject to all Annual and Special Assessments, Maintenance Charges, and the other charges or amounts as authorized under Article VII, Sections 12 and/or 13, or Article XII, Section 2 and the Assessment Lien thereof accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed given in lieu of foreclosure.

Section 4. Costs to be Borne by Member in Connection with Enforcement of Payment of Annual and Special Assessments and Maintenance Charges. In any action taken pursuant to Section 2 of this Article, the Member shall be personally liable for, and the Assessment Lien shall be deemed to secure the amount of, the Annual and Special Assessments, Maintenance Charges and the other charges or amounts as authorized under Article VII, Sections 12 and/or 13, or Article XII, Section 2 together with interest and the Association's collection costs and attorney's fees, including those costs and fees specified in Article VII, Section 9.

ARTICLE IX

USE OF FUNDS; BORROWING POWER

Section 1. Purposes for which Association's Funds may be Used.

The Association shall apply all funds and property collected and received by it (including the Annual and Special Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the

common good and benefit of Scottsdale Ranch and the Members and Residents by devoting said funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, facilities, services, projects, programs, studies and systems, within or without Scottsdale Ranch, which may be necessary, desirable or beneficial to the general common interests of Scottsdale Ranch, the Members and the Residents. The following are some, but not all, of the areas in which the Association may seek to aid, promote and provide for such common benefit: social interaction among Members and Residents, maintenance of landscaping on Common Areas and public right of way and drainage areas within Scottsdale Ranch, recreation (including operation and maintenance of the Lake), liability insurance, communications, ownership and operation of vehicle storage areas, education, transportation, health, utilities, public services, safety and indemnification of officers and directors of the Association. The Association also may expend its funds for any purposes which any municipality may expend its funds under the laws of the State of Arizona or such municipality's charter.

Section 2. Borrowing Power. The Association may borrow money in such amounts, at such rates, upon such terms and security, and for such periods of time as is necessary or appropriate.

Section 3. Association's Rights in Spending Funds From Year to Year. The Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining.

The Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

Section 4. Administration of Special Use Fees. The Association is authorized to bill for, sue for, collect, administer and disburse all Special Use Fees and the payment thereof shall be secured by the Assessment Lien; provided, however, that all Special Use Fees collected shall, if imposed in connection with a particular improvement, be separately accounted for as to each separate improvement pertaining to which they are collected and shall be expended on the particular improvement to which they pertain.

Section 5. Insurance. The Association shall maintain insurance against liability incurred as a result of death or injury to persons or damage to property on the Common Areas and shall also carry Director's and Officer's liability and fidelity insurance in the amounts as determined appropriate by the Board. Nothing shall be done or kept on any Lot or Parcel which will increase the rate of insurance thereon without the approval of the Association. No owner shall permit anything to be done or kept on any Lot or Parcel which could result in cancellation of insurance of the Association or could be in violation of the law.

ARTICLE X

MAINTENANCE

Section 1. Common Areas and Public Right of Way. The Association, or its duly delegated representative, shall maintain and otherwise

manage all Common Areas, including, but not limited to, the landscaping, walkways, riding paths, parking areas, drives, recreational facilities and the roofs, interiors and exteriors of the buildings and structures located upon said properties; provided however, the Association shall not be responsible for providing or maintaining the landscaping or structures on any Common Areas which are part of Lots or Parcels unless (i) such landscaping or structures are available for use by all Owners and Residents or are within easements intended for the general benefit of Scottsdale Ranch and (ii) the Association assumes in writing the responsibility for such maintenance or such responsibility is set forth in a recorded instrument as hereinafter provided. The Association shall also maintain any landscaping and other improvements not on Lots and Parcels which are within the exterior boundaries of Scottsdale Ranch, which are within areas shown on a subdivision plat or other plat of dedication for Scottsdale Ranch or covered by a Tract Declaration, and which are intended for the general benefit of the Owners, Lessees and Residents of Scottsdale Ranch, except the Association shall not maintain areas which (i) the City of Scottsdale or other governmental entity is maintaining or (ii) are to be maintained by the Owners of a Lot or Parcel pursuant to Article IV, Section 2(d), of this Declaration unless the Association elects to maintain such areas and as to which the Association has not made such an election to maintain. Specific areas to be maintained by the Association may be identified on subdivision plats recorded or approved by the Developer, in Tract Declarations and in deeds from the Developer to a transferee of a Lot or Parcel, but the failure to so identify such areas shall not affect the Association's rights or

responsibilities with respect to such Common Areas and other areas intended for the general benefit of Scottsdale Ranch.

The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of said property so that the Scottsdale Ranch development will reflect a high pride of ownership. In this connection the Association may, subject to any applicable provisions on Special Assessments for capital improvements, in the discretion of the Board:

- (a) Reconstruct, repair, replace or refinish any improvement or portion thereof upon Association Land;

- (b) Construct, reconstruct, repair, replace or refinish any road improvement or surface upon any portion of the Common Area used as a road, street, walk, driveway, parking area, or lake area, except that no permanent improvements (other than portions of the Lake) shall be made by the Association on any Common Area that is not Association Land and the Association shall provide only maintenance on Common Areas which are not Association Land;

- (c) Replace injured and diseased trees and other vegetation in any Common Area, and plant trees, shrubs, and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

- (d) Place and maintain upon any Common Area such signs as the Board may deem appropriate for the proper identification, use and regulation thereof.

(e) Do all such other and further acts which the Board deems necessary to preserve and protect the Common Area and the beauty thereof, in accordance with the general purposes specified in this Declaration.

The Board shall be the sole judge as to the appropriate maintenance of all Common Areas and other properties maintained by the Association. Any cooperative action necessary or appropriate to the proper maintenance and upkeep of said properties shall be taken by the Board or by its duly delegated representative.

In the event any subdivision plat, Tract Declaration, deed restriction or this Declaration permits the Board to determine whether or not Owners of certain Lots or Parcels will be responsible for maintenance of certain Common Areas or public right-of-way areas, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Owners, Lessees, and Residents of Scottsdale Ranch for the Association or an individual Owner to be responsible for such maintenance, considering cost, uniformity of appearance, location and other factors deemed relevant by the Board. The Board may cause the Association to contract with others for the performance of the maintenance and other obligations of the Association under this Article X and, in order to promote uniformity and harmony of appearance, the Board may also cause the Association to contract to provide maintenance services to Owners or Lots and Parcels having such responsibilities in exchange for the payment of such fees as the Association and Owner may agree upon.

Section 2. Assessment of Certain Costs of Maintenance and Repair of Common Areas and Public Areas. In the event that the need for maintenance or repair of Common Areas and other areas maintained by the Association is caused through the willful or negligent act of any Member, his family, guests, invitees or Designees, the cost of such maintenance or repairs shall be added to and become a part of the Assessment to which such Member and the Member's Lot, Parcel or Lease and Rental Apartment is subject and shall be secured by the Assessment Lien. Any charges or fees to be paid the Owner of a Lot or Parcel pursuant to Section 1 of this Article X in connection with a contract entered into by the Association with an Owner for the performance of an Owner's maintenance responsibilities shall also become a part of such Assessment and shall be secured by the Assessment Lien.

Section 3. Improper Maintenance and Use of Lots and Parcels. In the event any portion of any Lot or Parcel is so maintained as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots and Parcels or other areas of Scottsdale Ranch which are substantially affected thereby or related thereto, or in the event any portion of a Lot or Parcel is being used in a manner which violates this Declaration or any Tract Declaration applicable thereto; or in the event the Owner or Lessee of any Lot, Parcel or Apartment is failing to perform any of its obligations under this Declaration, any Tract Declaration, or the architectural guidelines and standards of the Architectural Committee, the Board may by Resolution make a finding to such effect, specifying the particular condition or conditions which exist, and pursuant thereto give notice thereof to the offending Owner and/or Lessee that

unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's and/or Lessee's cost. If at the expiration of said 14-day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be taken and the cost thereof shall be added to and become a part of the Assessment to which the offending Owner or Lessee and the Owner's and/or Lessee's Lot, Parcel or Lease and Rental Apartment is subject and shall be secured by the Assessment Lien.

ARTICLE XI

ARCHITECTURAL CONTROL COMMITTEE

Section 1. Establishment. The Board shall establish an Architectural Committee to perform the functions of the Architectural Committee set forth in this Declaration and shall adopt the procedural rules and regulations for the performance of such duties by the Architectural Committee, including procedures for the preparation, submission and determination of the application for any approvals required by this Declaration or any Tract Declaration. The Architectural Committee shall consist of such number of regular members and alternate members as the Board may designate and such members shall be appointed by the Board. The appointees need not be architects and do not need to possess any special qualifications of any type except such as the Board may, in its discretion, require. The Architectural Committee shall hold regular meetings, a quorum for such meeting shall consist of a quorum of the regular members, and the concurrence of a majority of the regular members shall be necessary for any decision of the Architectural Committee. An alternate member may participate at

any meeting at which there is not a quorum of regular members present, may constitute a quorum by his (their) presence and shall have all of the authority of a regular member while so participating. The Architectural Committee shall promulgate architectural guidelines and standards to be used in rendering its decisions, which guidelines and standards must be approved by the Board prior to their implementation. Subject to the provisions of Section 2 of this Article, the decision of the Architectural Committee shall be final on all matters submitted to it pursuant to this Declaration.

Section 2. Appeal to Board. Any Owner, Lessee or other Resident aggrieved by a decision of the Architectural Committee may appeal the decision to the Board in accordance with procedures to be established by the Board. In the event the decision of the Architectural Committee is overruled by the Board on any issue or question, the prior decision of the Architectural Committee shall be deemed modified to the extent specified by the Board and, for purposes of this Declaration, such decision, as so modified, shall thereafter be deemed the decision of the Architectural Committee.

Section 3. Fee. The Board may establish a reasonable processing fee to defer the costs of the Association in considering any requests for approvals submitted to it, which fee shall be paid at the time the request for approval is submitted.

ARTICLE XII

RIGHTS AND POWERS OF ASSOCIATION

Section 1. Association's Rights and Powers as Set Forth in Articles and Bylaws. In addition to the rights and powers of the Association set

forth in this Declaration, the Association shall have such rights and powers as are set forth in its Articles and Bylaws. Such rights and powers, subject to the approval thereof by any agencies or institutions deemed necessary by Developer, may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law, provided such Articles and Bylaws are not inconsistent with the provisions of this Declaration and are necessary, desirable or convenient for effectuating the purposes set forth in this Declaration. After incorporation of the Association, a copy of the Articles and Bylaws of the Association shall be available for inspection at the office of the Association during reasonable business hours.

Section 2. Association's Rights of Enforcement of Provisions of this and Other Instruments. The Association shall have the standing and right to enforce the provisions of this Declaration, the Articles, the Bylaws, and the Association Rules and Regulations, the provisions of any other recorded document pertaining to any Lot or Lots, and any document that was intended to be enforced by the Association or by the Developer. The Association may use any reasonable methods for enforcement that are available to the Association, whether available by law, in equity, or by the Association's governing documents. If the Association takes such enforcement action, whether or not suit is filed, its costs in doing so, including but not limited to, reasonable attorneys fees, court costs, out of pocket expenses, costs of investigation, and other expenses related to the enforcement, together with interest thereon from the date the costs are expended at a rate equal to twelve percent (12%) per annum, shall constitute a lien on all Lot(s) owned by the Owner or Owners against whom action is taken

(or against whose occupants the action is taken), which lien shall have the priority and be enforced in the manner described in Article VIII of this Declaration. In addition to being secured by a lien, said costs including but not limited to, reasonable attorneys fees, court costs, out of pocket expenses, costs of investigation, and other expenses related to the enforcement, shall also be the personal obligation of the Owner or Owners against whom such action is taken (or against whose occupants the action is taken). In the event suit is filed, the Association as the prevailing party shall be entitled to recover, in addition to any other remedy, an award of its costs including but not limited to, reasonable attorneys fees, court costs, out of pocket expenses, costs of investigation, and other expenses related to the enforcement, said amounts being not only the personal obligation of the Owner or Owners against whom such action is taken (or against whose occupants the action is taken), but also secured by a lien against the Lot(s) owned by the Owner or Owner(s) against whom the action is taken (or against whose occupants the action is taken). Further, any Owner or Owners shall have the standing and right to enforce the provisions of this Declaration, the Articles, the Bylaws, and the Association Rules and Regulations against any other Owner or Owners, and the prevailing party or parties in action to enforce any such provisions shall be entitled to recover from the other party or parties its or their costs in such action, including reasonable attorneys fees, together with interest thereon at the rate of twelve percent (12%) per annum, and shall further be entitled to have such costs (including such interest) included in any judgment awarded to the prevailing party or parties in such action. Failure by the

Association or by any Owner to take any such enforcement action shall in no event be deemed a waiver of the right to do so thereafter.

Section 3. Contracts with Others For Performance of Association's Duties. Subject to the restrictions and limitations contained herein, the Association may enter into contracts and transactions with others, including Developer and its affiliated companies, as such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee is employed by or otherwise connected with Developer or its affiliates, provided that the fact of such interest shall be disclosed or known to the other directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable. Any such director, officer or committee member may be counted in determining the existence of a quorum at any meeting of the Board or committee of which he is a member which shall authorize any contract or transaction described above or grant or deny any approval sought by the Developer, its affiliated companies or any competitor thereof and may vote thereat to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

Section 4. Change of Use of Association Land and Procedure Therefor. Upon (a) adoption of a resolution by the Board stating that in the Board's opinion the then present use of a designated part of the Association Land or of the Association's interest in other Common Areas is no longer in the best interests of the Owners, Lessees and Residents and (b) the approval of such resolution by a majority of the votes of Members who are voting in person or by

proxy at a meeting duly called for such purpose, the Board shall have the power and right to change the use thereof (and in connection therewith, construct, reconstruct, alter or change the buildings, structures and improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use (i) shall be for the benefit of the Owners, Lessees and Residents, and (ii) shall be consistent with any deed restrictions (or zoning regulations) restricting or limiting the use of the Association Land.

ARTICLE XIII

TERM; AMENDMENTS; TERMINATION

Section 1. Term; Method of Termination. This Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Declaration by the then Members casting ninety percent (90%) of the total votes cast at an election held for such purpose within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension. The Declaration may be terminated at any time if ninety percent (90%) of the votes cast of Members shall be cast in favor of termination at an election held for such purpose. Anything in the foregoing to the contrary notwithstanding, no vote to terminate this Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote, from the holders of Recorded first mortgages or deeds of trust to which the Assessment Lien is subordinate pursuant to Article VIII, Section 3 above, on seventy-five percent (75%) of the Lots and Parcels upon which there are such Recorded first mortgages and deeds of trust. If

the necessary votes and consents are obtained, the Board shall cause to be recorded with the County Recorder of Maricopa County, Arizona, a Certificate of Termination, duly signed by the President or Vice President and attested by the Secretary or Assistant Secretary of the Association, with their signatures acknowledged. Thereupon these Covenants shall have no further force and effect, and the Association shall be dissolved pursuant to the terms set forth in its Articles.

Section 2. Amendments. This Declaration may be amended by recording with the County Recorder of Maricopa County, Arizona, a Certificate of Amendment, duly signed and acknowledged as required for a Certificate of Termination in Section 1 of this Article. The Certificate of Amendment shall set forth in full the amendment adopted, and, except as provided in Section 3 of this Article, shall certify that at an election duly called and held pursuant to the provisions of the Articles and Bylaws, the Members casting seventy-five percent (75%) of the votes cast at a duly called meeting voted affirmatively for the adoption of the amendment. A Tract Declaration may be amended in the same manner as this Declaration.

ARTICLE XIV

MISCELLANEOUS

Section 1. Interpretation of the Covenants. Except for judicial construction, the Association, by its Board, shall have the exclusive right to construe and interpret the provisions of this Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions hereof shall be final, conclusive

and binding as to all persons and property benefited or bound by the Covenants and provisions hereof.

Section 2. Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 3. Rule Against Perpetuities. If any interest purported to be created by this Declaration is challenged under the Rule against Perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest; the “lives in being” for computing the period of perpetuities shall be (a) those which would be used in determining the validity of the challenged interest, plus (b) those of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

Section 4. Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this declaration.

Section 5. Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Association shall have the right to adopt rules and regulations with respect to all other aspects of the Association’s rights, activities and duties,

provided said rules and regulations are not inconsistent with the provisions of this Declaration.

Section 6. References to the Covenants in Deeds. Deeds to and instruments affecting any Lot or Parcel or any part of Scottsdale Ranch may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee-Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

Section 7. Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

Section 8. Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

Section 9. Notices. If notice of any action or proposed action by the Board or any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board to be given to any Owner, Lessee or Resident then, unless otherwise specified herein or in the resolution of the Board, such notice requirement shall be deemed satisfied if notice of such action or

meeting is published once in any newspaper in general circulation within the City of Scottsdale or Scottsdale Ranch. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

The President of the Association hereby certifies that this Second Amended and Restated Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements has been approved by the required percentage of members of the Association.

DATED this 15th day of April, 2004.

THE SCOTTSDALE RANCH
COMMUNITY ASSOCIATION

By: _____

Its: President Larry Kush

Attested to

By: _____

Its: Secretary George Lores

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 4 day of May, 2004, before me the undersigned Notary Public, personally appeared GEORGE LORES, who acknowledged to me that s/he is the President of the Association and that s/he executed the foregoing agreement on behalf of the Association for the purposes expressed therein.

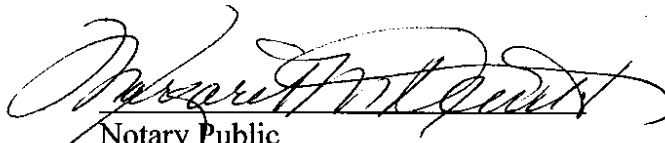


Notary Public

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this 6 day of May, 2004, before me the undersigned Notary Public, personally appeared LARRY KUSH, who acknowledged to me that s/he is the Secretary of the Association and that s/he executed the foregoing agreement on behalf of the Association for the purposes expressed therein.




Notary Public

SCOTTSDALE RANCH COMMUNITY ASSOCIATION

Second Amended and Restated Declaration of Covenants, Conditions, Restrictions,
Assessments, Charges, Servitudes, Liens, Reservations and Easements
(Re-Recorded)

Exhibit "A"

This 51 page attachment which contains the
Legal Description of Subdivided Property within Scottsdale Ranch
can be obtained or viewed at the
Scottsdale Ranch Community Association Administration Office
10585 N. 100th Street
Scottsdale, AZ 85258