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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

OF

SaddleBrooke Country Club No. 2

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OF
SaddleBrooke Country Club No. 2

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
SADDLEBROOKE COUNTRY CLUB NO. 2

THIS DECLARATION is made this 3rd day of Aug, 1994, by SaddleBrooke Development Company, an Arizona corporation ("Declarant"), as beneficiary under First American Title Insurance Company Trust No. 7565, 7590, 7907, 7908, 7947, and First American Title Insurance Company, as Trustee of Trust No. 7565, 7590, 7907, 7908, 7947, ("Trustee"), solely as bare legal title holder and not personally, and acting at the proper direction of Declarant, to establish the nature of use and enjoyment of that certain real property located in Pinal County, Arizona, which is more particularly described on Exhibit A hereto and which shall be known as "SaddleBrooke Country Club No. 2".

RECITALS:

I. Declarant desires to subdivide and develop SaddleBrooke Country Club No. 2 into a planned community consisting of residential, commercial, recreational and other areas and uses.

II. Declarant intends, without obligation, that when developed fully, SaddleBrooke Country Club No. 2 will include several residential neighborhoods, one or more golf courses, one or more clubhouses, and greenbelts and recreational and commercial areas, including but not limited to open spaces, walkways and other social, commercial and civic buildings and facilities.

III. As the development of SaddleBrooke Country Club No. 2 proceeds, Declarant intends, without obligation, to record various subdivision plats, to dedicate portions of SaddleBrooke Country Club No. 2 to the public for streets, roadways, drainage, flood control and general public use, or to keep all or portions of the above private and dedicate them to the Association, and to record Tract Declarations covering portions of SaddleBrooke Country Club No. 2, which Tract Declarations will designate the purposes for which such portions of SaddleBrooke Country Club No.2 may be used and may set forth additional covenants, conditions and restrictions applicable to such portions of SaddleBrooke Country Club No. 2.

IV. Declarant reserves the right, without obligation, to annex additional land into the SaddleBrooke Country Club No. 2 planned community, which land is defined and described as "Annexable Property" in Article I. B. below. Such additional annexations

may or may not be contiguous to any other land within SaddleBrooke Country Club No. 2.

V. Declarant desires to form the Association as a non-profit corporation to (1) own, manage and maintain the Common Areas and certain other areas in SaddleBrooke Country Club No. 2, (2) levy, collect and disburse the Assessments and other charges imposed hereunder, and (3) act as the agent and representative of the SaddleBrooke Country Club No. 2 Owners and enforce the use restrictions and other provisions of this Declaration;

VI. In the event that Declarant should develop land as described in paragraph IV of the RECITALS above, Declarant may develop such lands as not part of SaddleBrooke Country Club No. 2, but shall have the right without obligation, to execute binding reciprocal agreements between any or all of the land within SaddleBrooke Country Club No. 2 and the additional areas of land so developed by developer which are not part of SaddleBrooke Country Club No. 2.

VII. Declarant desires to establish for its own benefit and for the mutual benefit of all future Owners, or other holders of interests in any portion of SaddleBrooke Country Club No. 2, certain mutually beneficial covenants, conditions, restrictions and obligations with respect to the proper development, use and maintenance of SaddleBrooke Country Club No. 2.

VIII. Declarant desires and intends that the Owners, mortgagees, beneficiaries, trustees and other persons hereafter acquiring any interest in SaddleBrooke Country Club No. 2 shall at all times enjoy the benefits of, and shall hold their interest subject to, the rights, easements, privileges, covenants and restrictions hereinafter set forth, all of which are declared to be in furtherance of a plan to promote and protect the value, desirability and attractiveness of SaddleBrooke Country Club No. 2.

IX. IN ORDER TO PROMOTE THE QUALITY AND CONSISTENCY OF MANAGEMENT AND MAINTENANCE OF ALL COMMON AREAS, THIS DECLARATION PROVIDES THAT DECLARANT SHALL (1) MAINTAIN ABSOLUTE CONTROL OF THE ASSOCIATION UNTIL THE TRANSITION DATE, INCLUDING WITHOUT LIMITATION THE RIGHT AND POWER TO AMEND THE ARTICLES, APPOINT THE OFFICERS, SELECT THE MEMBERS OF THE BOARD AND APPOINT THE MEMBERS OF THE ARCHITECTURAL COMMITTEE, (2) MANAGE THE ASSOCIATION UNTIL THE THIRTY FIFTH (35TH) ANNIVERSARY OF THE TRANSITION DATE, AND (3) FROM AND AFTER THE DATE THAT ONE THOUSAND (1,000) HOUSES ARE CONSTRUCTED IN SADDLEBROOKE COUNTRY CLUB No. 2 AND UNTIL SUCH THIRTY FIFTH (35TH) ANNIVERSARY, RECEIVE A MANAGEMENT FEE FROM THE ASSOCIATION IN THE AMOUNT OF FOUR PERCENT (4%) OF THE TOTAL GROSS REVENUE OF THE ASSOCIATION FROM ALL SOURCES.

X. Declarant therefore wishes to subject all of SaddleBrooke Country Club No. 2 to the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements hereinafter set forth (collectively, "Covenants") which Covenants shall run with the land and shall be binding upon and inure to the benefit of all parties having any right, title or interest in and to SaddleBrooke Country Club No. 2 or any part of SaddleBrooke Country Club No. 2.

NOW, THEREFORE, in consideration of the matters set forth in the Recitals and the Covenants set forth below, Declarant and Trustee declare as follows:

ARTICLE I

DEFINITIONS

As used in this Declaration, and except as otherwise provided in Article XIV, Section 3, the following terms, when capitalized, shall have the meanings set forth below:

A. "Ancillary Association" shall mean an incorporated association created by or with the written consent of Declarant for (1) the Owners of Lots or Dwelling Units within one or more subdivision(s) or neighborhood(s) in SaddleBrooke Country Club No. 2, or (2) the Owners or tenants of business lots, commercial condominiums or improvements within one or more commercial Parcel(s) in SaddleBrooke Country Club No. 2.

B. "Annexable Property" shall mean all or any portion of the property described in Exhibit B hereto or any other property designated by Declarant, whether or not contiguous thereto or to any portion of SaddleBrooke Country Club No. 2.

C. "Annual Assessment" shall mean the charge levied and assessed each year against each Lot, Dwelling Unit and Owner pursuant to Article VII, Section 2, of this Declaration.

D. "Apartment Development" shall mean a Parcel or portion thereof which is identified as an Apartment Development in a Tract Declaration and is comprised of integrated Rental Apartments and surrounding areas which are under the same ownership.

E. "Architectural Committee" shall mean the Architectural Committee of the Association to be created pursuant to Article XI below.

F. "Architectural Guidelines" or "Design Guidelines" shall mean the guidelines that may be established by the Architectural Committee for the appearance and development of Residential Areas in SaddleBrooke Country Club No. 2, as well as the

review and approval procedures for the Architectural Committee, as amended from time to time.

G. "Articles" shall mean the Articles of Incorporation of the Association as amended from time to time.

H. "Assessable Property" shall mean any Lot in SaddleBrooke Country Club No. 2 covered by a recorded Tract Declaration, except such part or parts thereof as may from time to time constitute Exempt Property.

I. "Assessment" or "Assessments" shall mean Annual Assessments, Special Assessments, Maintenance Charges, Special Use Fees, Security Fees, or any other fees, fines or charges assessed hereunder.

J. "Assessment Lien" shall mean the lien created and imposed by Article VII.

K. "Assessment Period" shall mean the term set forth in Article VII, Section 7.

L. "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, and its successors and assigns. Declarant intends to name the Association "SaddleBrooke Homeowners Association No. 2, Inc."

M. "Association Land" shall mean such part or parts of SaddleBrooke Country Club No. 2, together with the buildings, structures and improvements thereon and other real property, that is held by Trustee or Declarant for conveyance to the Association on or before the Transition Date, or that the Association now or hereafter owns in fee or in which the Association now or hereafter has a leasehold or easement interest, for as long as the Association is the owner of the fee, leasehold or easement interest or such property is so held by Declarant or Trustee for conveyance to the Association. Except as otherwise provided in this Declaration, all Association Land shall be maintained by the Association at its expense for the benefit of all of the Owners. From time to time, Declarant may convey easements, leaseholds or other property within SaddleBrooke Country Club No. 2 to the Association, and such property automatically shall be deemed accepted by the Association.

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

O. "Bylaws" shall mean the Bylaws of the Association as amended from time to time.

P. "Commercial Areas" within SaddleBrooke Country Club No. 2 shall mean and include any Parcel or portion thereof owned by one person or entity or a group of

persons and/or entities that is used for one or more commercial purposes, including but not limited to the following: Apartment Developments, commercial offices, shopping centers, resorts, hotels, motels, churches and other areas used for commercial or non-residential purposes. Commercial Areas shall not include any Common Areas owned by the Association or other common areas owned by an Ancillary Association or owned in common by residential condominium owners. At such time as an Apartment Development is converted to a residential Condominium Development, the property shall cease to be a Commercial Area and shall thereafter be a Residential Area. The Commercial Areas shall be deemed to include the Golf Course Land and the associated recreational areas and facilities.

Q. "Common Area and Common Areas" shall mean: (1) all Association Land; (2) unless otherwise indicated in this Declaration or in a recorded instrument executed by Declarant, all land within SaddleBrooke Country Club No. 2 that Declarant makes available for use primarily by Members of the Association, but not after Declarant ceases to make such land available for use primarily by Members of the Association; (3) all land within SaddleBrooke Country Club No. 2 that Declarant indicates on a recorded subdivision plat or Tract Declaration is to be used for landscaping, drainage and/or flood control or other purposes for the benefit of SaddleBrooke Country Club No. 2 and/or the general public and is to be transferred to the Association or dedicated to the public or a municipality or other governmental unit or agency at a future time, but only until such land is so dedicated, unless specifically specified otherwise in the dedication or as specified pursuant to clause (6) below; (4) all land or right-of-way easements within SaddleBrooke Country Club No. 2 that are dedicated to the public or a municipality or other governmental unit or agency, but that the governmental unit or agency requires the Association to maintain or that the Association agrees to maintain; (5) areas on a Lot or Parcel within easements granted to the Association or its Members for the location, construction, maintenance, repair and replacement of a wall, which easement may be granted or created on a recorded subdivision plat or Tract Declaration or by a deed or other conveyance accepted by the Association; and (6) any other areas with respect to which the Association has assumed in writing administrative or maintenance responsibilities, whether or not such areas are located on a Lot or Parcel.

R. "Condominium Development" shall mean a portion of SaddleBrooke Country Club No. 2 which has been subjected to a declaration of condominium pursuant to Arizona law.

S. "Condominium Unit" shall mean a unit (as that term is defined in A.R.S. Section 33-1202, together with any appurtenant interest in all common elements, that is created by a declaration of condominium established and recorded under Arizona law. Such term shall not include a Rental Apartment in an Apartment Development.

T. "Covenants" shall mean the covenants, conditions, restrictions,

assessments, charges, servitudes, liens, reservations and easements set forth herein.

U. "Declarant" shall mean SaddleBrooke Development Company, an Arizona corporation, whether acting in its own capacity or through a trustee, and its successors and assigns. Any assignment of all or any portion of Declarant's rights and powers shall be made by a recorded instrument executed by the assignor.

V. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions of SaddleBrooke Country Club No. 2, as from time to time supplemented and/or amended.

W. "Dwelling Unit" shall mean any building or portion of a building situated upon a Lot or Parcel, which building or portion of a building is designed and intended for use and occupancy as a residence by a Single Family.

X. "Exempt Property" shall mean the following parts of SaddleBrooke Country Club No. 2:

(1) All land and improvements owned by or dedicated to and accepted by the United States, the State of Arizona, Pinal County, or any other municipality, or any political subdivision thereof, for as long as any such governmental entity or political subdivision is the owner thereof or for so long as such dedication remains effective; provided, however, that any such land shall be Exempt Property only while it is being used by the governmental entity owner for governmental or public purposes.

(2) All Association Land, for as long as the Association is the owner thereof (or of the interest therein that makes such land Association Land).

(3) All Golf Course Land for as long as such land is used for the purpose permitted in Article IV, Section 5.

(4) Each portion of any and all Residential Areas designated in a recorded subdivision plat, deed, Tract Declaration, or condominium or other declaration as an area to be used in common by the Owners and Residents of such subdivision or condominium development.

(5) All land used as a Well-Site and designated by a Tract Declaration for Well-Site Use.

(6) Any Lot or Parcel or property within SaddleBrooke Country Club No. 2 owned by Declarant, its affiliates or Trustee, except for property owned by Trustee that is subject to a "contract" (as defined in Arizona Revised Statutes Section 33-741) under which Declarant or Trustee is the seller.

(7) Any property in SaddleBrooke Country Club No. 2 that is limited by a Tract Declaration to use for housing the aged and infirm and for related uses, if the Tract Declaration expressly provides that the Residents thereof shall have no right to use the recreational features and recreational amenities available to the other Owners of Lots, and any other property in SaddleBrooke Country Club No. 2 covered by a Tract Declaration that provides that the Residents of such property shall have no right to use the recreational features and recreational amenities available to the other Owners of Lots.

(8) All land in SaddleBrooke Country Club No. 2 with the following Land Use Classifications: Apartment Development Use, Commercial Office Use, General Public or Quasi-Public Use, Resort Hotel or Motel Use, Church Use, General Commercial Use, Industrial Park Use.

All Exempt Property shall be exempt from Assessments and Membership in the Association and its associated privileges and responsibilities, but shall nevertheless be subject to all other provisions of this Declaration, unless otherwise provided in this Declaration or in the Tract Declaration of the applicable Lot or Parcel. The Golf Course Land shall be exempt from Assessments, Membership in the Association and architectural control and review. The Board may restrict or prohibit the use of the Common Areas (except any easements, rights-of-way, utility improvements and landscaping, drainage and flood control areas) by the Owners of Exempt Property, except for Declarant, its affiliates, subcontractors, employees, agents, guests and invitees. This subsection X may not be amended without the approval of any and all Owners of Exempt Property affected by the amendment.

Y. "Golf Course" and "Golf Course Land" shall mean the golf course real property established by Declarant by a recorded plat or Tract Declaration and all improvements thereon, including any clubhouse, pro shop, driving range and associated recreational, maintenance and other facilities owned and operated in conjunction with the Golf Course.

Z. "Land Use Classification" shall mean the classification to be established by the Declarant pursuant to Article IV, Section I, which designates the type of improvements which may be constructed on a Lot, Parcel or Association Land and the purposes for which such improvements and surrounding land may be utilized.

Aa. "Lot" shall mean any (a) area of real property within SaddleBrooke Country Club No. 2 designated as a Lot on any subdivision plat or replat recorded or approved by Declarant and limited by a Tract Declaration to either Single Family Residential Use or Cluster Residential Use, and (b) any Condominium Unit within SaddleBrooke Country Club No. 2 which is limited to residential use by a Tract Declaration or declaration of condominium.

Bb. "Maintenance Charges" shall mean any and all costs assessed pursuant to

Article X, Sections 2 and 3.

Cc. "Master Development Plan" shall mean Declarant's master plan for development for SaddleBrooke Country Club No. 2, as the same may from time to time be amended.

Dd. "Member" shall mean any person holding Membership in the Association pursuant to this Declaration.

Ee. "Membership" shall mean a membership in the Association and the rights granted to the Owners of Lots pursuant to Article VI to participate in the Association.

Ff. "SaddleBrooke Country Club No. 2" shall mean the real property described on Exhibit A of this Declaration and the development to be completed thereon, together with any real property hereafter annexed and less any real property hereafter deannexed pursuant to the provisions of Article XIV of this Declaration.

Gg. "SaddleBrooke Country Club No. 2 Rules" shall mean the rules for SaddleBrooke Country Club No. 2 adopted by the Board pursuant to Article V, Section 3, as such rules are amended from time to time.

Hh. "Owner" (when so capitalized) shall mean the record holder of legal, beneficial or equitable title to the fee simple interest of any Lot or Parcel, including without limitation the one who is buying a Lot or Parcel under a recorded contract (as defined in Arizona Revised Statutes Section 33-741), but excluding others who hold such title merely as security. "Owner" shall not include a lessee or tenant of a Lot or Parcel. In the case of Lots or Parcels the fee simple title to which is vested of record in a trustee pursuant to Arizona Revised Statutes Section 33-801 et seq., legal title shall be deemed to be in the Trustor. In the case of Lots or Parcels the fee simple title to which is vested in a trustee pursuant to a trust agreement, the beneficiary of any such trust entitled to possession shall be deemed to be the Owner. An Owner shall include any person who holds record title to a Lot or Parcel in joint ownership with any other person or holds an undivided fee interest in any Lot or Parcel.

li. "Parcel" shall mean an area of real property within SaddleBrooke Country Club No. 2 limited by a Tract Declaration to one of the following Land Use Classifications: Apartment Development Use, Residential Condominium Development Use (but only until the declaration of condominium therefor is recorded), Commercial Office Use, General Public or Quasi-Public Use, Resort Hotel or Motel Use, Church Use, General Commercial Use, Industrial Park Use, and Utility or Well-Site Use. The term Parcel shall also include an area of land as to which a Tract Declaration has been recorded designating the area for Single Family Residential Use or Cluster Residential Use but which has not yet been subdivided into Lots and related amenities and rights-of-way, but any such area shall cease to be a Parcel upon the recordation of a

subdivision plat or other instrument covering the area and creating Lots and related amenities. Notwithstanding the foregoing provisions, a Parcel shall not include a Lot, any Golf Course Land or any Association Land, but in the case of staged developments, shall include areas not yet included in a subdivision plat, declaration of condominium or other recorded instrument creating Lots and related amenities. A Parcel with a Land Use Classification of Apartment Development shall cease to be a Parcel if the Apartment Development is converted to residential Condominium Units.

Jj. "Party Walls" shall mean a wall constructed on or immediately adjacent to the common boundary of Lots, Parcels, Common Areas or other areas in SaddleBrooke Country Club No. 2.

Kk. "Rental Apartments" shall mean Dwelling Units within a permanent improvement consisting of two (2) or more commercially integrated Dwelling Units under a single ownership upon one or more contiguous Parcels, each of which is designed and utilized, otherwise than as a hotel or on some other transient basis, for rental or leased residential purposes to non-owners on a non-cooperative basis.

Ll. "Resident" shall mean:

(1) Each buyer under a recorded contract (as defined in Arizona Revised Statutes Section 33-741) covering any part of the Assessable Property, provided the buyer is actually residing on any part of the Assessable Property, and each Owner, tenant or lessee actually residing on any part of the Assessable Property; and

(2) Members of the immediate family of each Owner, lessee, tenant and of each buyer referred to in subparagraph (1) actually living in the same household with such Owner, lessee, tenant or buyer on any part of the Assessable Property.

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

Mm. "Residential Areas" shall include Single Family Residential Developments, Cluster Residential Developments, residential Condominium Developments, all common recreational areas and facilities associated with any of the foregoing Residential Areas and other non-commercial, non-industrial and non-utility areas.

Nn. "Single Family" shall mean an individual living alone, or a group of two or more persons each related to the other by blood, marriage or legal adoption who maintain a common household in a Dwelling Unit.

Oo. "Special Assessment" shall mean any assessment levied and assessed pursuant to Article VII, Section 5.

Pp. "Special Use Fees" shall mean special fees authorized by this Declaration which an Owner, Resident or any other person is obligated to pay to the Association over, above and in addition to any Annual and Special Assessments or Maintenance Charges imposed or payable hereunder. The amount of any Special Use Fee shall be determined in the Board's sole discretion, provided all such fees must be fair and reasonable.

Qq. "Tract Declaration" shall mean a declaration recorded pursuant to Article IV, Section 1, below, as such declaration may be modified or amended from time to time.

Rr. "Transition Date" shall be the first to occur of:

(i) the day on which title to the last Lot in SaddleBrooke Country Club No. 2 owned by Declarant (or by Trustee under a trust of which Declarant is a beneficiary) is conveyed to a third party for value, other than as security for the performance of an obligation, or

(ii) the expiration of any five (5) year period during which title to no residential lot in SaddleBrooke Country Club No. 2 is conveyed by Declarant (or by Trustee under a trust of which Declarant is beneficiary) to a third party for value, other than as security for the performance of an obligation, or

(iii) the date thirty-five (35) years after the date this Declaration is recorded in the Official Records of Pinal County, Arizona, or

(iv) such earlier date as Declarant declares to be the Transition Date in a properly recorded instrument.

Ss. "Trustee" shall mean the above recited Trustee, its successors and assigns.

Tt. "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is or would be visible to a person six feet tall standing on neighboring property, on the level of the base of the structure or building being viewed.

ARTICLE II

PROPERTY SUBJECT TO SADDLEBROOKE COUNTRY CLUB No. 2 DECLARATION

Section 1. General Declaration Creating SaddleBrooke Country Club No. 2. Declarant hereby declares that all of SaddleBrooke Country Club No. 2 (except any property which is hereafter excluded or abandoned pursuant to the provisions of this Declaration) is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Declaration. In addition, real property within SaddleBrooke Country Club No. 2 may be subject to recorded Tract Declarations. Declarant intends to develop SaddleBrooke Country Club No. 2 by subdivision into various Lots, Parcels and other areas and to sell and convey such Lots and/or Parcels. As portions of SaddleBrooke Country Club No. 2 are developed, Declarant shall record one or more Tract Declarations covering such property. The Tract Declarations will specify the Land Use Classification(s) and permitted uses of property described therein (in accordance with Article IV hereof) and will incorporate this Declaration and establish such additional covenants, conditions and restrictions as may be appropriate for that property. This Declaration and all subsequent Tract Declarations are declared and agreed to be in furtherance of a general plan for the subdivision, development, improvement and sale of SaddleBrooke Country Club No. 2 and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of SaddleBrooke Country Club No. 2 and every part thereof. All of this Declaration and applicable Tract Declarations shall run with SaddleBrooke Country Club No. 2 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. Nothing in this Declaration shall be construed to prevent Declarant from modifying the Master Development Plan or any portions thereof regarding any property owned by Declarant or regarding any other property, whether or not a Tract Declaration therefor has not been recorded, provided Declarant obtains the consent of the Owner of the Property that is the subject of the modification. This Declaration shall not be construed to prevent Declarant from dedicating or conveying portions of SaddleBrooke Country Club No. 2, including streets or roadways, for uses other than as a Lot, Parcel, Golf Course Land, Common Area or Association Land, subject to the provisions of Article IV, Section 1.

Section 2. Association Bound. Upon acceptance by the Arizona Corporation Commission of Articles of Incorporation of the Association, this Declaration shall be binding upon and shall benefit the Association.

ARTICLE III**EASEMENTS AND RIGHTS OF ENJOYMENT IN COMMON AREAS**

Section 1. Easements of Enjoyment. Every Owner shall have a nonexclusive easement for the use and enjoyment in and to the Common Areas, which nonexclusive easement shall be appurtenant to and shall pass with the title to every Lot and Parcel. All Residents, other than Owners, shall have a nonexclusive, nontransferable temporary easement to use and enjoy the Common Areas so long as they remain Residents. The foregoing grant and rights are subject, among other things, to the following limitations:

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

(b) The right of the Association to suspend the voting rights of any Member and right to use Common Area recreational facilities by any Member and any Resident claiming through such Member (i) for any period during which any Assessment against his Lot remains delinquent; (ii) for a period not to exceed 60 days for any infraction of this Declaration, a Tract Declaration, the SaddleBrooke Country Club No. 2 Rules or applicable Architectural Guidelines, and (iii) for successive 60 day periods if any such infraction is not corrected during any preceding 60 day suspension period.

(c) The right of the Association to dedicate or transfer all or any part of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Association. Unless otherwise required by zoning stipulations or agreements with a governmental agency or entity effective prior to the date hereof or unless specified hereafter on a recorded subdivision plat executed by Declarant, no such dedication or transfer shall be effective unless approved in writing by Declarant and, if such transfer is after the Transition Date, then by the Owners of at least two-thirds (2/3) of the Memberships, except that the Board shall have authority without Membership approval to transfer to such public agencies, authorities or utilities, easements and rights-of-way that are intended to benefit SaddleBrooke Country Club No. 2 and which, in the Board's sole judgment, do not have any substantial adverse effect on the enjoyment of the Common Areas by the Members.

(d) The right of the Association to regulate the use of the Common Areas through the SaddleBrooke Country Club No. 2 Rules and to prohibit access to those Common Areas, such as landscaped areas, not intended for use by Owners or Residents.

(e) The right of the Association to regulate, restrict or prohibit the use of the Common Areas, other than easements, rights-of-way, utility improvements and

landscaping, drainage and flood control areas, by non-Members, except for Rental Apartment Residents designated by the Owners of such Rental Apartments as provided in Section 5 below.

(f) The right of the Association to change the use of Common Areas and to change the size, shape or location of the Common Areas as provided in Article XII, Sections 4 and 5.

Section 2. Delegation of Use. Any Owner may, in accordance with and subject to this Declaration and the SaddleBrooke Country Club No. 2 Rules and the limitations therein contained, delegate his right of enjoyment in the Common Areas and facilities to the members of his family, his tenants or lessees, his guests or invitees or to his tenant's family, guests or invitees.

Section 3. Rights of Ingress and Egress. Every Owner shall have an unrestricted right of ingress and egress to his Lot(s) and/or Parcel(s) which right shall be perpetual and shall be appurtenant to and shall pass with title to such Lot(s) or Parcel(s) over the following areas:

(a) for pedestrian traffic over, through and across sidewalks, paths, walks and lanes that from time to time may exist upon the Common Areas and which are designated as for ingress and egress to such Owner's Lot or Parcel; and

(b) for pedestrian and vehicular traffic over, through and across the Common Area streets and roadways, if any, which are designated and paved for such purpose.

Any Owner may, in accordance with and subject to this Declaration and the SaddleBrooke Country Club No. 2 Rules and the limitations contained therein, delegate his right of ingress and egress to the members of his family, his guests, and his tenants (including his tenant's family and guests).

Section 4. Easements and Encroachments. Each Lot and Parcel, the Common Areas, and all other areas in SaddleBrooke Country Club No. 2 shall be subject to an easement of not more than five feet for encroachments of walls, ledges, roofs, air conditioners and other structures created by construction, settling and overhangs as originally or subsequently designed and constructed by Declarant or its affiliates and contractors. If any such improvement on the Common Areas encroaches upon any Lot, Parcel or other area, or if any such improvement on any Lot, Parcel or other area encroaches upon any portion of the Common Areas, or if any such improvement on any Lot, Parcel or other area encroaches upon another Lot, Parcel or other area, a valid easement for said encroachments and for the maintenance thereof shall exist. In the event any structure on any Lot, Parcel, Common Area or other area is repaired, altered or reconstructed in accordance with the original plans and specifications or subsequent plans and specifications of Declarant or its affiliates, similar

encroachments shall be permitted and a valid easement for said encroachments and for the maintenance thereof shall exist.

Section 5. Use of Facilities by Rental Apartment Residents. Notwithstanding anything to the contrary contained in this Article III, unless otherwise provided in an applicable Tract Declaration for an Apartment Development, Owners of Rental Apartments shall have the right to authorize the Residents of their Rental Apartments to use those Common Areas and facilities that are otherwise limited to use by Members of the Association or for which preference is given to Members of the Association, upon the same terms and conditions as Members of the Association, provided that the Association is paid, with respect to each Rental Apartment that contains Residents who are so authorized, an amount equal to one-half of the Annual Assessments that would be required in such year for the Rental Apartment if the Rental Apartment were a Lot. Such amounts shall be payable only with respect to those Rental Apartments that contain Residents who are authorized to use such Common Areas and facilities by the Owners of the Rental Apartments, which authorization may be made or withdrawn at any time or times; provided, however, that Declarant shall have the right to authorize Residents of Rental Apartments owned by Trustee or Declarant to use the Common Areas and facilities, and neither Trustee, Declarant nor such Residents shall be obligated to pay such amounts if such Rental Apartments are used by Declarant for marketing purposes, including without limitation used by potential purchasers of property at SaddleBrooke Country Club No. 2. The amounts payable to the Association pursuant to this Section with respect to any Rental Apartment shall be prorated for the period during which such authorization by the Owner of the Rental Apartment exists.

ARTICLE IV

LAND USE CLASSIFICATIONS AND USE RESTRICTIONS

Section 1. Land Use Classifications. As portions of SaddleBrooke Country Club No. 2 are readied for development, the Land Use Classifications, including any number of subclassifications thereof for any special uses, shall be fixed by Declarant in a Tract Declaration which shall be recorded for that portion of SaddleBrooke Country Club No. 2. Any such Tract Declaration may include additional covenants and restrictions and shall be construed as a supplement to this Declaration and fully a part hereof for all purposes to the same extent as if all of the provisions thereof were set forth in this Declaration. The Land Use Classifications for Lots, Parcels and Association Land established by a Tract Declaration shall not be changed except as specifically permitted by this Declaration. The contemplated Land Use Classifications that may be established by Declarant include, without limitation, the following:

- (a) Single Family Residential Use.

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

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

(d) Commercial Office Use, including but not limited to office condominiums and business parks.

(e) Industrial Park Use.

(f) General Commercial Use, including but not limited to business parks, restaurants, recreational facilities not owned by the Association or any residential Ancillary Association, shopping centers, storage, recreational vehicle storage and other commercial uses.

(g) Association Use, which may include common recreational and other areas owned and maintained by the Association.

(h) Golf Course Use, including any clubhouse and any other recreational and maintenance uses operated in connection therewith.

(i) Utility or Well-Site Use, including maintenance and storage related thereto. A parcel with a Land Use Classification of Utility Use may be used as a cable headend facility, which facility may include satellite receiving dishes and towers.

(j) General Public or Quasi-Public Uses approved by Declarant, including but not limited to libraries and parks which are not Association Land and fire stations.

(k) Cluster Residential Use, which shall consist of Lots with Dwelling Units intended for Single Family occupancy and may include those types of residential housing arrangements known as townhouses, clustered housing, duplexes, zero-lot line housing and similar arrangements, together with any related amenities.

(l) Resort, Hotel or Motel Use, including time share apartments and condominiums.

(m) Church Use.

Notwithstanding anything to the contrary contained in this Declaration, except as otherwise expressly provided in an applicable Tract Declarations for Parcels within Commercial Areas, Commercial Areas shall be exempt from any and all architectural restrictions contained in this Declaration, including, but not limited to the provisions of Section 2(a) of this Article IV, Section 3 of Article V, and Article XI, and from any

and all assessments and charges by the Association. Unless otherwise specifically provided in this Declaration, the definitions and characteristics of all Land Use Classifications, and specific permitted and prohibited uses in such Classifications or any subclassifications or combined classifications, shall be determined in the Tract Declaration and shall be within the complete discretion of Declarant. Each Tract Declaration and each subdivision plat may be modified, amended or revoked at any time by Declarant as to all or any portion of the real property that is subject to such Tract Declaration or plat, without the consent of any Owners other than the Owner(s) of the portion of the real property that is the subject of such modification, amendment or revocation. If the Association is the Owner of real property that is subject to any such modification, amendment or revocation, Declarant shall not be required to obtain the Association's consent to any such action prior to the Transition Date. In addition, each Tract Declaration and plat may be modified, amended or revoked at any time by Declarant and by the Owners of a majority of the Lots that are subject to the Tract Declaration or plat. Notwithstanding the foregoing, no modification, amendment or revocation shall be effective if it would leave any Lot not owned by Declarant or Trustee without legal access. No Tract Declaration or plat may be modified, amended or revoked without Declarant's consent to and signature on the modification, amendment or resolution. All Tract Declarations shall be subject to applicable zoning laws.

Section 2. Covenants Applicable to Lots, Parcels and Other Areas Within All Land Use Classifications. Except as otherwise expressly provided in this Section 2 or elsewhere in this Declaration, the following Covenants and rights shall apply to all Lots, Parcels and other areas in SaddleBrooke Country Club No. 2, and the Owners, Residents and tenants thereof, whether or not a Tract Declaration has been recorded on such property and regardless of the Land Use Classification of such property:

(a) Architectural Control. Except as otherwise expressly provided in this Declaration, the Architectural Guidelines or any applicable Tract Declaration that has been signed by Declarant, (i) no improvements (whether temporary or permanent), alterations, repairs, excavation, grading, lighting, landscaping or other work that in any way alters the exterior appearance of any property within Residential Areas of SaddleBrooke Country Club No. 2 or improvements thereon from its natural or improved state existing on the date this Declaration is recorded shall be made or done, and (ii) no building, fence, exterior wall, residence or other structure shall be commenced, erected, maintained, improved, altered or made within Residential Areas of SaddleBrooke Country Club No. 2, without the prior written approval of the Architectural Committee. All subsequent additions to or changes or alterations in any such building, fence, wall or other structures that affect the exterior appearance thereof, including exterior color scheme, and all changes in the grade, outside lighting or landscaping of any Residential Area in SaddleBrooke Country Club No. 2, shall be subject to the prior written approval of the Architectural Committee. No changes or deviations in or from the plans and specifications once approved by the Architectural

Committee shall be made without the prior written approval of the Architectural Committee. Once construction of an improvement has been commenced on the property, the Owner shall diligently pursue completion of such improvement in accordance with approved plans. Declarant, Owners of Commercial Areas and tenants of Commercial Areas shall be exempt from the requirements of this subsection (a) and therefore all improvements, alterations, repairs, excavation, grading, lighting, landscaping or other work performed, constructed or installed by Declarant and Owners and Tenants of Commercial Areas shall be deemed approved by the Architectural Committee.

(b) Animals. Except as otherwise expressly permitted in an applicable Tract Declaration, no animals or birds, other than a reasonable number of generally recognized house or yard pets, shall be maintained on any Lot, Parcel or other area in SaddleBrooke Country Club No. 2 and then only if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. All pets must be kept in a fenced yard or on a leash at all times. No animal or bird shall be allowed to make an unreasonable amount of noise or to become a nuisance or an annoyance to other Owners. It shall be the responsibility of each Owner to remove immediately any droppings from pets. No structure for the care, housing or confinement of any animal or bird shall be maintained so as to be Visible From Neighboring Property, unless otherwise approved by the Architectural Committee. Upon 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 subsection, a particular animal or bird is a generally recognized house or yard pet, whether such a pet is a problem or 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. Exempt from the foregoing restrictions are pet shops, veterinarian offices, animal hospitals or laboratories in a General Commercial Land Use Classification.

(c) Temporary Occupancy and Temporary Buildings. No trailer, incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Temporary buildings or structures used by Declarant, its affiliates, subcontractors and employees, and by Owners and Tenants of Commercial Areas may be used on any property for construction, repair or sales purposes.

(d) Maintenance of Landscaping and Driveways. Unless otherwise provided in a recorded instrument approved by Declarant, each Owner shall be responsible for the proper maintenance of all landscaping in the following locations: (i) his Lot or Parcel (including set back areas and Common Areas located thereon); (ii) public right-of-way areas between sidewalks (or bikepaths) and the street curb on the front or side of his Lot or Parcel; (iii) public areas between a sidewalk and the Lot or Parcel boundary; and (iv) other public or easement areas adjacent to such Owner's Lot or Parcel. However,

in the event the maintenance of the above areas is the responsibility of the Association, an Ancillary Association, a utility, or a governmental or similar authority, then the Owners shall be responsible for such maintenance only for so long as such other entities are not performing such maintenance. As used herein, maintenance shall include but not be limited to keeping the areas neatly trimmed, cultivated and free of trash, weeds and unsightly material. The character of the landscaping must be such as to complement landscaping established in the Common Areas or, in Residential Areas, as required by the Architectural Committee. Each Lot Owner hereby agrees that the landscaping in the areas described above shall be completed at such Owner's expense within ninety (90) days after closing of the initial purchase of the Dwelling Unit on the Owner's Lot, shall be of quality compatible with the development and shall otherwise be in compliance with this subsection (d). The requirements of the preceding sentence shall not apply to Declarant or its affiliates. Each Owner shall also maintain in good condition and repair all paved and concrete areas, including driveways, roadways, sidewalks and parking areas, located on his Lot or Parcel and shall sweep and keep in a neat and clean condition all sidewalks located between such Owner's Lot and any front and side streets.

(e) Nuisances; Construction Activities. No weeds, dead trees or plants, rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot, Parcel or other area in SaddleBrooke Country Club No. 2, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or activity thereon unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the occupants of such other property. No other nuisance shall be permitted to exist or operate upon any Lot, Parcel or other area in SaddleBrooke Country Club No. 2. The Architectural Committee shall have the exclusive right to determine the existence of any nuisance within Residential Areas. Without limiting the generality of any of the foregoing provisions and except as otherwise permitted herein, no exterior speakers, horns, whistles, firecrackers, bells or other sound devices, except security devices used exclusively for security purposes, shall be located, used or placed on any such property. Normal construction activities and parking in connection with the building of improvements in SaddleBrooke Country Club No. 2 shall not be considered a nuisance or otherwise prohibited by this Declaration, but Lots and Parcels shall be kept in a neat and tidy condition during construction periods, trash and debris shall be removed periodically and, in Residential Areas, supplies of brick, block, lumber and other building materials will be piled only in such areas as may be approved by the Architectural Committee. An Owner shall be responsible for all on-site and construction trash and debris occasioned by his contractors and subcontractors and shall remove all such trash and debris within a reasonable period of time. In addition, any construction equipment and building materials stored or kept on any Lot or Parcel may be kept only in areas approved by the Architectural Committee. It is acknowledged that normal construction activities may be noisy and may require the use of exterior speakers and that exterior speakers may be needed on the Golf Course Land, and such use of

exterior speakers is expressly permitted.

(f) Diseases and Insects. No Owner shall permit any thing or condition to exist upon any Lot, Parcel or other area which shall include, breed or harbor diseases or insects.

(g) Repair of Building. No building or structure on any area in SaddleBrooke Country Club No. 2 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 Subsection (a) above, such building or structure shall be promptly repaired, rebuilt or demolished. In the event a Lot Owner fails to comply with this provision, the Board may give notice to the offending Lot Owner, and may then proceed to repair the building or improvement and charge the Lot Owner therefor as permitted in Section 3 of Article X.

(h) Antennas. No antenna, satellite receiving station or other device for the transmission or reception of television or radio signals or any other form of electromagnetic radiation shall be erected, used or maintained outdoors on any area in SaddleBrooke Country Club No. 2 (whether attached to a building or structure or otherwise) so as to be Visible From Neighboring Property, unless approved by Declarant or the Architectural Committee. Declarant or the Architectural Committee may permit one or more aerial satellite dishes, and or other apparatus and equipment for an antenna or cable system for the benefit of all or portions of SaddleBrooke Country Club No. 2.

(i) Mineral Exploration. No area in SaddleBrooke Country Club No. 2 (other than one or more Parcels designated as Well-Sites) shall be used in any manner to explore for or remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substances of any kind, without the prior written consent of Declarant, which consent may be withheld in Declarant's sole discretion.

(j) Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot, residential Parcel, or other Residential Area in SaddleBrooke Country Club No. 2 except in covered containers of a type, size and style which are approved by the Architectural Committee, and except for garbage or trash produced by Declarant, its affiliates or subcontractors in connection with construction of the subdivision or of any improvements in SaddleBrooke Country Club No. 2. Unless otherwise approved by the Architectural Committee, such containers shall be maintained and stored so as to not be Visible From Neighboring Property except to make the same available for collection. All rubbish, trash and garbage shall be removed from the Lots, Parcels and other areas in SaddleBrooke Country Club No. 2 and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained in SaddleBrooke Country Club No. 2.

(k) Clothes Drying Facilities. No outside clotheslines or other outside facilities for drying or airing clothes shall be placed or maintained in SaddleBrooke Country Club No. 2 unless they are not Visible From Neighboring Property.

(1) Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained in SaddleBrooke Country Club No. 2 except (i) such machinery or equipment as is usual and customary in connection with the use, maintenance or construction (during the period of construction) of an approved building, appurtenant structures, or other improvements; (ii) that which Declarant or the Association may require for the operation and maintenance of SaddleBrooke Country Club No. 2; or (iii) that used or displayed in connection with any business or operation permitted under a Tract Declaration.

(m) Signs. No signs which are Visible From Neighboring Property shall be erected or maintained in Residential Areas of SaddleBrooke Country Club No. 2 except:

(i) Signs required by legal proceedings.

(ii) Identification signs for individual detached residences, provided the number and specifications of such signs satisfy criteria established by the Architectural Committee from time to time.

(iii) Such other signs, including but not limited to signs erected by Declarant or its affiliates and construction job identification signs, directional signs and subdivision identification signs, that have been approved in writing by the Architectural Committee or by Declarant.

(iv) "For sale" or "for rent" signs for individual Dwelling Units, provided the number and specifications of such signs satisfy criteria established by the Architectural Committee from time to time. The Board, the Association, the Architectural Committee, or their agent may enter the Lot for the purpose of removing any for sale or for rent signs that do not comply with Architectural Committee standards or do not otherwise comply with this subsection (m)(iv).

(n) Restriction on Further Subdivision, Property Restrictions and Rezoning. No Lot or Parcel shall be further subdivided or separated into smaller lots or parcels by any Owner or other person, and no portion less than all of any such Lot or Parcel, nor any easement or other interest therein, shall be conveyed or transferred by any Owner, without the prior written approval of Declarant. This provision shall not apply to transfers of an individual ownership interest in the whole of any Lot or Parcel or to mortgages, deeds of trust or other liens on the whole of any Lot or Parcel. Notwithstanding anything to the contrary contained in this Declaration, Declarant reserves and shall retain the right to subdivide, separate, resubdivide or combine into Lots or Parcels any property at any time owned or controlled by Declarant. Unless

otherwise approved by Declarant, no buildings or other permanent structures shall be constructed on any areas in SaddleBrooke Country Club No. 2 until a Tract Declaration has been recorded on such property. No subdivision plat, Tract Declaration or further covenants, conditions, restrictions or easements shall be recorded by any Owner or other person against any property in SaddleBrooke Country Club No. 2 unless the provisions thereof have first been approved in writing by Declarant. Any plat, Tract Declaration or other covenants, conditions and restrictions or easements recorded without such approval being evidenced thereon shall be null and void. Once a Parcel has been subdivided into Lots by a recorded plat, that Parcel may not be resubdivided into a greater or lesser number of Lots without the approval of Declarant. No application for rezoning of any Lot or Parcel, and no application for variances or use permits, shall be filed with any governmental authority unless the proposed use of the property has been approved by Declarant and the proposed use otherwise complies with this Declaration and any applicable Tract Declaration.

(o) Utility Easements. There is hereby created a blanket easement upon, across, over and under SaddleBrooke Country Club No. 2 for ingress to, and egress from, and the installation, replacing, repairing and maintaining of, all utility and service lines and systems, including, but not limited to water, sewers, gas, telephones, electricity, television cable or communication lines and other systems as such utilities are installed in connection with the initial and ongoing development of SaddleBrooke Country Club No. 2. Pursuant to this easement, a providing utility or service company may install and maintain facilities and equipment on the property and affix and maintain wires, circuits and conduits on, in and under the roofs and exterior walls of buildings on the property. Notwithstanding anything to the contrary contained in this subsection, no sewers, electrical lines, waterlines, or other utilities or service lines, facilities or equipment may be installed or relocated on any area in SaddleBrooke Country Club No. 2 pursuant to this easement without the consent of Declarant, except as initially planned and approved by Declarant or, if installed on a Lot or Parcel after recordation of the Tract Declaration, as permitted by an otherwise valid easement or as approved by the Owner of the Lot or Parcel.

(p) Party Walls. Except as hereinafter provided, the rights and duties of Owners of contiguous properties which have Party Walls shall be as follows:

(i) Each Owner shall have the right to use the Party Wall, provided that such use does not interfere with the other Owner's use and enjoyment thereof.

(ii) If a Party Wall is damaged or destroyed through the act or failure to act of an Owner or any of his tenants, agents, guests or members of his family (whether or not such act is negligent or otherwise culpable), it shall be the obligation of such Owner to promptly rebuild and repair the Party Wall without cost to the Owner of the adjoining property.

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

(iv) In the event of a dispute between Owners with respect to the construction, repair or rebuilding of a Party Wall, or with respect to the sharing of the cost thereof, such adjoining Owners shall submit the dispute to the Board, the decision of which shall be binding. Notwithstanding any such decision, an Owner may seek indemnity from any party causing the damage.

(v) Notwithstanding the foregoing and unless otherwise indicated in an applicable Tract Declaration or other recorded document, in the case of Party Walls (1) between Common Areas and Lots and Parcels, or (2) constructed by Declarant or the Association on Common Areas within a Lot or Parcel, the Association shall be responsible for all maintenance thereof, subject to the provisions of Article X, Sections 2 and 3, except that each Owner of a Lot or Parcel shall remain responsible for painting and maintaining the surface of the portion of the Party Wall facing his Lot or Parcel and/or the portion of the Party Wall which is not a portion of the Common Area, and except that an adjoining Owner shall reimburse the Association for one-half of the costs incurred by the Association for any structural repair of the Party Wall located on that Owner's property.

(vi) The provisions of this Subsection (p) shall not apply to any Party Wall that separates the interiors of two Dwelling Units or to any Party Wall that also constitutes an exterior wall of a Dwelling Unit. The rights of the Owners of such Dwelling Units with respect to such Party Walls shall be governed by the applicable Tract Declaration or by any additional covenants recorded on those Dwelling Units.

(q) Perimeter Walls. All fences adjoining the Golf Course, Common Areas, parks or washes shall be maintained by the Association in accordance with specifications established by the Architectural Committee for the purpose of preserving and protecting the views from adjoining properties. Subject to the provisions of Article X, Sections 2 and 3, the perimeter walls constructed by Declarant, if any, shall be maintained by the Association, except that each Owner shall remain responsible for painting and maintaining the surface of the portion of the perimeter wall facing his Lot or Parcel and except that the Owner shall reimburse the Association for one-half of the costs of any structural repair of that portion of the perimeter wall located on that Owner's property or on or near that Owner's property boundary. The Board shall have sole discretion with respect to the maintenance of the exterior surface facing the arterial rights-of-way and the structural repair of the perimeter walls. The Association

shall be responsible for the maintenance of:

(i) all landscaping immediately outside the perimeter walls and fences and adjoining the arterial right-of-way, and

(ii) all areas immediately outside a perimeter wall and adjoining a Common Area wash, except any maintenance assumed by any governmental entity, by an Ancillary Association, or by the Owner of the adjoining Lot or Parcel.

(r) 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 SaddleBrooke Country Club No. 2 unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures, except for

(i) boxes on the ground for electrical or communication connections, junctions, transformers and other apparatus customarily used in connection with such underground lines, wires and other devices;

(ii) such above ground electrical apparatus as may be convenient or reasonably necessary on any well sites or Parcels designated for Utility Use; and

(iii) those expressly approved by Declarant.

Notwithstanding the foregoing, no above ground electrical apparatus shall be installed without the approval of Declarant. All lines for the transmission of water and sewage shall also be installed and maintained underground or concealed in, on or under structures approved by Declarant or otherwise installed in a manner approved by Declarant. The installation and location of all utility lines and equipment must be approved in advance by Declarant. Temporary above ground power or telephone structures and water lines incident to construction activities shall be permitted with the prior consent of Declarant.

(s) Overhead Encroachments. No tree, shrub or planting of any kind on any Lot, Parcel or other area shall be allowed to overhang or otherwise to encroach upon any sidewalk, street, bike path, trail, pedestrian way, the Golf Course or other area from the ground level to a height of eight (8) feet without the prior consent of Declarant or the Architectural Committee.

(t) Trucks, Trailers, Campers and Boats. No motor vehicle classed by manufacturer rating as exceeding 3/4 ton, mobile home, motor home, trailer, camper shell, detached camper, boat, boat trailer or other similar equipment or vehicle may be parked or stored on any area in SaddleBrooke Country Club No. 2 so as to be

Visible From Neighboring Property, Common Area or street; provided, however, this provision shall not apply to (i) pickup trucks of less than 3/4-ton capacity with camper shells not exceeding seven (7) feet in height measured from ground level and mini-motor homes not exceeding seven (7) feet in height and eighteen (18) feet in length that are parked as provided in subsection (v) below and are used on a regular and recurring basis for basic transportation; (ii) trucks, trailers and campers parked in a recreational vehicle storage area, if any, within a Residential Area or other areas, if any, designated for such parking in non-residential Land Use Classifications, provided, however, that all such parking areas have been approved by Declarant or the Architectural Committee; or (iii) trucks, trailers, temporary construction shelters or facilities maintained during, and used in connection with, construction of any improvement approved by Declarant or the Architectural Committee.

(u) Motor Vehicles. No motor vehicle of any kind shall be constructed, reconstructed or repaired upon any Lot, Parcel or street or other area in SaddleBrooke Country Club No. 2, and no inoperable vehicle may be stored or parked so as to be Visible From Neighboring Property or to be visible from Common Areas or streets; provided, however, that this provision shall not apply to (i) emergency vehicle repairs; (ii) any automobile repair business which may be permitted in any Industrial Park or General Commercial Land Use Classification; (iii) the parking of motor vehicles in garages or other parking areas in SaddleBrooke Country Club No. 2 designated or approved by Declarant or the Architectural Committee so long as such vehicles are in good operating condition and appearance and are not under repair; and (iv) the storage of motor vehicles in an area designated for such purposes on a Tract Declaration or on a site plan approved by Declarant.

(v) Parking. Vehicles of all Owners and Residents, and of their employees, guests and invitees, are to be kept in garages, carports and other parking areas designated or approved by Declarant or the Board; provided, however, this section shall not be construed to permit the parking or storing in the above described areas of any vehicle whose parking or storage is otherwise prohibited herein. The SaddleBrooke Country Club No. 2 Rules may permit temporary parking on streets or other areas in SaddleBrooke Country Club No. 2 for public or private social events or other permitted activities.

(w) Roofs. No solar panel, air conditioning unit, evaporative cooler or other apparatus, structure or object shall be placed on the roof of a Dwelling Unit without the prior written consent of Declarant or the Architectural Committee. Any solar panel so approved for placement on a roof must be flush mounted if Visible From Neighboring Property.

(x) Window Treatments. Within ninety (90) days of occupancy each Owner of a Dwelling Unit shall install permanent draperies or suitable window treatments on all windows Visible From Neighboring Property. In no event shall windows be covered

with paper, aluminum foil, bed sheets or any other materials or temporary coverings not specifically intended for such purpose. No interior or exterior reflective material shall be used as a window covering unless such material has been approved by the Architectural Committee.

(y) Drainage. No Owner or Resident shall interfere with or obstruct the drainage pattern over his Lot or Parcel from or to any Lot or Parcel as that pattern may be established or altered by Declarant.

(z) Garage Openings. No garage door shall be open except when necessary for access to and from the garage. No carport, parking area or garage shall be used to store junk or other unsightly material.

(aa) Right of Entry. During reasonable hours and upon reasonable notice to the Owner or other occupant of a Lot or Parcel, any member of the Architectural Committee, any member of the Board or any authorized representative of either of them, shall have the right to enter upon and inspect any Lot and the improvements constructed or being constructed thereon (except for the interior portions of any completed and occupied Dwelling Unit and Dwelling Units under construction by Declarant or its affiliates) to determine compliance with this Declaration, the Architectural Guidelines, or any approved stipulations issued by the Architectural Committee or to perform repairs and maintenance as provided in Article X, Section 3, and such persons shall not be deemed guilty of trespass by reason of such entry. In addition, the Association shall have an easement and right of entry upon the Lot at any time or times without notice in order to perform emergency repairs.

(bb) Declarant's Exemption. Nothing contained in this Declaration shall be construed to prevent the erection, maintenance or operation by Declarant or its affiliates or subcontractors, of structures, improvements, signs, model homes, sales office and facilities, administrative offices, or other offices or facilities necessary or convenient to the development or sale of property within SaddleBrooke Country Club No. 2.

(cc) Health, Safety, Welfare and Security. 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 or Residents, the Board may make rules restricting or regulating their presence in SaddleBrooke Country Club No. 2; provided, however, that the Board shall have such power only with respect to Residential Areas of SaddleBrooke Country Club No. 2.

The Association will strive to maintain the residential areas of SaddleBrooke Country Club No. 2 as a safe, secure residential environment. HOWEVER, NEITHER THE ASSOCIATION NOR DECLARANT SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR

INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. ALL OWNERS, TENANTS, GUESTS AND INVITEES OF ANY OWNER, AS APPLICABLE, ACKNOWLEDGE THAT DECLARANT AND THE ASSOCIATION AND COMMITTEES ESTABLISHED BY ANY OF THE FOREGOING ENTITIES ARE NOT INSURERS AND THAT EACH OWNER, TENANT, GUEST AND INVITEE ASSUMES ALL RISK OF LOSS OR DAMAGE TO PERSONS, TO PROPERTY, TO LOTS, TO RESIDENCES AND TO THE CONTENTS OF LOTS AND RESIDENCES AND FURTHER ACKNOWLEDGES THAT DECLARANT HAS MADE NO REPRESENTATIONS OR WARRANTIES, NOR HAS ANY OWNER, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY SECURITY MEASURES RECOMMENDED OR TAKEN.

(dd) Model Homes. The provisions of this Declaration and of Tract Declarations which prohibit nonresidential use of Lots and Parcels and regulate parking of vehicles shall not prohibit the construction and maintenance of model homes, sales offices, administrative offices, and parking areas incidental thereto by Declarant and its designees engaged in the construction or marketing of Dwelling Units in SaddleBrooke Country Club No. 2. Any homes constructed as model homes shall cease to be used as model homes at any time Declarant is not actively engaged in the construction and sale of Dwelling Units in SaddleBrooke Country Club No. 2 and no home shall be used as a model home for the sale of homes not located in SaddleBrooke Country Club No. 2.

(ee) Incidental Uses. Declarant may approve, regulate or restrict incidental uses of property within a Land Use Classification. By way of example and not of limitation, Declarant may permit private roadways, tennis and/or swimming clubs intended primarily for the benefit of all or certain Owners and Residents, and tennis courts, swimming pools and other recreational amenities.

(ff) Leases. Any agreement for the lease of all or any portion of a Lot must be in writing and must be expressly subject to this Declaration, the SaddleBrooke Country Club No. 2 Rules, the Architectural Guidelines, the Articles and the Bylaws. Any violation of these documents by the tenant shall be a default under the lease. An Owner of a Lot shall notify the Association regarding the existence of all leases. The Lot Owner shall remain liable for compliance with the Declaration, Articles, Bylaws, SaddleBrooke Country Club No. 2 Rules and Architectural Guidelines and shall be responsible for any violations thereof by his tenant or his tenant's family and guests.

(gg) New Construction. All Dwelling Units shall be of new construction, and no buildings or other structures shall be moved on a Lot, Parcel or other area from other locations without the written consent of either Declarant or the Architectural Committee. No part of any Dwelling Unit shall be used for living purposes until the entire structure is completed.

(hh) Construction. All Dwelling Units and all other buildings in SaddleBrooke Country Club No. 2 must be constructed by Declarant or its designees. Notwithstanding anything to the contrary in this Declaration, this subsection (hh) can be amended, changed, waived or terminated only by Declarant by executing an instrument in recordable form that is recorded in the proper office of record.

(ii) Compliance with Law. No Lot, Parcel or other area in SaddleBrooke Country Club No. 2 shall be maintained or utilized in such a manner as to violate any applicable statute, ordinance or regulation of the United States of America, the State of Arizona, the County of Pinal or any other governmental entity or agency having jurisdiction over SaddleBrooke Country Club No. 2 or any part thereof.

(jj) No Modification by Private Agreement. No private agreement of any Owners shall modify or abrogate any of these Covenants or the obligations, rights and duties of the Owners hereunder.

Section 3. Covenants Applicable to Lots Within Single Family Residential Land Use Classification. The following Covenants shall apply only to Lots and the Owners and Residents thereof lying within a Single Family Residential Land Use Classification:

(a) General. Property classified as Single Family Residential Use under a Tract Declaration may be used only for the construction and occupancy of one Single Family detached Dwelling Unit per Lot and typical residential activities incidental thereto, such as the construction and use of private swimming pools, together with common recreational facilities or other common areas or amenities, if any. All Lots within such Land Use Classification shall be used, improved and devoted exclusively to residential uses and no occupation, business, profession, trade or other nonresidential use shall be conducted thereon, except that an Owner or Resident may conduct business activities on a Lot so long as (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (ii) the business activity conforms to all applicable zoning requirements; (iii) the business activity does not involve door-to-door solicitations of other Owners and Residents; and (iv) the business activity is consistent with the residential character of the property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents and Owners, as may be determined in the sole discretion of the Board. The terms "business", "occupation", "profession" and "trade", as used in this Section 3 and in the immediately following Section 4, shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required therefor. Notwithstanding the above, the leasing of a Dwelling Unit shall not

be considered a trade or business as defined herein. The restrictions contained in this Section 3 or in Section 4 below shall not apply to any activity conducted by Declarant with respect to its development, operation or sale of property within SaddleBrooke Country Club No. 2, and Declarant shall have the right to maintain sales offices, administration offices and sales and model complexes on property classified as for Single Family Residential Use, Residential Condominium Development Use or Cluster Residential Use.

(b) Tenants. The entire Dwelling Unit and Lot may be let to a Single Family tenant or lessee from time to time by the Owner, subject to the provisions of this Declaration, the SaddleBrooke Country Club No. 2 Rules, any applicable Architectural Guidelines and the Tract Declaration.

(c) Minimum Home Size. All detached Single Family Dwelling Units in SaddleBrooke Country Club No. 2 shall have at least one thousand (1,000) square feet of living space, exclusive of carports and porches.

Section 4. Covenants Applicable to Property Within a Residential Condominium Development Land Use Classification and a Cluster Residential Land Use Classification. The following Covenants shall apply only to Dwelling Units and the Owners and Residents thereof lying within a Residential Condominium Development Land Use Classification or a Cluster Residential Land Use Classification.

(a) General. Property classified as for Residential Condominium Development Use or as Cluster Residential Use under a Tract Declaration may be used only for the construction and occupancy of Single Family Dwelling Units, together with common facilities and other Common Areas, if any. In addition, a management office may be maintained on such property for the purpose of leasing and managing Dwelling Units and related improvements on such property. All Lots within such Land Use Classifications shall be used, improved and devoted exclusively to residential uses and no occupation, business, profession, trade or other nonresidential use shall be conducted thereon, except that an Owner or Resident may conduct business activities on a Lot so long as (i) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (ii) the business activity conforms to all applicable zoning requirements; (iii) the business activity does not involve door-to-door solicitations of other Owners and Residents; and (iv) the business activity is consistent with the residential character of the property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents and Owners, as may be determined in the sole discretion of the Board. As provided in Section 3 above, the restrictions contained in this Section 4 shall not apply to any activity conducted by Declarant with respect to its development or sale of property within SaddleBrooke Country Club No. 2.

(b) Tenants. The entire Dwelling Unit may be let to a Single Family tenant from

time to time by the Owner, subject to the provisions of this Declaration, the SaddleBrooke Country Club No. 2 Rules, any applicable Architectural Guidelines and the Tract Declaration.

Section 5. Covenants Applicable to Golf Course Land Use Classification.

(a) General. The Golf Course Land shall be designated as such in a Tract Declaration recorded by Declarant. No Association membership rights or responsibilities shall be attributed or charged to the Golf Course Land.

(b) Use Restriction. The Golf Course Land shall be used solely as one or more golf courses, parks, recreation areas (including but not limited to driving ranges, pro shops, water storage, well-sites, recharge wells, drainage structure, automobile parking, and other recreational and associated maintenance facilities) or for open space or desert landscaping purposes. Notwithstanding the foregoing and subject to applicable zoning regulations, the Owner of the Golf Course Land, without approval from the Board or other Owners, may amend the Tract Declaration or plat or plats covering the Golf Course Land to alter the use of the Golf Course Land or any portion thereof, provided that the remaining Golf Course Land remains available for golf course purposes. As long as Declarant has fee title to, or any beneficial or security interest in, any SaddleBrooke Country Club No. 2 property, any amendment to any Golf Course Tract Declaration or plat or plats must be approved by Declarant.

(c) Operation of Golf Course. To the extent reasonably possible, the manager of any golf course and other facilities located on Golf Course Land shall attempt to operate such golf course and other facilities in such a manner so as not to create an unreasonable nuisance for the Owners and Residents of SaddleBrooke Country Club No. 2. Notwithstanding the foregoing, activities and uses permitted on the Golf Course Land shall include all activities normally associated with the operation and maintenance of a golf course and any and all other recreational activities and facilities permitted under subsection (b) above, approved by Declarant, or permitted by the applicable Tract Declaration, including but not limited to the conduct of tournaments, races and other recreational events which may include spectators, television, radio and other media coverage, and various related activities. Notwithstanding other provisions of this Declaration or the SaddleBrooke Country Club No. 2 Rules restricting parking, members of the public shall have the right to park their vehicles on roadways within SaddleBrooke Country Club No. 2 at reasonable times before, during and following golf tournaments and other permitted functions held on the Golf Course Land.

Subject to the terms of this Declaration and any Tract Declaration recorded against the Golf Course Land, the Owner of the Golf Course Land shall have the right, in its sole discretion, to establish rules and regulations governing all aspects of the

golf course, including but not limited to price, hours of operation, tee-time procedures, annual memberships, use, reciprocal agreements, commitments, subleasing, availability, staffing, quality, equipment and maintenance. The Owner of Golf Course Land shall also have the right, in its sole discretion and at any time, to make such Golf Course Land available to others or the general public or to restrict play to the Members of the Association. The Owner of the Golf Course Land, its guests, employees, invitees and clientele shall have, in perpetuity, a right of reasonable access through SaddleBrooke Country Club No. 2 and the facilities thereon, and reasonable parking privileges, for the purpose of operating and using the golf course, golf pro shop, golf cart storage areas and snack bar. Upon request by the Owner of the Golf Course Land, (if the Association is not such Owner), the Association shall execute and notarize an instrument to further evidence such rights and privilege. Commencing one year after the Transition Date, the Owner of the Golf Course Land (if it is not the Association) shall, on an annual basis, reimburse the Association an amount not to exceed the actual cost directly attributable to the Association for the prior year of the Golf Course Owner's use and operation, if any, of the golf pro shop, golf cart storage areas and snack bar if they are located in a clubhouse conveyed to the Association or on any other property conveyed to the Association.

(d) Golf Balls. The Owners, Residents, guests and other persons owning, occupying or using any Lot, Dwelling Unit, Parcel or other area adjoining the Golf Course Land are deemed to have assumed the risks of personal injury and property damage resulting from golf balls hit onto such Lot, Dwelling Unit, Parcel or other area by persons playing golf on the Golf Course Land. Neither Declarant, the Owner of the Golf Course Land, or the Association is responsible for installing screening devices or trees to limit or prevent errant golf balls from causing injury or damage.

(e) Members' Right to Use Golf Course. Each Lot Owner shall have the right to use the golf course known as the SaddleBrooke II Golf Course, which is located on Golf Course Land, provided such Owner abides by the rules and regulations established by the Owner of such Golf Course Land and pays the fees and charges established from time to time by the Owner of such Golf Course Land. The Owner of Golf Course Land shall have the right, in its sole discretion and at any time, subject to the Tract Declaration for such Parcel, to make its Golf Course Land available to others or the general public or to restrict play to the Members of the Association. The Owner of the golf course (for the purposes of this paragraph called "Golf Course") shall have the right, subject to the terms of the Tract Declaration for such Golf Course, to operate such Golf Course as a private club and to limit use of such Golf Course to the members of such private club. If the owner of Golf Course Land offers annual passes for use of the Golf Course located on such owner's Golf Course Land, then the cost of such annual golf pass for any year shall not exceed the greater of (a) \$1,000.00 per 18 holes of golf located on such Owners Golf Course Land, as increased in accordance with the Consumer Price Index as set forth below, (b) One Hundred Fifteen percent (115%) of all costs and expenses of owning, operating,

maintaining and repairing the Golf Course Land and the facilities thereon for such year, as reasonably estimated by the Owner thereof, including but not limited to all costs and expenses for real property taxes, insurance, water, golf pro and other employees, the repair/replacement of improvements on such Golf Course Land, and all capital expenditures and costs and expenses of capital improvements (as depreciated in accordance with generally accepted accounting principles), but excluding costs incurred for the initial construction of the Golf Course and costs incurred for the purchase of the Golf Course Land or for the purchase of the Golf Course on such Golf Course Land. The \$1,000.00 per year per 18 holes referred to above shall be adjusted upward as of November 1, of each year to equal \$1,000.00 times a fraction, the denominator of which is the Consumer Price Index for All Urban Consumers-US Cities Average-all items (the "CPI") published by the United States Department of Labor, Bureau of Labor Statistics (1982-84 = 100) for the month of June, 1994, and the numerator of which is the CPI for June of the year in which the commencement date of the annual pass occurs, unless such commencement date begins prior to June of such year, in which event the numerator shall be the CPI of June of the then prior year. In no event shall such amount be adjusted downward. If at anytime the CPI is no longer published or its manner of calculation is changed, Declarant may substitute a different index, reconciled to June 1, 1994, that reasonably reflects changes in the purchasing power of the dollar. The foregoing limitations of the cost of annual golf passes do not apply to multi-course golf passes unless all owners covered by such passes are owned by the same Owner. No Owner of Golf Course Land shall have any obligation to offer annual golf passes, but any other rates or rate structures adopted by the Owner of any Golf Course located on Golf Course Land, except for the Golf Course described herein if such Golf Course is operated as a private club, shall generally be commensurate with the rates and rate structures for other golf courses in the vicinity of this Golf Course.

(f) The Issuance of An Annual Pass. The issuance of an annual pass to any homeowner for any one year shall not act as a guarantee that Declarant will issue such annual passes in any future year. Further the holder of any annual golf pass does not have an automatic right to expect to play every day for which such holder applies for a tee time. The number of tee times are limited by the amount of daylight on any given day, and Declarant may not find it possible to grant tee times to all persons who apply for tee times on any given day.

Section 6. Variances. The Declarant or the Board may, at its option and in extenuating circumstances, grant variances from any or all of the restrictions set forth in Article IV of this Declaration or in any Tract Declaration if Declarant or the Board determines in its discretion (a) either (i) that a restriction would create an unreasonable hardship or burden on an Owner, or (ii) that a change of circumstances since the recordation of this Declaration has rendered such restriction obsolete, and (b) that the activity permitted under the variance will not have any substantial adverse affect on the Owners and Residents of SaddleBrooke Country Club No. 2 and is

consistent with the high quality of life intended for Residents of SaddleBrooke Country Club No. 2. The request for a variance must be made in writing and must be accompanied by adequate supporting documentation.

Section 7. Grazing Operations. Historically and prior to its development by Declarant, substantially all of the SaddleBrooke Country Club No. 2 property was used for grazing purposes. Declarant expects to continue to use the undeveloped portions of SaddleBrooke Country Club No. 2 for grazing purposes until such portions of SaddleBrooke Country Club No. 2 are developed for residential, commercial or other uses. Therefore, notwithstanding anything to the contrary contained in this Article IV or elsewhere in this Declaration, none of the use restrictions or other provisions of this Declaration shall affect, interfere with or apply to any grazing operations, or related operations, that are conducted within SaddleBrooke Country Club No. 2 with the consent of Declarant, unless Declarant specifies otherwise in writing.

ARTICLE V

ORGANIZATION OF ASSOCIATION

Section 1. Formation of Association. The Association shall be a non-profit Arizona corporation. Upon incorporation, the Association shall serve as the governing body for all the Members and for the future Members, and shall be charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws and this Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

Section 2. Board of Directors and Officers. The affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with the Articles and the Bylaws. The Board may also appoint various committees and appoint a manager or managing agent who shall be subject to the direction of the Board and be responsible for the day-to-day operation of the Association. The Board shall determine the compensation to be paid to the manager or managing agent and any employees of the Association. The Board's responsibilities shall be to carry out the objectives of the Association which include, but shall not be limited to, the following:

(a) administering, including providing administrative support required for, the Architectural Committee;

(b) preparing and administering an operational budget that provides for the protection, administration and operation of the Common Areas, the improvements thereon and the property of the Association, for the performance of all of the Association's responsibilities hereunder and under the Association's Articles and

Bylaws, and for other uses permitted by Article IX of this Declaration;

(c) establishing and administering a reserve fund to the extent that funds are available therefor;

(d) scheduling and conducting the meetings of Members;

(e) collecting and enforcing the assessments and disbursing funds received for the benefit of the Association and its Members;

(f) maintaining records and books in accordance with Generally Accepted Accounting Principles and performing other necessary accounting functions;

(g) promulgating and enforcing of the SaddleBrooke Country Club No. 2 Rules;

(h) maintaining the Common Areas; and

(i) all other duties imposed upon the Board pursuant to this Declaration, the Bylaws, the Articles and the SaddleBrooke Country Club No. 2 Rules.

Notwithstanding anything in this Declaration to the contrary, until the Transition Date, Declarant shall maintain absolute control over the Association, including without limitation the right and power to amend the Articles, appoint the officers and select the Members of the Board. Until the Transition Date, the directors of the Association shall be appointed by Declarant and, at such time as is deemed appropriate by Declarant in its sole discretion, two directors shall be elected by the Members of the Association other than Declarant. Declarant shall have the right to replace any director appointed by it for any reason whatsoever in its sole discretion. The two directors elected by the Members of the Association other than Declarant shall serve two-year terms and must be Members or spouses of Members of the Association. Any vacancies created in these two directorships shall be filled in accordance with the Articles and the Bylaws. Until the Transition Date, the number of directors shall not exceed five (5). After the Transition Date, the election of the Board of Directors shall be by the Members in accordance with the Articles and the Bylaws. Declarant voluntarily may (but shall not be required to) relinquish control of the Association and thereby require the Members to assume control of the Association at any time. All debts and obligations of the Association prior to the Transition Date shall continue to be the debts and obligations of the Association after the Transition Date, and Declarant shall have no responsibility or obligation to discharge those debts and obligations.

Section 3. The SaddleBrooke Country Club No. 2 Rules and Architectural Guidelines. 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 SaddleBrooke Country Club No. 2 Rules. The SaddleBrooke Country Club No. 2 Rules may restrict and govern the use of the Common Areas by any Member or Resident, by the family of such Member, or by any invitee, licensee or tenant of such Member; provided, however, that the SaddleBrooke Country Club No. 2 Rules shall not discriminate among Members (other than Declarant) and shall not be inconsistent with this Declaration, the Articles or the Bylaws. In addition, from time to time and subject to the provisions of this Declaration, the Architectural Committee with respect to the SaddleBrooke Country Club No. 2 Residential Areas shall have the right to adopt, amend and repeal Architectural Guidelines; provided, however, that such rules and guidelines shall be fair and reasonable, shall be consistent with the provisions of this Declaration, the Articles and Bylaws and shall be subject to review and revision by the Board. The authority granted herein to develop rules and guidelines by the Board and Architectural Committee, and the enforcement powers granted herein, are given for the purpose of ensuring that SaddleBrooke Country Club No. 2 is developed and used according to the general descriptions and intent as evidenced by the SaddleBrooke Country Club No. 2 Master Development Plan, as it from time to time may be amended, and this Declaration. The Board and Architectural Committee are responsible specifically for the administration and enforcement of the provisions of this Declaration and the Articles, Bylaws, SaddleBrooke Country Club No. 2 Rules and Architectural Guidelines. Upon adoption, the SaddleBrooke Country Club No. 2 Rules and the Architectural Guidelines shall have the same force and effect as if they were set forth in and were a part of this Declaration, except that in the event of any inconsistency between the rules and regulations adopted by the Board and the guidelines adopted by the Architectural Committee, the rules and regulations adopted by the Board shall control, and in the event of any inconsistency between the rules, regulations or guidelines and any of the provisions of this Declaration or of the Articles or Bylaws, the provisions of this Declaration, the Articles and the Bylaws shall govern and control.

Section 4. Personal Liability. No Board member, committee member, officer or employee of the Association or Declarant shall be personally liable to any Member or to any other person or entity, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence; provided, however, the limitations set forth in this Section 4 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct. The Association shall indemnify its committee members, directors and officers when acting in good faith on behalf of the Association to the fullest extent permitted by law.

Section 5. Ancillary Association. In the event an Ancillary Association is formed by Declarant or with the written consent of Declarant for a Parcel, subdivision, area or neighborhood in SaddleBrooke Country Club No. 2, articles of incorporation, bylaws and any declaration of restrictions shall serve as the governing documents for an Ancillary Association. The governing documents for an Ancillary Association must

specify that such Association and the rights of its members are subject to the provisions of this Declaration and of the Articles of the Association. The Board may delegate to an Ancillary Association the responsibility for billing and collecting for some or all of the Assessments.

Section 6. Easements. In addition to the easements specifically granted or reserved herein, the Association is authorized and empowered to grant upon, across or under Association Land such permits, licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains, television cable and other similar public or private purposes, security lines, roadways or other purposes as may be reasonably necessary and appropriate for the orderly maintenance and preservation of the health, safety, convenience and welfare of the Owners of real property within SaddleBrooke Country Club No. 2, as determined by the Board.

Section 7. Rights of Enforcement. The Association, acting through the Board, shall be and hereby is empowered to decide all questions regarding the enforcement of this Declaration within Residential Areas and to take any and all actions needed, in its sole and absolute judgement, to enforce this Declaration.

Section 8. 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 affiliated companies or persons, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee of the Association are 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 Declarant, its affiliates or any competitor thereof and may vote at such meeting to authorize any such contract, transaction or approval with like force and effect as if he were not so interested. In addition, from and after the date of this Declaration and until the date Thirty-Five (35) years after the Transition Date, Declarant or its designee shall have the right, but not the obligation, to serve as the manager of the Association and, from and after the date that ONE THOUSAND (1,000) houses are constructed in SaddleBrooke Country Club No. 2, to receive from the Association a management fee in the amount of four percent (4%) of the Association's total gross revenues from all sources, as reported in the Association's annual financial statements. Such management fee shall be in addition to, and not in substitution for, reimbursement by the Association to Declarant or its designee for all direct expenses actually incurred in managing the Association and in addition to the costs and expenses of operating the Association and of paying

the employees of the Association. Such management fee shall not be payable if Declarant and its designee elect not to serve as manager of the Association.

ARTICLE VI

MEMBERSHIP AND VOTING

Section 1. Owners of Lots. Every Owner of a Lot, including Declarant, but not including any other Owner of a Lot that constitutes Exempt Property, shall be a Member of the Association. Each such Owner, including Declarant, shall have one Membership for each Lot owned by the Member. Each Membership shall be appurtenant to and may not be separated from ownership of the Lot to which the Membership is attributable. Except as otherwise provided in any Tract Declaration for a commercial or other Parcel, no Memberships shall be appurtenant to any Commercial Areas. There shall be only one Membership for each Lot, which Membership shall be shared by any joint Owners of, or owners of undivided interests in, a Lot. Notwithstanding the foregoing provisions of Section 1, in the event an Owner of two adjoining Lots, or an Owner of a Lot and a portion of an adjoining Lot, combines said areas for use as one residence, upon approval by Declarant or the Board, the combined Lots or the combined Lot and adjoining property, as the case may be, shall be assessed and treated as one Lot hereunder and shall be entitled to one Membership.

Section 2. Tenants. Tenants of Rental Apartments or other Dwelling Units shall not be Members of the Association. In the event Rental Apartments are converted to residential Condominiums, then at the time the declaration of condominium is recorded, there shall be one Membership in the Association for each residential Condominium Unit owned.

Section 3. Declarant. Notwithstanding anything to the contrary herein, Declarant shall be a Member of the Association for so long as Declarant owns any Lot in SaddleBrooke Country Club No. 2.

Section 4. Voting. Subject to Declarant's right to control the Association until the Transition Date and to Declarant's right to three (3) votes for each Membership held by Declarant from and after the Transition Date or such other date as Declarant ceases to control the Association, as provided in Section 8 below, each Membership entitles the Member to one vote in all elections for the Board of Directors and all other Association matters requiring a vote of the Members, subject to the authority of the Board to suspend the Member's voting rights for violations of this Declaration as provided herein. UNTIL THE TRANSITION DATE THE RIGHT OF THE MEMBERS TO VOTE IS LIMITED AS STATED IN SECTION 8 BELOW.

Section 5. Right to Vote. No change in the ownership of a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each such Membership must be cast as a unit. Fractional votes shall not be allowed. In the event that a Membership is owned by more than one person or entity and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be presumed conclusively that such Member was acting with the authority and consent of all other Owners of the same Membership unless objection thereto is made to the Board in writing at or prior to the time the vote is cast. In the event more than one vote is cast for a particular Membership, all such votes shall be deemed void. UNTIL THE TRANSITION DATE THE RIGHT OF THE MEMBERS TO VOTE IS LIMITED AS STATED IN SECTION 8 BELOW.

Section 6. Membership Rights. Each Member shall have the rights, duties and obligations set forth in this Declaration and such other rights, duties and obligations as are set forth in the Articles, Bylaws, SaddleBrooke Country Club No. 2 Rules and Architectural Guidelines.

Section 7. Transfer of Membership. The rights and obligations of a Member in the Association shall not be assigned, transferred, pledged, designated, conveyed or alienated in any way except upon transfer of ownership of an Owner's Lot and then only to the transferee thereof. A transfer of ownership of a Lot may be effected by deed, intestate succession, testamentary disposition, foreclosure of a mortgage of record or such other legal process as permitted by Arizona law. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership of a Lot shall automatically transfer the Membership appurtenant to said Lot or Dwelling Unit to the new Owner. Upon the transfer of ownership of any Lot (excluding the initial sale by Declarant) the Board, in its discretion, may assess a reasonable transfer fee to cover administrative costs associated with the transfer of ownership.

Section 8. DECLARANT'S CONTROL OF ASSOCIATION. NOTWITHSTANDING ANYTHING IN THIS DECLARATION TO THE CONTRARY, UNTIL THE TRANSITION DATE, DECLARANT SHALL HAVE THE RIGHT AND POWER TO MAINTAIN ABSOLUTE CONTROL OVER THE ASSOCIATION, INCLUDING WITHOUT LIMITATION THE RIGHT AND POWER TO AMEND THE ARTICLES (THROUGH CONTROL OF THE BOARD), APPOINT THE OFFICERS, SELECT THE MEMBERS OF THE BOARD AND APPOINT THE MEMBERS OF THE ARCHITECTURAL COMMITTEE AND OTHER COMMITTEES OF THE ASSOCIATION. AFTER THE TRANSITION DATE, THE ELECTION OF THE BOARD OF DIRECTORS SHALL BE IN ACCORDANCE WITH THE ARTICLES AND THE BYLAWS. EXCEPT AS EXPRESSLY PROVIDED OTHERWISE IN THIS DECLARATION, NO MEMBERS OTHER THAN DECLARANT SHALL HAVE ANY VOTING RIGHTS UNTIL THE TRANSITION DATE. DECLARANT VOLUNTARILY

MAY (BUT SHALL NOT BE REQUIRED TO) RELINQUISH CONTROL OF THE ASSOCIATION AND THEREBY REQUIRE THE MEMBERS TO ASSUME CONTROL OF THE ASSOCIATION AT ANY TIME OR MAY PERMIT THE MEMBERS TO ELECT ONE OR MORE OF THE DIRECTORS PRIOR TO THE TRANSITION DATE. ALL DEBTS AND OBLIGATIONS OF THE ASSOCIATION PRIOR TO THE TRANSITION DATE SHALL CONTINUE TO BE THE DEBTS AND OBLIGATIONS OF THE ASSOCIATION AFTER THE TRANSITION DATE, AND DECLARANT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION TO DISCHARGE THOSE DEBTS AND OBLIGATIONS. FROM AND AFTER THE TRANSITION DATE, THE DATE DECLARANT RELINQUISHES TO THE MEMBERS CONTROL OF THE ASSOCIATION OR THE DATE DECLARANT OTHERWISE CEASES TO CONTROL THE ASSOCIATION, WHICHEVER FIRST OCCURS, DECLARANT SHALL HAVE THREE VOTES FOR EACH MEMBERSHIP HELD BY DECLARANT. FROM AND AFTER THE DATE OF THIS DECLARATION AND UNTIL THE DATE THIRTY-FIVE (35) YEARS AFTER THE TRANSITION DATE, DECLARANT OR ITS DESIGNEE SHALL HAVE THE RIGHT TO SERVE AS MANAGER OF THE ASSOCIATION AND, FROM AND AFTER THE DATE THAT ONE THOUSAND (1,000) HOUSES ARE CONSTRUCTED IN SADDLEBROOKE COUNTRY CLUB NO. 2, TO RECEIVE FROM THE ASSOCIATION A MANAGEMENT FEE OF FOUR PERCENT (4%) OF THE TOTAL GROSS REVENUES OF THE ASSOCIATION FROM ALL SOURCES AS REPORTED IN THE ASSOCIATION'S ANNUAL FINANCIAL STATEMENTS.

ARTICLE VII

COVENANT FOR ASSESSMENT AND CREATION OF LIEN

Section 1. Creation of Lien and Personal Obligations for Assessments and Maintenance Charges. Each Owner of a Lot, by acceptance of a deed or execution of a purchase contract therefor (whether or not it shall be so expressed in such deed or purchase contract) or by otherwise acquiring any interest in a Lot, is deemed to covenant and agree to accept and be subject to mandatory Membership in the Association and to pay to the Association the following: (1) Annual Assessments, (2) Special Assessments, (3) Maintenance Charges, and (4) Special Use Fees incurred by the Owner or Resident occupying the Owner's Lot or any portion thereof. The Annual Assessments, Special Assessments, Maintenance Charges, Special Use Fees and other fees, fines and charges which are the obligation of an Owner hereunder, together with interest, costs, collection agency fees, and reasonable attorneys' fees of the Association incurred in connection with the enforcement and collection thereof or in otherwise enforcing this Declaration, shall be a charge and continuing servitude and lien upon the Lot against which each such Annual or Special Assessment, Maintenance Charge or other charge is made and against the Lot of an Owner liable

for a Special Use Fee or other charge and, in addition, shall be the personal obligation of the Owner of such Lot at the time such payment becomes due and payable. The personal obligation for delinquent Assessments and other charges shall not pass to the successors in title of the Owner unless expressly assumed by them, but the Lot shall remain subject to the lien of delinquent Assessments except as provided in Article VIII, Section 3 below. No Owner may waive or otherwise exempt himself from liability for the Assessments provided for herein, including but not limited to by nonuse of Common Areas, abandonment of such Owner's Lot, or as a result of Assessments for any period exceeding common expenses. The obligation to pay Assessments is a separate and independent covenant on the part of each Owner. No diminution, abatement or set-off shall be allowed by reason of any action or failure to act of the Board, the Association or Declarant.

Section 2. Annual Assessments. In order to provide for the uses and purposes specified in Article IX hereof, including the establishment of replacement and maintenance reserves in the Board's discretion, in each year, commencing with the first Assessment Period, the Board shall prepare and adopt a budget and shall assess against each Lot (except any Exempt Property) an Annual Assessment. Subject to the provisions of Section 4 of this Article, the amount of the Annual Assessment shall be in the sole discretion of the Board but shall be determined with the objective of fulfilling the Association's obligations under this Declaration and providing for the uses and purposes specified in Article IX. Nothing within this paragraph shall be construed as placing a requirement upon Declarant to set up a reserve fund at any time. Further, no such reserve fund will be begun, or contributed to, during any year in which Declarant makes a contribution to SaddleBrooke Country Club No. 2 Association in order to subsidize any deficit which such association may have in such year.

Section 3. Non-Uniform Rate of Annual Assessment. The obligation to pay Assessments shall begin on the date the Lot is purchased from Declarant, as evidenced by the recording of the deed or other conveyance instrument for the Lot, whether or not the Owner actually resides in SaddleBrooke Country Club No. 2. If the Lot is sold by Declarant by means of a "contract" as defined in A.R.S. Section 33-741, then for purposes of this section the purchase date shall be the date the contract is recorded. For purposes of this Declaration, Lots owned or sold by Trustee shall be deemed to be owned or sold, as the case may be, by Declarant. The amount of any Annual or Special Assessment against each Lot or Dwelling Unit shall be fixed at a uniform rate per Membership, with the following exceptions:

(a) The Annual Assessments are based on one or two residents per homesite. If additional persons reside in the Dwelling Unit, the Assessment for each additional person shall be fifty percent (50%) of the Annual Assessment attributable to a Membership, unless the additional person(s) are physically unable to use the recreational facilities, as determined by the Board in its sole discretion, regardless of whether or not more than two residents of the Dwelling Unit actually use the

recreational facilities. This Assessment for additional residents shall not count towards the Maximum Annual Assessment described in Article VII, Section 4. The Board, in its sole discretion, shall decide when an additional person is "residing" in a Dwelling Unit. If only one person resides in a Dwelling Unit or only one person is physically able to use the recreational facilities, that Lot or Dwelling Unit shall not be permitted a discount of any kind from the Assessments attributable to that Membership; and

(b) If deemed necessary or appropriate by the Board, Assessments (whether Annual or Special) shall be assessed unevenly against the Lots, and specific Lots or Members, groups of Lots or Members, or residential neighborhoods who receive or have available services or benefits that are not available to all of the Lots or Members, as determined by the Board, may be assessed and required to pay higher Assessments than the base Annual or Special Assessments for which the other Members are responsible. Examples are areas with additional security services, swimming pools, recreational areas or tennis courts that are private to certain Members. The Board shall be fair and reasonable in establishing such unequal Assessments. The additional Annual Assessments, to the extent they exceed the amount of the base Annual Assessments for which all Members are responsible, shall not count towards the Maximum Annual Assessments described in Article VII, Section 4.

Section 4. Maximum Annual Assessment. Except as provided in Section 3 above, the base Annual Assessment to be established by the Board may not exceed a certain amount, hereinafter referred to as the "Maximum Annual Assessment". Until January 1, 1995, the Maximum Annual Assessment for each Membership shall be \$680.00. The Maximum Annual Assessment for each Membership shall increase by ten percent (10%) per year, compounded annually on December 31 of each year commencing on December 31, 1995 (i.e. each year, the Maximum Annual Assessment will be 10% higher than the Maximum Annual Assessment for the previous year). However, the Board has no obligation to increase the Annual Assessment each year to the Maximum Annual Assessment. Notwithstanding the foregoing limitation, the Maximum Annual Assessment may be increased by a vote of two-thirds (2/3) of the votes entitled to be cast by Members who are voting in person or by proxy at a meeting duly called for such purpose, or, in the Board's discretion and without a vote of the Members, as required by increased utility, fuel and water costs charged to the Association and costs to the Association of complying with governmental statutes, rules and regulations, including but not limited to those relating to environmental matters.

Section 5. Special Assessments for Capital Improvements and Extraordinary Expenses. In addition to the Annual Assessments authorized above, the Board may levy Special Assessments for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair, operating expenses, or replacements of capital improvements upon the Association Land or Common Areas, including fixtures

and personal property related thereto, and for the purpose of defraying other extraordinary expenses. The Board may levy the Special Assessments uniformly to all Members, or to certain Members who receive or have available services or benefits not available to all of the Members, or otherwise as provided in Section 3 above. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of Annual Assessments or the purposes for which Special Assessments may be made. The amount of any Special Assessments shall not apply towards the Maximum Annual Assessment. Notwithstanding the foregoing, no Special Assessments in excess of \$300 per calendar year may be levied without the affirmative vote of a majority of the votes cast in person or by proxy at an annual meeting of the Members of Association or at a special meeting called for that purpose after proper notice to the Members.

Section 6. Notice and Quorum for Any Action Authorized Under Section 4. Written notice of any meeting called for the purpose of a vote of the Members to increase the Maximum Annual Assessments pursuant to the last sentence of Section 4 of this Article shall be sent to all Members no less than ten (10) days nor more than sixty (60) days in advance of the meeting. At such meeting, the presence of Members, in person or by proxy, entitled to cast more than twenty percent (20%) of all the votes (exclusive of suspended voting rights) shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement any time thereafter, except that the requirement for a quorum shall be reduced from 20% of all of the votes to ten percent (10%) of all of the votes (exclusive of suspended voting rights).

Section 7. Establishment of Assessment Period. The period for which the Annual Assessment is to be levied (the "Assessment Period") shall be the calendar year, except that the first Assessment Period shall commence (a) upon the recording of the first Tract Declaration covering Lots, or (b) upon such later date as the Board shall determine, and shall terminate on December 31 of such year. The Board in its sole discretion from time to time may change the Assessment Period by Board resolution specifying the new Assessment Period.

Section 8. Billing and Collection Procedures. The Board shall have the right to adopt procedures for the purpose of making, billing and collecting the Assessments, provided that such procedures are not inconsistent with the provisions hereof. Annual Assessments may be collected on a monthly, quarterly, annual or other basis as determined by the Board. Special Assessments may be collected as specified by the Board. The failure of the Association to send a bill to a Member shall not relieve any Member of liability for any Assessment or charge under this Declaration, but the Assessment lien shall not be foreclosed or otherwise enforced until the Member has been given not less than fifteen (15) days written notice prior to such foreclosure or enforcement, at the address of the Member on the records of the Association, that the Assessment or any installment thereof is or will be due and of the amount owing.

Such notice may be given at any time prior to or after the delinquency of such payment. Each Member shall be obligated to inform the Association in writing of any change of address. If appropriate settlements between a buyer and seller are not maintained by the title or escrow company, the Association shall be under no duty to refund any payments received by it even though ownership of a Membership changes during an Assessment Period. Successor Members shall be given credit for prepayments, on a prorated basis, made by prior Members. The amount of the Annual Assessments against Members who become such during an Assessment Period shall be prorated and such new Members shall not be liable for any previously levied Special Assessments unless such Special Assessments are levied over a period of time, in which case such amount shall be prorated to new Members. Nothing contained in the preceding sentence shall affect or impair the Association's lien on any Lot, including any Lot acquired by a new Member, for past due Assessments relating to the Lot.

Section 9. Collection Costs and Interest on Delinquent Assessments. Any Assessment or installment thereof not paid when due shall be deemed delinquent and shall bear interest from the due date until paid at the rate of eighteen percent (18%) per annum, and the Member shall be liable for all costs, including attorneys' fees, which may be incurred by the Association in collecting the same. In addition, the Association may charge a late fee of twenty-five percent (25%) for all delinquent payments, which late fee shall also bear interest at the rate specified above from the date the Assessment or installment thereof is due until such Assessment or installment, late charge and interest are paid in full. The Board may maintain on the clubhouse bulletin board a list of all members whose Assessments (whether Annual or Special Assessments or otherwise) are past due and may also record a Notice of Delinquent Assessment against any Lot as to which an Assessment is delinquent and constitutes a lien and may establish a fixed fee to reimburse the Association for the Association's cost in recording such notice, processing the delinquency and recording a notice of payment, which fixed fee shall be treated as a collection cost of the Association secured by the Assessment Lien. The Association shall not be obligated to release any notice recorded pursuant to this section until all delinquent Assessments, interest and collection costs have been paid in full, whether or not all of such amounts are set forth in the Notice of Delinquency.

Section 10. Evidence of Payment of Assessments. Upon receipt of a written request, and within a reasonable period of time thereafter, the Association shall issue to the requesting party a written certificate stating (a) that all Annual and Special Assessments, Special Use Fees and Maintenance Charges (including interest, costs and attorneys' fees, if any, as provided in section 9 above) have been paid with respect to any specified Lot as of the date of such certificate, or (b) if such have not been paid, the amounts due and payable as of such date. The Association may make a reasonable charge for the issuance of such certificate, which charge must be paid at the time the request for any such certificate is made. Any such certificate shall be conclusive and binding with respect to any matter therein stated as against any bona

fide purchaser of, or lender on, the Lot in question to whom the certificate is issued.

Section 11. Property Exempt from the Annual and Special Assessments. Exempt Property, including property that is Exempt Property pursuant to Article I.X(6) because it is owned by Declarant, its affiliates or Trustee, shall be exempt from the Assessment of the Annual and Special Assessments and other charges levied by the Association pursuant to this Declaration. However, in the event any change in ownership or use of Exempt Property results in all or any part thereof becoming Assessable Property in any year, the same thereupon shall be subject to the assessment of the Annual, Special and other Assessments and the Assessment Lien therefor. The Owner of Exempt Property (with the exception of Declarant with respect to ownership of its Lots) shall not be entitled to any Memberships for such Exempt Property.

Section 12. No Parcel Assessments. Except as otherwise provided in any applicable Tract Declaration, Parcels shall not be subject to any Assessments levied by the Association, and no Memberships shall be attributable to Parcels.

ARTICLE VIII

ENFORCEMENT OF PAYMENT OF ASSESSMENTS AND ASSESSMENT LIEN

Section 1. Association as Enforcing Body. As provided in Article XII, Section 2, the Association, the Architectural Committee, the Members and the other Owners shall have the right to enforce the provisions of this Declaration.

Section 2. Association's Remedies to Enforce Payment of Assessments. If any Member fails to pay the Annual or Special Assessments, Special Use Fees or Maintenance Charges when due, the Association may enforce the payment thereof by taking either or both of the following actions, concurrently or separately (and by exercising either of the remedies hereinafter set forth, the Association does not prejudice or waive its rights to exercise the other remedy) and/or by exercising any other remedies available at law or in equity:

(a) Bring an action at law to recover judgement against the Member personally obligated to pay the Annual or Special Assessments, Special Use Fees or Maintenance Charges;

(b) Foreclose the Assessment Lien against the Lot or Dwelling Unit in accordance with the then prevailing Arizona law relating to the foreclosure of realty mortgages (including the right to recover any deficiency), and the Lot or Dwelling Unit

may be redeemed after foreclosure sale as provided by law. The Association may bid on the subject property at such foreclosure sale.

Notwithstanding the subordination of an Assessment Lien as described in Section 3 of this Article VIII, the delinquent Member shall remain personally liable for the Assessments and related costs after his Membership is terminated by foreclosure or deed in lieu of foreclosure or otherwise.

Section 3. Subordination of Assessment Lien. The Assessment Lien provided for herein shall be subordinate to any first mortgage lien held by, or first deed of trust of which the beneficiary is, a lender who has loaned funds with the Lot as security, or the lender's successors and assigns, and shall also be subject and subordinate to liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each Lot. Notwithstanding the foregoing, sale or transfer of any Lot, whether by foreclosure of a first lien mortgage or otherwise, shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to foreclosure of a mortgage or a deed of trust to which the Assessment Lien is subordinate, or pursuant to any sale or proceeding in lieu hereof, the purchaser at the mortgage foreclosure or deed of trust sale, or any grantee taking by deed in lieu of foreclosure, shall take the Lot free of the Assessment Lien for all Annual and Special Assessments and Maintenance Charges that have accrued up to the date of issuance of a sheriff's or trustee's deed or deed in lieu of foreclosure; provided, however, that such mortgage or deed of trust foreclosure sale purchaser or grantee shall take title subject to all Annual and Special Assessments, Special Use Fees, Maintenance Charges and the Assessment Lien therefor accruing subsequent to the date of issuance of a sheriff's or trustee's deed or deed given in lieu of foreclosure.

ARTICLE IX

USE OF FUNDS; BORROWING POWER

Section 1. Purposes for Which Association's Funds May Be Used. The Association shall apply all funds and property collected and received by it (including the Annual and Special Assessments, fees, loan proceeds, surplus funds and all funds and property received by it from any other source) for the common good and benefit of SaddleBrooke Country Club No. 2 and the Members and Residents by devoting such funds and property, among other things, to the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of all land, properties, improvements, facilities, services, projects,

programs, studies and systems, within or without SaddleBrooke Country Club No. 2, which in the Board's determination may be necessary, desirable or beneficial to the general common interests of SaddleBrooke Country Club No. 2, the Members and the Residents. The following are some, but not all, of the areas in which the Association may seek to aid, promote and provide for such common benefit: social interaction among Members and Residents, maintenance of landscaping on Common Areas and public rights-of-way, maintenance of trails, private roadways, washes and drainage areas within and adjoining SaddleBrooke Country Club No. 2, recreation, short-term and long-term leases of real and personal property, payments of assessments to community facilities districts and improvement districts, liability insurance, communications, ownership and operation of recreational and other facilities, vehicle storage areas, transportation, health, utilities, public services, security, safety and indemnification of officers and directors of the Association. Subject to this Declaration and the Articles and Bylaws, the Association may expend its funds in any manner permitted under the laws of the State of Arizona.

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

Section 3. Association's Rights in Spending Funds From Year to Year. The Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Association shall not be obligated to reduce the amount of an Annual Assessment in the succeeding year if a surplus exists from a prior year and the Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable for the greater financial security of the Association and the accomplishment of its purposes.

Section 4. Eminent Domain. The term "taking" as used in this Section shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the Association Land, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards made or to be made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in condemnation action. Any awards received on account of the taking shall be paid to the Association. In the event of a total or partial taking, the Board may retain any award in the general funds of the Association to be used to accomplish the purposes of the Association.

Section 5. Insurance.

(a) Authority to Purchase. The Association shall maintain insurance against

liability incurred as a result of death or injury to persons or damage to property on the Common Areas or upon the other areas maintained by the Association, in a total amount of not less than One Million Dollars (\$1,000,000). If reasonably available, the Association shall obtain officers and directors liability insurance in an amount deemed prudent by the Board. In addition the Association may carry any other insurance coverage which the Board in its sole discretion deems necessary or desirable. The deductible shall be paid by the party who would be liable for the loss or repair in the absence of insurance.

(b) Individual Responsibility. It shall be the responsibility of each Owner and Resident or other person to provide for such person insurance on such person's property interests within SaddleBrooke Country Club No. 2, including but not limited to, such person's additions and improvements thereon, furnishings and personal property therein, such person's personal liability to the extent not covered by the property and public liability insurance obtained by the Association, if any, and such other insurance as such person desires. No person shall maintain any insurance which would limit or reduce in any manner the insurance proceeds payable under the casualty insurance maintained by the Association in the event of damage to the improvements or fixtures on the Common Areas. Neither the Association nor any Board member nor the Declarant shall be liable to any person or mortgagee if any risks or hazards are not covered by the insurance obtained by the Association or if the amount of insurance is not adequate.

(c) Insurance Claims. The Association is hereby irrevocably appointed and authorized by the Members to adjust all claims arising under insurance policies purchased by the Association and to execute and deliver releases upon the payment of claims, and to do all other acts reasonably necessary to accomplish any of the foregoing. The Board has full and complete power to act for the Association in this regard and may, at its discretion, appoint an authorized representative or committee, to enter into an insurance trust agreement wherein the trustee shall have authority to negotiate losses under any policy purchased by the Association. All proceeds from insurance acquired by the Association shall be payable to the Association. Any proceeds resulting from damage to the Common Areas shall be used to repair the damage. Any excess proceeds shall be retained by the Association to accomplish the purposes of the Association.

ARTICLE X**MAINTENANCE****Section 1. Common Areas and Public Rights-of-Way.**

(a) Areas of Association Responsibility. The Association, or its duly delegated representative, shall maintain and otherwise manage all Common Areas and improvements thereon; provided, however, that the Association shall not be responsible for providing or maintaining the landscaping or structures on any Common Areas that are part of Lots or Parcels. The Association shall maintain any landscaping and other improvements not located on Lots or Parcels and Dwelling Units that are within the boundaries of SaddleBrooke Country Club No. 2 and are identified on a recorded instrument as Common Areas intended for the general benefit of the Members and Residents of SaddleBrooke Country Club No. 2, except the Association shall not be required to maintain (but may elect to maintain) areas that (i) an improvement district or other governmental entity is maintaining, (ii) an Ancillary Association is required under a Tract Declaration to maintain, or (iii) are to be maintained by the Owners of a Lot, Dwelling Unit or Parcel pursuant to Article IV, Section 2(d) of this Declaration. Specific areas to be maintained by the Association may be identified on recorded subdivision plats or Tract Declarations approved by Declarant, and/or in deeds from Declarant to the Association or to a transferee of a Lot, but the failure to so identify such areas shall not affect the Association's rights or responsibilities with respect to Common Areas or the Association's rights with respect to other areas intended for the general benefit of SaddleBrooke Country Club No. 2. Notwithstanding anything to the contrary herein, Declarant or the Board shall have discretion to enter into an agreement with any governmental entity with jurisdiction to permit the Association to upgrade and/or maintain landscaping on property owned by such governmental entity, held on behalf of such governmental entity or intended to be dedicated to such governmental entity, whether or not such property is within SaddleBrooke Country Club No. 2, if Declarant or the Board determines such agreement benefits the Association, its Members or the development of SaddleBrooke Country Club No. 2.

(b) Standards of Care. The Board shall use a reasonably high standard of care in providing for the repair, management and maintenance of the Common Areas and other properties maintained by the Association, but the Board shall be the sole judge as to the appropriate maintenance of all such areas. The Common Areas shall be used at the risk of the user, and Declarant and the Association shall not be liable to any person or entity for any claim, damage or injury occurring thereon or related to the use thereof.

(c) Delegation of Responsibilities. In the event any subdivision plat, Tract Declaration, deed restriction or this Declaration permits the Board to determine

whether or not Owners of certain Lots or Dwelling Units or Members will be responsible for maintenance of certain Common Areas or public right-of-way areas or operation of certain services, the Board shall have the sole discretion to determine whether or not it would be in the best interest of the Members and Residents of SaddleBrooke Country Club No. 2 for the Association or for an individual Member or an Ancillary Association to be responsible for such maintenance, considering cost, uniformity of appearance, location and other factors deemed relevant by the Board. The Board may cause the Association to contract with others for the performance of the maintenance and other obligations of the Association under this Article X and, in order to promote uniformity and harmony of appearance, the Board may also cause the Association to contract to provide maintenance services to Members and Owners of Lots and Dwelling Units in exchange for the payments of such fees as the Association and the Member or Owner may agree upon or as may be established by the Board.

Section 2. Assessment of Certain Maintenance Costs. In the event that the need for maintenance or repair of Common Areas, structures and other property maintained by the Association is caused by the willful or negligent act of any Member, or that Member's family, guests or tenants, the cost of such maintenance or repairs shall be added to and become part of the Assessment to which such Member and the Member's Lot or Dwelling Unit is subject and shall be secured by the Assessment Lien. Any charges or fees to be paid by the Member pursuant to Section 1(c) of this Article X in connection with a contract entered into by the Association with a Member for the performance of a Member's maintenance responsibilities shall also become a part of such Assessment and shall be secured by the Assessment Lien. Any such charge-back shall not count towards the Maximum Annual Assessment.

Section 3. Improper Maintenance and Use of Lots. In the event any portion of any Lot is so maintained as to present a nuisance, or to substantially detract from the appearance or quality of the surrounding Lots and/or other areas of SaddleBrooke Country Club No. 2 that are substantially affected thereby or related thereto, or in the event any portion of a Lot is being used in a manner that violates this Declaration or any applicable Tract Declaration, or in the event the Member is failing to perform any of such Member's obligations under this Declaration, any Tract Declaration, the SaddleBrooke Country Club No. 2 Rules or the Architectural Guidelines, the Board may by resolution make a finding to such effect, specifying the particular condition or conditions that exist, and give notice thereof to the offending Member that unless corrective action is taken within fourteen (14) days, the Board may cause corrective action to be taken at such Member's cost. If at the expiration of the 14-day period of time the requisite corrective action has not been taken, the Board shall be authorized and empowered to cause such action to be taken and the cost thereof shall be added to and become a part of the Assessment to which the offending Member and the Member's Lot is subject and shall be secured by the Assessment Lien.

Section 4. Easement for Maintenance Responsibilities. The Association shall have an easement upon, across, over and under the Lots and all other areas (except Commercial Areas) in SaddleBrooke Country Club No. 2 for the purpose of, and to the extent reasonably required for, repairing, maintaining and replacing the Common Areas, Common Area improvements, and other areas maintained by the Association and for the purpose of performing all of the Association's other rights, duties and obligations hereunder.

Section 5. Maintenance of Vacant Lots. To keep vacant Lots that are owned by Members other than Declarant neat, clean and tidy from weeds, trash and other undesirable elements so as to maintain the aesthetic quality of SaddleBrooke Country Club No. 2, the Board may, in its sole discretion, assume the responsibility of the upkeep of such vacant Lots and charge the Owners thereof a fee for the maintenance of such Lots (the "Lot Maintenance Fee"). The Lot Maintenance Fee shall be fair and reasonable, shall not count towards the Maximum Annual Assessment, and shall be secured by the Assessment Lien.

Section 6. Commercial Area Maintenance. Nothing contained in this Declaration shall obligate the Association to upkeep or maintain, or grant the Association enforcement rights for the upkeep and maintenance of, Commercial Areas. Except as otherwise provided in applicable Tract Declarations, the maintenance of Commercial Areas shall be the responsibility of the respective Owners of the Commercial Areas.

ARTICLE XI

ARCHITECTURAL COMMITTEE

Section 1. Appointment. The Board shall, at a time deemed appropriate by the Board, appoint an Architectural Committee (the "Committee"), which shall be composed of such persons as are selected by the Board from time to time or which may consist of the entire Board. The purpose of the Committee shall be to review and evaluate proposals, plans and specifications submitted by Members for the construction, modification and repair of Dwelling Units and other improvements on or to the Lots, to recommend action to the Board, to investigate possible violations of this Declaration, to carry out decisions of the Board and to take such other action as is authorized by the Board. The Board shall select one of the members of the Committee to serve as Chairman of the Committee. The Chairman so selected, when unavailable, shall appoint one of the other members of the Committee to serve as acting Chairman. The Committee shall be composed of such persons as are selected by the Board from time to time. At least one of the members of the Committee at all times shall be a member of the Board. Members of the Committee shall not be entitled

to compensation for their services, unless otherwise approved by the Board.

Section 2. Death or Resignation. In the event of the death, disability or resignation of any member of the Committee, the Board shall have full authority to designate a successor or successors. The members of the Committee shall serve at the pleasure of the Board and may be removed with or without cause by the Board.

Section 3. Approval Requirement. No building, fence, wall, antenna, exterior landscaping (except landscaping not Visible from Neighboring Property), awning, sunshade, or other improvement, attached to or detached from other structures, shall be erected, placed, altered or maintained on any Lot until the construction plans and specifications and the plans showing location of the structure or plot plan have been approved by the Board, acting through the Committee, as to color, quality of workmanship and materials, harmony with the external design and color of the existing structures, and as to location with respect to topography and finished grade elevation, except any improvements constructed by Declarant or its affiliates or deemed necessary by Declarant.

Section 4. Committee Review Fee. The Committee shall be allowed to charge the Member or other party submitting the plans a reasonable charge for reviewing and approving or disapproving the proposed plans. The charge shall be determined by the Board from time to time and shall be collected at the time of submission of the plans. The Committee shall not approve plans that are not accompanied by payment of the charge.

Section 5. Pre-Construction Submissions. Before the Member shall commence the construction or installation of any building, fence, wall or other structure on any Lot or any exterior alteration of, addition to or extension of any such structure: (a) the Member shall submit to the Chairman of the Committee, or to the acting Chairman of the Committee if the Chairman is absent or unavailable, two (2) copies of the plans and specifications for the structure showing the nature, kind, shape, height, materials, color and location (as evidenced by a plot plan) of the proposed improvements, alterations, additions or extensions; and (b) the plans and specifications shall have been approved in writing by the Committee.

Section 6. Review Period. The Chairman or acting Chairman of the Committee shall give the applicant a written, dated receipt for the plans and specifications. If the Committee fails to mail or deliver a written approval or disapproval of the plans and specifications to the applicant within sixty (60) days after the plans and specifications have been submitted, and no action has been instituted to enjoin the proposed work, the plans and specifications shall be deemed to have been approved.

Section 7. Return of Plans. If the Committee either approves or disapproves the plans and specifications in writing, it shall deliver or mail one set of the plans and specifications to the applicant with its written approval or disapproval and shall retain the other set. If the Committee fails to mail or deliver its written approval or disapproval to the applicant within the sixty-day period hereinabove specified, it shall nevertheless return one set of the plans and specifications to the applicant on demand.

Section 8. Review Criteria. The Committee shall have the right to disapprove plans and specifications submitted if, in its opinion (or in the opinion of the Board), the plans and specifications are not in accordance with all of the provisions of this Declaration or are not complete or if, in its opinion (or in the opinion of the Board), the design, color scheme or location of the proposed structure or improvement is not in harmony with the general surroundings and topography of the Lot or with other buildings and structures in the vicinity, or if the plans and specifications are incomplete. The Committee shall, in the exercise of its judgement and determination, act reasonably and in good faith. The decision of the Board, acting through the Committee, shall be final. Notwithstanding the foregoing, the Board shall have the right and power to overrule any and all decisions of the Committee.

Section 9. Deviation of Plans; Liability. No changes or deviation in or from the plans and specifications as approved shall be made without the prior written consent of the Committee. Neither the Board, the Association, the Committee nor any members of the Committee shall be responsible in any way for any defects in any plans and specifications submitted as hereinabove provided, or for any structure or improvement erected, placed or maintained according to those plans or other specifications. By approving plans and specifications, the Board and the Committee do not assume any liability or responsibility for compliance with building or zoning ordinances.

Section 10. Not Applicable to Declarant. Notwithstanding any of the provisions in this Article XI, the provisions and restrictions contained in this Article XI shall not apply to Declarant until all Lots are sold and residences are constructed thereon.

Section 11. Liability. Neither the Committee, nor any member of the Committee nor the Board shall be liable to any Member or to any other party for any damage, loss or prejudice suffered or claimed on account of:

(a) the approval or disapproval of any plans, drawings or specifications, whether or not defective;

(b) the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications;

(c) the development of any property within SaddleBrooke Country Club No. 2;

(d) the execution of any estoppel certificate, whether or not the facts therein are correct; or

(e) the enforcement of this Declaration or of the Committee's guidelines or the granting of variances from the Committee's guidelines;

provided, however, that with respect to the liability of a Committee member, such member has acted in good faith on the basis of such information as may be possessed by him. The approval by the Committee of any plans, specifications or other matter shall not be deemed to constitute a waiver of any right to withhold approval of any similar plans, specifications or other matter subsequently submitted for approval.

ARTICLE XII

RIGHTS AND POWERS OF ASSOCIATION

Section 1. Association's Rights and Powers As Set Forth in Articles and Bylaws. In addition to the rights and powers of the Association set forth in this Declaration, the Association shall have such rights and powers as are set forth in its Articles and Bylaws, which shall include all rights and powers as may be reasonably necessary in order to effect the purposes of the Association as set forth herein. After incorporation of the Association, a copy of the Articles and Bylaws of the Association shall be available for inspection by Owners, prospective purchasers, mortgagees and other persons or entities with an interest in SaddleBrooke Country Club No. 2 at the office of the Association during reasonable business hours.

Section 2. Enforcement of Provisions of This and Other Instruments. The Association, as agent and representative of the Owners, shall have the right (without obligation) to enforce, by any proceeding at law or in equity, the covenants set forth in this Declaration, the Articles, Bylaws, SaddleBrooke Country Club No. 2 Rules, the Architectural Guidelines and any and all Covenants, restrictions, reservations, charges, servitudes, assessments, conditions, liens or easements provided for in this Declaration or in any contract, deed, declaration or other instrument that (a) shall have been executed pursuant to, or subject to, the provisions of this Declaration, or (b) otherwise shall indicate that the provisions of such instrument are intended to be enforced by the Association. The Association is authorized to impose sanctions for violations without court approval. Such sanctions may include reasonable monetary fines and suspension of the right to vote or use any recreational facilities on the Common Area as provided in Article III, Section 1(b). In the event suit is brought or arbitration is instituted or an attorney is retained by the Association to enforce the

terms of this Declaration or other document described in this Section 2 and the Association prevails, the Association shall be entitled to recover, in addition to any other remedy, reimbursement for attorneys' fees, court costs, costs of investigation and other related expenses incurred in connection therewith including but not limited to the Association's administrative costs and fees. Such attorneys' fees, costs and expenses shall be the personal liability of the breaching Member and shall also be secured by the Assessment Lien against the Member's Lot. If the Association fails or refuses to enforce this Declaration or any provision hereof for an unreasonable period of time after written request by an Owner to do so, then any Owner may enforce such provision of the Declaration at his own expense by any appropriate action, whether in law or in equity, but regardless of the outcome, no expenses of the action shall be paid for by the Association.

Section 3. Contracts with Others for Performance of Association's Duties.

Subject to the restrictions and limitations contained herein, the Association may enter into contracts and transactions with others, including Declarant and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more directors or officers of the Association or members of any committee are 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 Declarant, its affiliated companies or any competitor thereof and may vote at the meeting to authorize any such contract, transaction or approval with like force and effect as if he were not so interested.

Section 4. Procedure for Change of Use of Common Areas. Upon (a) adoption of a resolution by the Board stating that in the Board's opinion the then present use of a designated part of the Association Land or of the Association's interest in other Common Areas is no longer in the best interests of the Members and Residents, (b) the approval of such resolution by Declarant, and (c) if after the Transition Date, then the approval of such resolution by a majority of the votes entitled to be cast by the Members voting in person or by proxy at a meeting duly called for such purpose, the Board shall have the power and right to change the use of such property (and in connection therewith, construct, reconstruct, alter or change the buildings, structures and improvements thereon in any manner deemed necessary by the Board to accommodate the new use), provided such new use (i) shall be for the benefit of the Members and Residents, as determined by the Board, and (ii) shall be consistent with any deed restrictions, zoning and other municipal regulations restricting or limiting the use of the land. Alternatively, if after the Transition Date, the Board upon satisfaction of subsections (a) and (b) above may, in lieu of calling a meeting, notify in writing all

Members of the proposed change of use and of their right to object thereto and, if Members holding no more than ten percent (10%) of the votes held by Members (including Declarant) eligible to vote object in writing within thirty (30) days after the delivery of such notice, the proposed transaction shall be deemed approved by the Members and a meeting of the Members shall not be necessary.

Section 5. Procedure for Transfer of Common Areas. The Association shall have the right to dedicate or transfer all or any part of the Common Areas owned by the Association to any public authority or utility as provided in Article III, Section 1(c). In addition, the Association shall have the right to change the size, shape or location of the Common Areas, to exchange the Association's interest in Common Areas for other property or interests which become Common Areas, and to abandon or otherwise transfer the Association's interest in Common Areas (to a nonpublic authority) upon (a) the adoption of a resolution by the Board stating that in the opinion of the Board, the change proposed shall be for the benefit of the Members and Residents and shall not substantially adversely affect them, (b) the approval of such resolution by Declarant, and (c) the approval of such resolution by a majority of the votes entitled to be cast by Members voting in person or by proxy at a meeting called for that purpose. Alternatively, the Board upon satisfaction of subsections (a) and (b) above may, in lieu of calling a meeting pursuant to subsection (c) above, notify in writing all Members of the proposed transaction and of their right to object thereto and, if Members holding no more than ten percent (10%) of the votes held by Members (including Declarant) eligible to vote object in writing within thirty (30) days after delivery of such notice, the proposed transaction shall be deemed approved by the Members and a meeting of the Members shall not be necessary.

Section 6. Use of Effluent. Sewage effluent may be used on the Common Areas and Golf Course Land provided the effluent is adequately treated for such use.

ARTICLE XIII

DURATION and AMENDMENTS

Section 1. Duration. This Declaration and the Covenants herein contained run with the land and shall bind all persons in interest, all Owners, and their heirs, legal representatives, successors and assigns until January 1, 2035. Thereafter, this Declaration and the Covenants shall be extended automatically for successive periods of five (5) years each, unless not less than thirty (30) days prior to the end of the initial term or any successive period of five (5) years, the Covenants are amended or changed to provide otherwise or are terminated.

Section 2. Amendments. Except as otherwise provided in this Article, amendments, changes or terminations must be approved by Declarant and by the Owners of a majority of the Lots (with one vote for each Lot owned, including those owned by Declarant), either at a meeting of the Members or without a meeting if all Members have been notified and if the Owners of a majority of the Lots consent to such amendment, change or termination in writing. Except as otherwise provided in this Article, amendments, changes or terminations shall be effected only by instruments in recordable form executed by Declarant and by the President or Vice President and the Secretary or Assistant Secretary of the Association and shall be recorded in the proper office of record.

Section 3. Limitation on Amendments. Any amendment to this Declaration which limits or terminates membership in the Association must also be signed by two-thirds (2/3) of the members of the Board.

Section 4. Non-Retroactive Clause. Each party who acquires any interest in all or any part of SaddleBrooke Country Club No. 2 after the date hereof agrees to look for performance of, or relief deemed equitable for the enforcement of, the Covenants, conditions and restrictions contained herein, only to the Owners who are such when said performance and/or relief is sought, except as otherwise provided in Article VII.

Section 5. Requested Amendment. Anything in this Article XIII notwithstanding:

(a) Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by Governmental Mortgage Agencies or by any other federal, state or local governmental agency that requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds upon the security of any Lot(s) or Dwelling Unit(s) or any portions of SaddleBrooke Country Club No. 2. Any such amendment shall be effected by the recordation, by Declarant, of a Certificate of Amendment duly signed by or on behalf of the authorized agents, or authorized officers of Declarant, as applicable, with their signatures acknowledged, specifying the Governmental Mortgage Agency, the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution. Recordation of such a Certificate shall be deemed conclusive proof of the agency's or institution's request for such amendment, and such Certificate, when recorded, shall be binding upon all of SaddleBrooke Country Club No. 2 and all persons having an interest therein. For purposes of this Section 5, "Governmental Mortgage Agency" shall mean the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association or the Federal National Mortgage Association or any similar entity, public or private, authorized, approved or

sponsored by any governmental agency to insure, guarantee, make or purchase mortgage loans.

(b) It is the desire of Declarant to retain control of the Association and its activities during the anticipated period of planning and development until the Transition Date. If any amendment requested pursuant to the provisions of this Section 5 deletes, diminishes or alters such control, Declarant shall have the right to prepare, provide for and adopt as an amendment hereof other and different control provisions by executing and recording an amendment hereto.

Section 6. Rule Against Perpetuities. If any of the provisions, privileges, Covenants or rights created by or set forth in this Declaration shall be unlawful, void or voidable for violation of the rule against perpetuities, then such provision shall continue until 21 years after the death of the survivor of the now living descendants of Edward J. Robson and the now living descendants of Senator John McCain.

ARTICLE XIV

ANNEXATION AND DEANNEXATION OF PROPERTY

Section 1. Right of Annexation. Declarant expressly reserves the right at any time to expand SaddleBrooke Country Club No. 2, without the consent of any Owner, Member, mortgagee or any other party with an interest in SaddleBrooke Country Club No. 2, by annexing all or any portion of the Annexable Property. The annexation of any or all of the Annexable Property shall be accomplished by Declarant recording with the County Recorder of Pinal County, Arizona, a Tract Declaration which subjects the annexed property to the Declaration and includes the legal description of the Annexable Property being annexed and which may in Declarant's discretion establish the Land Use Classification of the Annexed Property. Declarant shall not be obligated to annex all or any portion of the Annexable Property. Declarant may annex noncontiguous Annexable Property hereunder. A Tract Declaration annexing property as permitted hereunder may contain such complementary additions and modifications of the Covenants, conditions and restrictions contained in this Declaration as may be necessary or appropriate in Declarant's sole discretion to reflect the different character, if any, of the annexed property and as are not inconsistent with this Declaration.

Section 2. Deannexation of Parcels. Declarant expressly reserves the right at any time to deannex any Parcel or Parcels from SaddleBrooke Country Club No. 2 and from the scope of this Declaration, without the consent of any Owner, Member, mortgagee or other party, other than the Owner of the Parcel being deannexed. The deannexation of a Parcel shall be accomplished by Declarant recording a certificate of deannexation executed by Declarant and the Owner of the Parcel.

ARTICLE XV**MISCELLANEOUS**

Section 1. Exemption of Declarant from Restrictions. Notwithstanding anything to the contrary in this Declaration, none of the Covenants or other provisions in this Declaration shall be construed or deemed to limit or prohibit any act of Declarant, its employees, agents and contractors, or parties designated by it in connection with the construction, completion, and sale of Lots in SaddleBrooke Country Club No. 2.

Section 2. Limitation on Declarant's Liability. Notwithstanding anything to the contrary in this Declaration, each Owner, by accepting any interest in any portion of SaddleBrooke Country Club No. 2 and becoming an Owner, acknowledges and agrees that neither Declarant (including without limitation any assignee of the interest of Declarant hereunder) nor any partner, officer, director or shareholder of Declarant (or any partner or shareholder in any such assignee) shall have any personal liability to the Association, or any Owner, Member or any other person, arising under, in connection with, or resulting from (including without limitation resulting from action or failure to act with respect to) this Declaration or the Association except, in the case of Declarant (or its assignee), to the extent of its interest in the property served by the Association and, in the event of a judgement, no execution or other action shall be sought or brought thereon against any other assets or be a lien upon such other assets of the judgement debtor.

Section 3. Use of Recreational Facilities. Declarant and its employees, guests and designees may use the clubhouse and other recreational facilities, and if there is more than one, all clubhouses and recreational facilities, located in SaddleBrooke Country Club No. 2 for sales, promotional and other purposes, as long as Declarant or Trustee is the owner of any real property located within SaddleBrooke Country Club No. 2, regardless of whether or not legal title to one or more of the Common Areas passes to the Association. No portion of the facilities and amenities located within SaddleBrooke Country Club No. 2 and commonly known as a "clubhouse" shall be used by anyone other than Declarant for the purpose of soliciting any prospective purchaser being escorted or shown through or viewing the clubhouse at the invitation of Declarant, its salesman or employees. No one, other than Declarant, its salesman or employees shall use any part of a clubhouse to consummate the purchase or sale of any property whatsoever. Nothing herein shall be construed to prevent anyone from showing a clubhouse or any other part of the Association facilities or Common Areas to any prospect or customer.

Section 4. Blanket Easement. Declarant shall have the right to grant or create easements over, across or under the Common Areas, roadways, open spaces, golf

course or any other part of SaddleBrooke Country Club No. 2 (other than Lots conveyed to other parties) which, in its sole discretion, are required for development purposes.

Section 5. Cable TV, Telephone and Security Systems Easement. There is hereby reserved to Declarant or its nominee a perpetual easement and right of way across and upon all Common Areas for the maintenance, construction and repair of a cable television system, telephone system and/or security system and appurtenant facilities. Declarant or its nominee shall have the right to excavate, have, place, lay, construct, operate, use, maintain, repair, replace, reconstruct, enlarge, improve, add to, relocate and/or remove at any time and from time to time underground structures with required appurtenances necessary or convenient for the operation of such cable television system, telephone system and/or security system and all miscellaneous equipment and material connected therewith. Declarant or its nominee shall have the right of ingress to and egress from the easement by a practical route or routes upon, over and across the Common Areas or any portion or portions thereof, together with the right to clear and keep clear the easement and rights of way of materials, buildings and other structures, implements or obstructions. Without limiting the generality of the foregoing, declarant or its nominee shall have the right to trim and cut trees, foliage, and roots upon and from within the above described easement and rights of way whenever, in its judgement, the same shall be necessary for the convenient and safe exercise of the rights herein reserved. All cable television system equipment and security system equipment installed by Declarant or its nominee shall remain the personal property of Declarant or its nominee and shall not be deemed a part of the realty. Declarant or its nominee shall have the right directly or indirectly to assign its rights to this easement. Neither Declarant, its nominee or the Association shall be obligated to provide a cable television system and/or security system in SaddleBrooke Country Club No. 2. If a cable television system and/or security system is built by Declarant or its nominee, the type and quality of the system and the fees and charges to be paid by users of the systems, shall be at the absolute discretion of Declarant or its nominee.

Section 6. Private Roadways and Guard Gates. Except as otherwise provided in an applicable plat, Tract Declaration or easement executed by Declarant, use of the private roadways within SaddleBrooke Country Club No. 2, if any, shall be limited to Declarant, Owners, Members and Residents, tenants of Commercial Areas, their employees, guests and invitees, applicable governmental agencies and entities, and the golf public if the Golf Course or snack bar is open to the public. The Board shall have the right to assess the Members for the repair, reconstruction, replacement and maintenance of the private roadways, curbs and gutters, the electricity for street lighting and the operation and maintenance of guard gates, guard stations and guard service pursuant to Article VII of this Declaration. Neither Declarant nor any Owner of the Golf Course shall be assessed or charged in any way for normal wear and tear on the private roadways caused by its guests, customers, agents, employees,

subcontractors, or the golfing public. Declarant reserves the right, in its sole discretion, to at any time cause title to all or any part of the private roadways to be conveyed to the Association or an Ancillary Association. Until the private roadways are conveyed to the Association or an Ancillary Association, Declarant reserves the right to cause all or any part of the private roadways to be dedicated to the public.

Section 7. Transfer of Title to the Common Areas. Declarant shall transfer title to the Common Areas to the Association on the Transition Date, or shall transfer all or any part of the Common Areas to the Association sooner at Declarant's sole discretion. The condition of the facilities at the time of transfer shall be reasonable subject of normal wear and tear. The Common Areas may, upon such transfer, be subject to mortgages or encumbrances securing indebtedness of the Association, provided such indebtedness was incurred for the operation of the Association or payment of the debts or obligations of the Association. Declarant shall have no obligation to the Association or to any Member to pay such indebtedness or the interest thereon.

Section 8. 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 that are applicable to Residential Areas. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the Association's construction or interpretation of the provisions of this Declaration that are applicable to Residential Areas shall be final, conclusive and binding as to all persons and property benefitted or bound by the Covenants.

Section 9. Severability. Any determination by any court of competent jurisdiction that any provision of this Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 10. Change of Circumstances. Except as otherwise expressly provided in this Declaration, no change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

Section 11. Rules and Regulations. In addition to the right to adopt rules and regulations on the matters expressly mentioned elsewhere in this Declaration, the Association (through its Board and committees) shall have the right to adopt rules and regulations with respect to all other aspects of the Association's rights, activities and duties, provided such rules and regulations are not inconsistent with the provisions of this Declaration.

Section 12. Declarant's Disclaimer of Representations. Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth on a recorded plat or other instrument recorded in the office of the

County Recorder of Pinal County, Arizona, Declarant makes no warranties or representations whatsoever that the plans presently envisioned or the complete development of SaddleBrooke Country Club No. 2 can or will be carried out, or that any land now owned or hereafter acquired by Declarant is or will be subjected to this Declaration or any other Declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or if that land is once used for a particular use, such use will continue in effect. Without limiting the generality of the foregoing, Declarant expressly reserves the right at any time and from time to time to amend the Master Development Plan.

Section 13. No Warranty of Enforceability. Declarant makes no warranty or representation as to the present or future validity or enforceability of any Covenants contained in this Declaration. Any Owner acquiring a Lot or Parcel in SaddleBrooke Country Club No. 2 shall assume all risks of the validity and enforceability hereof and by acquiring any Lot or Parcel agrees that Declarant shall have no liability therefor.

Section 14. References to the Covenants in Deeds. Deeds or any instruments affecting any part of SaddleBrooke Country Club No. 2 may contain the Covenants herein set forth by reference to this Declaration; but regardless of whether any such reference is made in any Deed or instrument, each and all of the Covenants shall be binding upon the grantee Owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

Section 15. Gender and Number. Wherever the context of this Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders, words used in the neuter gender shall include the masculine and feminine genders, words in the singular shall include the plural, and words in the plural shall include the singular.

Section 16. Captions and Titles. All captions, titles or headings of the Articles and Sections in this Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

Section 17. Notices. If notice of any action or proposed action by the Board or of any committee or of any meeting is required by applicable law, this Declaration or resolution of the Board to be given to any Owner, Member 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 SaddleBrooke. 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. If notice is made by mail, it shall be deemed to have been delivered and received twenty-four (24) hours

after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to such person at the address given by that person to the Association for the purpose of service of such notice, or to the address of the Lot, Parcel or Dwelling Unit owned by such person if no address has been given. Notice to the Board shall be delivered or sent certified mail to the office of the Association.

Section 18. Litigation. After the Transition Date, no judicial or administrative proceedings shall be commenced or prosecuted by the Association unless approved by Members holding seventy-five (75%) percent of the outstanding votes. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens), (b) the imposition and collection of Assessments as provided in Article VII hereof, (c) proceedings involving challenges to taxation, or (d) counterclaims and other claims brought by the Association in suits instituted against it. This Section shall not be amended unless such amendment is made by Declarant or is approved by the percentage votes necessary to institute proceedings as provided above.

Section 19. Use of the Words "SaddleBrooke Country Club No. 2". No person or entity other than Declarant shall use the words "SaddleBrooke Country Club No. 2" or any derivative thereof in any printed or promotional material without the prior written consent of Declarant. However, Members may use the term "SaddleBrooke Country Club No. 2" in printed or promotional material where such term is used solely to specify that the particular property is located within SaddleBrooke Country Club No. 2.

Section 20. Governing Law. This Declaration shall be governed by and construed in accordance with the laws of the State of Arizona.

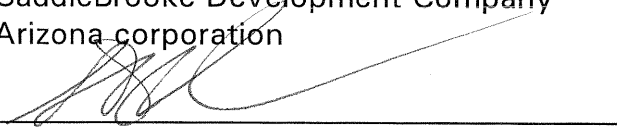
2032-456

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

DECLARANT:

SADDLEBROOKE DEVELOPMENT COMPANY,
an Arizona corporation

By SaddleBrooke Development Company
an Arizona corporation

By  _____

Its President _____

TRUSTEE:

First American TITLE INSURANCE Company,
as Trustee of its Trust No. 7565, 7590,
7907, 7908, 7947

By  _____

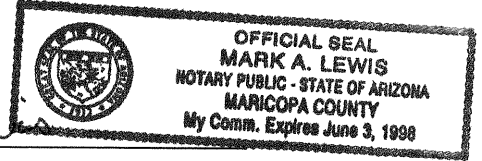
Its Trust Officer _____

2032-457

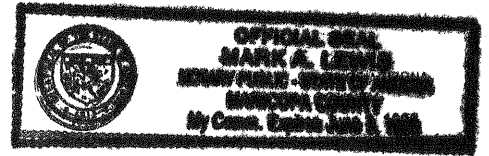
STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 3rd day of August, 1994 by Steven J. Robson, the President of SaddleBrooke Development Company, an Arizona corporation, on behalf of such corporation.

Mark A. Lewis
Notary Public



My Commission Expires:



STATE OF Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 4 day of AUGUST, 1994 by RODERICK N. COLLIER, the TRUST OFFICER of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, as Trustee of its Trust No. 7565, 7590, 7907, 7908, 7947, on behalf of First American Title Insurance Company, as Trustee.

Cynthia L. Logan
Notary Public

My Commission Expires:

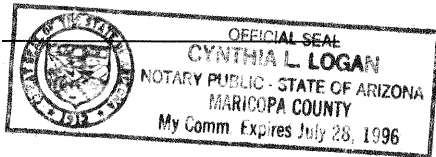


EXHIBIT "A"
SADDLEBROOKE UNIT 15
PHASE II

Being a portion of the Northeast Quarter of Section 26 and a portion of Section 23, both in Township 10 South, Range 14 East, Gila and Salt River Base and Meridian, County of Pinal, State of Arizona, more particularly described as follows:

Beginning at the Northeast corner of said Section 26,

Thence Southerly along the Easterly line of said Section 26 South $01^{\circ} 25' 57''$ West a distance of 500.89' to the Northerly line of SaddleBrooke Unit Twelve as shown on Final Plat recorded in Cabinet B, Slide 76, in the Office of the Pinal County Recorder;

Thence Westerly along said Northerly line of SaddleBrooke Unit Twelve North $88^{\circ} 34' 03''$ West a distance of 139.96 feet;

Thence Northerly continuing along said Northerly line of SaddleBrooke Unit Twelve North $01^{\circ} 25' 57''$ East a distance of 6.20 feet;

Thence Westerly continuing along said Northerly line of SaddleBrooke Unit Twelve North $88^{\circ} 34' 03''$ West a distance of 50.00 feet to the beginning of a non-tangent curve concave Northwesterly and having a radius of 25.00 feet through which a radial line of said non-tangent curve bears South $88^{\circ} 34' 03''$ East;

Thence Southwesterly continuing along said Northerly line of SaddleBrooke Unit Twelve and along non-tangent curve through a central angle of $90^{\circ} 00' 00''$ an arc distance of 39.27 feet to a tangent line;

Thence Westerly continuing along said Northerly line of SaddleBrooke Unit Twelve and along said tangent line North $88^{\circ} 34' 03''$ West a distance of 322.01 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 25.00 feet;

Thence Northwesterly continuing along said Northerly line of SaddleBrooke Unit Twelve and along said tangent curve through a central angle of $84^{\circ} 26' 45''$ an arc distance of 36.85 feet to a point on the Northeasterly line of Ridgeview Boulevard being also the Northeasterly line of SaddleBrooke Unit Sixteen as shown on Final Plat recorded in Cabinet B, Slide 78, in the Office of the Pinal County Recorder, said point being the beginning of a reverse curve concave Southwesterly and having a radius of 830.00 feet through which a radial line of said reverse curve bears South $85^{\circ} 52' 42''$ West;

Thence Northwesterly along said Northeasterly line of Ridgeview Boulevard and along said reverse curve through a central angle of $41^{\circ} 00' 35''$ an arc distance of 594.08 feet to a tangent line;

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Thence Northwesterly continuing along said Northeasterly line of Ridgeview Boulevard and along said tangent line North $45^{\circ} 07' 53''$ West a distance of 255.00 feet to the beginning of a tangent curve concave Southwesterly and having a radius of 830.00 feet;

Thence Northwesterly continuing along said Northeasterly line of Ridgeview Boulevard and along said tangent curve through a central angle of $22^{\circ} 01' 36''$ an arc distance of 319.08 feet to a tangent line;

Thence Northwesterly continuing along said Northeasterly line of Ridgeview Boulevard and along said tangent line North $67^{\circ} 09' 29''$ West a distance of 396.34 feet;

Thence Northeasterly leaving said Northeasterly line of Ridgeview Boulevard North $22^{\circ} 50' 31''$ East a distance of 125.00 feet;

Thence Southeasterly at right angles to last said course South $67^{\circ} 09' 29''$ East a distance of 140.00 feet;

Thence South $77^{\circ} 08' 52''$ East a distance of 76.15 feet;

Thence North $04^{\circ} 44' 28''$ West a distance of 64.81 feet;

Thence North $06^{\circ} 20' 39''$ West a distance of 122.55 feet to the beginning of a tangent curve concave southeasterly and having a radius of 645.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $29^{\circ} 11' 10''$ an arc distance of 328.56 feet to a tangent line;

Thence Northeasterly along said tangent line North $22^{\circ} 50' 31''$ East a distance of 660.83 feet;

Thence North $34^{\circ} 31' 36''$ East a distance of 78.63 feet;

Thence North $29^{\circ} 33' 35''$ East a distance of 77.53 feet;

Thence North $22^{\circ} 50' 31''$ East a distance of 80.00 feet;

Thence North $11^{\circ} 32' 16''$ East a distance of 50.99 feet;

Thence South $67^{\circ} 09' 29''$ East a distance of 105.00 feet to the beginning of a tangent curve concave Northwesterly and having a radius of 25.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $90^{\circ} 00' 00''$ an arc distance of 39.27 feet to the beginning of a reverse curve concave Southeasterly and having a radius of 525.00 feet through which a radial line of said reverse curve bears North $67^{\circ} 09' 29''$ West;

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Thence Northeasterly along said reverse curve through a central angle of $09^{\circ} 13' 23''$ an arc distance of 84.51 feet to a tangent line;

Thence Northeasterly along said tangent line North $32^{\circ} 03' 54''$ East a distance of 140.38 feet to the beginning of a tangent curve concave Northwesterly and having a radius of 50.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $25^{\circ} 50' 31''$ an arc distance of 22.55 feet to the beginning of a reverse curve concave Southeasterly and having a radius of 50.00 feet through which a radial line of said reverse curve bears North $83^{\circ} 46' 37''$ West;

Thence Northeasterly along said reverse curve through a central angle of $106^{\circ} 37' 08''$ an arc distance of 93.04 feet to a tangent line;

Thence Southeasterly along said tangent line South $67^{\circ} 09' 29''$ East a distance of 194.48 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 475.00 feet;

Thence Southeasterly along said tangent curve through a central angle of $21^{\circ} 55' 51''$ an arc distance of 181.81 feet to a tangent line;

Thence Easterly along said tangent line South $89^{\circ} 05' 20''$ East a distance of 94.27 feet to the beginning of a tangent curve concave Northwesterly and having a radius of 25.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $90^{\circ} 00' 00''$ an arc distance of 39.27 feet to a non-tangent line;

Thence Easterly along said non-tangent line South $89^{\circ} 05' 20''$ East a distance of 50.00 feet;

Thence Southerly at right angles to last said course South $00^{\circ} 54' 40''$ West a distance of 7.80 feet;

Thence Easterly at right angles to last said course South $89^{\circ} 05' 20''$ East a distance of 137.00 feet to the Easterly line of said Section 23;

Thence Southerly along said Easterly line of Section 23 South $00^{\circ} 54' 40''$ West a distance of 21 43.20 feet to the Point of Beginning.

The above described parcel contains 64.16 acres more or less.

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EXHIBIT "B"
LEGAL DESCRIPTION
SADDLEBROOKE PHASE II
THE ANNEXATION PROPERTY

PARCEL 1:

THAT PORTION OF THE EAST HALF OF SECTION 28, TOWNSHIP 10 SOUTH, RANGE 14 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID SECTION 28; THENCE NORTH 89 DEGREES 18 MINUTES 40 SECONDS WEST, ALONG THE SOUTHERLY LINE OF SAID SECTION 28, A DISTANCE OF 2655.67 FEET TO THE SOUTH 1/4 CORNER OF SAID SECTION 28; THENCE NORTH 00 DEGREES 29 MINUTES 26 SECONDS EAST, ALONG THE NORTH-SOUTH MIDSECTION LINE OF SAID SECTION 28, A DISTANCE OF 458.84 FEET; THENCE LEAVING SAID NORTH-SOUTH MIDSECTION LINE, NORTH 50 DEGREES 52 MINUTES 52 SECONDS EAST, A DISTANCE OF 551.09 FEET; THENCE NORTH 35 DEGREES 04 MINUTES 22 SECONDS EAST, A DISTANCE OF 2815.50 FEET; THENCE NORTH 01 DEGREES 55 MINUTES 18 SECONDS WEST, A DISTANCE OF 760.99 FEET TO A POINT ON THE ARC OF A 1275.00 FOOT RADIUS CURVE THAT IS CONCAVE SOUTHERLY, THE RADIUS POINT OF WHICH BEARS SOUTH 19 DEGREES 26 MINUTES 47 SECONDS EAST, SAID POINT ALSO BEING ON THE CENTER LINE OF SADDLEBROOKE ROAD, A 90 FOOT ROADWAY; THENCE EASTERLY ALONG SAID CENTER LINE OF SADDLEBROOKE ROAD AND ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 29 DEGREES 12 MINUTES 38 SECONDS, AN ARC LENGTH OF 650.02 FEET TO A POINT OF TANGENCY; THENCE CONTINUING ALONG SAID CENTER LINE OF SADDLEBROOKE ROAD, SOUTH 80 DEGREES 13 MINUTES 46 SECONDS EAST, A DISTANCE OF 49.25 FEET TO THE EASTERLY LINE OF SAID SECTION 28; THENCE SOUTH 00 DEGREES 50 MINUTES 07 SECONDS WEST, ALONG SAID EASTERLY LINE OF SECTION 28, A DISTANCE OF 1313.39 FEET TO THE EAST 1/4 CORNER OF SAID SECTION 29*; THENCE CONTINUING SOUTH 00 DEGREES 50 MINUTES 07 SECONDS WEST, ALONG SAID EASTERLY LINE OF SECTION 28, A DISTANCE OF 2636.15 FEET TO THE POINT OF BEGINNING.

EXCEPT ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, HELIUM OR OTHER SUBSTANCES OF A GASEOUS NATURE, COAL, METAL, MINERALS, FOSSILS, FERTILIZER OF EVERY NAME AND DESCRIPTION, AND ALL OTHER MATERIALS WHICH MAY BE ESSENTIAL TO PRODUCTION OF FISSIONABLE MATERIAL AS RESERVED IN ARS §37-231,E.

EXHIBIT "B" CONTINUED

PARCEL 2:

THE WEST HALF OF SECTION 27, TOWNSHIP 10 SOUTH, RANGE 14 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA;

EXCEPT THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 27; AND

EXCEPT ALL OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES, HELIUM OR OTHER SUBSTANCES OF A GASEOUS NATURE, COAL, METAL, MINERALS, FOSSILS, FERTILIZER OF EVERY NAME AND DESCRIPTION, AND ALL OTHER MATERIALS WHICH MAY BE ESSENTIAL TO PRODUCTION OF FISSIONABLE MATERIAL AS RESERVED IN ARS §37-231,E.

PARCEL 3:

THE NORTHEAST QUARTER OF SECTION 33, TOWNSHIP 10 SOUTH, RANGE 14 EAST OF THE GILA RIVER AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.

EXCEPT ALL OIL, GAS, AND OTHER HYDROCARBON SUBSTANCES, HELIUM OR OTHER SUBSTANCES OF A GASEOUS NATURE, COAL, METAL, MINERALS, FOSSILS, FERTILIZER OF EVERY NAME AND DESCRIPTION, AND ALL OTHER MATERIALS WHICH MAY BE ESSENTIAL TO PRODUCTION OF FISSIONABLE MATERIAL AS RESERVED IN ARS §37-231,E.

PARCEL 4:

THAT PORTION OF THE NORTH HALF OF SECTION 34, TOWNSHIP 10 SOUTH, RANGE 14 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, DESCRIBED AS FOLLOWS:

ALL OF THE NORTH HALF OF SECTION 34, LYING WEST OF LAGO DEL ORO PARKWAY AS RECORDED IN DOCKET 909, PAGE 264, PINAL COUNTY RECORDS EXCEPT THE SOUTHERLY 597 FEET OF THE EASTERLY 2850 FEET THEREOF, THE BOUNDARY OF SAID PARCEL BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID SECTION 34; THENCE SOUTH 89 DEGREES 55 MINUTES 40 SECONDS EAST ALONG THE NORTH LINE OF SAID SECTION 34, A DISTANCE OF 266.49 FEET* TO THE NORTH 1/4 CORNER OF SAID SECTION 34; THENCE SOUTH 89 DEGREES 54 MINUTES 29 SECONDS EAST,

EXHIBIT "B" CONTINUED

ALONG SAID NORTH LINE OF SAID SECTION 34, A DISTANCE OF 1189.24 FEET TO THE CENTER LINE OF SAID LAGO DEL ORO PARKWAY; THENCE SOUTH 08 DEGREES 19 MINUTES 51 SECONDS WEST, ALONG SAID CENTER LINE OF LAGO DEL ORO PARKWAY, A DISTANCE OF 2156.06 FEET; THENCE LEAVING SAID CENTER LINE, NORTH 88 DEGREES 35 MINUTES 58 SECONDS WEST, ALONG A LINE THAT IS 597 FEET NORTH OF THE SOUTHERLY LINE OF THE NORTH HALF OF SAID SECTION 34, A DISTANCE OF 2902.05 FEET; THENCE SOUTH 01 DEGREES 04 MINUTES 23 SECONDS WEST, ALONG A LINE THAT IS 2850 FEET WEST OF THE EASTERLY LINE OF SAID SECTION 34, A DISTANCE OF 584.50 FEET; THENCE NORTH 89 DEGREES 15 MINUTES 02 SECONDS WEST, A DISTANCE OF 680.78 FEET TO THE WEST LINE OF SAID SECTION 34; THENCE NORTH 01 DEGREES 04 MINUTES 23 SECONDS EAST, ALONG SAID WEST LINE OF SAID SECTION 34, A DISTANCE OF 2643.60 FEET TO THE POINT OF BEGINNING.

EXCEPT ALL OIL, GAS AND OTHER HYDROCARBON SUBSTANCES, HELIUM OR OTHER SUBSTANCES OF A GASEOUS NATURE, COAL, METAL, MINERALS, FOSSILS, FERTILIZER OF EVERY NAME AND DESCRIPTION, AND ALL OTHER MATERIALS WHICH MAY BE ESSENTIAL TO PRODUCTION OF FISSIONABLE MATERIAL AS RESERVED IN ARS §37-231,E.

PARCEL 5:

A PARCEL OF LAND BEING THE SOUTHEAST QUARTER AND THE SOUTH 1,446.63 FEET OF THE NORTHEAST QUARTER OF SECTION 23, TOWNSHIP 10 SOUTH, RANGE 14 EAST, GILA AND SALT RIVER BASE AND MERIDIAN, IN AN UNINCORPORATED AREA OF THE COUNTY OF PINAL, STATE OF ARIZONA.

TOGETHER WITH THAT PORTION OF THE SOUTHWEST QUARTER OF SAID SECTION 23 IN SAID COUNTY AND STATE, LYING WITHIN A PARCEL OF LAND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTH QUARTER CORNER OF SAID SECTION 23; THENCE WESTERLY ALONG SAID SOUTHERLY LINE OF SECTION 23 NORTH 89 DEGREES 04 MINUTES 37 SECONDS EAST A DISTANCE OF 1,039.96 FEET; THENCE LEAVING SAID SOUTHERLY LINE NORTH 49 DEGREES 10 MINUTES 28 SECONDS EAST A DISTANCE OF 540.96 FEET; THENCE NORTH 65 DEGREES 59 MINUTES 55 SECONDS EAST 697.93 FEET, MORE OR LESS, TO THE NORTH-SOUTH CENTER SECTION LINE OF SAID SECTION 23; THENCE SOUTHERLY ALONG SAID NORTH-SOUTH CENTER SECTION LINE SOUTH 00 DEGREES 37 MINUTES 20 SECONDS WEST A DISTANCE OF 654.34 FEET, MORE OR LESS, TO THE POINT OF BEGINNING.

EXHIBIT "B" CONTINUED

EXCEPTING THEREFROM THOSE PORTIONS OF THE ABOVE-DESCRIBED PARCELS LYING SOUTHERLY OF THE NORTHERLY LINE OF RIDGEVIEW BOULEVARD AS SHOWN ON THE FINAL PLAT OF SADDLEBROOKE UNIT SIXTEEN RECORDED IN CABINET B, SLIDE 78, IN PINAL COUNTY RECORDS.

AND EXCEPT ANY PORTION OF THOSE CERTAIN LANDS DESCRIBED IN EXHIBIT "C" ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE.

THE ABOVE-DESCRIBED PARCELS CONTAIN A TOTAL OF 174.200 ACRES, MORE OR LESS.

EXHIBIT "C"
THE EXCEPTION PROPERTY

Being a portion of the Northeast Quarter of Section 26 and a portion of Section 23, both in Township 10 South, Range 14 East, Gila and Salt River Base and Meridian, County of Pinal, State of Arizona, more particularly described as follows:

Beginning at the Northeast corner of said Section 26,

Thence Southerly along the Easterly line of said Section 26 South $01^{\circ} 25' 57''$ West a distance of 500.89' to the Northerly line of SaddleBrooke Unit Twelve as shown on Final Plat recorded in Cabinet B, Slide 76, in the Office of the Pinal County Recorder;

Thence Westerly along said Northerly line of SaddleBrooke Unit Twelve North $88^{\circ} 34' 03''$ West a distance of 139.96 feet;

Thence Northerly continuing along said Northerly line of SaddleBrooke Unit Twelve North $01^{\circ} 25' 57''$ East a distance of 6.20 feet;

Thence Westerly continuing along said Northerly line of SaddleBrooke Unit Twelve North $88^{\circ} 34' 03''$ West a distance of 50.00 feet to the beginning of a non-tangent curve concave Northwesterly and having a radius of 25.00 feet through which a radial line of said non-tangent curve bears South $88^{\circ} 34' 03''$ East;

Thence Southwesterly continuing along said Northerly line of SaddleBrooke Unit Twelve and along non-tangent curve through a central angle of $90^{\circ} 00' 00''$ an arc distance of 39.27 feet to a tangent line;

Thence Westerly continuing along said Northerly line of SaddleBrooke Unit Twelve and along said tangent line North $88^{\circ} 34' 03''$ West a distance of 322.01 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 25.00 feet;

Thence Northwesterly continuing along said Northerly line of SaddleBrooke Unit Twelve and along said tangent curve through a central angle of $84^{\circ} 26' 45''$ an arc distance of 36.85 feet to a point on the Northeasterly line of Ridgeview Boulevard being also the Northeasterly line of SaddleBrooke Unit Sixteen as shown on Final Plat recorded in Cabinet B, Slide 78, in the Office of the Pinal County Recorder, said point being the beginning of a reverse curve concave Southwesterly and having a radius of 830.00 feet through which a radial line of said reverse curve bears South $85^{\circ} 52' 42''$ West;

Thence Northwesterly along said Northeasterly line of Ridgeview Boulevard and along said reverse curve through a central angle of $41^{\circ} 00' 35''$ an arc distance of 594.08 feet to a tangent line;

Thence Northwesterly continuing along said Northeasterly line of Ridgeview Boulevard and along said tangent line North $45^{\circ} 07' 53''$ West a distance of 255.00 feet to the beginning of a tangent curve concave Southwesterly and having a radius of 830.00 feet;

Thence Northwesterly continuing along said Northeasterly line of Ridgeview Boulevard and along said tangent curve through a central angle of $22^{\circ} 01' 36''$ an arc distance of 319.08 feet to a tangent line;

Thence Northwesterly continuing along said Northeasterly line of Ridgeview Boulevard and along said tangent line North $67^{\circ} 09' 29''$ West a distance of 396.34 feet;

Thence Northeasterly leaving said Northeasterly line of Ridgeview Boulevard North $22^{\circ} 50' 31''$ East a distance of 125.00 feet;

Thence Southeasterly at right angles to last said course South $67^{\circ} 09' 29''$ East a distance of 140.00 feet;

Thence South $77^{\circ} 08' 52''$ East a distance of 76.15 feet;

Thence North $04^{\circ} 44' 28''$ West a distance of 64.81 feet;

Thence North $06^{\circ} 20' 39''$ West a distance of 122.55 feet to the beginning of a tangent curve concave southeasterly and having a radius of 645.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $29^{\circ} 11' 10''$ an arc distance of 328.56 feet to a tangent line;

Thence Northeasterly along said tangent line North $22^{\circ} 50' 31''$ East a distance of 660.83 feet;

Thence North $34^{\circ} 31' 36''$ East a distance of 78.63 feet;

Thence North $29^{\circ} 33' 35''$ East a distance of 77.53 feet;

Thence North $22^{\circ} 50' 31''$ East a distance of 80.00 feet;

Thence North $11^{\circ} 32' 16''$ East a distance of 50.99 feet;

Thence South $67^{\circ} 09' 29''$ East a distance of 105.00 feet to the beginning of a tangent curve concave Northwesterly and having a radius of 25.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $90^{\circ} 00' 00''$ an arc distance of 39.27 feet to the beginning of a reverse curve concave Southeasterly and having a radius of 525.00 feet through which a radial line of said reverse curve bears North $67^{\circ} 09' 29''$ West;

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Thence Northeasterly along said reverse curve through a central angle of $09^{\circ} 13' 23''$ an arc distance of 84.51 feet to a tangent line;

Thence Northeasterly along said tangent line North $32^{\circ} 03' 54''$ East a distance of 140.38 feet to the beginning of a tangent curve concave Northwesterly and having a radius of 50.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $25^{\circ} 50' 31''$ an arc distance of 22.55 feet to the beginning of a reverse curve concave Southeasterly and having a radius of 50.00 feet through which a radial line of said reverse curve bears North $83^{\circ} 46' 37''$ West;

Thence Northeasterly along said reverse curve through a central angle of $106^{\circ} 37' 08''$ an arc distance of 93.04 feet to a tangent line;

Thence Southeasterly along said tangent line South $67^{\circ} 09' 29''$ East a distance of 194.48 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 475.00 feet;

Thence Southeasterly along said tangent curve through a central angle of $21^{\circ} 55' 51''$ an arc distance of 181.81 feet to a tangent line;

Thence Easterly along said tangent line South $89^{\circ} 05' 20''$ East a distance of 94.27 feet to the beginning of a tangent curve concave Northwesterly and having a radius of 25.00 feet;

Thence Northeasterly along said tangent curve through a central angle of $90^{\circ} 00' 00''$ an arc distance of 39.27 feet to a non-tangent line;

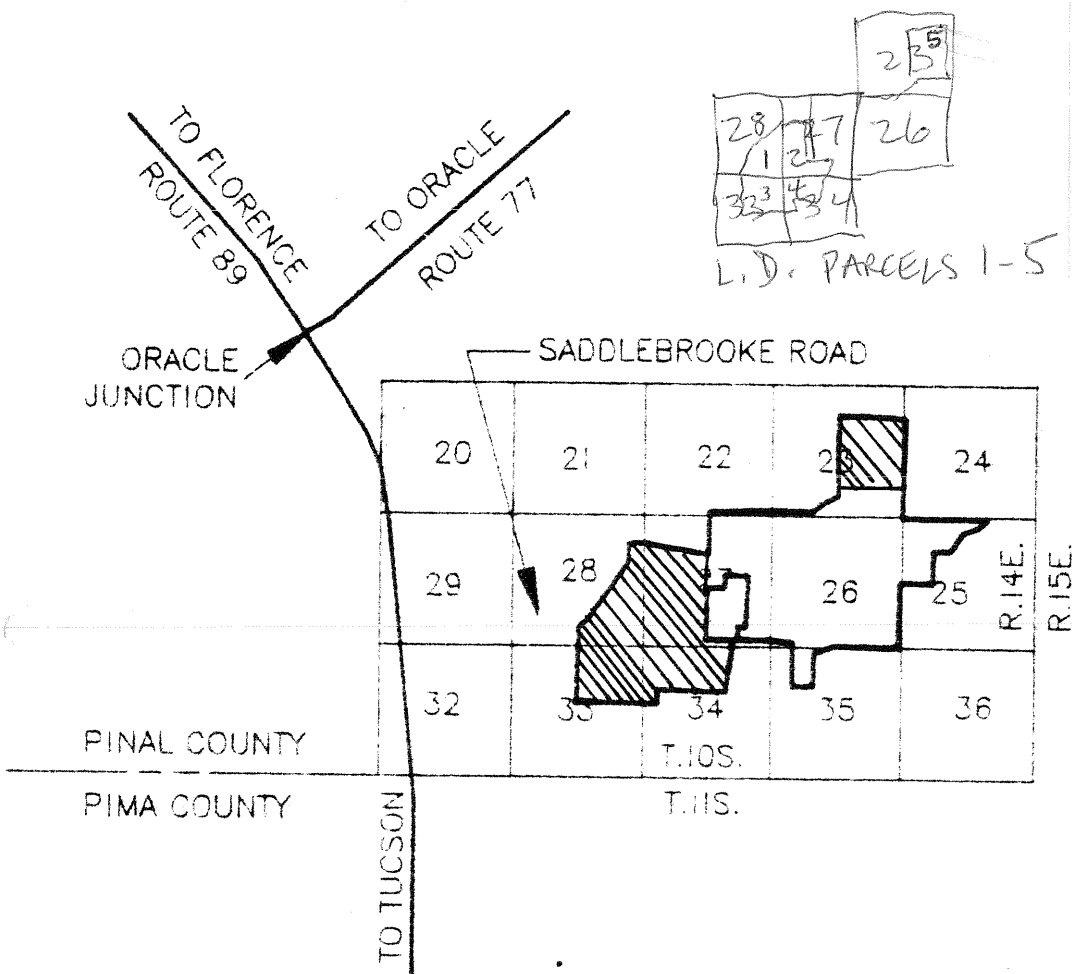
Thence Easterly along said non-tangent line South $89^{\circ} 05' 20''$ East a distance of 50.00 feet;

Thence Southerly at right angles to last said course South $00^{\circ} 54' 40''$ West a distance of 7.80 feet;

Thence Easterly at right angles to last said course South $89^{\circ} 05' 20''$ East a distance of 137.00 feet to the Easterly line of said Section 23;

Thence Southerly along said Easterly line of Section 23 South $00^{\circ} 54' 40''$ West a distance of 21 43.20 feet to the Point of Beginning.

The above described parcel contains 64.16 acres more or less.



VICINITY MAP
n.t.s.