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Lois Savage, Esq.
DMB Associates, Inc.
4201 North 24th Street
Suite 120
Phoenix, Arizona 85016



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**SUPPLEMENTAL DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR DC RANCH PARCEL 2.10**

This Supplemental Declaration of Covenants, Conditions and Restrictions for DC Ranch Parcel 2.10 ("Supplemental Declaration") is made effective this 27th day of August, 1997, by DC RANCH L.L.C., an Arizona limited liability company ("Declarant").

A. Declarant is the developer of the master planned community located in the City of Scottsdale, Maricopa County, Arizona, commonly known as DC Ranch (the "Development"); and

B. Declarant executed the DC Ranch Community Council Declaration of Covenants and Easements and recorded said document in the official records of Maricopa County, Arizona on December 13, 1996 as Document No. 96-0868790 (the "Council Declaration"); and

C. Declarant executed the Declaration of Covenants, Conditions and Restrictions for the Ranch and recorded said document in the official records of Maricopa County, Arizona on December 13, 1996 as Document No. 96-0868791 (the "Ranch Declaration"); and

D. The Council Declaration and the Ranch Declaration each contemplates that supplemental declarations for parcels located within the Development will be executed and Recorded periodically as the development of the Development proceeds; and

E. Declarant wishes to cause that portion of the Development described on Exhibit "A" attached hereto (the "Tract") to become subject to the Council Declaration and the Ranch Declaration, and to be developed in accordance with certain supplemental covenants, conditions and restrictions as set forth herein.

NOW, THEREFORE, Declarant hereby declares that the Tract shall be held, sold and conveyed subject to the following restrictions, covenants, conditions, terms and provisions:

1. **Annexation.** Pursuant to Section 14.2 of the Council Declaration and Section 9.1 of the Ranch Declaration, Declarant hereby declares that the Tract is and shall be subject to the terms and provisions of the Council Declaration and the Ranch Declaration.

2. **Land Use Classification.** The Land Use Classification (as such term is used in Exhibit "C" to the Council Declaration and Exhibit "D" to the Ranch Declaration) for the real property within the Tract shall be single-family residential, and construction on such real property shall be limited to single-family dwelling units and related common elements. Notwithstanding the foregoing, however, Declarant reserves to itself, and its successors and assigns (including without limitation any homebuilder in whose favor Declarant executes, acknowledges and records an assignment of rights), the right to construct and install within the Tract one or more temporary sales trailers, temporary construction trailers, model homes (and related parking areas), and other improvements used in connection with the construction and sale of single-family dwellings within the Tract; provided that all such improvements shall be removed from the Tract or (in the case of a model home) converted to a single-family dwelling unit promptly after the completion of all applicable construction and sale activity.

3. **Calculation of Units.** The Tract has been subdivided into forty-six (46) residential lots pursuant to the subdivision plat for the Tract recorded of even date herewith (the "Plat"). Accordingly, for purposes of Exhibit "C" to the Council Declaration and Exhibit "D" to the Ranch Declaration, there shall be forty-six (46) Units in the Tract. If Declarant duly amends the subdivision plat for the Tract, such that the number of residential lots in the Tract is greater or less than forty-six (46), then Declarant may, without obtaining the consent of any owner of any such lot or any portion of the Tract, amend this Supplemental Declaration to correctly specify the total number of residential lots within, and Units attributable to, the Tract.

4. **Neighborhood Assessments.** The residential lots depicted on the Plat (the "Lots"), shall be designated by the Ranch Association as a Neighborhood, and shall thereafter be subject to one or more Neighborhood Assessments levied by the Ranch Association with respect to relevant Neighborhood Expenses, including without limitation expenses associated with the private streets, access gate and related facilities now or hereafter located within the Tract. The amount of such levy will be established by the Ranch Association in accordance with the terms of the Ranch Declaration.

5. **Commencement of Assessments.** The Units within the Tract (a) are subject to all assessments duly imposed pursuant to Article VIII of the Council Declaration, and (b) are subject to all assessments duly imposed pursuant to Article VIII of the Ranch Declaration. The obligation to pay assessments under the Council Declaration shall commence as to all Units within the Tract effective as of the recording of this Supplemental Declaration in the official

records of Maricopa County, Arizona. The obligation to pay assessments under the Ranch Declaration shall commence as to all Units within the Tract effective as of the recording of this Supplemental Declaration in the official records of Maricopa County, Arizona.

6. Construction and Maintenance Requirements. The construction of single-family dwellings within the Lots shall be subject to various approval requirements of the Covenant Commission, as set forth in The Covenant and in the Community Design Book adopted by the Covenant Commission with respect to residential construction and the Construction Guidelines adopted by the Covenant Commission. Each Lot owner shall be responsible for maintenance of all improvements, landscaping and natural open space areas within the Lot in accordance with the Community-Wide Standard applicable to the Development and all other requirements of the Governing Documents; provided that Declarant hereby reserves to itself and the Community Council and the Ranch Association (or the agent or contractor of any of them) the right to enter upon such areas to perform such maintenance if the Lot owner fails to do so. Acceptance by the Community Council or the Ranch Association (as applicable) of improvements to be constructed in areas outside of the Lots shall be subject to compliance with the requirements of the Community Design Book and the Construction Guidelines and subject to the improvements' compliance with the requirements of The Covenant.

7. Maintenance of Streetscape Areas. Any area that is located within a private street tract as shown on the Plat but outside of the private street improvements built within such private street tract, including any landscaping improvements located in such area (a "Streetscape Area"), shall be maintained by the owner of the adjacent Lot or Area of Common Responsibility (as applicable) to the Community-Wide Standard and any and all other standards required for maintenance of such Lot or Area of Common Responsibility. If a Lot owner shall fail to meet its maintenance obligations under this Paragraph 7, the Ranch Association shall have the right to perform such maintenance on behalf of such owner and to enter upon such owner's Lot to the extent reasonably necessary do so.

8. Boundary Walls and Party Walls. For purposes of this Supplemental Declaration, the term "Boundary Wall" shall mean a wall located within the Tract and constructed on, or immediately adjacent to, the common boundary of an Area of Common Responsibility and a Lot, and the term "Party Wall" shall mean a wall located within the Tract and constructed on, or immediately adjacent to, the common boundary of two Lots. The rights and duties of Lot owners and the Ranch Association with respect to Boundary Walls and Party Walls shall be as follows:

(i) The Ranch Association and the Lot owner who have a Boundary Wall on or adjacent to their common boundary shall both equally have the right to use such Boundary Wall, provided that such use by one such party does not interfere with the use and enjoyment of such Boundary Wall by the other (except that any Drainage Element (as defined below) of such Boundary Wall may be used solely by the Ranch Association), and two Lot

owners who have a Party Wall on or adjacent to their common boundary shall both equally have the right to use such Party Wall, provided that such use by one such party does not interfere with the use and enjoyment of such Party Wall by the other;

(ii) If any Boundary Wall or Party Wall is damaged or destroyed through the act of an adjacent Lot owner or any of such owner's tenants, invitees, agents, guests or family members (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Lot owner to rebuild and repair the Boundary Wall or Party Wall without cost to the Ranch Association or the other Lot owner (as applicable). Any liability imposed on a Lot owner hereunder shall not prevent the Lot owner from seeking indemnity therefor from the person(s) causing such damage;

(iii) If any Boundary Wall or Party Wall is destroyed or damaged (including by deterioration from ordinary wear and tear), other than by the act of an adjacent Lot owner or any of such owner's tenants, invitees, agents, guests or family members, it shall be the joint obligation of the Lot owner and the Ranch Association (in the case of a Boundary Wall), or the two Lot owners (in the case of a Party Wall), to rebuild and repair such wall to its pre-existing condition at their joint expense, such expense to be divided equally between them; provided, however, that if such damage or destruction is limited to the surface of a Boundary Wall or Party Wall, then the obligation to repair such damage or destruction shall be the sole responsibility of the owner of the adjacent property toward which such surface faces, at such owner's sole expense;

(iv) Notwithstanding anything to the contrary herein contained, there shall be no modification of any Boundary Wall or impairment of the structural integrity of any Boundary Wall without the prior consent of the Ranch Association and the Covenant Commission, and there shall be no modification of any Party Wall or impairment of the structural integrity of any Party Wall without the prior consent of the owners of both adjacent Lots and the Covenant Commission;

(v) Anything in the foregoing to the contrary notwithstanding, the Ranch Association shall have no responsibility for the repair or maintenance of any Boundary Wall pursuant to this Paragraph 8 unless and until it has approved the construction of such Boundary Wall and accepted in writing maintenance responsibility (to the extent provided herein) for such Boundary Wall;

(vi) If a Lot owner shall fail to meet its maintenance or repair obligations under this Paragraph 8, the Ranch Association shall have the right to perform such maintenance or repair on behalf of such owner and to enter upon such owner's Lot to the extent reasonably necessary do so; and

(vii) If a portion of a Boundary Wall (in its original location as approved by the Ranch Association and Covenant Commission, or as it may be relocated with the approval of the Ranch Association and the Covenant Commission) encroaches onto a Lot or encroaches onto an Area of Common Responsibility, and if such encroachment does not at any point exceed three (3) feet from the relevant Lot boundary, then, for so long as such encroachment continues, (a) the owner of the property onto which the Boundary Wall encroaches (the "**Burdened Property**") shall be deemed to have granted an easement of access and enjoyment to the owner of the adjacent Lot or Area of Common Responsibility (the "**Benefitted Property**") over that portion of the Burdened Property lying on the same side of the Boundary Wall as the Benefitted Property (the "**Easement Area**"), and (b) the owner of the Benefitted Property shall be responsible for maintenance of the Easement Area in accordance with all maintenance standards applicable to the adjacent portion of the Benefitted Property, whether such maintenance standards are imposed pursuant to the Community Council Governing Documents, the Ranch Governing Documents, or any other governing law or agreement; and

(viii) Notwithstanding anything to the contrary in this Paragraph 8, if any Boundary Wall includes a structural element that is constructed as an integral part of the drainage improvements to the Tract (a "**Drainage Element**") and such Drainage Element is destroyed or damaged (including by deterioration from ordinary wear and tear), other than by the act of an adjacent Lot owner or any of such owner's tenants, invitees, agents, guests or family members, then the obligation to repair such damage or destruction shall be the sole responsibility of the Ranch Association, at its sole expense. Except as set forth in this Subparagraph 8(viii) and in Subparagraph 8(i) above, Drainage Elements shall be treated in the same manner as other elements of a Boundary Wall.

9. **Pedestrian Lighting.** Declarant reserves to itself and its successors and assigns the right to install, remove, maintain, replace and repair lighting fixtures, related electrical lines and other related facilities, within the areas designated on the Plat as Tracts "A" through "D", inclusive, for the purpose of facilitating pedestrian use of private streets and private trails located within such areas. The design and location of such fixtures, lines and related facilities shall be as determined by The Covenant Commission, consistent with the Community Design Book, and The Covenant Commission shall determine from time to time the days and hours of the day on which such lighting fixtures shall be operated.

10. **Enforcement.** The Community Council may recover from any Lot owner who fails to repair or maintain its Lot or any Streetscape Area, Boundary Wall or Party Wall or any portion thereof, as required by Paragraph 6, 7 or 8 above, any and all costs incurred by the Community Council in performing such repair or maintenance on the owner's behalf pursuant to Paragraph 6, 7 or 8, as applicable. In addition, without limiting any other rights or remedies available to the Community Council, the Community Council may impose a Specific Assessment under the Council Declaration against the owner's property within the Development in the amount of such costs, which assessment shall be immediately due and payable upon delivery of

notice of such assessment to the owner. All or any portion of the foregoing rights of the Community Council may be delegated to the Ranch Association pursuant to Section 6.10 of the Council Declaration (provided that any Specific Assessment levied by the Ranch Association in accordance with this paragraph shall be levied pursuant to the Ranch Declaration).

11. **Interpretation.** This Supplemental Declaration shall run with the land within the Tract, shall be binding on all parties having or acquiring any right, title or interest in the Tract or any part thereof, and their respective heirs, successors and assigns, and shall be enforceable in accordance with and as a part of the Declaration.

12. **Incorporation of Declarations.** The Council Declaration and the Ranch Declaration each is expressly incorporated herein and made a part hereof by this reference. Unless otherwise defined herein, every capitalized term and expression used herein shall have the same meaning as set forth for such terms and expressions in the Council Declaration and the Ranch Declaration, as applicable. In the event of any conflict between the terms of the Council Declaration or the Ranch Declaration and the terms of this Supplemental Declaration, the terms of the Council Declaration or the Ranch Declaration, as applicable, shall control.

13. **Amendment.** This Supplemental Tract Declaration may be amended in the same manner as the Ranch Declaration may be amended in accordance with the provisions of the Ranch Declaration.

IN WITNESS WHEREOF, Declarant has executed the foregoing instrument as of the date first set forth above.

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

By: DMB PROPERTY VENTURES LIMITED PARTNERSHIP, an Arizona limited partnership, Administrative Member

By: DMB GP, INC., General Partner

By: Lois Savage
Its: Vice President

STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 26 day of August, 1997, by Luis Savage, the Vice President, of DMB GP, INC., an Arizona corporation, in its capacity as General Partner of DMB PROPERTY VENTURES LIMITED PARTNERSHIP, a Delaware limited partnership, in its capacity as Administrative Member of DC RANCH L.L.C., an Arizona limited liability company, for and on behalf thereof.

Annette Anghel
Notary Public

My Commission Expires:

9-13-99



Exhibit "A"

Legal Description

Lots 1 through 46, inclusive, and Tracts "A" through "D", inclusive, of DC RANCH PARCEL 2.10, a subdivision according to the plat recorded in Book 448 of Maps, Page 32, records of Maricopa County, Arizona.