

RECIPROCAL USE AGREEMENT
FOR
SADDLEBROOKE COUNTRY CLUBS

This Agreement is entered into this 2nd day of October, 1996, by SADDLEBROOKE DEVELOPMENT COMPANY, an Arizona corporation ("Developer"), SADDLEBROOKE HOMEOWNERS' ASSOCIATION #1, INC., an Arizona nonprofit corporation (the "HOA #1"), and SADDLEBROOKE HOMEOWNERS' ASSOCIATION NO. 2, INC., an Arizona non-profit corporation (the "HOA #2"). The HOA #1 and the HOA #2 are each sometimes referred to in this Agreement as an "Association".

RECITALS

A. Developer is the developer of a master planned residential community known as SaddleBrooke Country Clubs, also known as SaddleBrooke Resort Community. The HOA #1 is the homeowners' association for Units 1 through 12, 16, 18 through 21, 1A, 8A and 10A of SaddleBrooke Country Clubs (SaddleBrooke #1). The HOA #2 is the homeowners' association for the real property now or hereafter served by the HOA #2 (SaddleBrooke #2).

B. The HOA #1 owns or will soon acquire title to various common areas ("SaddleBrooke #1 Property"). The HOA #1 operates a number of community and recreational facilities on the SaddleBrooke #1 Property, including but not limited to the following:

- (1) the private streets and roads within SaddleBrooke #1 (the "SaddleBrooke #1 Roads");
- (2) the clubhouse and the main swimming pool, fitness center, arts & crafts center and tennis center located within SaddleBrooke #1, including the parking areas for those facilities;
- (3) the 27-hole golf course, driving range, practice putting green, and satellite pro shop located within SaddleBrooke #1; and
- (4) the lakes and drainage areas within SaddleBrooke #1; and
- (5) all other community and recreational facilities located on the Common Areas as designated on the various plats of SaddleBrooke #1.

C. Developer is in the process of developing SaddleBrooke #2. SaddleBrooke #2 will include various community and recreational facilities ("SaddleBrooke #2 Property"), including but not limited to the following:

- (1) private streets and roads within SaddleBrooke #2 (the "SaddleBrooke #2 Roads");
- (2) a clubhouse, main swimming pool, fitness center, arts & crafts center, tennis center located within SaddleBrooke #2, and parking areas for those facilities; and
- (3) an 18-hole golf course, driving range and practice putting greens within SaddleBrooke #2.

D. The parties desire to establish the terms upon which the residents of SaddleBrooke #1 will have the right to use the SaddleBrooke #2 Property, including but not limited to the SaddleBrooke #2 Roads and the golf course, clubhouse and other recreational facilities to be located in SaddleBrooke #2, and terms upon which the residents of SaddleBrooke #2 will have the right to use the SaddleBrooke #1 Property, including but not limited to the SaddleBrooke #1 Roads and the golf course, clubhouse and other recreational facilities located in SaddleBrooke #1.

E. This Agreement was negotiated on behalf of the members of the HOA #1 (the "HOA #1 Members") by representatives of the HOA #1 Members (other than Developer), was approved by the homeowner members of the Board of Directors of the HOA #1 and was approved by a majority vote of the HOA #1 Members voting at a ballot vote of the members of the HOA #1 that took place on October 2, 1996.

AGREEMENTS

In consideration of the matters set forth herein, the parties to this Agreement agree as follows:

1. SaddleBrooke #2 Recreational Amenities. Developer agrees to construct an 18-hole golf course, clubhouse, pool, arts and crafts facility, fitness center and tennis courts in SaddleBrooke #2. The arts and crafts facility in SaddleBrooke #2 shall be approximately 6,000 square feet in size. The SaddleBrooke #2 clubhouse will include a social hall containing approximately 7,140 square feet, including stage, storage areas, dressing rooms and related areas.
2. Amenity Completion Dates. Developer agrees that the 18-hole golf course in SaddleBrooke #2 will be available for play no later than December 31, 1997, the SaddleBrooke #2 clubhouse, pool, golf pro shop and fitness center will be available for use commencing no later than March 31, 1998, the arts and crafts facility in SaddleBrooke #2 will be available for use commencing no later than January 31, 1999, and at least three tennis courts in SaddleBrooke #2 will be available for use no later than March 31, 1999. Additionally, Developer agrees that a total of 5 tennis courts in SaddleBrooke #2 will be available no later than January 31, 2000. The deadlines set forth in this paragraph shall automatically be extended if and to the extent Developer

such written notice, then such reciprocal rights shall expire on the twenty-fifth (25th) anniversary of this Agreement or the expiration of the five-year extension period then in effect.

(c) In the event one or more of the completion dates set forth in Paragraph 2 herein are not met, the HOA #1 may, in its sole and absolute discretion, acting through its homeowner elected Board of Director members only, suspend the rights of members of HOA #2 from using the amenity or amenities in SaddleBrooke #1 which are comparable to the amenity or amenities in SaddleBrooke #2 not completed by the completion dates specified herein until such amenities are completed and available for use. For example, if the fitness center in SaddleBrooke #2 is not complete and available for use by March 31, 1998, the members of HOA #2 shall not be permitted to use the fitness center in SaddleBrooke #1 until such time as the fitness center in SaddleBrooke #2 is complete and available for use. Nothing contained in this Agreement shall affect or reduce (a) Developer's obligations to build an eighteen-hole golf course and a clubhouse in SaddleBrooke #2 by the Facilities Use Termination Date specified in the Amended and Restated Tract Declaration of Covenants, Conditions and Restriction, recorded as Instrument No. 135182 at Docket 2052, page 028, on October 25, 1994, or (b) the rights of the residents of the real property now or hereafter subject to such Tract Declaration to use the SaddleBrooke #1 facilities until the Facilities Use Termination Date.

5. Rights to Use Roads. Residents and owners of lots in SaddleBrooke Country Clubs shall have the right to use the roads in SaddleBrooke #1 and SaddleBrooke #2 on the same terms and subject to the same restrictions, speed limits and other reasonable rules and regulations as the residents and owners of lots in the SaddleBrooke in which the roads are located. In no event may either Association charge residents or owners of lots in the other SaddleBrooke for use of such roads, except as hereinafter provided. The reciprocal rights of residents and owners of lots in SaddleBrooke #1 and SaddleBrooke #2 to use the roads shall continue, notwithstanding any termination of reciprocal rights with respect to the golf courses or other common areas or facilities. In the event this Agreement is terminated for any reason, HOA #2 shall pay to HOA #1, on an annual basis, a pro rata share of HOA #1's road maintenance costs for SaddleBrooke Road and Ridgeview Boulevard, as reasonably determined by HOA #1. HOA #2's pro rata share shall be based on the number of homes located on property that is part of both SaddleBrooke #1 and SaddleBrooke #2 as compared to the total number of homes in SaddleBrooke #1. Prior to October 1st of each year, HOA #1 shall provide to HOA #2 a budget for the expenses to be incurred by HOA #2 pursuant to this Paragraph, and such budget shall be subject to HOA #2's reasonable approval.
6. Maintenance Responsibility Within Units 14, 15 and 17. The HOA #2 shall maintain all roads and common areas within Units 14, 15, and 17 at SaddleBrooke. Notwithstanding anything to the contrary contained in the deed restrictions for these Units, the HOA #1 shall not assess owners of lots in these three Units; provided, however, that until the golf course and clubhouse in SaddleBrooke #2 are available for

fails to satisfy such deadlines as a result of events or circumstances not reasonably within Developer's control, such as without limitation labor or materials shortages, strikes, actions or delays of utilities or governmental authorities, or acts of God.

3. Reciprocal Use of Common Areas and Facilities. All residents and owners of lots in SaddleBrooke #1 shall have the right to use all of the SaddleBrooke #2 Property, including all recreational and other facilities constructed thereon, upon the same terms and subject to the same rules and regulations as are prescribed by the HOA #2 (or by Developer, if applicable) for the residents and owners of lots in SaddleBrooke #2. All residents and owners of lots in SaddleBrooke #2 shall have the right to use all of the SaddleBrooke #1 Property, including all recreational and other facilities thereon, upon the same terms, and subject to the same rules and regulations as are prescribed by the HOA #1 for the residents and owners of lots in SaddleBrooke #1. By this provision, the parties intend that residents and owners of lots in SaddleBrooke #1 and #2 shall be able to use all common areas and all recreational and other facilities in SaddleBrooke #1 and #2 in the same manner as if there were only one homeowners' association in SaddleBrooke. The parties agree that no separate fees may be charged for use of the clubhouses, arts and crafts facilities, tennis facilities and fitness centers in SaddleBrooke #1 and #2. Residents and owners using either the SaddleBrooke #1 or the SaddleBrooke #2 Property shall be subject to all rules and regulations while using such Property, including posted speed limits, and will be subject to all fines and penalties which may be assessed by either HOA to its own members for failing to follow such rules and regulations. The membership policies and other policies of clubs and organizations operated by either HOA shall not discriminate against the members of one HOA in favor of the members of the other HOA.

4. Terms of Reciprocal Rights.

(a) The reciprocal rights provided for in paragraph 3 with respect to use of the golf courses (including driving range and putting green) shall terminate at the end of the calendar year in which a total of 3,250 homes in both SaddleBrooke #1 and #2 are sold and have closed escrow. During the period there are reciprocal golf rights pursuant to this Agreement, the SaddleBrooke #2 golf course annual golf fee shall not be less \$1,200 per year.

(b) Unless sooner terminated as provided herein, the reciprocal rights provided for in paragraph 3 with respect to the use of all SaddleBrooke #1 Property and SaddleBrooke #2 Property and all facilities thereon, other than golf courses, shall terminate on the twenty-fifth (25th) anniversary of the date of this Agreement; provided, however, that such reciprocal rights (other than with respect to the golf courses) automatically shall be extended for successive five (5) year periods unless, on or before the twenty-fourth (24th) anniversary of the date of this Agreement, or the fourth (4th) anniversary of commencement of the five-year extension term then in effect, one Association notifies the other Association in writing that such reciprocal rights shall not be extended further. If either Association gives the other Association

use by residents of Units 14, 15 and 17, owners of lots shall pay assessments to HOA #1 in accordance with the applicable deed restrictions.

7. SaddleBrooke Road. SaddleBrooke Road is open to the public from State Highway 77 (formerly State Highway 89) to the westerly boundary of SaddleBrooke #1. Pinal County has agreed to accept the public portion of SaddleBrooke Road for maintenance once such portion of SaddleBrooke Road satisfies certain standards. Developer agrees to cause the public portion of SaddleBrooke Road to be maintained in a reasonable condition at no cost to HOA #1 until Pinal County accepts such portion for maintenance. Developer shall cause Pinal County to accept the public portion of SaddleBrooke Road for maintenance prior to the completion of construction activities in the SaddleBrooke area by Developer and its affiliates. Nothing contained in this Agreement shall require Developer to cause, or forbid Developer from causing, (a) HOA #2 to pay any portion of the cost of maintaining the portion of SaddleBrooke Road that travels through SaddleBrooke #2, or (b) the portion of SaddleBrooke Road that travels through SaddleBrooke #2 to become a private road that is maintained by HOA #2 but that is available for use by the residents and owners of lots in SaddleBrooke #1, or (c) any person or entity to reimburse Developer or others for damage to SaddleBrooke Road caused by the negligence, willful misconduct or misuse of the road by any such person or entity.
8. SaddleBrooke Entrance. The HOA #2 shall be responsible for maintaining the SaddleBrooke monument sign and entrance area by the intersection of SaddleBrooke Road and Highway 77, other than the cost of maintaining the roadway. Notwithstanding the foregoing, all expenses of maintaining the SaddleBrooke monument sign and entrance area by the intersection of SaddleBrooke Road and Highway 77, other than the cost of maintaining the roadway, shall be shared equally by the HOA #1 and the HOA #2. Prior to October 1st of each year, HOA #2 shall provide to HOA #1 a budget for the expenses to be incurred by HOA #1 pursuant to this Paragraph, and such budget shall be subject to HOA #1's reasonable approval. Unless otherwise agreed by both Associations in writing, the SaddleBrooke monument sign and entrance area shall be maintained substantially in the same manner as at present.
9. Notices. All notices or other communications required or provided to be given by any party to another party pursuant to this Agreement shall be in writing and shall be hand-delivered, delivered by courier, or sent via United States first class (or registered or certified) mail, postage prepaid, and shall be effective when hand-delivered or delivered by courier, or when deposited in the mail as provided above and addressed, to the parties at the following addresses, or to such other address as may be specified by that party by written notice to the other parties:

If to Developer:

SaddleBrooke Development Company
9532 East Riggs Road
Sun Lakes, AZ 85248-7411
Attn: Legal Counsel

If to HOA #1: SaddleBrooke Homeowners' Association #1
64500 East SaddleBrooke Blvd.
Tucson, AZ 85739

If to HOA #2: SaddleBrooke Homeowners' Association No. 2
9532 East Riggs Road
Sun Lakes, AZ 85248-7411
Attn: Legal Counsel

10. Severability. Whenever possible, each provision of this Agreement shall be interpreted so as to be valid under applicable law, but if any provision of this Agreement is void or unenforceable, such provision shall be ineffective to the extent it is void or unenforceable, which shall not invalidate the remainder of such provision or the remaining provisions of this Agreement.
11. Attorneys Fees. In the event of legal proceedings involving this Agreement, the unsuccessful party shall pay to the prevailing party all costs of suit, including but not limited to reasonable attorneys fees, as determined by the court, and not by jury.
12. Time of Essence. Time is of the essence of each and every provision of this Agreement.
13. Performance Dates. In the event that the time for performance of any obligation hereunder expires on a Saturday, Sunday or legal holiday, the time for performance shall be extended to the next day that is not a Saturday, Sunday or legal holiday. As used in this Agreement, "business day" means any day, other than a Saturday, Sunday or legal holiday.
14. Integration. This Agreement contains the entire agreement of the parties hereto with respect to its subject matter and supersedes all prior arrangements and understandings between the parties. No agreement, statement or promise made by a party to this Agreement with respect to the subject matter of this Agreement shall be binding or valid unless set forth in this Agreement.
15. Amendments. This Agreement may be amended or modified only by a written amendment executed by a duly authorized representative of each of the parties to this Agreement.
16. Counterparts. This Agreement may be executed by the signing in counterparts of this instrument. The execution by each party signing a counterpart of this instrument shall constitute a valid execution, and this instrument and all of its counterparts so executed shall be deemed for all purposes to be a single agreement.
17. Headings. The headings of this Agreement are for convenience only and shall not affect the meaning or interpretation of any of the terms of this Agreement.

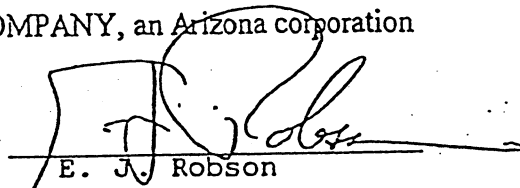
18. Representation by Counsel. All parties to this Agreement have been or have had the opportunity to be represented by legal counsel in connection with this Agreement. This Agreement is the product of extensive negotiations and the fact that this Agreement was prepared by one of the parties or its legal counsel shall not affect the interpretation or application of this Agreement.
19. Inurement. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.
20. Governing Law. The terms of this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

The parties have executed this Agreement as of the date first set forth above.

DEVELOPER:

SADDLEBROOKE DEVELOPMENT
COMPANY, an Arizona corporation

By



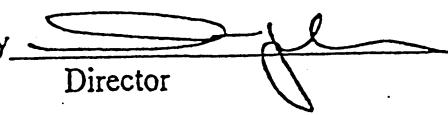
E. J. Robson

Its Chairman of the Board

HOA #1:

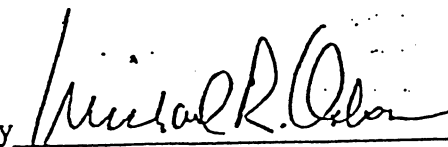
SADDLEBROOKE HOMEOWNERS'
ASSOCIATION #1, INC., an Arizona
non-profit corporation

By

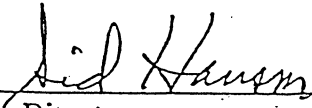



Director

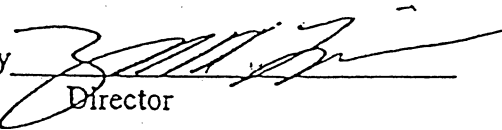
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Director

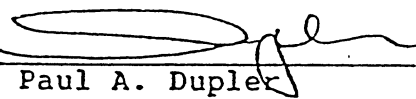
By 
Director

By 
Director

By 
Director

HOA #2:

SADDLEBROOKE HOMEOWNERS'
ASSOCIATION NO. 2, INC., an
Arizona non-profit corporation

By 
Paul A. Dupler
Its President