

SECURITY TITLE AGENCY

When recorded, return to:
McDavid Business Park Property Owner's Association
16009 North 81st Street, Suite 200
Scottsdale, Arizona 85260
Attn: Steven D. Flaggman

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
PECOS MANOR**

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 16009 North 81st Street, Suite 200
 Scottsdale, Arizona 85260
 Attention: Steven D. Flaggman

**DECLARATION OF COVENANTS,
 CONDITIONS AND RESTRICTIONS
 FOR
 PECOS MANOR**

THIS DECLARATION OF COVENANTS, CONDITIONS and RESTRICTIONS FOR PECOS MANOR (hereinafter termed this "Declaration") is made as of the ____ day of September, 2004, by ELITE PECOS, INC., an Arizona corporation ("Declarant").

WITNESSETH:

A. Declarant is the owner of that certain real property located in the Town of Gilbert, County of Maricopa, State of Arizona, legally described in *Exhibit "A"* attached hereto (the "Property") and incorporated herein by this reference, which is to be commonly known as "Pecos Manor."

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B. Declarant desires to develop the Property into a planned community of single-family residential homes.

C. As part of the various stages of development of the Property, Declarant intends, without obligation, (i) that portions of the Property will be dedicated to the public for streets, roadways, drainage, flood control, general public use, and (ii) that Lots within the Property will be developed by Declarant, or sold or otherwise conveyed to Builders, for the construction and sale of single-family homes.

D. Declarant also desires to form a nonprofit corporation for the purpose of benefiting the Property, the Owners, and the Residents, which nonprofit corporation (hereinafter termed the "Association") will (i) acquire, operate, manage and maintain any Common Areas in the Property, (ii) establish, levy, collect and disburse the Assessments and other charges imposed hereunder, and (iii) as the agent and representative of the Members of the Association and of the Owners, and the Residents of the Property, administer and enforce this Declaration and enforce the use and other restrictions imposed on various parts of the Property.

E. Declarant is preparing the necessary documents for the incorporation and organization of the Association and may, without obligation, seek approval of the Property by the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Federal National Mortgage Association ("FNMA"), the Federal Home Loan Mortgage Corporation

("FHLMC") or by any other governmental agencies or financial institutions whose approval Declarant deems necessary and desirable (each an "Agency").

F. In order to cause the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements (hereinafter collectively called the "Covenants") to run with the Property and to be binding upon the Property and all Owners and Residents thereof, and their successors and assigns, from and after the date of the Recording of this Declaration, Declarant hereby declares that all conveyances of the Property shall be subject to the Covenants herein set forth.

NOW, THEREFORE, Declarant hereby declares, covenants and agrees as follows:

ARTICLE 1 **DEFINITIONS**

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

"Agency" has the meaning given to it in Recital "E" hereof.

"Alleged Defect" shall mean Improvements with respect to which an Owner, the Association or any other Claimant alleges to have been constructed in a manner that is not consistent with good construction and development practices in the area where the Property is located for Improvements similar to those constructed on the Property.

"Annual Assessment" shall mean the Assessments imposed for annual expenses pursuant to *Section 8.7*.

"Architectural Committee" shall mean the committee to be created pursuant to *Article 5* of this Declaration.

"Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee from time to time governing the approval of architectural design and construction.

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

"Assessable Property" shall mean any Lot within the Property, except such part or parts thereof as may from time to time constitute Exempt Property.

"Assessment" shall mean the charges levied and assessed each year against each Membership pursuant to *Article 8* hereof.

"Assessment Lien" shall mean the lien created and imposed by *Article 8*.

"Association" shall mean the Arizona nonprofit corporation to be organized by Declarant to administer and enforce the Covenants and to exercise the rights, powers and duties set forth in this Declaration. Declarant hereby reserves the exclusive right to cause such Association to be incorporated. It is the intent of the Declarant that the Association shall be named the "Pecos Manor Homeowners Association."

"Association Maintained Areas" shall mean all of the Common Areas and any public rights-of-way or portions thereof which are required by the Town of Gilbert to be maintained by the Association.

"Board" shall mean the Board of Directors of the Association.

"Builder" shall mean an Owner (including to the extent applicable, Declarant) which is in the business of constructing and selling completed Dwelling Units to third parties and which intends to construct and sell Dwelling Units on the Lots it owns. In the case of any Lots within the Property which are either (i) subject to a Recorded option agreement pursuant to which a Person who would be a Builder if it was the Owner of such Lots has the option to purchase such Lots (a "Builder Option"), or (ii) owned by a Person who holds title to the Lots in the capacity of a land banker and who has entered into a purchase agreement with a Person who would be a Builder if such Person owned the Lots (a "Land Banking Agreement"), then in either event, such Lots shall be deemed to be owned by a Builder under this Declaration.

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

"Capital Improvements" shall mean those items owned, repaired or maintained by the Association which individually have a life expectancy of three (3) years or greater and exceed \$1,000.00 or greater in value. Items of a like structure which are less than \$1,000.00 when all such items are multiplied by the single value of one like item shall be considered a Capital Improvement.

"Claimant" shall mean any Person or entity who has a claim against Declarant or a Builder relating to the quality of construction of Improvements.

"Class A Member" shall have the meaning set forth in *Section 7.2.1* below.

"Class B Member" shall have the meaning set forth in *Section 7.2.2* below.

"Common Areas" shall mean and consist of any real property which is conveyed by the Declarant or any other Owner to the Association as contemplated by the Plat to benefit the Members generally and which is owned by the Association.

"Common Expenses" shall mean the expenses of operating the Association.

"Community Documents" shall mean this Declaration, all Supplementary Declarations, Bylaws, Articles of Incorporation and any rules and regulations adopted by the Association, including the Pecos Manor Rules.

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

"Declarant" shall mean and refer to the above recited Declarant and/or any Person or Persons to whom all or a portion of Declarant's rights reserved to the Declarant under this Declaration and its amendments are assigned pursuant to a written, Recorded instrument expressly assigning such rights.

"Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions, as amended or supplemented from time to time.

"Deed" shall mean a Deed or other instrument conveying the fee simple title in any portion of the Property from one Owner to another Owner.

"Deficiency Assessments" shall mean Assessments which are imposed against Lots owned by Declarant and Builders pursuant to the provisions of *Section 8.6* below.

"Dwelling Unit" shall mean ^{an Unofficial Document} a building or portion of a building situated upon a Lot designed and intended for use and occupancy as a residence by a single family.

"Exempt Property" shall mean the following parts of the Property:

(a) All land and improvements owned by or dedicated to and accepted by the United States of America, the State of Arizona, the Town of Gilbert, Maricopa County, or any other political subdivision, for as long as any such entity or political subdivision is the owner thereof or for so long as said dedication remains effective;

(b) All Common Areas, for as long as the Association is the Owner thereof; and

(c) All Tracts.

"First Mortgage" shall mean a deed of trust or mortgage Recorded against a Lot which has priority over all other deeds of trust or mortgages Recorded against the same Lot.

"Improvements" shall mean all infrastructure improvements, streets, walls, landscaping, buildings, including Dwelling Units, and other structures constructed by Declarant, any Builder or their respective contractors and subcontractors on the Property subject to this Declaration.

"**Lot**" shall mean any part of the Property designated as a residential Lot on the Plat and, where the context indicates or requires, any Improvements constructed from time to time thereon.

"**Maintenance Charges**" shall mean any and all costs assessed pursuant to *Article 11* hereof.

"**Member**" shall mean any Person holding a Membership in the Association pursuant to this Declaration.

"**Membership**" shall mean a Membership in the Association and the rights granted to the Owners pursuant to *Article 7* hereof to participate in the Association.

"**Owner**" shall mean (when so capitalized) the Record holder of legal title to the fee simple interest in any Lot, but excluding those who hold such title merely as security for the performance of an obligation. In the case of any Lot the fee simple title to which is vested of Record in a seller under a valid and outstanding Agreement or Contract of Sale, as defined in the applicable Arizona statutes, legal title shall be deemed to be in the purchaser under such Agreement or Contract of Sale. In the case of any Lot the fee simple title to which is vested of Record in a trustee pursuant to the applicable Arizona statutes, legal title shall be deemed to be in the Trustor. An Owner shall include any Person who holds Record title to any Lot in joint ownership with any other Person or who holds an undivided fee interest in such Lot.

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"**Pecos Manor Rules**" shall mean those rules applicable to the Property and adopted and implemented by the Board from time to time pursuant to the provisions of *Section 6.4* below.

"**Person**" shall mean a natural person, corporation, partnership, limited liability company, trustee or any other legal entity.

"**Plat**" shall mean that final subdivision plat of Pecos Manor Recorded with respect to the Property.

"**Property**" or "**Pecos Manor**" shall mean the Property legally described in *Exhibit "A"* attached hereto and incorporated herein by this reference, together with all Improvements constructed thereon from time to time, and any other real property to the extent annexed pursuant to the provisions of *Article 13* below.

"**Record**," "**Recording**" or "**Recordation**" 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.

"**Resident**" shall mean each natural person legally occupying or residing in a Dwelling Unit.

"Special Assessment" shall mean any Assessment levied and assessed pursuant to *Section 8.10* hereof.

"Tract" shall mean any portion of the Property which is subdivided as a separately divisible parcel of real property pursuant to the Plat, whether or not designated on the Plat as a "Tract," "Parcel" or other designation, but is not a Lot.

"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 (6') tall, standing on the same plane as the object being viewed at a distance of one hundred feet (100') or less from the nearest boundary of the property being viewed.

ARTICLE 2

PLAN OF DEVELOPMENT

2.1 General Declaration Creating the Property. Declarant intends that the Property be developed, used and enjoyed in accordance with and pursuant to the Plat by subdividing the Property into Lots and Tracts and selling and conveying Lots to Builders for the purpose of the construction and sale of Dwelling Units thereon to third parties. All Lots and Tracts within the Property shall be held, conveyed, hypothecated, encumbered, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration, as amended or modified from time to time; provided, however, that such portions of the Property which are dedicated to the public or a governmental entity for public purposes shall not be subject to this Declaration or the Covenants herein contained while owned by the public or the governmental entity, although any restrictions imposed in this Declaration upon the Owners or the Residents concerning the use and maintenance of such portion or portions of the Property shall at all times apply to the Owners and the Residents. This Declaration is declared and agreed to be in furtherance of a general plan for the subdivision, improvement and sale of the Property, and is established for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and every part thereof. All of this Declaration shall run with all of the Property for all purposes and shall be binding upon and inure to the benefit of Declarant, the Association, all Owners and Residents and their successors in interest. By acceptance of a Deed or by acquiring any interest in any portion of the Property, each Person, for himself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the Covenants now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such Person by so doing thereby acknowledges that this Declaration sets forth a general plan for the development, sale, and use of the Property and hereby evidences his interest that all Covenants contained in this Declaration shall run with the land and be binding upon all subsequent and future owners, grantees, purchasers, assignees, tenants and transferees thereof. Each such Person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the Association and all Owners. Declarant, its successors, assigns and grantees, covenant and agree that the Lots, Tracts, Memberships in the Association and the other rights appurtenant to such Lots and Tracts shall not be separated or separately conveyed, and each shall

be deemed to be conveyed or encumbered with its respective Lot or Tract even though the description in the instrument of conveyance or encumbrance may refer only to the Lot or Tract.

2.2 Association Bound. Upon issuance of a Certificate of Incorporation by the Arizona Corporation Commission to the Association, the Covenants shall be binding upon and shall benefit the Association.

2.3 Disclaimer of Representations. Notwithstanding anything to the contrary herein, the Declarant makes no warranty or representation whatsoever that the plans presently envisioned for the complete development of the Property can or will be carried out, or that the Property is or will be committed to or developed for a particular (or any) use, or that if such real property is once used for a particular use, such use will continue in effect. While Declarant has no reason to believe that any of the restrictive covenants contained in this Declaration are or may be invalid or unenforceable, the Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Lot or Tract in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and by accepting a Deed to a Lot or Tract agrees that neither the Declarant nor any Builder shall have any liability with respect thereto.

ARTICLE 3
EASEMENTS AND RIGHTS OF ENJOYMENT IN
COMMON AREAS

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3.1 Easements of Enjoyment. Declarant and every Owner and Resident of the Property 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 and Tract subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other Special Use Fees for the use of the Common Areas or any facilities constructed thereon.

(b) The right of the Association to suspend the voting rights; right to use of the facilities and other Common Areas by any Member; and any other rights incidental to membership (i) for any period during which any Assessment against his Lot remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of this Declaration or the Pecos Manor Rules, and (iii) for successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period; provided, however, that a Member's rights may only be suspended under procedures sufficient to comply with applicable law.

(c) The right of the Association to regulate the use of the Common Areas through the Pecos Manor Rules and to prohibit or limit access to certain Common Areas, such as specified landscaped areas. The Pecos Manor Rules shall be intended, in the absolute discretion of the Board, to enhance the preservation of the Common Areas

for the safety and convenience of the users thereof, and otherwise shall serve to promote the best interests of the Owners and Residents.

(d) The right of the Association to dedicate or transfer all or any part of the Common Areas to any entity for such purposes and subject to such conditions as may be agreed to by the Association. No such dedication or transfer shall be effective unless an instrument signed by the Members holding at least two-thirds (2/3) of each Class of Memberships in the Association agreeing to such dedication or transfer has been Recorded. In addition, if ingress and egress to any Lot is provided through the Common Areas, then any dedication or transfer of such Common Areas shall be subject to such Lot Owner's continuing right and easement for ingress and egress.

(e) The right of the Association to change the use of the Common Areas in accordance with this Declaration.

(f) The right of the Association to change the size, shape or location of Common Areas, to exchange Common Areas for other lands or interests therein which become Common Areas and to abandon or otherwise transfer Common Areas so long as, in each case, either (i) the Board determines that the Members are not materially or adversely affected, or (ii) Members holding at least two-thirds (2/3) of each Class of Membership in the Association have executed an instrument agreeing to such change in size, shape or location, exchange, abandonment or transfer.

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3.2 Easements to Facilitate Development.

3.2.1 Declarant and each Builder shall have a blanket easement over the Common Areas in order to construct Improvements thereon and in connection with the construction of Dwelling Units on Lots within the Property.

3.2.2 Neither the Declarant nor any Builder shall exercise any of the rights or easements reserved by or granted pursuant to this **Section 3.2** in such a manner as to unreasonably interfere with the construction, development or occupancy of any part of the Property.

3.2.3 The rights and easements reserved by or granted pursuant to this **Section 3.2** shall continue so long as the Declarant or any Builder, as the case may be, owns any Lot or Tract. Declarant and each Builder may make limited temporary assignments of their easement rights under this Declaration to any Person performing construction, installation or maintenance on any portion of the Property.

3.3 Utility Easements. A nonexclusive, perpetual blanket easement is hereby created over and through the Common Areas, and a limited, specific easement over and through those portions of the Property shown as public utility easement areas on the Plat is hereby created, for the purpose of:

- (a) Installing, constructing, operating, maintaining, repairing or replacing equipment used to provide to any portion of the Property any utilities, including, without limitation, water, sewer, drainage, gas, electricity, telephone and television service, whether public or private;
- (b) Ingress and egress to install, construct, operate, maintain, repair and replace such equipment; and
- (c) Exercising the rights under the easement.

Such easement is hereby granted to any Person providing such utilities or installing, constructing, maintaining, repairing or replacing equipment related thereto. Any pipes, conduits, lines, wires, transformers and any other apparatus necessary for the provision or metering of any utility may be installed or relocated only where permitted by the Declarant or any Builder, where contemplated on the Plat, or where approved by resolution of the Board. Equipment used to provide or meter such utilities or services may be installed aboveground during periods of construction if approved by the Declarant and any Builder. The Person providing the service or installing a utility pursuant to this easement shall install, construct, maintain, repair or replace the equipment used to provide or meter utilities as promptly and expeditiously as possible, and shall restore the surface of the land and the improvements situated thereon to their original condition as soon as possible.

3.4 Easement for Maintenance of Association Maintained Areas. The Association shall have an easement upon and over the Common Areas for the purpose of maintaining the landscaping and drainage facilities within such areas pursuant to the provisions of **Section 6.3(a)** of this Declaration. The easement provided in the foregoing shall terminate with respect to any Common Areas on the date the Association's responsibilities with respect to maintaining the landscaping or drainage facilities within any such Common Areas terminates.

3.5 Easements for Encroachments. If any Improvement constructed by or for a Builder or Declarant on any Lot or Tract now or hereafter encroaches on any other portion of the Property by an amount of deviation permitted by customary construction tolerances, a perpetual easement is hereby granted to the extent of any such encroachment, and the owner of the encroaching Improvement shall also have an easement for the limited purpose of the maintenance and repair of the encroaching Improvement.

3.6 Delegation of Use. Any Member may, in accordance with this Declaration and the Pecos Manor Rules and the limitations therein contained, delegate his right of enjoyment in the Common Areas and facilities to the members of his family, or his Residents.

3.7 Drainage Retention Easements. Certain portions of the Property, including certain specified Lots, may contain drainage retention basins thereon for the benefit of other portions of the Property. In connection therewith, each Owner who acquires a Lot subject to a drainage retention easement shall be responsible for maintaining such easement and the

retention basin thereon in good condition and repair, and without obstruction, such that the purposes for which such drainage retention basin has been established are appropriately served.

3.8 Streetlight Improvement District. Each Owner, by accepting a deed to any Lot within the Property, acknowledges and agrees that such Lot shall be subject to an annual streetlight improvement district assessment.

3.9 Williams Gateway Airport Vicinity Notice. Each Owner, by accepting a deed to any Lot within the Property, acknowledges that the Property is in the vicinity of the Williams Gateway Airport and may experience aircraft overflights which could generate noise levels which may be of a concern to some individuals.

ARTICLE 4 **PERMITTED USES AND RESTRICTIONS**

4.1 Residential Purposes. All Lots and Dwelling Units within the Property shall be used for single-family residential purposes. No gainful occupation, profession, business, trade or other nonresidential use shall be conducted on or in any Dwelling Unit, provided that an Owner or any Resident may conduct limited business activities in a Dwelling Unit so long as (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (b) the business activity conforms to all applicable zoning requirements; (c) the business activity does not involve door-to-door solicitation of other Owners or Residents; (d) the business activity Unofficial Document does not generate drive-up traffic or customer or client parking; and (e) the business activity is consistent with the residential character of the Property, does not constitute a nuisance or a hazardous or offensive use, and does not threaten the security or safety of other Owners or Residents, as may be determined in the sole discretion of the Board. No Lot will ever be used, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, industrial, mercantile, commercial storage, vending, or other similar uses or purposes; provided, however, that the Declarant and each Builder, and their respective agents, successors or assigns, may use the Property, including any Lots, for any of the foregoing uses as may be required, convenient, or incidental to the construction and sale of Dwelling Units thereon, including, without limitation, for the purposes of a business office, management office, storage area, construction yard, signage, model sites and display and sales office during the construction and sales period. The Board shall have broad authority to enact rules and regulations to implement this *Article 4*, and to exempt or make specific exceptions for a particular Dwelling Unit on a case-by-case basis.

4.2 Animals. No animal, bird, poultry or livestock, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. No animal, bird, poultry or livestock shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any animal, bird, poultry or livestock shall be maintained so as to be visible from neighboring property. Upon the written request of any Member or Resident, the Architectural Committee shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this paragraph, a

particular animal, bird, poultry or livestock is a generally recognized house or yard pet, whether such a pet is a nuisance, or whether the number of animals or birds on any such property is reasonable. Any decision rendered by the Architectural Committee shall be enforceable in the same manner as other restrictions contained herein and in this Declaration. So long as there is a Class B membership, the Declarant may adopt such rules and regulations relating to animals permitted and maintained on the Property. Thereafter, the Board may adopt such rules and regulations relating to animals permitted and maintained on the Property.

4.3 Temporary Occupancy and Temporary Building. 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 may be used during the construction of a Dwelling Unit on any Lot, provided that they shall be removed immediately after the completion of construction.

4.4 Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Lot or Tract which shall induce, breed or harbor infectious plant diseases or noxious insects.

4.5 Antennas. Subject to applicable law, no antenna, aerial, satellite dish or other device for the transmission or reception of television or radio (including amateur or ham radio) signals of any kind (collectively referred to herein as "antennas") will be allowed outside any Dwelling Unit, except:

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(a) Those antennas whose installation and use is protected under federal law or regulations (generally, certain antennas under one meter in diameter), provided that an application for such an antenna must be submitted to the Architectural Committee and such application will be approved only if:

(i) the antenna is designed to assure the minimal visual intrusion possible (*i.e.*, is located in a manner that minimizes visibility from any street); and

(ii) the antenna complies to the maximum extent feasible with the Architectural Committee Rules within the confines of applicable federal regulations (*i.e.*, without precluding reception of quality signal, or unreasonably increasing the cost of the antenna); or

(b) Dishes 18" in diameter or smaller in locations approved by the Architectural Committee for rear or side yard locations and appropriately screened.

Any transmission cable for a receiver to any Dwelling Unit must be underground. The restrictions in this *Section 4.5* shall be subject to any limitations imposed by law. The Board is hereby vested with the broadest discretion to enact rules and regulations to implement this Article to conform to applicable state and federal law; provided, however, that the Board may

enact rules and regulations that are more restrictive than this *Section 4.5*, if permissible by state and federal law.

4.6 Mineral Exploration. No Lot or Tract 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.

4.7 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot or Tract, except in covered containers of a type, size and style which are approved by the Board. The Board may adopt such reasonable rules and regulations as it deems necessary regarding trash containers and collection of trash, and except on a temporary basis during any period of construction of improvements on any Lot or Tract. 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 promptly removed from all Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot or Tract.

4.8 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 Tract unless they are erected, placed and maintained exclusively within a fenced service yard or otherwise concealed and are not Visible From Neighboring Property.

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4.9 Party Walls. Except as hereinafter provided, the rights and duties of Owners with respect to party walls or party fences between Lots, or between Lots and Common Areas, shall be as follows:

(a) The Owners of contiguous Lots 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.

(b) In the event that any party wall or party fence is damaged or destroyed through the act of an Owner or any of his Residents, agents, trees, irrigation systems, 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. Any dispute over an Owner's liability for such damage shall be resolved as provided in *Section (e)* below, but any liability imposed on an Owner hereunder shall not prevent the Owner from seeking indemnity therefor from the Persons causing such damage.

(c) 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 Residents, agents, trees, irrigation systems, guests or members of his family, it shall be the obligation of all Owners whose Lots 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 on the party wall or party fence (with expenses related to walls or fences between Lots and Common Areas to be divided between the Lot Owner and the Association on such basis).

(d) 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.

(e) 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 Architectural Committee, the decision of which shall be binding.

(f) Notwithstanding anything contained herein to the contrary, walls or fences constructed by the Declarant, any Builder or the Association on Common Areas where the wall or fence does not border on a Lot shall be maintained by the Association, subject to the provisions of *Section 11.3* of this Declaration, except that each Owner of a Lot shall be responsible for painting the portion of the party wall or party fence facing his Lot or the portion thereof which is not a portion of the Common Areas.

4.10 Overhead Encroachments Unofficial Document No tree, root, shrub or planting of any kind on any Lot shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, pedestrian way, party wall, Common Areas or other Lot from ground level to a height of eight feet (8') without the prior approval of the Architectural Committee.

4.11 Window Coverings. In no event shall the interior or exterior of any windows be covered with reflective material, such as foil, or with paper, bed sheets or other temporary coverings. The Board shall have the broadest authority to enact rules and regulations relating to window coverings.

4.12 Garages and Driveways. The interior of all garages situated upon any Lot shall be maintained by the respective Owners thereof in a neat and clean condition. Such garages shall be used for parking vehicles and storage only, and shall not be used or converted for living or recreational activities. Garage doors shall be kept closed at all times except to the limited extent reasonably necessary to permit the entry or exit of vehicles or Persons. All driveways on Lots shall be of concrete construction.

4.13 Private Use and Benefit Easements. A series of perpetual easements (the "Private Use and Benefit Easements"), as shown on the Recorded Plat for the Property, have been created over portions of certain Lots (the "Easement Areas") for: (i) certain driveway purposes for the benefit of the applicable adjacent Lots (the "Driveway Use and Benefit Easement"), and (ii) extensions of backyards (the "Yard Use and Benefit Easements"). The respective rights and duties of Owners of a Lot benefited by a Private Use and Benefit Easement

(a "Benefited Lot") and Owners of a Lot encumbered by a Private Use and Benefit Easement in favor of another Lot (a "Burdened Lot") shall be as follows:

(a) the Owner of a Benefited Lot shall have the right of entry on, under, over, and across the Easement Area on the applicable Burdened Lot. The Benefited Lot Owner shall have the exclusive right to use the Easement Area on a Burdened Lot except as provided in paragraph (c) below and the Burdened Lot Owner shall not block, obstruct, or restrict access or use of or permit anyone to block, obstruct, or restrict access or use of the Easement Area by the Owner of a Benefited Lot, or its guests, invitees, licensees, and any other Persons;

(b) the Owner of a Benefited Lot shall be responsible for the maintenance and repair of the Easement Area at such Owner's sole cost and expense;

(c) the grant of each Private Use and Benefit Easement is subject to the right of the Burdened Lot Owner to enter upon and utilize the Easement Area for the sole purposes of (a) drainage from the roof of the garage constructed on the Burdened Lot onto the Easement Area; (b) with regard to Driveway Use and Benefit Easements only, maintenance, repair, and replacement of landscaping situated along the Easement Area; (c) maintenance, repair, and replacement of a Party Wall constructed along the Easement Area; and (d) maintenance, repair, and replacement of portions of the garage constructed on the Burdened Lot including, but not limited to, the exterior wall and the roof;

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(d) each Owner or Occupant is encouraged, but is not obligated, to obtain property damage and casualty insurance insuring against liability incident to the use of the Easement Areas;

(e) except to the extent arising from an act of negligence by the Owner of a Burdened Lot, the Owner of a Burdened Lot shall not be personally liable to any Owner of the Benefited Lot, or to any other Person, for any claim, damage, loss, liability, cost, or any fees (including reasonable attorneys' fees) suffered or claimed arising from any accident or other occurrence causing injury to any Person and/or damage to any Property by reason of the use of any Easement Area located upon the Burdened Lot by the Benefited Lot Owner, and the Owner of the Benefited Lot agrees to indemnify, defend, and hold harmless the Owner of the Burdened Lot their successors and assigns, for, from, and against each and every claim, damage, liability, loss, cost, and fees, arising from such accident or occurrence;

(f) each Private Use and Benefit Easement shall be appurtenant to and run with the applicable Benefited Lot, and shall inure to the benefit of and be binding upon the Owner of the applicable Benefited Lot, and their successors and assigns. The rights and obligations of the Owner of the applicable Burdened Lot shall run with the applicable Burdened Lot and shall inure to the benefit of and be binding upon the Owner of the applicable Burdened Lot, their successors and assigns;

(g) the Association shall have the rights provided in *Section 11.3* if a Benefited Lot Owner fails to timely perform maintenance and repairs, but the Association shall have no affirmative obligation to perform any work or take any action; and

(h) no Owner and/or Occupant of a Benefited Lot shall store any combustibles along any wall adjacent to an Easement Area nor install drip irrigation systems within three (3) feet of any wall or install turf within five (5) feet of any wall. In addition, no permanent hardscape structures (such as pools, spas, barbecue grills and similar structures) shall be constructed or installed within any Easement Area.

4.14 Heating, Ventilating and Air Conditioning Units. No heating, air conditioning or evaporative cooling units or equipment shall be placed, constructed or maintained upon the Property, including, but not limited to, upon the roof or exterior walls of any structure on any part of the Property unless: (a) where such unit or equipment is installed upon the roof of any structure upon the Property, such unit or equipment is fully screened from view from any adjacent Lots by a parapet wall which conforms architecturally with such structure; or (b) in all other cases, such unit or equipment is attractively screened or concealed and is not Visible From Neighboring Property, which means of screening or concealment shall (in either case (a) or (b)) be subject to the regulations and approval of the Architectural Committee, provided, however, that where such unit or equipment is Visible From Neighboring Property solely through a "view fence", no screening or concealment shall be required.

4.15 Solar Collection Panels or Devices. Declarant recognizes the benefits to be gained by permitting the use of solar energy as an alternative source of electrical power for residential use. At the same time, Declarant desires to promote and preserve the attractive appearance of the Property and the improvements thereon, thereby protecting the value generally of the Property and the various portions thereof, and of the various Owners' respective investments therein. Therefore, subject to prior approval of the plans therefor by the Architectural Committee, such approval to be subject to the restrictions of applicable law, solar collecting panels and devices may be placed, constructed or maintained upon any Lot within the Property (including upon the roof of any structure upon any Lot), so long as either: (a) such solar collecting panels and devices are placed, constructed and maintained so as not to be Visible From Neighboring Property; or (b) such solar collecting panels and devices are placed, constructed and maintained in such location(s) and with such means of screening or concealment as the Architectural Committee may reasonably deem appropriate to limit, to the extent possible, the visual impact of such solar collecting panels and devices when viewed by a Person six feet (6') tall standing at ground level on adjacent properties. The restrictions in this *Section 4.15* shall be subject to any limitations imposed by law.

4.16 Basketball Goals. The Board may adopt such rules and regulations as it deems appropriate relating to the construction, placement and use of basketball goals or similar structures or devices (whether mounted on a pole, wall or roof).

4.17 Vehicles. Private, noncommercial, passenger automobiles or pickup trucks which, when including all attachments (including, without limitation, racks and shells), do

not exceed one (1) ton in carrying load or cargo capacity, may be parked on the Property within a garage or in a private driveway appurtenant to a Dwelling Unit but, except as provided in the next sentence, may not be parked elsewhere on the Property or streets adjoining the Property. The preceding sentence shall not preclude occasional overflow parking in a street right-of-way for guests or other reasonable purposes provided that no inconvenience is imposed on the Owners or Residents of other Lots for a period not to exceed twenty-four (24) hours or such more restrictive period as may be: (a) imposed by the Town of Gilbert, or (b) set by the Architectural Committee from time to time. No other vehicle (including, but not limited to, mobile homes, motor homes, boats, recreational vehicles, trailers, trucks, campers, permanent tents, or similar vehicles or equipment, commercial vehicles, or vehicles exceeding one (1) ton in carrying load or cargo capacity, or similar vehicles or equipment) shall be kept, placed or maintained upon the Property or any roadway adjacent thereto, except: (i) within a fully-enclosed garage connected to a Dwelling Unit and approved by the Architectural Committee; or (ii) in such areas and subject to such rules and regulations as the Architectural Committee may designate and adopt in its sole discretion (and the Architectural Committee in its sole discretion may prohibit such other vehicles and equipment completely). No vehicle (including, but not limited to, those enumerated in the preceding sentences) shall be constructed, reconstructed or repaired on the Property or any roadway therein or adjacent thereto except within a fully enclosed garage. No motor vehicles of any kind which are not in operating condition shall be parked in any unenclosed parking areas (including, but not limited to, private driveways appurtenant to a Dwelling Unit). The provisions of this *Section 4.17* shall not apply to vehicles of Declarant, any Builder or its respective employees, agents, affiliates, contractors or subcontractors during the course of construction activities upon or about the Property. The Association shall have the right to tow any motor vehicle or trailer, including, without limitation, any truck, mobile home, travel trailer, tent trailer, trailer, camper shell, detached camper, recreational vehicle, boat, boat trailer or similar equipment or vehicle or any automobile, motorcycle, motorbike, all-terrain vehicle or other motor vehicle parked, kept, maintained, constructed, reconstructed or repaired in violation of this Declaration or the Pecos Manor Rules at the cost and expense of the Owner of the Lot from which such vehicle or related trailer or equipment was towed, or the owner of the vehicle or equipment in question if such vehicle or equipment is towed from any Common Areas. The cost incurred by the Association in towing any vehicle, trailer or related equipment from any Lot shall be payable by the Owner of such Lot on demand by the Association and shall be secured by the Assessment Lien.

4.18 Landscaping and Maintenance; Reconstruction. Within ninety (90) days of acquiring a Lot with a Dwelling Unit thereon, each Owner (other than Declarant or any Builder) shall landscape (if not already landscaped) such Lot and any public right-of-way areas (other than sidewalks or bicycle paths) lying between the front or side boundaries of such Lot and any adjacent street and, if such Lot has a "view fence", then between the back boundary of such Lot and such view fence. Each Owner shall submit a landscaping plan to the Architectural Committee for review and approval pursuant to *Article 5*. Each Owner shall maintain the landscaping on such Owner's Lot and any public right-of-way areas lying between the front or side boundaries of such Lot and an adjacent street and shall keep the land free of debris and weeds at all times and promptly repair portions of the landscaping which have been damaged. Landscaping shall be installed under this *Section 4.18* as to be consistent, in terms of general

appearance and level of care and attention, with other normal completed residential landscaping within the Property and within other residential properties in the vicinity of the Property and in accordance with rules and guidelines established by the Architectural Committee. Each Owner shall maintain the aforementioned landscaping and exterior of the Owner's Dwelling Unit in a neat, clean and attractive condition consistent in appearance with other properly maintained, improved Lots within the Property. In the event any such landscaping is damaged or disturbed as a result of the installation or maintenance of any utility lines, cables or conduits for the use or benefit of the Owner of the Lot, then, in that event, such Owner shall promptly repair and restore any damage or disturbance to such landscaping in accordance with the landscape plans previously approved by the Architectural Committee. In the event any Dwelling Unit or other structure is totally or partially damaged or destroyed by fire, Act of God or any other cause, the Owner shall fully repair the damage and complete reconstruction of the Dwelling Unit or other structure within eighteen (18) months after occurrence of the damage or destruction. The provisions of this *Section 4.18* shall not apply to any Lot or Tract owned by Declarant or any Builder.

4.19 Prohibited Uses. No use which is offensive by reason of odor, fumes, dust, smoke, noise, glare, heat, sound, vibration, radiation or pollution, or which constitutes a nuisance or unreasonable source of annoyance, or which is hazardous by reason of risk of fire or explosion, or which is injurious to the reputation of any Owner shall be permitted on any Lot. No use which is in violation of the laws (after taking into account the application of any validly granted or adopted variance, exception or special use ordinance or regulation) of the United States, the State of Arizona, the Town of Unofficial Document Maricopa County or any other governmental entity having jurisdiction over the Property shall be conducted on any Lot.

4.20 Dust Control. The areas on each Lot which are not improved with buildings ("Clear Areas") shall be landscaped as provided in *Section 4.18*. After a sale of any Lot by Declarant or any Builder, until such landscaping is installed, the Clear Areas shall be maintained in a neat and attractive condition, free of weeds and debris, and the Owner thereof shall take necessary and appropriate measures to prevent and control the emanation of dust and dirt from the Clear Areas, which may include the use of gravel, grass, ground cover, or the sealing of the ground surface. After landscaping has been installed, each Owner shall continue to maintain his Lot in a manner which minimizes the possibility of dust being transmitted into the air and over adjacent properties.

4.21 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon any portion of the Property for any unreasonable time, and no odors shall be permitted to arise therefrom, so as to render the Property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other portion of the Property in the vicinity thereof or to its Owners or Residents. No loud, noxious or offensive activity shall be carried on or permitted on any Lot, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to Persons or property in the vicinity of such Lot, or which shall interfere with the quiet enjoyment of each of the Owners and Residents. The Architectural Committee shall have the right to determine, in its sole discretion, whether the provisions of this

Section 4.21 have been violated. Any decision rendered by the Architectural Committee shall be enforceable and be binding in the same manner as other restrictions in this Declaration.

4.22 Drainage. No Owner or Resident or other Person shall interfere with the drainage established for any portion of the Property by Declarant or any Builder. No Owner or Resident or other Person shall obstruct, divert, alter or interfere in any way with the drainage of ground and surface water upon, across or over any portion of the Lots, Tracts, rights-of-way, Common Areas(s) or other portions of the Property, including, but not limited to, construction or installation of any type of structure or vegetation. Each Owner shall, at its own expense, maintain the drainage ways and channels on its Lot or Tract in proper condition free from obstruction. The Association shall have the right, after ten (10) days notice to an Owner, except in the case of emergency (in which case the Association shall have an immediate right of access), to repair or otherwise maintain the drainage way or channel on said Owner's Lot or Tract, which the Association, acting through the Architectural Committee, determines has not been maintained by the Owner in compliance with this provision. All costs and expenses, including, but not limited to, reasonable attorneys' fees and costs incurred by the Association shall be borne by the Owner, and shall be paid to the Association upon demand, plus interest at an annual rate of twelve percent (12%) from ten (10) days after said demand until paid in full. Any sum not paid by an Owner may be treated as an assessment, subject to lien, and collected in like manner as Assessments levied pursuant to this Declaration. For the purpose of this clause, "drainage" means the drainage that exists at the time the overall grading of the Lots, Tracts, rights-of-way, and Common Areas(s) were completed by the Declarant or any Builder in accordance with plans approved by the Town of Gilbert. Notwithstanding anything contained herein to the contrary, in the event the applicable Owner or Association fails to maintain any such drainage areas, then, in that event, the Town of Gilbert shall have the right to enter upon and maintain any such drainage areas, whether or not the same are located on any Lot, Tract or within the Common Areas, and the costs thereof incurred by the Town of Gilbert shall be charged to the Association and become part of the Assessments payable by the Owners pursuant to the terms hereof.

4.23 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 and Residents, the Architectural Committee may make rules restricting or regulating their presence on the Lot or Tract as part of the Pecos Manor Rules.

4.24 Leasing; Obligations of Tenants and Other Occupants. All tenants shall be subject to the terms and conditions of this Declaration, the Articles, the Bylaws and the Pecos Manor Rules. Each Owner shall cause his, her or its Residents or other occupants to comply with this Declaration, the Articles, the Bylaws and the Pecos Manor Rules and, to the extent permitted by applicable law, shall be responsible and liable for all violations and losses caused by such Residents or other occupants, notwithstanding the fact that such Residents or other occupants are also fully liable for any violation of each and all of those documents. No Owner may lease less than his, her or its entire Lot. No Lot may be leased for a period of less than three (3) consecutive months. Each Owner who rents a Lot or his Dwelling Unit thereon is required to advise the Board within fifteen (15) days of the effective date of the lease therefor. The Owner is required to furnish the Board with a copy of the signed lease and any renewals or

revisions. Written leases are required. All leases must restrict occupancy to no more than five (5) unrelated Persons or to a single family of legally related Persons of any size. The Owner of a leased Lot or Dwelling Unit must furnish the Board with a tenant information form (provided by the Board) certifying that the tenant has agreed to be bound by this Declaration, the Articles, the Bylaws and the Pecos Manor Rules; and that the Owner accepts responsibility for the tenant's violation of such documents. The Association is a third-party beneficiary of any such lease solely for the purpose of enforcing this Declaration, and shall have the right to establish and charge fines against any Owner failing to enforce the provisions of this Declaration, Bylaws and the Pecos Manor Rules against such Owner's tenant. All tenants must execute a crime-free lease addendum on a form provided by the Board. The provisions of this **Section 4.24** shall not apply to the use of Lots or Dwelling Units owned by (or leased to) Declarant or any Builder as a model home or for marketing purposes.

4.25 Environmental Protections. No Lot or Tract, nor any facilities on any Lot or Tract, shall be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Substances or solid waste, except in compliance with all applicable federal, state, and local laws or regulations. For purposes of this Section, "Hazardous Substances" shall be deemed to include pollutants or substances defined as "hazardous waste," "hazardous substances," "hazardous materials" or "toxic substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") as amended by the Superfund Amendments and Reauthorization Act of 1986 (PL 99-499); the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq.; the Unofficial Document Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901, et seq.; the Arizona Environmental Quality Act, Laws 1986, Chap. 368; and in the rules or regulations adopted and guidelines promulgated pursuant to said laws.

4.26 Property Restrictions. No application for rezoning, variances or use permits pertaining to any Lot or Tract shall be filed with any governmental authority by any Person unless the application has first been approved by the Board or the Declarant, so long as Declarant owns any portion of the Property or the Annexable Property, and the proposed use otherwise complies with this Declaration. Notwithstanding anything contained in this Declaration to the contrary, none of the restrictions contained in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant, its employees, agents and subcontractors, or parties designated by it in connection with the construction, completion, sale or leasing of Lots, Common Areas, or any other portion of the Property.

4.27 Model Homes. The provisions of this Declaration which prohibit nonresidential use of Lots and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes by Builders engaged in the construction and/or sale of Dwelling Units within the Property and parking incidental to the visiting of such model homes, so long as the location of such model homes are approved by the Architectural Committee, which approval shall not be unreasonably withheld, and the construction, operation and maintenance of such model homes otherwise comply with all of the provisions of this Declaration. It shall be deemed reasonable for the Architectural Committee to withhold its approval of the location of any such

model homes to the extent that the location of such model home would materially and adversely interfere with the free-flow of pedestrian or vehicular traffic, create an unreasonable amount of dust and debris, or would otherwise constitute a public or private nuisance to other Residents within the Property. The Architectural Committee shall also permit other areas to be used for parking in connection with the showing of model homes provided such parking areas are in compliance with the ordinances of any applicable governmental entity and any rules of the Board. Any Dwelling Units constructed as model homes shall cease to be used as model homes at any time the Builder thereof is not actively engaged in the construction and/or sale of single-family residences within the Property, and no Dwelling Units shall be used as a permanent main model home for the sale of Dwelling Units not located within the Property.

4.28 Repair of Building. No building or structure on any Lot shall be permitted to fall into disrepair and each such building and structure shall at all times be kept in good condition and repair and adequately painted or otherwise finished. In the event any building or structure is damaged or destroyed, then, subject to the approvals required by *Article 5* below, such building or structure shall be immediately repaired or rebuilt or shall be demolished.

4.29 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 except:

- (a) Signs required by legal proceedings.
- (b) Unofficial Document No more than two (2) identification signs for individual residences, each with a face area of seventy-two square inches (72") or less.
- (c) "For Sale" and "For Lease" signs temporarily erected in connection with the marketing of any Lot.
- (d) Signs and notices erected or posted in connection with the provision of building security.
- (e) Promotional and advertising signs of any Builder on any Lot, approved from time to time in advance and in writing by the Architectural Committee as to number, size, color, design, message content, location and type.
- (f) Such other signs (including, but not limited to, construction job identification signs, builder identification signs and subdivision identification signs) which are in conformance with the applicable requirements of the Town of Gilbert or other applicable governmental agencies and which have been approved in advance and in writing by the Architectural Committee as to size, color, design, message content and location.

4.30 Utility Service. No lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot or Tract unless the same shall be contained in conduits or cables installed and maintained underground, except to the extent (if any) such underground or concealed placement may be prohibited by law, and except for such above-ground structures and/or media for transmission as may be originally constructed by the Declarant or any Builder or as may be otherwise approved by the Architectural Committee. No provision hereof shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures.

4.31 Right of Entry. During reasonable hours and upon reasonable prior notice to the Owner or other Resident of a Lot or Tract, any member of the Architectural Committee or the Board, or any authorized representative thereof, shall have the right to enter upon and inspect any Lot or Tract, and the Improvements thereon, except for the interior portions of any completed Dwelling Units, 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.

4.32 Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of structures, Improvements or signs necessary or convenient to the development or sale of Lots and Tracts within the Property and, in connection therewith, Declarant shall have the right and authority to permit and authorize any Builder to construct and install temporary signage which is necessary or convenient to the development and sale of any Lots and Tracts within the Property.

4.33 Crime and Drug Free Community. The Association shall have the right and power to enact rules prohibiting criminal and drug activity on the Property, including the right to assess fines and evict tenants who engage in such activity. The Association shall have the right and power to require Residents and Owners to sign reasonable contracts and forms that assure there is no criminal and drug related activity on the Property.

ARTICLE 5

ARCHITECTURAL CONTROL

5.1 Approval Required. No Improvement which would be Visible From Neighboring Property, or which would cause any Person or thing to be visible from Neighboring Property, shall be constructed or installed on any Lot or Tract without the prior written approval of the Architectural Committee which shall have the authority to regulate the external design and appearance of the Lots and Tracts and all Improvements constructed thereon. No addition, alteration, repair, change or other work which in any way alters the exterior appearance of any part of a Lot or Tract, or any Improvements located thereon, which are or would be Visible From Neighboring Property shall be made or done without the prior written approval of the Architectural Committee. Any Owner desiring approval of the Architectural Committee for the construction, installation, addition, alteration, repair, change or replacement of any Improvement which is or would be Visible From Neighboring Property shall submit to the Architectural

Committee their written request for approval specifying in detail the nature and extent of the addition, alteration, repair, change or other work which the Owner desires to perform. Any Owner requesting the approval of the Architectural Committee shall also submit to the Architectural Committee any additional information, plans and specifications which the Architectural Committee may reasonably request. If the Architectural Committee fails to approve or disapprove an application for approval within forty-five (45) days after an application meeting all of the requirements of this Declaration and of the Architectural Committee Rules, together with any fee required to be paid and any additional information, plans and specifications requested by the Architectural Committee have been submitted to the Architectural Committee, the application will be deemed to have been disapproved. The approval by the Architectural Committee of any construction, installation, addition, alteration, repair, change or other work shall not be deemed a waiver of the Architectural Committee's right to withhold approval of any similar construction, installation, addition, alteration, repair, change or other work subsequently submitted for approval.

5.2 Review of Plans. In reviewing plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Architectural Committee, the Architectural Committee, among other things, may consider the quality of workmanship and design, harmony of external design with existing structures and location in relation to surrounding structures, topography and finish-grade elevation. The Architectural Committee may disapprove plans and specifications for any construction, installation, addition, alteration, repair, change or other work which must be approved by the Architectural Committee ^{in accordance with} Unofficial Document ~~in accordance with~~ this *Article 5* if the Architectural Committee determines, in its sole and absolute discretion, that:

- (a) The proposed construction, installation, addition, alteration, repair, change or other work would violate any provision of this Declaration;
- (b) The proposed construction, installation, addition, alteration, repair, change or other work does not comply with any Architectural Committee Rule;
- (c) The proposed construction, installation, addition, alteration, repair, change or other work is not in harmony with existing Improvements within the Property or with Improvements previously approved by the Architectural Committee but not yet constructed;
- (d) The proposed construction, installation, addition, alteration, repair, change or other work is not aesthetically acceptable in the sole and absolute discretion of the Architectural Committee;
- (e) The proposed construction, installation, addition, alteration, repair, change or other work would be detrimental to or adversely affect the appearance of the Property; or

(f) The proposed construction, installation, addition, alteration, repair, change or other work is otherwise not in accord with the general plan of development for the Property.

The approval required by the Architectural Committee pursuant to this *Article 5* shall be in addition to, and not in lieu of, any approvals or permits which may be required under any federal, state or local law, statute, ordinance, rule or regulation. The approval by the Architectural Committee of any construction, installation, addition, alteration, repair, change or other work pursuant to this *Article 5* shall not be deemed a warranty or representation by the Architectural Committee as to the quality of such construction, installation, addition, alteration, repair, change or other work or that such construction, installation, addition, alteration, repair, change or other work conforms to any applicable building codes or other federal, state or local law, statute, ordinance, rule or regulation.

5.3 Architectural Committee. The Architectural Committee shall initially consist of between one (1) and three (3) regular members, each appointed by Declarant. Members of the Architectural Committee need not be Owners or Residents of the Property. Declarant may replace any member of the Architectural Committee which it has appointed at any time with or without cause. Declarant's right to appoint Architectural Committee members shall cease and the Board shall be vested with that right and all rights of the Declarant pertaining to the Architectural Committee when the last Lot within the Property has been sold to an Owner who is not a Builder. After such time as the Declarant's rights to appoint the members of the Architectural Committee expire or are Unofficial Document terminated by the Declarant, the Architectural Committee shall consist of three (3) regular members, each of whom shall be appointed by the Board. In the event the Board does not appoint an Architectural Committee for any reason, the Board shall exercise the authority granted to the Architectural Committee under this Declaration. The Architectural Committee may adopt, amend and repeal architectural guidelines, standards and procedures (the "Architectural Committee Rules") to be used in rendering its decisions. Such guidelines, standards, rules and procedures may include, without limitation, provisions regarding (i) architectural design, with particular regard to the harmony of the design with the surrounding structures and topography, (ii) placement of Dwelling Units and other buildings, (iii) landscape design, content and conformance with the character of the Property and permitted and prohibited plants, (iv) requirements concerning exterior color schemes, exterior finishes and materials, (v) signage, and (vi) perimeter and screen wall design and appearance. The decisions of the Architectural Committee shall be final on all matters submitted to it pursuant to this Declaration, but shall be subject to appeal to the Board as the final arbiter pursuant to the provisions of *Section 12.5* below, and the decision of the Board in all cases shall be final and binding.

5.4 Exclusions. The provisions of this *Article 5* shall not apply to, and approval of the Architectural Committee shall not be required for, the construction, erection, installation, addition, alteration, repair, change or replacement of any Improvements made by or on behalf of Declarant, nor shall the Architectural Committee's approval be required for the construction of any Dwelling Units by any Builder which are constructed in accordance with

plans and specifications therefor which have previously been approved by the Declarant in writing.

ARTICLE 6
ORGANIZATION OF ASSOCIATION

6.1 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.

6.2 Board of Directors and Officers; Management. The affairs of the Association shall be conducted by the Board elected in accordance with this Declaration and the Articles and Bylaws, 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; provided, however, that the initial members of the Board shall be appointed by Declarant in Declarant's sole discretion. The initial Board shall be composed of at least one (1) member. The Board may also appoint various committees and may 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. Notwithstanding anything contained in the foregoing or elsewhere in this Declaration to the contrary, the Declarant shall have the right to designate and to determine the compensation to be paid to the initial manager for the Association.

6.3 Role of Association. The Association is intended to be an "umbrella" organization whose primary responsibilities will be:

- (a) The maintenance of all Association Maintained Areas;
- (b) Appointment of individuals to serve on the Architectural Committee pursuant to the provisions of *Section 5.3* above; and
- (c) The enforcement of the Covenants contained in this Declaration.

6.4 The Pecos Manor Rules. By a majority vote of the Board, the Association may, from time to time and subject to the provisions of this Declaration, adopt, amend and repeal rules and regulations to be known as the Pecos Manor Rules, which shall apply to, restrict and govern the use of any Common Areas, Lots and Tracts by any Member or Resident; provided, however, that the Pecos Manor Rules shall not be inconsistent with this Declaration, or the Articles or Bylaws of the Association. Upon adoption, the Pecos Manor Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration.

6.5 Personal Liability. No member of the Board or of any committee of the Association, no officer of the Association, no Declarant 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.

ARTICLE 7

MEMBERSHIPS AND VOTING

7.1 Owners of Lots. Each Owner of a Lot shall automatically be a Member of the Association. Each such Membership shall be appurtenant to and may not be separated from ownership of the Lot to which the Membership is attributable, and joint ownership or ownership of undivided interests in any real property which establishes a Membership shall not cause there to be more Memberships than the number established for purposes of this *Section 7.1*. Each Member shall have one (1) Membership for each Lot owned by such Owner within the Property as shown on the Plat. Notwithstanding the fact that Owners of Tracts shall be subject to the Covenants contained in this Declaration which are specifically applicable to the Tracts, Owners of Tracts shall not be Members of the Association.

7.2 Right to Vote; Assignment of Class B Voting Rights to Declarant. 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 ^{Unofficial Document} such change and is provided with satisfactory proof thereof. The vote for each such Membership must be cast as a unit and fractional votes shall not be allowed. If a Membership is owned by more than one Person or entity and such Owners are unable to agree amongst themselves as to how their vote or votes shall be cast, they shall lose the 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 such Member 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 said votes shall be counted and all said votes shall be deemed void. The Association shall have two (2) classes of voting Members, as follows:

7.2.1 Class A. Class A Members shall be all Owners except Declarant and the Builders. The Class A Members shall have one (1) vote for each Lot owned by such Member.

7.2.2 Class B. Class B Members shall be the Declarant and all Builders. The Class B Members shall have three (3) votes for each Lot owned. Notwithstanding anything contained herein to the contrary, at any time that a Builder is paying Reduced Assessments, such Builder's voting rights in the Association shall be deemed to be assigned to Declarant, who shall have the right to exercise any and all voting rights otherwise entitled to be cast by such Builder as a Class B Member. A Builder shall have the right at any time to elect to reacquire its voting rights in the Association by agreeing to pay full Assessments in a written notice provided to the

Board. The Class B Membership shall automatically cease and be converted to a Class A Membership upon the happening of the first of the following events:

- (a) The date upon which the total votes of the Class A Members entitled to vote equals the total votes of the Class B Membership;
- (b) The date that is twenty (20) years after the date this Declaration is Recorded; or
- (c) The date on which Declarant relinquishes its Class B Membership and/or its right to vote all Class B Memberships held by Builders by notifying the Board in writing.

7.3 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 the Bylaws, as the same may be amended from time to time.

7.4 Transfer of Membership. The rights and obligations of the Owner of a Membership in the Association shall not be assigned, transferred, pledged, conveyed or alienated in any way except (a) upon transfer of ownership to an Owner's Lot and then only to the transferee of ownership of the Lot, and (b) as provided above for the retention by Declarant of the voting rights of Builders who are not paying full Assessments. A transferor of a Lot must notify the Board of the transfer in writing, Unofficial Document and remains liable for all obligations hereunder until the transferor so notifies the Board. A transfer of ownership to a Lot may be effectuated by deed, intestate succession, testamentary disposition, foreclosure of a mortgage or deed of trust of record or such other legal process as is 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 the ownership of the Lot shall operate to transfer the Membership(s) appurtenant to said Lot to the new Owner thereof.

ARTICLE 8

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

8.1 Creation of Assessment Right; Covenants to Pay. In order to provide funds to enable the Association to meet its obligations, there is hereby created a right of assessment exercisable on behalf of the Association by the Board. Assessments shall be imposed for the purpose of paying Common Expenses and to establish reserves as hereinafter provided, and shall be allocated equally among all Lots. Each Owner, by acceptance of his, her or its deed with respect to a Lot, is deemed to covenant and agree to pay the Assessments with respect to such Owner's Lot. Each Owner failing to pay an Assessment within fifteen (15) days of the date that the Assessment is due shall also pay a late charge as set by the Board from time to time. The initial late charge shall be the greater of Fifteen Dollars (\$15.00) per month or ten percent (10%) of the unpaid Assessment. Late charges shall be subject to any limitations imposed by the applicable Arizona law or other applicable law, as amended from time to time. The Owner shall also pay all costs and attorneys' fees incurred by the Association in seeking to collect such

Assessments and other amounts. The Assessments with respect to a Lot, together with interest, costs and attorneys' fees as provided in this *Section 8.1*, shall also be the personal obligation of the Person who was the Owner of such Lot at the time such Assessments arose with respect to such Lot. No Owner shall be relieved of the obligation to pay any of the Assessments by abandoning or not using his, her or its Lot or the Common Areas, or by leasing or otherwise transferring occupancy rights with respect to his, her or its Lot. However, upon transfer by an Owner of fee title to such Owner's Lot and with written notice to the Board, such transferring Owner shall not be liable for any Assessments thereafter levied against such Lot. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of Assessments or set-off shall be claimed or allowed by reason of the alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration, the Articles or the Bylaws.

8.2 Purpose of Assessments; Common Expenses. The Association shall have the right to impose Assessments for the purpose of paying all Common Expenses of the Association, which shall include, without limitation, all costs incurred in connection with the acquisition, construction, alteration, maintenance, provision and operation of all land, properties, improvements, facilities, services, projects, programs, studies and systems desirable or beneficial to the general common interests of the Property, its Members and Residents, such as the maintenance of landscaping on Common Areas, public and private rights-of-way and drainage areas, obtaining liability and casualty loss insurance, supplying utilities and other public services, providing for communication and transportation within and dissemination of information concerning the Property, obtaining legal and accounting services for the Association, indemnifying officers and directors of the Association, contracting for solid waste disposal services, fire protection and emergency services, and other services for the protection of the health and safety of the Members and Residents of the Association.

8.3 Lien for Assessments; Foreclosure.

8.3.1 Lien for Assessments. There is hereby created and established a lien in favor of the Association against each Lot which shall secure payment of all present and future Assessments assessed or levied against such Lot or the Owner thereof (together with any other amounts levied against such Lot or the Owner thereof pursuant to this Declaration or the Articles, the Bylaws or the Pecos Manor Rules). Such lien shall be prior and superior to all other liens affecting the Lot in question, except: (a) taxes, bonds, assessments and other levies which, by law, are superior thereto; and (b) the lien or charge of any First Mortgage made in good faith and for value. Subject to any applicable restrictions or limitations under Arizona law, such liens may be foreclosed in the manner provided by law for the foreclosure of mortgages. The sale or transfer of any Lot shall not affect the Assessment Lien; provided, however, that the sale or transfer of any Lot pursuant to a mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of the Assessments as to payments which became due prior to such sale or transfer, but shall not relieve such Lot from liability for any Assessments becoming due after such sale or transfer, or from the lien thereof. The Association shall have the power to bid for any Lot at any sale to foreclose the Association's lien on the Lot, and to acquire and hold, lease,

mortgage and convey the same. During the period the Lot is owned by the Association, no right to vote shall be exercised with respect to that Lot and no Assessment shall be assessed or levied on or with respect to that Lot; provided, however, that the Association's acquisition and ownership of a Lot under such circumstances shall not be deemed to convert the same into Common Areas. Recording of this Declaration constitutes record notice and perfection of the liens established hereby, and further Recordation of any claim of a lien for Assessments or other amounts hereunder shall not be required, whether to establish or perfect such lien or to fix the priority thereof, or otherwise (although the Board shall have the option to Record written notices of claims of lien in such circumstances as the Board may deem appropriate).

8.3.2 Sanctions. The Board may invoke any or all of the sanctions provided for herein, or any other reasonable sanction, to compel payment of any Assessment or installment thereof, not paid when due (a "Delinquent Amount"). Such sanctions include, but are not limited to, the following:

(a) Interest and Late Fees. The Board may impose late fees for payment of any Assessment or installment thereof that is not made within fifteen (15) days of the due date, and interest in such amounts as it determines are appropriate from time to time, subject to any limitations stated herein or imposed by law which amounts shall be secured by the aforementioned liens;

(b) Suspension of Rights. The Board may suspend for the entire period during which a Delinquent ^{Unofficial Document} Amount remains unpaid the obligated Owner's voting rights (except that any voting rights which are deemed assigned to Declarant as provided in **Section 7.2** above shall not be subject to suspension by the Board regardless of whether any Delinquent Amount remains unpaid with respect to the Lot or Lots subject to such voting rights) and rights to use and enjoy the Common Areas, in accordance with the procedures that conform to Arizona law;

(c) Collection of Delinquent Amount. The Board may institute an action at law for a money judgment or any other proceeding to recover the Delinquent Amount;

(d) Recording of Notice. The Board may Record a notice of lien covering the Delinquent Amount plus interest and accrued collection costs as provided in this Declaration. The Board may establish a fixed fee to reimburse the Association or its representative for the cost of Recording the notice, processing the delinquency and Recording a notice of satisfaction of the lien; and

(e) Foreclosure of Lien. Subject to any applicable restrictions or limitations under Arizona law, the Board may foreclose the lien against the Lot in accordance with then prevailing Arizona law relating to the foreclosure of realty mortgages (including the right to recover any deficiency).

8.3.3 Liens for Assessments. It shall be the duty of every Owner to pay all Assessments with respect to the Owner's Lot in the manner provided herein. Such Assessments, together with interest and costs of collection as provided for herein and in this Declaration, shall, until paid, be a charge and continuing servitude and lien upon the Lot against which such Assessments are made; provided, however, that the lien for such Assessments shall be subordinate to only those matters identified in this Declaration. The Association and the Board shall have the authority to exercise and enforce any and all rights and remedies provided for in this Declaration or the Bylaws, or otherwise available at law or in equity for the collection of all unpaid Assessments, interest thereon, costs of collection thereof and reasonable collection agency fees and attorneys' fees.

8.3.4 Judgments. The Association shall be entitled to maintain suit to recover a money judgment for unpaid Assessments without a foreclosure of the lien for such Assessments, and the same shall not constitute a waiver of the lien for such Assessments.

8.4 Declarant's Exemption. So long as there is a Class B Membership, Lots owned by the Declarant shall not be subject to Assessment, but Declarant shall be required to pay to the Association Deficiency Assessments as provided in **Section 8.6** below as determined in connection with said **Section 8.6**. When the Class B Membership ceases in accordance with **Section 7.2** above, Declarant shall no longer be required to pay any Deficiency Assessments.

8.5 Reduced Assessments. Each Builder shall pay Annual Assessments with respect to Lots owned by such Builder in Unofficial Document amount equal to twenty-five percent (25%) of the Annual Assessment payable by other Owners other than Declarant ("Reduced Assessments").

8.6 Deficiency Assessments. During any period that Declarant is exempt from the payment of Annual Assessments and any Builder is paying Reduced Assessments, the Declarant and each Builder, as applicable, shall pay or contribute to the Association cash as may be necessary to make up any budget shortfalls of the Association resulting from the Reduced Assessments paid by the Builder and the fact that Declarant is exempt from the payment of Assessments with respect to any Lots owned by Declarant, which contribution shall be based upon the number of Lots owned by the Declarant and the Builder, if any, as of the end of the period for which the deficiency has been calculated (hereinafter referred to as "Deficiency Assessments"). In no event shall Declarant or any Builder be required to pay Deficiency Assessments for a period which, when added to the reduced Annual Assessment, if any (or pro rata portion thereof), paid for such period, exceeds the Annual Assessments or pro rata portion thereof that would be payable by an Owner other than Declarant. As an example of the effect of the foregoing, if the Annual Assessment per Lot was \$240.00, the Reduced Assessment paid by a Builder was consequently \$60.00, and there was a shortfall in the first quarter of such year, the maximum Deficiency Assessment payable by a Builder for the first quarter will be \$45.00, calculated by taking the pro rata full Annual Assessment (\$60.00) and subtracting the pro rata reduced Annual Assessment (\$15.00).

8.7 Computation of Annual Assessments; Annual Budget. The Annual Assessments shall commence as to all Lots on the first day of the calendar month following

conveyance of the first Lot to an Owner other than a Builder. The initial Annual Assessment shall be prorated according to the number of months remaining in the calendar year within which the Annual Assessments actually commence. The Board shall fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment pursuant to a budget to be adopted by the Board for each fiscal year of the Association. The Annual Assessments shall include contributions to the Capital Reserve Fund described in **Section 8.13** below. When adopted by the Board, the Board shall provide written notice of each annual budget to the Members of the Association and the amount of the Annual Assessment with respect to the fiscal year for which such budget was prepared. If the Annual Assessments are not determined by the Board at least thirty (30) days prior to the subsequent fiscal year, then the current Annual Assessment shall apply until the Board establishes the Annual Assessment for each subsequent fiscal year. The failure of the Board to provide notice to the Members of the Association of the Annual Assessment for any fiscal year shall not relieve Members of the Association of their obligations to pay Annual Assessments hereunder. Except as provided in **Section 8.9**, neither the budget nor any Annual Assessment levied pursuant thereto shall be required to be approved by the Owners.

8.8 Due Dates; Confirmation of Payment. Assessments for each fiscal year shall be due and payable as determined by the Board. Assessments shall be deemed "paid" when actually received by the Association or by its designated manager or agent (but if any Assessments are paid by check and the bank or other institution upon which such check is drawn thereafter dishonors and refuses to pay such check, those Assessments shall not be deemed "paid" and shall remain due and payable with interest accruing from the date such Assessments were originally due). The Association shall, upon written request, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments payable with respect to a specific Lot have been paid. A properly executed certificate of the Association as to the status of the payment of Assessments with respect to any such Lot shall be binding upon the Association as to the matters described therein. Any Assessments which are not paid when due shall be subject to the payment of interest and late fees in accordance with the provisions of **Section 8.3.2(a)** above.

8.9 Maximum Annual Assessment. The Assessments provided for under **Section 8.7** shall not at any time exceed the "Maximum Annual Assessment," as determined in accordance with this **Section 8.9**. For the fiscal year ending December 31 of the year in which the Common Areas are conveyed to the Association, the Maximum Annual Assessment applicable to the Lots shall be \$ _____ per month. Thereafter, except as provided below, unless a greater increase is approved by a vote of at least fifty-one percent (51%) of the votes of each class of Members represented in Person or by proxy at a meeting of Members called for such purpose at which a quorum is present, the Maximum Annual Assessment for any fiscal year shall be equal to the Maximum Annual Assessment for the immediately preceding fiscal year increased at a rate equal to or less than twenty percent (20%) of the previous Annual Assessment. Further, notwithstanding the foregoing, the Board may, without the approval of the Members, increase the Maximum Annual Assessment for any fiscal year by an amount sufficient to permit the Board to meet any increases over the preceding fiscal year in: (i) premiums for any insurance coverage required by this Declaration to be maintained by the Association, and (ii) charges for

utility services necessary to the Association's performance of its obligations under this Declaration, notwithstanding the fact that the resulting increase in the Maximum Annual Assessment is greater than otherwise permitted under the third sentence of this **Section 8.9**. Increases in Annual Assessments shall be subject to any limitations imposed by the applicable Arizona law.

8.10 Special Assessments. The Association may, in addition to the Annual Assessments under **Section 8.7**, levy a Special Assessment but only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a Capital Improvement owned by the Association or for defraying other extraordinary expenses, provided, however, that such Special Assessment must be approved by at least two-thirds (2/3) of the votes of a quorum of the Members voting in Person or by proxy at a meeting of the Association duly called for such purpose. Special Assessments shall be assessed uniformly among the Owners.

8.11 Transfer Fee. Each Person who acquires a Lot together with a completed Dwelling Unit constructed thereon shall pay to the Association (or, at the direction of the Association, to any management company employed by the Association to manage the affairs of the Association) immediately upon becoming the Owner of the Lot a transfer fee of at least \$200.00 or in such greater amount as is established from time to time by the Board.

8.12 Working Capital Fund. To insure that the Association shall have adequate funds to meet its expenses or to purchase necessary equipment or services, each Person who acquires a Lot together with a completed Dwelling Unit constructed thereon shall pay to the Association immediately upon becoming the Owner of such Lot a sum equal to one-sixth (1/6) of the current Annual Assessment for such Lot. Funds paid to the Association pursuant to this **Section 8.12** may be used by the Association for payment of operating expenses or any other purpose permitted under this Declaration. Payments made pursuant to this **Section 8.12** shall be nonrefundable and shall not be offset or credited against or considered as advance payment of the Annual Assessment or any other Assessments levied by the Association pursuant to this Declaration. Payments made pursuant to this **Section 8.12** shall not be used in calculating the Maximum Annual Assessment pursuant to **Section 8.9** hereof.

8.13 Capital Reserve Fund. A portion of the Assessments levied by the Association shall be used to establish and maintain a Capital Reserve Fund. The Capital Reserve Fund shall be deposited in a special account with a safe and responsible depository, and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principal by, the United States of America. It is the Declarant's intention that the Association may only use the Capital Reserve Fund for the purpose of effecting replacements and maintenance of Capital Improvements. The Board shall contribute to the Capital Reserve Fund in an industry-standard funding method and as reflected in the Association's reserve study or any later supplements to that study.

8.14 Capital Reserve Fee. To assist the Association in establishing adequate funds to meet its Capital Expenses, each Owner who acquires a Lot together with a completed

Dwelling Unit constructed thereon shall pay to the Association immediately upon becoming the Owner of such Lot a sum equal to one-sixth (1/6th) of the then current Annual Assessment for such Lot (the "Capital Reserve Fee"). Such payment shall be required upon each transfer of title to each Lot upon which a Dwelling Unit exists. Funds paid to the Association pursuant to this **Section 8.14** (a) are to be deposited by the Association into the Capital Reserve Fund, (b) shall be nonrefundable, and (c) shall not be considered as an advance payment of any other Assessments levied by the Association pursuant to this Declaration. By agreeing to be bound by this Declaration, each Owner who acquires a Lot together with a completed Dwelling Unit thereon agrees and acknowledges that this method of establishing and maintaining a Capital Reserve Fund is adequate to meet anticipated costs to maintain and replace Capital Improvements.

ARTICLE 9

USE OF FUNDS; BORROWING POWER

9.1 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 Assessments, Reduced Assessments, Special Assessments, Deficiency Assessments, Capital Reserve Fees, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of the Property and the Members and Residents by devoting said funds and property, among other things, to the payment of all Common Expenses. The Association may also 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.

Unofficial Document

9.2 Borrowing Power. The Association may borrow money in such amounts, at such rates, upon such terms and security, and for such period of time as is necessary or appropriate; provided, however, that no portion of the Common Areas shall be mortgaged or otherwise encumbered without the approval of at least two-thirds (2/3) of the Members of each Class of Members other than Declarant so long as Declarant is a Class B Member. Notwithstanding anything contained in the foregoing to the contrary, if ingress and egress to any Owner's Lot is over or through any Common Areas which will be mortgaged or otherwise encumbered as provided in the foregoing, any such mortgage or encumbrance shall be subject to such Lot Owner's right and easement for ingress and egress.

9.3 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 Assessments, Deficiency Assessments, Special Assessments, Capital Reserve Fees, 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.

9.4 Insurance. The Association shall maintain insurance against liability incurred as a result of death or injury to Persons or damage to property on the Association

Maintained Areas, including the Common Areas, directors and officers liability insurance, and/or such other insurance as the Board determines appropriate with the amount and type of coverage to be determined by the Board. The premiums payable by the Association for such insurance shall be part of the Common Expenses. Such insurance may include, without limitation, any of the following:

(a) Comprehensive general liability insurance, including medical payments insurance, in amounts determined to be reasonable by the Board, which shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership and maintenance of the Association Maintained Areas, including the Common Areas.

(b) Casualty loss insurance on all Association Maintained Areas, including the Common Areas, insuring against all risk of direct physical loss, insured against in an amount equal to the maximum insurable replacement value of the Association Maintained Areas, including the Common Areas, as determined by the Board.

(c) Worker's compensation insurance to the extent necessary to meet the requirements of the laws of the State of Arizona.

(d) "Agreed amount" and "inflation guard" endorsements.

Unofficial Document

(e) Such insurance as the Board shall determine from time to time to be appropriate to protect the Association and its Members.

The insurance policies obtained by the Association shall, to the extent reasonably available, contain the following provisions:

(i) There shall be no subrogation with respect to the Association, its agents, servants or employees with respect to the Members;

(ii) No act or omission of any Member, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition of recovery on the policy;

(iii) The coverage afforded by any such policy shall not be brought into contribution or proration with any insurance which may be purchased by any Member or their mortgagees or beneficiaries under deeds of trust;

(f) A "severability-of-interest" endorsement which shall preclude the insurer from denying the claim of any Member because of the negligent acts of the Association or other Members; and

(g) A statement of the name of the insured as the Association.

ARTICLE 10
CLAIM AND DISPUTE RESOLUTION/LEGAL ACTIONS

It is intended that the Common Areas, each Lot, and all Improvements constructed on the Property will be constructed in compliance with all applicable building codes and ordinances and that all Improvements will be of quality that is consistent with good construction and development practices in the area where the Property is located for housing similar to that constructed within the Property. Nevertheless, due to the complex nature of construction and the subjectivity involved in evaluating such quality, disputes may arise as to whether a defect exists and the responsibility therefor. It is intended that all disputes and claims regarding Alleged Defects will be resolved amicably, without the necessity of protracted and costly litigation. Accordingly, the Declarant, all Builders, the Association, the Board, and all Owners shall be bound by the following claim resolution procedures.

10.1 Right to Cure Alleged Defect. If a Claimant claims, contends, or alleges an Alleged Defect, the Declarant or the Builder against whom the claim has been made shall have the right to inspect, repair and/or replace such Alleged Defect as set forth herein.

10.1.1 Notice of Alleged Defect. Within twenty (20) days of the closing on a Lot purchased from a Builder, the Claimant shall notify the Builder of any Alleged Defect pursuant to the Builder's standard punch-list form. If a Claimant thereafter discovers or becomes aware of an Alleged Defect not noticeable to the average Person, Claimant shall give notice of the Alleged Defect to the Builder constructing the Improvements with respect to which the Alleged Defect relates, such Notice to be provided within thirty (30) days after discovery thereof or within one (1) year after the Lot is sold to the original Owner, other than the Builder, whichever first occurs. With respect to an Alleged Defect with the Common Areas or any Improvements constructed by Declarant, notice must be provided within one (1) year after completion of construction of the Common Areas and/or Improvements, as applicable, and the conveyance of the Common Areas to the Association.

10.1.2 Right to Enter, Inspect, Repair and/or Replace. Within a reasonable time, but no longer than sixty (60) days after the receipt by Declarant and/or any Builder of a notice of an Alleged Defect, or the independent discovery of any Alleged Defect by any Builder or Declarant, the Declarant and/or Builder, as applicable, shall have the right, upon reasonable notice to the Claimant and during normal business hours, to enter onto or into the Common Areas, any Lot, and/or any Improvements (including the Dwelling Unit of such Claimant) for the purposes of inspecting and/or conducting testing and, if deemed necessary by Declarant or the Builder, at its sole discretion, repairing and/or replacing such Alleged Defect. In conducting such inspection, testing, repairs and/or replacement, Declarant or Builder shall be entitled to take any actions as it shall deem reasonable and necessary under the circumstances. A Claimant shall not pursue any legal remedies until the Claimant has permitted the Declarant or Builder, as applicable, to exercise its rights under *Section 10.1.2*.

10.2 No Additional Obligations; Irrevocability and Waiver of Right.

Nothing set forth in this Article shall be construed to impose any obligation on Declarant or any Builder to inspect, test, repair, or replace any item or Alleged Defect for which such Declarant or Builder is not otherwise obligated under applicable law or any warranty provided by Declarant or Builder in connection with the sale of Lots, Dwelling Units and/or other Improvements constructed on the Property. The right reserved to Declarant and Builder to enter, inspect, test, repair and/or replace an Alleged Defect shall be irrevocable and may not be waived or otherwise terminated with regard to Declarant or any Builder except by a written and Recorded document executed by Declarant or any such Builder, as applicable.

10.3 Legal Actions. All legal actions initiated by a Claimant shall be brought in accordance with and subject to **Section 10.4** of this Declaration. If a Claimant initiates any legal action, cause of action, regulatory action, proceeding, mediation, or arbitration against Declarant or Builder alleging (a) damages for Alleged Defect Costs, (b) for the diminution in value of any real or personal property resulting from such Alleged Defect, or (c) for any consequential damages resulting from such Alleged Defect; any judgment or award in connection therewith shall first be used to correct and/or repair such Alleged Defect or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Alleged Defect. If the Association as a Claimant recovers any funds from Declarant or any Builder (or any other Person) to repair an Alleged Defect, any excess funds remaining after repair of such Alleged Defect shall be paid into the Association's Capital Reserve Fund. If the Association is a Claimant, the Association must provide a written notice mailed to all Members prior to initiation of any legal action, regulatory action, cause of action, proceeding, reference, mediation or arbitration against Declarant or any Builder(s) which notice shall include at a minimum (i) a description of the Alleged Defect; (ii) a description of the attempts of the Declarant or any Builder(s) to correct such Alleged Defect; (iii) a certification from an architect or engineer licensed in the State of Arizona that such Alleged Defect exists along with a description of the scope of work necessary to cure such Alleged Defect and a resume of such architect or engineer; (iv) the estimated cost to cure the Alleged Defect; (v) the name and professional background of the attorney retained by the Association to pursue the claim against the Declarant or the Builder(s) in question and a description of the relationship between such attorney and member(s) of the Board or the Association's management company (if any); (vi) a description of the fee arrangement between such attorney and the Association; (vii) the estimated attorneys' fees, and expert fees and costs necessary to pursue the claim against the Declarant or Builder(s) in question, and the source of the funds which will be used to pay such fees and expenses; (viii) the estimated time necessary to conclude the action against the Declarant or Builder(s); (ix) an affirmative statement from a majority of the members of the Board that the action is in the best interests of the Association and its Members; and (x) notice of a special meeting of the Members to conduct an affirmative vote of the majority of all its Members entitled to vote, at a duly called meeting of the Association, all in accordance with the Bylaws of the Association. Notwithstanding any other provision in this Declaration, the Association shall have the power and authority to make claims related to Alleged Defects in the Common Areas. In no event shall the Association have the power or authority to assert any claim related to any Alleged Defect which Alleged Defect relates solely to a Lot or Lots owned by the Members.

10.4 Alternative Dispute Resolution. Any dispute or claim between or among (a) Declarant or any Builder (or its respective brokers, agents, consultants, contractors, subcontractors, or employees) on the one hand, and any Owner(s) who is not the Declarant or a Builder or the Association, on the other hand; or (b) any Owner and another Owner arising out of this Declaration; or (c) the Association and any Owner regarding any controversy or claim between the parties, including any claim based on contract, tort, or statute, arising out of or relating to (i) the rights or duties of the parties under this Declaration; (ii) the design or construction of any Improvements; (iii) or an Alleged Defect, but excluding disputes relating to the payment of any type of Assessment or enforcement of this Declaration against an Owner (collectively a "Dispute"), shall be subject first to negotiation, then mediation, and then binding arbitration as set forth in this *Section 10.4*.

10.4.1 Negotiation. Each party to a Dispute shall make every reasonable effort to meet in Person and confer for the purpose of resolving a Dispute by good faith negotiation. Upon receipt of a written request from any party to the Dispute, the Board may appoint a representative to assist the parties in resolving the dispute by negotiation, if in its discretion the Board believes its efforts will be beneficial to the parties and to the welfare of the community. Each party to the Dispute shall bear his/her/its own attorneys' fees and costs in connection with such negotiation.

10.4.2 Mediation. If the parties cannot resolve their Dispute pursuant to the procedures described in *Section 10.4.1* above within such time period as may be agreed upon by such parties (the "Termination of Negotiations"), the party instituting the Dispute (the "Disputing Party") shall have thirty (30) days after the Termination of Negotiations within which to submit the Dispute to mediation pursuant to the mediation procedures adopted by the Community Association Dispute Resolution Center ("CADRC"), or any successor thereto, or to the American Arbitration Association, if neither the CADRC or any successor then provides such mediation or arbitration services. No Person shall serve as a mediator in any Dispute in which such Person has a financial or personal interest in the result of the mediation, except by the written consent of all parties to the Dispute. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or to prevent a prompt commencement of the mediation process. If the Disputing Party does not submit the Dispute to mediation within thirty (30) days after Termination of Negotiations, the Disputing Party shall be deemed to have waived any claims related to the Dispute and all other parties to the Dispute shall be released and discharged from any and all liability to the Disputing Party on account of such Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to Persons not a party to the foregoing proceedings.

10.4.2.1 Position Memoranda; Pre-Mediation Conference. Within ten (10) days of the selection of the mediator, each party to the Dispute shall submit a brief memorandum setting forth its position with regard to the issues to be resolved. The mediator shall have the right to schedule a pre-mediation conference and all parties to the Dispute shall attend unless otherwise agreed. The mediation shall commence within ten (10) days following submittal of the memoranda to the mediator and shall conclude within fifteen (15) days from the commencement of the mediation unless the parties to the Dispute mutually agree

to extend the mediation period. The mediation shall be held in Maricopa County, Arizona or such other place as is mutually acceptable by the parties to the Dispute.

10.4.2.2 Conduct of Mediation. The mediator has discretion to conduct the mediation in the manner in which the mediator believes is appropriate for reaching a settlement of the Dispute. The mediator is authorized to conduct joint and separate meetings with the parties to the Dispute and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, provided the parties to the Dispute agree to obtain and assume the expenses of obtaining such advice as provided in *Section 10.4.2.5* below. The mediator does not have the authority to impose a settlement on any party to the Dispute.

10.4.2.3 Exclusion Agreement. Any evidence of admissions, offers of compromise or settlement negotiations or communications at the mediation shall be excluded in any subsequent dispute resolution forum.

10.4.2.4 Parties Permitted at Sessions. Persons other than the parties to the Dispute may attend mediation sessions only with the permission of all parties to the Dispute and the consent of the mediator. Confidential information disclosed to a mediator by the parties to the Dispute or by witnesses in the course of the mediation shall be confidential. There shall be no stenographic record of the mediation process.

10.4.2.5 Exp^{Unofficial Document} of Mediation. All expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator and the expenses of any witnesses or the cost of any proof or expert advice produced at the direct request of the mediator, shall be borne equally by the parties to the Dispute unless agreed to otherwise. Each party to the Dispute shall bear his/her/its own expert fees, attorneys' fees and costs in connection with such mediation.

10.4.3 Final and Binding Arbitration. If the parties cannot resolve their Dispute pursuant to the procedures described in *Section 10.4.2* above, the Disputing Party shall have thirty (30) days following termination of mediation proceedings (as determined by the mediator) to submit the Dispute to arbitration in accordance with the arbitration rules of CADRC, as modified or as otherwise provided in this *Section 10.4.3*. If the Disputing Party does not submit the dispute to arbitration within thirty days after termination of mediation proceedings, the Disputing Party shall be deemed to have waived any claims related to the Dispute and all other parties to the Dispute shall be released and discharged from any and all liability to the Disputing Party on account of such Dispute; provided, nothing herein shall release or discharge such party or parties from any liability to Persons not a party to the foregoing proceedings.

The existing parties to the Dispute shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the arbitration proceeding. Neither the Declarant nor any Builder shall be required to participate in the arbitration proceeding if all parties against whom the Declarant or such Builder would have necessary or permissive cross-

claims or counterclaims are not or cannot be joined in the arbitration proceedings. Subject to the limitations imposed in this **Section 10.4.3**, the arbitrator shall have the authority to try all issues, whether of fact or law.

10.4.3.1 Place. Unless otherwise mutually agreed by the parties to the proceedings, the arbitration proceedings shall be heard in Maricopa County, State of Arizona.

10.4.3.2 Arbitration. A single arbitrator shall be selected in accordance with the rules of CADRC from panels maintained by the Association with experience in relevant matters, which are the subject of the Dispute. The arbitrator shall not have any relationship to the parties or interest in the Property. The parties to the Dispute shall meet to select the arbitrator within ten (10) days after service of the initial complaint on all defendants named therein.

10.5 Enforcement of Resolution. If the parties to a Dispute resolve such Dispute through negotiation or mediation in accordance with **Section 10.4.1** or **Section 10.4.2** above, and any party thereafter fails to abide by the terms of such negotiation or mediation, or if the parties accept an award of arbitration in accordance with **Section 10.4.3** and any party to the Dispute thereafter fails to comply with such award, then the other party to the Dispute may file suit or initiate proceedings to enforce the terms of such negotiation, mediation, or the award without the need to again comply with the procedures set forth in this Article. In such event, the party taking action to enforce the terms of the negotiation, mediation, or the award shall be entitled to recover from the noncomplying party (or if more than one noncomplying party, from all such parties pro rata), all costs incurred to enforce the terms of the negotiation or mediation or the award including, without limitation, attorneys fees and court costs.

10.6 Conflicts. Notwithstanding anything to the contrary in this Declaration, if there is a conflict between the provisions of this Article and any other provision of the Community Documents, this Article shall control.

10.7 Arizona Statute Compliance. In the event a court of competent jurisdiction invalidates all or part of this **Article 10** regarding the resolution of Disputes, and litigation becomes unfortunately necessary, the Declarant, each Builder, the Association, the Board, and all Owners shall be bound by the applicable Arizona Construction Defect Statute presently codified at A.R.S. § 33-2001, *et seq.*, and A.R.S. §12-1361, *et seq.*

10.8 Order of Liability. As between Declarant and Builder, Builder shall be primarily responsible for the liability to Claimants and other Persons for any Alleged Defect or other defects relating to Dwelling Units. The presumption shall be that any Alleged Defect was due to the actions or inactions of the Builder rather than the Declarant. In the event any Claimant brings any claim related to any construction or engineering defect as to a specific Lot or Dwelling Unit, the Builder or engineer shall indemnify and hold Declarant harmless as to that claim and shall reimburse Declarant for Declarant's total and complete cost of defense.

10.9 Exclusions. Neither the Declarant nor any Builder shall be liable for damages or any defects caused by (a) normal wear and tear, (b) use of property other than normal usage by Owners, Association Members or third parties, (c) alterations by the Owners other than Builders, or (d) reliance by Declarant or Builder on engineering or other reports.

10.10 Rights Against Builder. Nothing in this Declaration shall limit the right of the Association or the Owner of a Lot to pursue appropriate remedies against a Builder through the Arizona Registrar of Contractors.

ARTICLE 11 **MAINTENANCE**

11.1 Common Areas and Public Rights-of-Way. The Association, or its duly delegated representative, shall, in the exercise of its discretion, maintain and otherwise manage, all Common Areas, including, but not limited to, landscaping, walkways, parks, paths, greenbelts, parking areas, drives and other facilities. The Association may also maintain any landscaping and other improvements not on Lots which are within the exterior boundaries of the Property within areas shown on the Plat for any Tract within the Property and which are intended for the general benefit of the Owners and Residents of the Property, except the Association shall not maintain areas which (a) the Town of Gilbert or other governmental entity is maintaining, or (b) are required to be maintained by the Owners of a Lot, either through a Subsidiary Association or otherwise. The Association shall, in the discretion of the Board:

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- (i) Reconstruct, repair, replace or refinish any Improvement or portion thereof upon Common Areas;
- (ii) Replace injured and diseased trees and other vegetation in any Common Areas 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;
- (iii) Place and maintain upon any Common Areas such signs as the Board may deem appropriate for the proper identification, use and regulation thereof;
- (iv) Do all such other and further acts which the Board deems necessary to preserve and protect the Common Areas 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 the Plat, any deed restriction or this Declaration permits the Board to determine whether Owners of certain Lots 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 the Property 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 11* 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 of Lots having such responsibilities in exchange for the payment of such fees as the Association and Owner may agree upon.

11.2 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 act of any Member, his family, guests, tenants or invitees, the cost of such maintenance or repairs shall be due within thirty (30) days of notice and shall be added to, and become a part of, the Assessment to which such Member and the Member's Lot is subject, and shall be secured by the Assessment Lien, provided, that prior to submitting a bill for such costs, the Board shall cause a notice to be sent to Owner specifying the maintenance or repairs and Owner shall have the right to object to his responsibility. Following the Board's consideration of such objection, the Board may absolve Owner or demand that Owner pay the bill within the thirty (30) day period provided above. The decision of the Board shall be final and binding. Any charges or fees to be paid by the Owner of a Lot 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.

11.3 Improper Maintenance and Use of Lots and Tracts. In the event any portion of any Lot or Tract 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, Tracts or other areas of the Property which are substantially affected thereby or related thereto, or in the event any portion of a Lot or Tract is being used in a manner which violates this Declaration, or in the event the Owner of any Lot or Tract is failing to perform any of its obligations under this Declaration or the Pecos Manor Rules, 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 that unless corrective action is taken within fourteen (14) days, the Board may cause such action to be taken at said Owner's cost. If at the expiration of said fourteen (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 (either by undertaking such corrective actions or bringing suit to compel the offending Owner to undertake such corrective action) and the cost thereof, together with any attorney's fees expended by the Association in connection therewith, shall be added to, and become a part of, the Assessment to which the offending Owner and the Owner's Lot or Tract is subject, if any, and shall be secured by the Assessment Lien.

11.4 Conveyance of Common Areas. On or before the conveyance of the first Lot to an Owner other than a Builder, the Declarant or the Owner thereof, if other than the Declarant, shall execute and deliver to the Association a special warranty deed of conveyance for

all Common Areas. Upon Recordation of such Deed, the Association shall be deemed to have assumed all responsibility for the ongoing maintenance, repair and restoration of such Common Areas in accordance with the Community Documents. After conveyance of any Common Areas to the Association, the Association shall not further convey the Common Areas without the consent of at least two-thirds (2/3) of the Members of each Class of Members of the Association or at least two-thirds (2/3) of the Class A Members if there is no longer a Class B Membership.

ARTICLE 12

RIGHTS AND POWERS OF ASSOCIATION

12.1 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 Declarant, may encompass any and all things which a 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.

12.2 Rights of Enforcement of Provisions of This and Other Instruments.

The Declarant, for so long as it owns any real ^{Unofficial Document} property within the Property and/or controls voting rights of Class B Members as set forth in *Section 7.2* above, and the Association, as the agent and representative of the Members, shall each have the right to enforce the provisions of this Declaration. However, if the Declarant or 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, but not at the expense of the Association, provided that if the Board, in its business judgment, deems it inappropriate under the circumstances, such enforcement shall not be required, and no Member may bring an action against the Board or Declarant for failure to enforce the Community Documents without joining as claimants at least twenty percent (20%) of the Members, and without complying with the provisions contained in *Article 10*. Any Member may enforce the provisions of this Declaration at any time by any appropriate action and whether or not Declarant and/or the Association takes any action to enforce the provisions of this Declaration.

12.3 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 Declarant and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one (1) or more directors or officers of the Association, or members of any committee, is employed by, or otherwise connected with, Declarant 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 Declarant or 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.

12.4 Fines. The Association, acting through the Board, shall have the right to adopt a schedule of fines for the violation of any provision of the Community Documents, including the Pecos Manor Rules, by any Owner or such Owner's licensees and invitees. No fine shall be imposed without the Association first providing a written warning to the Owner describing the violation and stating that the failure to stop such violation within no less than fourteen (14) days, or in the event of a recurrence of the same violation within six (6) months of the original violation, shall make the Owner subject to the imposition of a fine. All fines imposed by the Association shall constitute a lien on all lots owned by the Owner and shall be paid within thirty (30) days following imposition. Failure to pay any fine shall subject the Owner to the same potential penalties and enforcement as a failure to pay any Assessments under *Section 8.3.2*.

12.5 Board of Directors Power to Enforce.

12.5.1 Board of Directors Power to Enforce. The Board shall have the authority to enforce all uses and restrictions contained in this Declaration and all decisions of the Architectural Committee. The Board shall act as the final arbiter of any dispute related to the uses and restrictions contained in *Article 4* and all rules enacted under *Article 5*. The Board shall act as the final interpreter of any of the provisions in this Declaration and all rules or decisions of the Architectural Committee under *Article 5*. Nothing contained in this *Section 12.5* shall limit the Association's right to file legal actions for the collection of Assessments, or to enjoin violations.

(a) Any Owner shall submit a written request to the Board for arbitration related to any dispute (except for collection of Assessments).

(b) Within thirty (30) days of the Board's receipt of an Owner's written request for an arbitration hearing, the Board shall set the matter for an arbitration hearing. The Board shall notify the Owner of the hearing date and time in writing.

(c) The Board shall issue its award within thirty (30) days after the date of the hearing.

12.5.2 Board Discretion to Regulate the Appeal Process. The Board shall regulate hearing procedures in its discretion on a case-by-case basis. In no event shall the Board prohibit the Owner from testifying at the hearing. The Board shall admit such witness testimony and physical evidence as the Board deems relevant and noncumulative. The Owner shall have the right to cross-examine witnesses and to be represented by counsel. The Board shall have the right to issue subpoenas for witnesses and books, records and documents to the fullest extent permitted under Arizona law. This *Section 12.5* shall be governed by and

construed in accordance with the laws of the State of Arizona. The parties incorporate by this reference all the remaining portions of Arizona's arbitration statutes.

12.5.3 Binding Decision of the Board. Subject to the provisions in *Section 12.5.5* below, any award pursuant to this *Section 12.5* is final and binding upon the Owner and may not be subject to judicial challenge. Board awards may only be appealed if the Owner timely complies with *Section 12.5.5* below.

12.5.4 Owner Acceptance of Board's Arbitration. By accepting a deed subject to this Declaration, all Owners agree to the arbitration agreements contained in this Declaration.

12.5.5 Appeal to CADRC. The Owner is entitled to one (1) appeal of any Board award under this *Section 12.5* to the CADRC as defined in *Section 10.4.2*. The Owner must request the appeal by submitting to the Board, within thirty (30) days after the date of the award, an executed Agreement to Arbitrate on the CADRC's form. All awards by the CADRC are final, binding and nonappealable.

ARTICLE 13

ANNEXATION AND DEANNEXATION

13.1 Annexation of Other Real Property. Real property may be annexed to the Property and become subject to this ^{Unofficial Document} Declaration and subject to the jurisdiction of the Association only with the prior written consent of at least seventy-five percent (75%) of the Members of the Association. In the event that any additional real property is annexed to the Property, such annexation shall be effected by the Recordation of a Supplementary Declaration covering the real property sought to be annexed and executed and Recorded by the Board and by the fee title holders of the real property sought to be annexed.

13.2 Limitations on and Effect of Annexation. No Supplementary Declaration shall be executed and Recorded pursuant to this *Article 13* more than twenty (20) years subsequent to the Recording of this Declaration. Such execution and Recording of a Supplementary Declaration shall constitute and effectuate the annexation of said portion of the Annexable Property or other real property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter the other real property so annexed shall be part of the Property and all of the Owners of Lots in the other real property so annexed shall automatically be Members of the Association.

13.3 Deannexation Without Approval. A portion or portions of the Property may be deannexed from the Property and be withdrawn from this Declaration and the jurisdiction of the Association, provided that a Certificate of Deannexation covering the portion of the Property sought to be deannexed shall be executed and Recorded by Declarant (so long as Declarant owns or controls any Class B Memberships) or its successors and assigns, and by the Owner(s) of all of the real property to be deannexed. No Certificate of Deannexation shall be so

executed and Recorded pursuant to this Section more than twenty (20) years subsequent to the Recording of this Declaration.

13.4 Supplementary Declarations and Certificates of Deannexation. The annexations and deannexations authorized under the foregoing Sections shall be made by Recording in the office of the County Recorder of Maricopa County, Arizona, a Supplementary Declaration of Covenants, Conditions and Restrictions, or similar instrument, which shall extend the plan of this Declaration to such property or a Certificate of Deannexation which shall remove the portion of the Property covered thereby from the plan of this Declaration. The Supplementary Declarations contemplated above may contain such complementary additions and modifications of the Covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, revoke, modify or add to the Covenants established by this Declaration within the existing Property.

ARTICLE 14 **TERM; AMENDMENTS; TERMINATION**

14.1 Term; Method of Termination. This Declaration shall be effective upon the date of its Recordation and, as amended from time to time, shall continue in full force and effect for a term of twenty (20) years from the date this Declaration is Recorded. From and after said date, this Declaration, as amended, shall Unofficial Document automatically be 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 a meeting held for such purpose within six (6) months prior to the expiration of the initial effective period hereof or any ten (10) year extension, and by the Declarant to the extent Declarant and/or any Builder holds a Class B Membership. This Declaration may be terminated at any time if ninety percent (90%) of the votes cast by the Members shall be cast in favor of termination at a meeting held for such purpose and the Declarant, to the extent it continues to own a Lot in the Property, have voted in favor of termination. 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 First Mortgages to which the Assessment Lien is subordinate pursuant to *Section 8.3* above, on seventy-five percent (75%) of the Lots upon which there are such First Mortgages. 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.

14.2 Amendments. This Declaration may be amended at any time by Recording with the County Recorder of Maricopa County, Arizona, a Certificate of Amendment, duly signed and acknowledged. The Certificate of Amendment shall set forth in full the

amendment adopted, and, except as provided in *Section 14.3* of this Article, shall certify that, at a meeting duly called and held pursuant to the provisions of the Articles and Bylaws, the adoption of the amendment was approved by at least seventy-five percent (75%) of the Lots.

14.3 Right of Amendment if Requested by Governmental Agency or Lending Institutions. The Declarant, so long as the Declarant owns any Lot, and thereafter, the Board, may amend this Declaration or the Plat, without obtaining the approval or consent of any Owner or First Mortgagee, in order to conform this Declaration or the Plat to the requirements or guidelines of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the Department of Veterans Affairs or any federal, state or local governmental agency whose approval of the Project, the Plat or the Community Documents is required by law by the Declarant or the Board.

So long as the Declarant owns any Lot, any amendment to this Declaration must be approved in writing by the Declarant. The Declarant, so long as the Declarant owns any Lot, and thereafter, the Board, may amend this Declaration without the consent of any other Owner for the purposes of correcting technical or clerical errors. So long as there is a Class B Membership, and if the Property has been approved by the FHA or VA in connection with any loan programs made available by FHA or VA, then any amendment to this Declaration must be approved by the Department of Veterans Affairs and/or the Federal Housing Administration, as applicable.

Any amendment approved ^{by the Owners} _{Unofficial Document} of not less than seventy-five percent (75%) of the Lots or by the Board shall be signed by the President or Vice President of the Association and shall be Recorded, and any such amendment shall certify that the amendment has been approved as required by this *Section 14.3*. Any amendment made by the Declarant shall be signed by the Declarant and Recorded. Unless a later effective date is provided for in the amendment, any amendment to this Declaration shall be effective upon Recording of the amendment.

ARTICLE 15

MISCELLANEOUS

15.1 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.

15.2 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.

15.3 Perpetuities and Restraints on Alienation. If any of the options, privileges, Covenants or rights created by this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until twenty-one (21) years after the death of the last living survivor of the now living descendants of the President of the United States on the date hereof.

15.4 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 expressly inconsistent with the provisions of this Declaration.

15.5 References to the Covenants in Deeds. Deeds to, and instruments affecting, any Lot or Tract or any part of the Property 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.

15.6 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.

15.7 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.

15.8 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 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 Maricopa County. 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.

15.9 FHA/VA Approval. If the Property has been approved by the FHA or VA in connection with any loan programs made available by FHA or VA, then so long as there is a Class B Membership, the following actions will require the prior approval of the FHA and/or VA, as applicable:

- (a) Dedications of Common Areas;
- (b) Amendments to this Declaration; and

- (c) The annexation of additional real property to the Property.

15.10 Waiver. The waiver of or failure to enforce any breach or violation of this Declaration will not be deemed a waiver or abandonment of any provision of the Declaration or a waiver of the right to enforce any subsequent breach or violation of the Declaration. The foregoing shall apply regardless of whether any Person affected by the Declaration (or having the right to enforce the Declaration) has or had knowledge of the breach or violation.

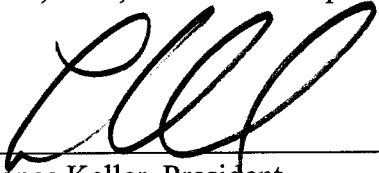
SIGNATURE PAGE FOLLOWS

Unofficial Document

SIGNATURE PAGE TO MASTER DECLARATION

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the day and year first above written.

ELITE PECOS, INC., an Arizona corporation

By: 
Lance Keller, President

STATE OF ARIZONA)
) ss.
COUNTY OF MARICOPA)

On this 14 day of September, 2004, before me, the undersigned officer, personally appeared Lance Keller, who acknowledged himself to be President of ELITE PECOS, INC., an Arizona corporation.

Unofficial Document

✓ whom I know personally;
_____ whose identity was proven to me on the oath of _____, a credible witness by me duly sworn;
_____ whose identity I verified on the basis of his _____,

and he, in such capacity, being authorized so to do, executed the foregoing instrument for the purposes therein contained on behalf of that entity.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

NOTARY SEAL:


Notary Public

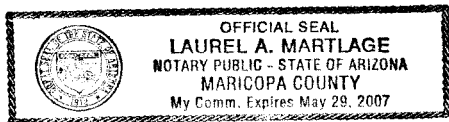


EXHIBIT "A"

Legal Description of Property

Lots 1 through 222 of the Final Plat of Pecos Manor as recorded in Book 710 Map AM, Page 1 of the Official Records of Maricopa County, Arizona.

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