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SaddleBrooke Development Company
9532 East Riggs Road
Sun Lakes, Arizona 85248

**AMENDED AND RESTATED
TRACT DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS**

This Tract Declaration is made this 25th day of October, 1994, by First American Title Insurance Company, as Trustee of its Trusts Nos. 7565, 7771, 7907, 7908 and 7947, and its trust beneficiary and the Declarant, SaddleBrooke Development Company, an Arizona corporation.

RECITALS:

A. Declarant is the developer of a masterplanned community in Pinal County, Arizona, known as SaddleBrooke Country Clubs. SaddleBrooke Country Clubs currently is being developed in two phases. Declarant and Trustee have executed various declarations of restrictions for SaddleBrooke Phase 1. Declarant and Trustee have executed the Phase 2 Declaration identified below for SaddleBrooke Phase 2.

B. The declarations of restrictions for SaddleBrooke Phase 1 contemplate the annexation of additional real property to SaddleBrooke Phase 1 by recordation of a declaration that makes membership in the Phase 1 Association an incident of ownership of lots in the annexed real property. Article XIV of the Phase 2 Declaration contemplates the annexation of Annexable Property to SaddleBrooke Country Club No. 2 by recordation of a Tract Declaration. All of the real property described on Exhibit "A" hereto (the "Annexed Property") constitutes either a portion of the Annexable Property or real property that already is subject to the Phase 2 Declaration.

C. Article IV of the Phase 2 Declaration contemplates that Tract Declarations establishing Land Use Classifications for parcels of land will be executed and recorded periodically. The Tract Declaration, Land Use Classification and Use Restriction for the Covenants, Conditions and Restriction for SaddleBrooke Unit Fifteen that was recorded in the Official Records of the Pinal County Recorder on August 26, 1994, at Docket 2036, Page 888, as Instrument No. 129177, is amended and restated in its entirety by this Tract Declaration.

D. The Annexed Property will be part of SaddleBrooke Country Club No. 2 (sometimes referred to herein as SaddleBrooke Phase 2). Owners of Lots in the Annexed Property will be Members of the Association referred to in the Phase 2 Declaration and will be subject to all of the covenants, conditions and restrictions applicable to Owners of Lots under the Phase 2 Declaration. However, the roads and certain common areas in the Annexed Property will be maintained by the Phase 1 Association, and the Owners of Lots in the Annexed Property will be non-voting members of the Phase 1 Association. For a limited period of time (i.e. until the Facilities Use Termination Date, as defined below), Owners of Lots in the Annexed Property will have the right to use the golf courses and other recreational amenities that are operated by the Phase 1 Association. THE OWNERS OF LOTS IN THE ANNEXED PROPERTY THEREFORE WILL BE OBLIGATED TO PAY ASSESSMENTS TO BOTH THE PHASE 1 ASSOCIATION AND THE PHASE 2 ASSOCIATION. THE RIGHT OF OWNERS OF LOTS IN THE ANNEXED PROPERTY TO USE THE GOLF COURSES AND OTHER RECREATIONAL AMENITIES OPERATED BY THE PHASE 1 ASSOCIATION IS ONLY TEMPORARY AND WILL TERMINATE AS PROVIDED BELOW.

E. Declarant and Trustee desire to annex the Annexed Property to SaddleBrooke Country Club No. 2 and to SaddleBrooke Phase 1, and to establish the Land Use Classifications for the Annexed Property. This Declaration is not intended to affect the Phase 1 Association Articles, Phase 1 Association Bylaws or Phase 1 Association Rules as they relate to any real property other than the Annexed Property.

DECLARATION:

Declarant and Trustee declare and agree as follows:

1.0 DEFINITIONS. All capitalized terms used but not defined in this Tract Declaration, including without limitation the terms "Declarant" and "Trustee", shall have the meanings set forth in the Phase 2 Declaration. As used herein, unless the context otherwise requires, the terms set forth below have the following meanings:

1.1 "Annexed Property" shall mean all the real property described in Exhibit "A" hereto together with all real property actually annexed to the Annexed Property in accordance with Section 16.

1.2 "Lot" shall mean any real property designated as a lot on any subdivision plat of any of the Annexed Property signed and recorded by Declarant.

1.3 "Phase 2 Declaration" shall mean the Declaration of Covenants, Conditions and Restrictions of SaddleBrooke Country Club No. 2, dated August 3, 1994, which Declaration was recorded in the Official Records of Pinal County, Arizona, on August 5, 1994, at Docket 2032,

page 389 et. seq., as such declaration may be amended or supplemented from time to time.

1.4 "Phase 1 Articles" shall mean the articles of incorporation of the Phase 1 Association that have been filed in the office of the Arizona Corporation Commission, as such articles of incorporation may be amended from time to time.

1.5 "Phase 1 Association" shall mean SaddleBrooke Homeowners' Association #1, Inc., an Arizona nonprofit corporation, its successors and assigns.

1.6 "Phase 2 Association" shall mean SaddleBrooke Homeowners' Association No. 2, Inc., an Arizona nonprofit corporation, its successors and assigns.

1.7 "Phase 1 Board" shall mean the Board of Directors of the Phase 1 Association.

1.8 "Phase 1 Bylaws" shall mean the bylaws of the Phase 1 Association, as such bylaws may be amended from time to time.

1.9 "Phase 1 Common Areas" shall mean all the general common areas shown on the plats of SaddleBrooke Phase 1 executed and recorded by Declarant, as such plats may be amended from time to time, together with the improvements and facilities constructed thereon, including but not limited to the portions of the Annexed Property identified as Phase 1 Common Areas on Exhibit "B" to this Tract Declaration.

1.10 "Private Roadways" shall refer to all of the streets and roadways shown as part of the Annexed Property on any plat of the Annexed Property and which are not now or hereafter expressly dedicated to public use.

1.11 "SaddleBrooke Phase 1" shall mean all real property now or hereafter served by the Phase 1 Association, and includes the Annexed Property and any real property actually annexed to the Annexed Property in accordance with Section 16.

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

1.13 "Facilities Use Termination Date" shall mean December 31 of the year in which the closing of the sale of the 2,000th house constructed in SaddleBrooke Phase 1 and SaddleBrooke Country Club No. 2 occurs, or sooner in Declarant's sole discretion. Declarant agrees that an eighteen-hole golf course and a clubhouse shall be constructed in SaddleBrooke Country Club No. 2 prior to the Facilities Use Termination Date.

2.0 ANNEXATION.

2.1 Annexation to SaddleBrooke Country Club No. 2. The Annexed Property is

hereby annexed to SaddleBrooke Country Club No. 2 and is hereby made subject to all of the terms and provisions of the Declaration. The Annexed Property hereafter shall constitute a portion of SaddleBrooke Country Club No. 2. Owners of Lots shall have all of the voting and membership rights and obligations in and to SaddleBrooke Homeowners Association No., 2, Inc. as are specified in the Phase 2 Declaration. Owners of Lots shall pay assessments to the Phase 2 Association as provided in the Phase 2 Declaration.

2.2 Annexation to SaddleBrooke Phase 1. The Annexed Property is hereby annexed to SaddleBrooke Phase 1. Every Owner of a Lot shall be a member of the Phase 1 Association. Each such membership shall be appurtenant to and may not be separated from ownership of the Lot to which the membership is attributable. Joint ownership, or ownership of undivided interests, in any real property which establishes a membership shall not cause there to be more memberships than the number established by assuming one individual owned all of the property to which memberships are attributable. For example, there may be only one membership attributable to one Lot even though there may be two or more Owners of the Lot. Memberships shall be shared by any joint owners of, or owners of undivided interests in, the property interests to which such memberships are attributable.

2.3 No Right to Vote in Phase 1 Association. Notwithstanding anything to the contrary contained in the Phase 1 Articles or the Phase 1 Bylaws, except for the rights of Declarant, Owners of Lots in the Annexed Property shall not have the right to vote in the Phase 1 Association as a result of their ownership of Lots in the Annexed Property. Except for the rights of Declarant, ownership of a Lot does not entitle an Owner to vote in the Phase 1 Association. Owners of Lots in the Annexed Property shall have such voting rights in the Phase 2 Association as are specified in the Phase 2 Declaration.

2.4 Land Use Classification. The respective Land Use Classifications of the Annexed Property are set forth on Exhibit "B" hereto.

3.0 AGE RESTRICTION.

3.1 Housing for Older Persons. SaddleBrooke Country Club No. 2 is intended for and operated for occupancy in at least eighty percent (80%) of its Dwelling Units by at least one person fifty-five (55) years of age or older per Dwelling Unit. All Dwelling Units must be occupied by at least one person forty (40) years of age or older. Subject to compliance with the Requirements for Exemption as set forth in Section 3.2 below, no person who has not yet reached his or her nineteenth (19th) birthday shall reside permanently at SaddleBrooke Country Club No. 2. The Board, in its sole discretion, shall have the right and power to determine when a person resides "permanently" at SaddleBrooke Country Club No. 2.

3.2 Occupancy of Dwelling Unit. The Fair Housing Amendments Act of 1988 (Public Law 100-430, approved September 13, 1988)(the "Fair Housing Act") prohibits discrimination in the sale, rental and financing of dwellings based on familial status; that is, discrimination

based on the domicile of individuals under eighteen (18) years of age. Therefore, housing facilities generally are not permitted to prohibit occupancy by persons under eighteen (18) years of age. However, the Fair Housing Act provides that a housing facility is exempt from this restriction if the following requirements, as more fully set forth in the Fair Housing Act and as supplemented by the regulations promulgated thereunder (collectively, the "Requirements for Exemption"), are satisfied:

(a) at least eighty percent (80%) of the units are occupied by at least one (1) person fifty-five (55) years of age or older per unit;

(b) the housing facility has significant facilities and services specifically designed to meet the physical or social needs of older persons; and

(c) policies and procedures are published and adhered to which demonstrate an intent by the owner or manager to provide housing for persons fifty-five (55) years of age or older.

Declarant intends for SaddleBrooke Country Club No. 2 to comply with the Requirements for Exemption of the Fair Housing Act. Therefore, (i) at least one occupant in each Dwelling Unit in SaddleBrooke Country Club No. 2 must be at least fifty-five (55) years of age or older, except as hereinafter set forth, (ii) the Association is hereby directed to provide for or arrange for the provision of significant facilities and services specifically designed to meet the physical or social needs of older persons as contemplated by the Fair Housing Act and the regulations promulgated thereunder, and (iii) the Association is hereby directed to publish and adhere to policies and procedures that demonstrate an intent to provide housing for persons fifty-five (55) years of age or older.

3.3 Board Discretion. The Requirements for Exemption contemplate that up to twenty-percent (20%) of the units in a housing facility may be occupied by persons all of whom are under the age of fifty-five (55) without loss of the exemption, and that the eighty percent (80%) requirement does not apply until twenty-five percent (25%) of the units in the housing facility are occupied. Accordingly, the Board, upon application by an Owner, tenant, purchaser or proposed lessee, shall have the right and option, at the Board's sole and absolute discretion, to allow a Dwelling Unit to be occupied only by individuals under the age of fifty-five (55), provided at least one (1) occupant of the Dwelling Unit is at least forty (40) years of age and provided that the Board takes appropriate action to comply with the Requirements for Exemption. The Board shall exercise its discretion based upon criteria that the Board shall determine, which criteria shall include, by way of example and not limitation, information then known to the Board concerning potential or pending changes in occupancy of other Dwelling Units in SaddleBrooke Country Club No. 2, if any, and the ages of any likely remaining occupants of such Dwelling Units, proximity to age fifty-five (55) of those occupants of other Dwelling Units in SaddleBrooke Country Club No. 2 then under such age, and any other information known to and deemed relevant by the Board in its sole discretion. The Association, acting through the Board, shall have the right to promulgate rules and regulations necessary to

comply with the Requirements for Exemption.

3.4 Declarant Rights; Limitations. Notwithstanding the provisions of Section 3.3 above, Declarant shall have the right to convey Dwelling Units owned by Declarant (or Trustee) to purchasers who intend that the Dwelling Units be occupied only by persons under fifty-five (55) years. However, for so long as the Fair Housing Act is in effect, Declarant will take reasonable action to ensure that such conveyances by Declarant to purchasers under the age of 55 do not constitute a violation of the Requirements for Exemption. Each Dwelling Unit shall at the first change of occupancy thereafter be subject to the requirement that at least one (1) occupant be fifty-five (55) years of age or over unless waived by the Board pursuant to the provisions of Section 3.3 above.

3.5 Notice to the Association. In the event there is a change in the occupants of the Dwelling Unit (e.g., a death or a divorce) so that at least one (1) of the occupants is no longer fifty-five (55) years of age or older, the Owner must immediately notify the Association of such change in writing.

3.6 No Liability. Notwithstanding anything contained herein to the contrary, it is acknowledged and agreed that although it is the intent of Declarant and the Association that SaddleBrooke Country Club No. 2 be exempt from the familial status provisions of the Fair Housing Act and that persons eighteen (18) years of age or younger be prohibited from residing permanently at SaddleBrooke Country Club No. 2, no representation or warranty is given that SaddleBrooke Country Club No. 2 will comply with the Requirements for Exemption. If for any reason SaddleBrooke Country Club No. 2 is not exempt from the familial status provisions of the Fair Housing Act and, therefore, it is unlawful to discriminate at SaddleBrooke Country Club No. 2 on the basis of familiar status, neither Declarant nor the Association shall have any liability in connection therewith.

4.0 THE PHASE 1 ASSOCIATION.

4.1 Rights and Powers. The Phase 1 Association has been incorporated as a nonprofit corporation to serve all of the Owners of real property in SaddleBrooke Phase 1, for the assessment of dues and charges, the payment of expenses, the disposition of casualty insurance proceeds, and other matters as provided in this Tract Declaration and other declarations of restrictions applicable to all or portions of SaddleBrooke Phase 1, and as provided in the Phase 1 Articles, Phase 1 Bylaws and the Phase 1 Association Rules. In addition to the rights and powers of the Phase 1 Association set forth in this Tract Declaration, the Phase 1 Association and its directors, officers, employees, agents and members shall have such rights and powers as are set forth in the Phase 1 Articles and Phase 1 Bylaws that are not inconsistent with law. Such rights and powers may encompass any and all things which a natural person could do or which now or hereafter may be authorized by law. In addition, the Phase 1 Association, acting through the Phase 1 Board, shall have the right to enter into agreements with the Phase 2 Association, such as without limitation, cost sharing agreements when it is cost efficient for one association to perform any maintenance or services for both associations, and other agreements

which, in the discretion of the Phase 1 Board, benefit members of the associations. This Tract Declaration constitutes a "Subsequent Declaration" as that term is defined in the Phase 1 Articles. The Phase 1 Association constitutes an "Ancillary Association" under the Phase 2 Declaration.

4.2 Phase 1 Association Rules. The Phase 1 Board is empowered to adopt, amend or repeal such rules and regulations as it deems reasonable and appropriate (the "Phase 1 Association Rules"), effective upon adoption or at such later time as may be specified therein, and binding upon all Owners and governing the use and/or occupancy of the Phase 1 Common Areas and any other part of SaddleBrooke Phase 1. The Phase 1 Association Rules may include the establishment of a system of fines and penalties enforceable as liens in the same manner as liens for Assessments. The Phase 1 Association Rules shall govern such matters in furtherance of the purposes of the Phase 1 Association, including, without limitation, the use of the Phase 1 Common Areas; provided, however, that the Phase 1 Association Rules, as they relate to the Annexed Property and the Owners of Lots thereon, shall not be inconsistent with the Phase 2 Declaration or this Tract Declaration, the Phase 1 Articles or the Phase 1 Bylaws, and shall not discriminate against Owners of Lots in the Annexed Property. Phase 1 Association Rules, if not inconsistent with the Phase 2 Declaration or this Tract Declaration and if not discriminatory against the Owners of Lots in the Annexed Property, shall have the same force and effect as if they were set forth in and were part of this Tract Declaration and shall be binding on the Owners, and all other persons having any interest in, or making any use of, the Annexed Property, whether or not actually received thereby; provided, however, that if Declarant determines that application of any of the Phase 1 Association Rules to the Annexed Property or any part thereof would be discriminatory or inequitable, then such Phase 1 Association Rules shall not be binding on such portions of the Annexed Property. In the event of any conflict between any provision of the Phase 1 Association Rules and any provision of this Tract Declaration, this Tract Declaration shall govern and control. In the event of any conflict between any provision of the Phase 1 Association Rules and the Phase 1 Articles or Phase 1 Bylaws, the provisions of the Phase 1 Association Rules shall be deemed superseded by the provisions of the Phase 1 Articles and the Phase 1 Bylaws to the extent of the conflict. Notwithstanding the foregoing, the provisions of this Section and of this Tract Declaration do not amend or change any declarations of restrictions or of covenants, conditions or restrictions applicable to any portion of SaddleBrooke Phase 1, other than the Annexed Property, and are not intended to affect the Phase 1 Articles, the Phase Bylaws or the Phase 1 Association Rules as they relate to members of the Phase 1 Association, other than those members whose membership is derived from the Annexed Property.

4.3 Indemnification. To the fullest extent permitted by law, every director and officer of the Phase 1 Association, every member of any committee of the Phase 1 Association, and Declarant (to the extent a claim may be brought against Declarant by reason of its appointment, removal or control over members of the Phase 1 Board or any actions taken on behalf of the Phase 1 Association or the Phase 1 Board) shall be indemnified by the Phase 1 Association. Every person serving as an employee or direct agent of the Phase 1 Association, or on behalf of the Phase 1 Association as a member of a committee or otherwise, may, in the discretion of

the Phase 1 Board, be indemnified by the Phase 1 Association, against all expenses and liabilities, including without limitation attorneys' fees, reasonably incurred by or imposed upon him or her in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having served in such capacity on behalf of the Phase 1 Association (or in the case of Declarant by reason of having appointed, removed or controlled or failed to control members of the Phase 1 Board or of any actions taken or not taken by or on behalf of the Phase 1 Association or the Phase 1 Board), or any settlement thereof, whether or not he is a director, officer or member of the committee or serving in such other specified capacity at the time such expenses are incurred, provided that the Phase 1 Board shall determine, in good faith, that such officer, director, member of the committee or other person, or Declarant, did not act, fail to act, or refuse to act with gross negligence or fraudulent or criminal intent in the performance of his or her duties. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such persons may be entitled at law or otherwise.

4.4 Non-Liability of Officials. To the fullest extent permitted by law, neither Declarant, the Phase 1 Board, members of any committees of the Phase 1 Association or any officers of the Phase 1 Association, shall be liable to any member of the Phase 1 Association, any Owner, the Phase 1 Association or any other person or entity for any damage, loss or prejudice suffered or claimed on account of any decision, course of action, act, inaction, omission, error, negligence or the like made in good faith and which Declarant, the Phase 1 Board, or such committees, officers, or other persons reasonably believed to be within the scope of their respective duties.

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 4.5 Change of Use of Association Land. Upon (a) adoption of a resolution by the Phase 1 Board stating that in the Phase 1 Board's opinion the then present use of a designated part of any real property then owned by the Phase 1 Association (the "Phase 1 Association Land") or of the Phase 1 Common Areas is no longer in the best interests of the owners of real property within SaddleBrooke Phase 1, and (b) after the Phase 1 Transition Date (as hereinafter defined), the approval of such resolution by a majority of the members of the Phase 1 Association who are voting in person or by proxy at a meeting duly called for such purpose, (a vote of the members is not required prior to the Phase 1 Transition Date), and (c) the written consent of the owner of such Phase 1 Common Areas (if such Phase 1 Common Areas are not owned by the Phase 1 Association), and (d) the written consent of Declarant (if the Phase 1 Association Land is part of the Annexed Property), the Phase 1 Board shall have the power and right to change the use thereof (and in connection therewith, construct, reconstruct, alter or change the improvements thereon in any manner deemed necessary by the Phase 1 Board to accommodate the new use), provided such new use (i) shall be for the benefit of the owners of real property within SaddleBrooke Phase 1 or SaddleBrooke Phase 2, and (ii) shall be consistent with any deed restrictions and zoning regulations restricting or limiting the use of the Phase 1 Association Land or such Phase 1 Common Areas.

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 4.6 Membership Rights. Each member of the Phase 1 Association shall have the rights, duties and obligations set forth in this Tract Declaration and such other rights, duties and

obligations as are set forth in the Phase 1 Articles and Phase 1 Bylaws, to the extent not inconsistent with this Tract Declaration.

pg 37 4.7 DECLARANT'S CONTROL OF PHASE 1 ASSOCIATION. NOTWITHSTANDING ANYTHING IN THIS TRACT DECLARATION TO THE CONTRARY, UNTIL THE PHASE 1 TRANSITION DATE DECLARANT SHALL MAINTAIN ABSOLUTE CONTROL OVER THE PHASE 1 ASSOCIATION, INCLUDING WITHOUT LIMITATION THE RIGHT AND POWER OF AMENDMENT OF THE PHASE 1 ARTICLES (THROUGH CONTROL OF THE PHASE 1 BOARD); APPOINTMENT OF THE OFFICERS; THE ELECTION OF MEMBERS OF THE PHASE 1 BOARD (EXCEPT AS OTHERWISE PERMITTED BY DECLARANT IN ITS SOLE DISCRETION); AND THE APPOINTMENT OF MEMBERS OF THE COMMITTEES OF THE PHASE 1 ASSOCIATION. UNTIL THE PHASE 1 TRANSITION DATE, ONLY DECLARANT WILL BE ENTITLED TO CAST ANY VOTE WITH RESPECT TO THE ELECTION OF DIRECTORS TO THE PHASE 1 BOARD (EXCEPT AS OTHERWISE PERMITTED BY DECLARANT IN ITS SOLE DISCRETION), REMOVAL OF DIRECTORS OR ANY OTHER MATTER REQUIRING THE APPROVAL OF THE MEMBERS. THE PHASE 1 TRANSITION DATE SHALL BE THE FIRST TO OCCUR OF (A) THE DAY ON WHICH TITLE TO THE LAST RESIDENTIAL LOT IN SADDLEBROOKE PHASE 1 (NOT INCLUDING THE ANNEXED PROPERTY) OWNED BY EITHER DECLARANT OR TRUSTEE IS CONVEYED TO A THIRD PARTY FOR VALUE, OTHER THAN AS SECURITY FOR PERFORMANCE OF AN OBLIGATION, AND RESIDENCES ARE SOLD AND CONSTRUCTED ON ALL RESIDENTIAL SUCH LOTS WITHIN SADDLEBROOKE PHASE 1; OR (B) SUCH DATE AS DECLARANT RELINQUISHES TO THE MEMBERS CONTROL OF THE PHASE 1 ASSOCIATION. DECLARANT VOLUNTARILY MAY (BUT SHALL NOT BE REQUIRED TO) RELINQUISH CONTROL OF THE PHASE 1 ASSOCIATION AND THEREBY REQUIRE THE MEMBERS TO ASSUME CONTROL OF THE PHASE 1 ASSOCIATION AT ANY TIME. ALL DEBTS AND OBLIGATIONS OF THE PHASE 1 ASSOCIATION PRIOR TO THE PHASE 1 TRANSITION DATE SHALL CONTINUE TO BE THE DEBTS AND OBLIGATIONS OF THE PHASE 1 ASSOCIATION AFTER THE PHASE 1 TRANSITION DATE, AND DECLARANT SHALL HAVE NO RESPONSIBILITY OR OBLIGATION TO DISCHARGE THOSE DEBTS AND OBLIGATIONS.

5.0 ASSESSMENTS TO PHASE 1 AND PHASE 2 ASSOCIATIONS.

5.1 Assessments to Phase 2 Association. Owners shall pay assessments and other amounts to the Phase 2 Association as provided in the Phase 2 Declaration.

pg 38 5.2 Lien and Personal Obligation for Assessments to Phase 1 Association. Each Owner, by execution of a purchase contract or otherwise acquiring any interest in a Lot, is deemed to covenant and agree, for himself, his heirs, successors and assigns, to pay to the Phase 1 Association all Assessments (as hereinafter defined), impounds and late payment charges as provided in this Tract Declaration. All Assessments, impounds and late payment charges, if

any, together with interest, costs and reasonable attorneys' fees, shall be a lien upon the Lot to which they are assessed, as well as a personal obligation of the Owner of said Lot at the time the Assessment is levied. The personal obligation for delinquent Assessments shall not pass to successors in title unless expressly assumed by them, or unless prior to the transfer of title as evidenced by the records of the County Recorder of Pinal County, Arizona, or other appropriate governmental agency, an affidavit of lien for such Assessment shall have been filed or recorded.

5.3 Purpose of Phase 1 Assessments. The Phase 1 Association shall apply all funds and property 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 Phase 1 and the members of the Phase 1 Association by devoting the funds and property to the expenses of the administration and operation of the Phase 1 Common Areas and to any other expenses incurred in conformance with this Tract Declaration, other declarations of restrictions executed by Declarant that are applicable to all or part of SaddleBrooke Phase 1, the Phase 1 Articles, Phase 1 Bylaws or Phase 1 Association Rules (which expenses are sometimes referred to herein as "Phase 1 Common Expenses"). Phase 1 Common Expenses include, without limitation, expenses for the acquisition, construction, alteration, maintenance, provision and operation, by any manner or method whatsoever, of any and all land, properties, improvements, recreational facilities, services, projects and security programs, studies and systems, within or without SaddleBrooke Phase 1, which may be necessary, desirable or beneficial to the general common interests of SaddleBrooke Phase 1 and the members of the Phase 1 Association.

5.4 Determination of Phase 1 Assessments. The Phase 1 Board shall, not later than December 1 of each year, determine the annual assessments for Phase 1 for the ensuing calendar year (the "Annual Assessments"). Unless otherwise established by the Phase 1 Board, Annual Assessments shall be paid semi-annually, with the first installment to be due and payable on or before January 1 of each calendar year and the second installment on or before July 1 of each calendar year. In addition to the Annual Assessments authorized above, in any assessment year, the Phase 1 Board may at any time during the year levy a special assessment (a "Special Assessment") applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements, including fixtures and personal property related thereto, or for the funding of any operating deficit incurred by the Phase 1 Association. Notwithstanding the foregoing, if any member is in default in paying any Assessment (whether Annual Assessment, Special Assessment or otherwise) when such Assessment becomes due and payable, the member shall be deemed to be delinquent, and the member shall be subject to a penalty of twenty-five percent (25%) of the delinquent Assessment, which sum and the delinquent sums shall bear interest at the rate of 22% per annum from the date of such delinquency until paid. Subject to Section 6.0 of this Tract Declaration, Assessments, whether Annual Assessments, Special Assessments or other assessments deemed necessary by the Phase 1 Board, may be levied evenly among all of the members, or in unequal amounts if specific members or group(s) of members receive services or benefits that are not available to all of the members. Unequal assessments, if any, shall be determined by the Phase 1 Board in its discretion, subject to the provisions of Section 6.0,

provided that a reasonable basis exists to assess unevenly, and such uneven assessments deemed to be delinquent shall be subject to the same penalties, interest and liens described above.

5.5 Collection of Phase 1 Assessments. The Phase 2 Association shall have the right to collect the Assessments for the Phase 1 Association from Owners of Lots in the Annexed Property. It is anticipated that the Phase 2 Association will collect Assessments to the Phase 1 Association together with the assessments payable by Owners to the Phase 2 Association. If the Phase 2 Association collects Assessments to the Phase 1 Association from Owners, then the Phase 2 Association shall pay the Assessments to the Phase 1 Association on behalf of the paying Owner. If the Phase 2 Association pays any Assessments to the Phase 1 Association on behalf of an Owner, but the Owner does not pay the amount of the Assessments to the Phase 2 Association, then the unpaid amount shall nevertheless be owed by such Owner to the Phase 2 Association, the unpaid amount shall be treated as an Assessment under the Phase 2 Declaration, and the Phase 2 Association shall be entitled to exercise all rights and remedies available to the Phase 2 Association at law, in equity or under the Phase 2 Declaration, including but not limited to the right to collect the unpaid amount of such Assessments, together with costs, attorneys' fees and interest, from the Owner by an Assessment Lien.

5.6 Enforcement of Phase 1 Assessments. The Phase 1 Board may maintain on the clubhouse bulletin board a list of all members whose Assessments (whether Annual Assessments, Special Assessments or otherwise) are past due. In the event of delinquency, the Phase 1 Board may cause to be filed in the office of the County Recorder of Pinal County, an affidavit of non-payment of Assessments and may post a copy of the affidavit upon the Lot. If any member shall fail or refuse to pay any Assessment when due, the amount thereof, together with interest, costs, reasonable attorneys' fees and any late charges, shall constitute a lien from the date such amount was due on such member's Lot and on any rents or proceeds therefrom. The lien provided for herein may be foreclosed by the Phase 1 Association in any manner provided or permitted for the judicial foreclosure of realty mortgages or deeds of trust in the State of Arizona.

5.7 Definition. As used herein, when capitalized the term "Assessments" shall mean Annual Assessments, Special Assessments and/or all other amounts owed by an Owner to the Phase 1 Association.

5.8 Reserve Fund. The Phase 1 Board may, in its discretion and to the extent funds therefor are available, establish and maintain a reserve fund by adopting a payment program to the reserve fund in an amount, if any, to be established from time to time by the Phase 1 Board. The funds received shall be deposited in a special account with a responsible depository and may be in the form of a cash deposit or invested in obligations of or fully guaranteed as to principal by the United States of America.

5.9 Commencement of Obligation to Pay Assessments. The obligation to pay the Assessments for each Lot that is subject to this Tract Declaration (whether monthly, quarterly, semi-annually, annually or as otherwise decided by the Phase 1 Board) shall commence on the

date the Lot that is subject to this Tract Declaration is purchased.

5.10 No Offsets. All Assessments shall be payable in the amount specified in the Assessment or notice of Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that (a) the Phase 1 Association, the Phase 1 Board or Declarant is not properly exercising its duties and powers as provided in this Tract Declaration; (b) Assessments for any period exceed Common Expenses; or (c) an Owner has made, or elects to make, no use of the Phase 1 Common Areas.

5.11 Homestead Waiver. Each Owner, to the extent permitted by law, hereby waives, to the extent of any liens created pursuant to this Tract Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of Arizona now in effect, or in effect from time to time hereafter.

5.12 Exemption of Unsold Lots. Notwithstanding anything to the contrary in this Tract Declaration, no Assessments shall be levied upon, or payable with respect to, any Lot or other parcel within SaddleBrooke Phase 1 owned by or leased to Declarant or Trustee, or an affiliate of Declarant, or any shareholder (or such shareholder's successors, heirs or devisees) in Declarant to whom the Lot or parcel has been distributed by Declarant (as distinguished from having been purchased by the shareholder), or by any trustee for any of the aforesaid persons or entities, until such Lot or parcel has been conveyed by Declarant or Trustee (or said affiliate, shareholder or trustee) to a non-affiliated purchaser thereof.

6.0 TEMPORARY RIGHT TO USE SADDLEBROOKE PHASE 1 GOLF COURSES, CLUBHOUSE AND OTHER SOCIAL AND RECREATIONAL FACILITIES.

6.1 Maintenance of Roads and other Common Areas. The portions of the Annexed Property identified on Exhibit "B" as Phase 1 Common Area will be maintained by the Phase 1 Association.

6.2 Temporary Use of Phase 1 Recreational and Social Facilities. As of the date of this Tract Declaration, the recreational amenities, such as the golf course and club house, have not yet been constructed in SaddleBrooke Country Club No. 2. Until the Facilities Use Termination Date, Owners of Lots shall have the right to use all of the Phase 1 Common Areas, including but not limited to the Phase 1 golf courses, clubhouse and other recreational and social facilities, upon the same terms and conditions as all other members of the Phase 1 Association. After the Facilities Use Termination Date, Owners of Lots shall have the right to use the roads and other Phase 1 Common Areas, other than the Phase 1 golf courses, clubhouse and other social and recreational facilities, upon the same terms and conditions as all other members of the Phase 1 Association, but Owners shall **not** have the right to use the Phase 1 golf courses, clubhouse or other recreational or social facilities unless expressly permitted by the Phase 1 Association. It is not expected that the Phase 1 Association will permit Owners to use the Phase 1 golf courses, clubhouse or other recreational or social facilities unless such use is approved

by a vote of the voting members of the Phase 1 Association. No assurances are given that such a vote will be taken or of the results of any such vote.

6.3 Assessments to the Phase 1 Association. Until the Facilities Use Termination Date, Owners of Lots in the Annexed Property shall have the same obligation to pay Assessments to the Phase 1 Association as other members of the Phase 1 Association. After the Facilities Use Termination Date, Assessments payable by Owners of Lots in the Annexed Property to the Phase 1 Association shall be in an amount established by the Phase 1 Board by a reasonable pro rata allocation of the costs of maintaining all of the roads in SaddleBrooke Phase 1, including the roads in the Annexed Property. Such costs shall include the amounts, if any, deposited into reserve accounts for such maintenance. The pro rata allocation shall be based on the number of Lots in all of SaddleBrooke Phase 1. Notwithstanding anything to the contrary contained in this Tract Declaration:

(a) after the Facilities Use Termination Date, the Phase 1 Association shall not levy or assess any Assessments against Lots in the Annexed Property in excess of the pro rata allocation set forth above unless Declarant, in its reasonable discretion, or its designee approves such Assessments;

(b) the Phase 1 Association shall not levy or assess any Special Assessments against Lots in the Annexed Property, other than for road maintenance and road reserves, unless Declarant, in its reasonable discretion, or its designee approves such Special Assessments.

6.4 Total Assessments to the Associations. The Phase 1 Board is hereby directed to take into consideration when establishing Assessments for the Annexed Property that Owners will have the right to use the Phase 1 golf courses, clubhouse and other social and recreational facilities for only a limited time (i.e. until the Facilities Use Termination Date), that Owners have no voting rights in the Phase 1 Association and that Owners are required to pay assessments to the Phase 2 Association. The Board of the Phase 2 Association is hereby directed to take into consideration when establishing assessments for the Annexed Property that the Phase 2 Association will not be responsible for maintaining the roads or other portions of the Annexed Property identified on Exhibit "B" on Exhibit "B" as Phase 1 Common Area. NOTWITHSTANDING THE FOREGOING, OWNERS OF LOTS IN THE ANNEXED PROPERTY ARE HEREBY PLACED ON NOTICE THAT THE TOTAL ASSESSMENTS AND OTHER AMOUNTS PAYABLE BY SUCH OWNERS TO THE PHASE 1 ASSOCIATION AND THE PHASE 2 ASSOCIATION ARE LIKELY TO BE GREATER THAN THE ASSESSMENTS AND OTHER AMOUNTS PAYABLE BY SADDLEBROOKE PROPERTY OWNERS WHO ARE NOT OWNERS OF LOTS IN THE ANNEXED PROPERTY. The total regular annual assessments payable by the Owners of Lots in the Annexed Property to both the Phase 1 Association and the Phase 2 Association are not expected to exceed the total regular annual assessments required of other residents of SaddleBrooke Country Club No. 2. However, if Owners of Lots in the Annexed Property, as members of both the Phase 1 Association and the Phase 2 Association, receive any services or benefits that are

not available to the members of only one association, then it is possible that the assessments payable by the Owners of Lots in the Annexed Property will exceed those payable by other Members. In addition, Owners of Lots in the Annexed Property will be responsible for paying any special assessments for road maintenance and road reserves that are levied by each of the Phase 1 Association and the Phase 2 Association, as well as any other special assessments levied by the Phase 2 Association. If the Board of Directors of the Phase 2 Association deems it appropriate under the circumstances, special assessments for road maintenance and road reserves levied by the Phase 2 Association against Lots in the Annexed Property may be lower than the special assessments levied against other Lots in SaddleBrooke Country Club No. 2 to take into consideration that the Phase 2 Association will not be responsible for maintaining the roads in the Annexed Property.

7.0 LANDSCAPING AND MAINTENANCE CONTROL.

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7.1 Maintenance of Lots. It shall be the responsibility of each Owner to keep the Owner's Lot and the Phase 1 and Phase 2 Common Areas between the front boundary and the side boundary of the Lot and the curb of the street neat and clean and landscaped in colored rock, desert landscaping or other types of landscaping deemed by the Phase 2 Board or, at its election by the Phase 1 Board, to be reasonable and compatible with surrounding Lots in the Annexed Property, and to keep the lawn mowed and the improvements in a good state of repair, so as not to detrimentally affect the aesthetic qualities of the Annexed Property.

Sec 2 pg 48

7.2 Association's Right to Maintain and Assess. The Phase 2 Board or, at its election, the Phase 1 Board, shall have the right, both before and after completion of a dwelling and/or landscaping on a Lot, to cause to be furnished the labor and/or materials necessary to bring the Lot, any improvements located thereon and/or any landscaping for which the Owner is responsible up to a standard approved by such Board, and upon demand the Owner of the Lot shall reimburse the applicable Association for any expense incurred in exercising said right, payment of which shall be enforceable as, and in the same manner as, an Assessment pursuant to Section 5.0 of this Tract Declaration or as provided in the Phase 2 Declaration.

*Sec 11
Pg 80*

8.0 RESERVATION OF RIGHTS BY DECLARANT.

8.1 Right to Add Additional Property. Declarant shall have the right, from time to time and in its sole discretion, to bring additional real property or properties, whether residential lots or Phase 1 Common Areas or both or otherwise, within the area served by the Phase 1 Association, by recording with the appropriate authority a declaration of restrictions which makes appropriate reference to the Phase 1 Articles and makes membership in the Phase 1 Association an incident of ownership of any part of the real property described therein. The owner of any lot in any such parcel, whether Declarant, Trustee or a purchaser, shall receive one membership in the Phase 1 Association for each such lot. Declarant shall also have the right, in accordance with Section 16 of this Tract Declaration, to bring additional real property

or properties, whether residential or Phase 1 Common Areas or both, within the area that is subject to this Tract Declaration.

Duplicate
 8.2 Right to Manage the Phase 1 Association. It is recognized that at the date hereof, Lots and dwellings have not been sold or erected within the Annexed Property, nor have all parcels eventually to be served by the Phase 1 Association been planned or subdivided, and the Phase 1 Association may not be fully operative. In order that the Lots and dwellings may be sold and erected, the Phase 1 Common Areas protected and the Phase 1 Association stabilized until fully operational, until the Phase 1 Transition Date Declarant or its designated agents shall have the sole and exclusive right to manage the affairs of the Phase 1 Association, to make contracts or agreements on behalf of the Phase 1 Association for maintenance of Phase 1 Common Areas and operation of the Phase 1 Association and to take all action on behalf of the Phase 1 Association for which the Phase 1 Association is authorized by this Tract Declaration, the Phase 1 Articles, Phase 1 Bylaws or Phase 1 Association Rules.

8.3 Right to Exercise Powers of the Phase 1 Association. Until such time as control of the Phase 1 Association has passed to the members thereof, all right, discretion, power and authority granted to said Association, including the right to collect Assessments, shall, at the option of the Declarant, remain with Declarant or its designated agent, directly or through the Phase 1 Association.

8.4 Effect of Sequential Development. Because of the sequential development of the parcels to be served by the Phase 1 Association, management and control of the Phase 1 Association by the Declarant is likely to continue after one hundred percent (100%) of the Lots are sold.

Duplicate
 8.5 Declarant as Member. Notwithstanding anything to the contrary herein, Declarant shall be entitled to the membership and to vote the membership vote in the Phase 1 Association for each Lot owned by Declarant or by Trustee. Declarant shall have one vote for each Lot owned by Declarant or Trustee.

8.6 Declarant's Rights. Nothing contained in this Tract Declaration shall be construed to prevent the erection or maintenance by Declarant or its duly authorized agents, of structures, improvements or signs necessary or convenient to the development, sale, operation or other disposition of Lots and/or dwellings or other improvements on or within the Annexed Property, SaddleBrooke Phase 1, SaddleBrooke Country Club No. 2, Inc. or surrounding real property.

8.7 Easements. In addition to the easements specifically granted or reserved herein, Declarant is authorized and empowered to grant upon, across or under real property owned or controlled by Declarant, Trustee, the Association or the Phase 1 Association 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 utility purposes, security lines, roadways or other purposes as may be reasonably necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Phase 1 or Phase 2 Common Areas, for the

preservation of the health, safety, convenience and welfare of the owners of real property within SaddleBrooke Phase 1 or SaddleBrooke Phase 2, or for the development, maintenance or reasonable use of any real property.

9.0 PHASE 1 COMMON AREAS.

9.1 Use of Phase 1 Common Areas. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Phase 1 Common Areas which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) the right of the Phase 1 Association to forbid Owners of Lots in the Annexed Property from using the Phase 1 golf courses, clubhouse and other recreational and social facilities after the Facilities Use Termination Date, as provided in Section 6.2 of this Tract Declaration;

(b) the right of the Phase 1 Association to suspend the right of an Owner to use social or recreational facilities on the Phase 1 Common Areas for any period during which any Assessment against his Lot is delinquent and remains unpaid and, for any other infraction by an Owner of any provision of this Tract Declaration, for a period not to exceed the longer of sixty (60) days or the period during which such infraction continues;

(c) the right of the Phase 1 Association and/or Declarant as applicable, to dedicate or transfer all or any part of the Phase 1 Common Areas to any public agency, authority or utility, for such purposes and subject to conditions as may be agreed to by the Phase 1 Board;

(d) the right of Declarant and of the Phase 1 Association (if it is the transferee thereof) to limit the use of the Phase 1 Common Areas by persons who are not owners of the real property within SaddleBrooke Phase 1, and to charge admission, membership and other fees to owners and/or nonowners for the use of any recreational or other facility situated upon the Phase 1 Common Areas, and to establish rules and regulations pertaining to or restricting the use of any such facility situated upon the Phase 1 Common Areas;

(e) the right of the Phase 1 Association to borrow money for the purpose of improving, replacing, restoring, expanding or operating the Phase 1 Common Areas or adding new Phase 1 Common Areas and, in aid thereof, to mortgage or encumber the Phase 1 Common Areas, provided that the rights of the lender thereunder shall be subordinated to the rights of the owners of real property within SaddleBrooke Phase 1; and

(f) the provisions of Section 4.5 hereof.

9.2 Transfer of Title to the Phase 1 Common Areas. Declarant shall have the right, but not the obligation, to at any time transfer title to all or any part of the Phase 1 Common

Areas to the Phase 1 Association. The Phase 1 Common Areas may, upon such transfer, be subject to mortgages or encumbrances securing indebtedness of the Phase 1 Association to Declarant and/or to third parties, provided such indebtedness was incurred for the purpose of improving, replacing, restoring, expanding or operating the Phase 1 Common Areas and related facilities. Declarant shall have no obligation to the Phase 1 Association or to any Owner to pay such indebtedness or the interest thereon.

9.3 Golf Memberships. The Phase 1 Board shall have the right to limit the number of golf memberships which may be purchased by individuals or valid at any time to two (2) non-transferable memberships with respect to each Lot. The Phase 1 Board may in its discretion permit additional Owners, renters, residents and their guests to use the golf facilities upon the purchase of guest or renter memberships at such prices and upon such terms and conditions as are established by the Phase 1 Board.

9.4 Use of Other Facilities. The Phase 1 Board shall have the right to limit the use of any or all recreational facilities within SaddleBrooke Phase 1 to two (2) individuals at any one time with respect to each Lot.

10.0 MANAGEMENT ASSOCIATION FOR PRIVATE ROADWAYS.

10.1 Purposes, Incorporation and Assessments. Use of the Private Roadways, if any, shall be limited to Declarant, Owners, members of the Phase 1 Association, and their families, guests and invitees, and others with the legal right to use the Private Roadways. Declarant reserves the right, in its sole discretion, to at any time cause title to the Private Roadways to be conveyed to the Phase 1 Association. In addition, Declarant has the right, but not the obligation, to at any time incorporate a nonprofit Arizona corporation with a name selected by Declarant (the "Management Association") for the purpose of holding title to and maintaining all or any portion of the Private Roadways and/or the drainage system of the Annexed Property or of SaddleBrooke Phase 1 and/or for lighting and/or providing security guard services with respect to the Private Roadways. In order to effectuate such purpose, the Management Association shall have all of the rights enumerated in Section 5 hereof and in the Phase 1 Articles to levy and collect such assessments from Owners as may be necessary to provide for: (a) the maintenance of the Private Roadways and any guard stations thereon; (b) the drainage system; (c) guard service with respect to the Private Roadways; (d) the creation of a reserve fund, in such amount as the board of directors of the Management Association may deem appropriate in its sole discretion, to provide for periodic maintenance, repair and replacement of the Private Roadways, guard stations and the drainage system; (e) street lights along the Private Roadways; and (f) payment of any other costs or expenses reasonably related to the Private Roadways or the drainage system for the Annexed Property. The Management Association shall have the right to collect and enforce the payment of such assessments by action against any defaulting Owner or by lien against a Lot as provided in Section 5 hereof and in the governing documents of the Management Association. Each Owner of a Lot in the Annexed Property shall automatically be a member of the Management Association if and when it is

formed. Until the Private Roadways are conveyed to the Phase 1 Association or the Management Association, Declarant reserves the right to cause all or any part of the Private Roadways to be dedicated to the public.

10.2 Reduction of Assessments to Phase 1 Association. If the Management Association is formed, the Association shall reduce the share of the Assessments payable to the Phase 1 Association by Owners of Lots in the Annexed Property to the extent appropriate to reflect the Management Association's responsibilities.

11.0 INSURANCE ON PHASE 1 ASSOCIATION LAND AND COMMON PROPERTY.

11.1 Maintained by Association. The Phase 1 Association shall maintain such insurance as is specified in the governing documents of SaddleBrooke Phase 1, including but not limited to the Phase 1 Articles, Phase 1 Bylaws, this Tract Declaration, and other declarations of restrictions executed by Declarant for all or any part of SaddleBrooke Phase 1.

11.2 Repair and Reconstruction. In the event of damage to or destruction of all or any portion of the Phase 1 Association Land or Phase 1 Common Areas due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be applied by the Phase 1 Association to such reconstruction and repair. If the insurance proceeds with respect to such damage or destruction, together with money offered or contributed from another source, if any, are insufficient to repair and reconstruct the damage or destruction, the Phase 1 Board may approve a Special Assessment for such repairs or reconstruction. If such Assessment is approved, the Phase 1 Association shall levy such Assessment and proceed to make such repairs or reconstruction. If such Assessment is not approved, the insurance proceeds may, after first being used to clean and landscape damaged areas, be applied in accordance with the wishes of the Phase 1 Board for the benefit of SaddleBrooke Phase 1 and the members of the Phase 1 Association.

11.3 Non-Liability of Association, Phase 1 Board and Officers. Neither Declarant, the Phase 1 Association, the Phase 2 Association nor any Board member, officer or agent of the Phase 1 Association or the Phase 2 Association shall be liable to any Owner or other person or entity if any risks or hazards are not covered by insurance or if the amount of insurance is not adequate, and it shall be the responsibility of each Owner to ascertain the coverage and protection afforded by insurance maintained by the Phase 1 Association and the Phase 2 Association and to procure and pay for such additional insurance coverage and protection as the Owner may desire.

11.4 Premiums. Premiums upon insurance policies purchased by the Phase 1 Association shall be paid by the Phase 1 Association as a Phase 1 Common Expense, except that the amount of increase over any annual or other premium occasioned by the use, misuse, occupancy or abandonment of a Lot or its appurtenances, or of the Phase 1 Common Areas, by an Owner or the agent, employee or invitee of an Owner, may be assessed against that particular

Owner.

12.0 RIGHTS OF MORTGAGEES.

12.1 General Provisions. The lien for Assessments against a Lot shall be subordinate to the lien of a prior recorded first mortgage lien or first deed of trust lien in the same manner and to the same extent as the Assessment Lien is subordinate pursuant to Section 3 of Article VIII of the Phase 2 Declaration. Nevertheless, in the event the Owner against whom the original Assessment was made is the purchaser or redemptioner at a trustee's sale or foreclosure sale or similar proceeding, the lien shall continue in effect and may be enforced by the Phase 1 Association, or by the Phase 1 Board, for the Assessments that were due prior to the final conclusion of any such foreclosure or equivalent proceedings. Further, any such unpaid Assessments shall continue to exist as the personal obligation of the defaulting Owner of the Lot to the Phase 1 Association, and the Phase 1 Board may use reasonable efforts to collect the same from said Owner even after he is no longer the Owner of the Lot. Any unpaid Assessments that are extinguished pursuant to this Section may be treated by the Phase 1 Association as Phase 1 Common Expenses. Except as above provided (and except for liens for taxes and other public charges which by applicable law are made prior and superior), the lien for Assessments shall be prior and superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed on any Lot.

12.2 Enforcement After Foreclosure Sale. An action to abate the breach of any of the covenants, conditions, restrictions, servitudes and reservations in this Tract Declaration may be brought against the purchasers who have acquired title through foreclosure of a mortgage or deed of trust (or through any equivalent proceedings), and the successors in interest to said purchasers, even though the breach existed prior to the time said purchaser acquired an interest in such Lot, and the Lot shall remain subject to all of the terms and provisions of the Phase 1 Declaration and this Tract Declaration.

13.0 DURATION, AMENDMENTS, TRANSFERS AND CONVEYANCES.

13.1 Duration. 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, said covenants shall be automatically extended 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, such covenants are amended or changed to provide otherwise or are terminated in whole or in part.

13.2 Amendments. Except as otherwise provided in this Section 13, this Tract Declaration and the plat of the Property may be amended, modified or revoked in whole or in part at any time by Declarant with the consent of the Owner(s) of the portion of the Property that is the subject of such amendment, modification or revocation. In addition, this Tract

Declaration and the plat of the Property may be modified, amended or revoked at any time by Declarant with the consent of the Owners of a majority of the Lots that are subject to this Tract Declaration or such plat, including Lots owned by Declarant or Trustee. Neither this Tract Declaration nor the plat of the Property may be amended, modified or revoked without Declarant's consent to and signature on the amendment, modification or revocation, and the recordation thereof.

13.3 Limitation on Amendments. Any amendment to this Tract Declaration which limits or terminates membership in the Phase 1 Association must also be signed by Declarant and two-thirds (2/3) of the members of the Phase 1 Board.

14.0 EXEMPTION OF DECLARANT AND TRUSTEE FROM RESTRICTIONS.

Notwithstanding anything to the contrary in this Tract Declaration, none of the covenants, conditions, restrictions, easements or other provisions in this Tract Declaration shall be construed or deemed to limit or prohibit any act of Declarant or Trustee, their employees, agents and contractors, or parties designated by them, in connection with the construction, completion, sale or leasing of houses, Lots, the Annexed Property, SaddleBrooke Phase 1, SaddleBrooke Phase 2, or any part thereof.

15.0 LIMITATION ON DECLARANT'S LIABILITY.

Notwithstanding anything to the contrary in this Tract Declaration, each Owner, by accepting any interest in any portion of the Annexed Property and becoming an Owner, acknowledges and agrees that neither Declarant, any assignee of the interest of Declarant hereunder, nor any officer, director, partner or shareholder of Declarant or of any such assignee, shall have any personal liability to the Phase 1 Association, or any Owner of any Lot in the Annexed Property, member of the Phase 1 Association or other person, arising under, in connection with, or resulting from any act or failure to act with respect to this Tract Declaration or the Phase 1 Association except, in the case of Declarant (or its assignee), to the extent of its interest in the property served by the Phase 1 Association. In the event of a judgment, no execution or other action shall be sought or brought thereon against any other assets, nor be a lien upon any other assets, of the judgment debtor.

16.0 ANNEXATION OF ADDITIONAL PROPERTY.

16.1 Annexation. Notwithstanding any other provision of this Tract Declaration, Declarant reserves the right, in its sole discretion and without the approval, assent or vote of the Phase 1 Association or of any Owners, to annex to the Annexed Property at any time or times all or any portion of the real property described on Exhibit "C" hereto and other real property (the "Annexation Property"), in increments of any size whatsoever, and to annex or develop

more than one such increment at any given time and in any given order; provided, however, that nothing contained in this Tract Declaration shall obligate Declarant to annex any real property or all or any portion of the real property described on Exhibit "C", and no portion of such real property shall become subject to this Tract Declaration unless and until a Declaration of Annexation shall have been recorded as herein provided.

16.2 Declaration of Annexation. A Declaration of Annexation shall be a writing in recordable form which annexes additional real property to the Annexed Property and to the plan of this Tract Declaration and which incorporates by reference all of the covenants, conditions, restrictions, easements, definitions and other provisions of this Tract Declaration. A Declaration of Annexation shall state, with respect to the real property so annexed, the number and description of the Lots and the Phase 1 Common Areas included within such Annexation Property. The annexation shall not become effective until recordation of the Declaration of Annexation and recordation of a plat (the "Annexation Plat") describing such portion of the Annexation Property and the Lots and Phase 1 Common Areas therein to be annexed that have not previously been described in a plat already recorded. The effective date of the annexation shall be the date of recordation of the Declaration of Annexation and Annexation Plat, or such later date as may be specified in the Declaration of Annexation. A Declaration of Annexation may contain additions and modifications of the covenants, conditions and restrictions contained in this Tract Declaration to be applicable to the Property covered by the Declaration of Annexation. In no event, however, shall any Declaration of Annexation revoke, modify or add to the covenants established by this Tract Declaration with respect to the property already subject to this Tract Declaration.

16.3 Completion of Annexation. The recordation of a Declaration of Annexation and, if needed, the Annexation Plat shall, as of the effective date of the annexation, constitute and complete the annexation of the Annexation Property described therein, making that real property subject to this Tract Declaration and subject to the functions, powers and jurisdiction of the Phase 1 Association and the Phase 2 Association, and thereafter that Annexation Property shall be part of the Annexed Property for all intents and purposes of this Tract Declaration and all of the Owners of Lots in that Annexation Property shall automatically be Owners in accordance with this Tract Declaration.

17.0 GENERAL PROVISIONS.

17.1 Incorporation. This Tract Declaration shall be considered an integral part of the Phase 2 Declaration and shall be construed as if the provisions hereof were set forth in the Phase 2 Declaration. This Tract Declaration shall run with all of the Property and shall be enforceable in accordance with and as a part of the Phase 2 Declaration.

17.2 Enforcement and Attorneys' Fees. In the event of any violation or threatened violation of any of the restrictions, conditions or agreements contained herein, Declarant, the Phase 1 Association, the Phase 2 Association or any Owner of any property then served by the

Phase 1 Association or the Phase 2 Association may bring an action at law or in equity, for an injunction, damages or such other remedy as may be available. In the event Declarant, the Phase 1 Association, the Phase 2 Association or such Owner recovers judgment against any person for a violation or threatened violation of any of the covenants herein, the prevailing party shall be entitled to recover from the losing party the prevailing party's court costs and reasonable attorneys' fees.

17.3 Establishment of Restrictions. The Property is now held and shall hereafter be held, transferred, sold, leased, conveyed and occupied subject to the covenants, restrictions and easements set forth in this Tract Declaration, each of which is for, and shall inure to the benefit of, shall run with and be appurtenant to, and shall be binding upon, every portion of the Annexed Property, and shall apply to and bind the heirs, assignees and successors-in-interest of every owner of any portion of the Annexed Property.

17.4 Restrictions to Be Construed as Covenants. Each Owner, lessee, tenant, or other user or occupant of any Lot covenants and agrees with Declarant, its successors and assigns, to use or permit the use of its Lot only in accordance with the covenants, conditions and restrictions applicable to that Lot hereunder and under the Phase 2 Declaration.

17.5 Purpose of the Restrictions. The purpose of this Tract Declaration is to ensure the quality, development and use of the Annexed Property and to enhance and protect the value, desirability and attractiveness of the Annexed Property.

17.6 No Waiver. The failure of Declarant, the Phase 1 Association, the Phase 2 Association or any Owner to enforce any restrictions, conditions, covenants or agreements contained herein shall not give rise to any claim or cause of action against Declarant, the Phase 1 Association, the Phase 2 Association or such Owner, nor shall such failure to enforce be deemed a waiver or abandonment of this Tract Declaration or any provision hereof.

17.7 Notices. Notices to the Phase 2 Association or its Board shall be given in the manner provided for in the Phase 2 Declaration. Notices to the Phase 1 Association or the Phase 1 Board which are provided for in this Tract Declaration or in the Phase 1 Articles, Phase 1 Bylaws or Phase 1 Association Rules, shall be in writing and shall be addressed to the Phase 1 Association or the Phase 1 Board, as the case may be, at the following address:

c/o SaddleBrooke Development Company
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

The Phase 1 Association may at any time designate a different address by giving notice of such change of address to all Owners of Lots in the Annexed Property. If notice of any action or proposed action by the Phase 1 Association, the Phase 1 Board or any committee or of any meeting is required by applicable law, this Tract Declaration or resolution by the Phase 1 Board, then unless otherwise specified herein or in the Phase 1 Articles, Phase 1 Bylaws, or such

resolution by the Phase 1 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 Phase 1 or Pinal County. This Section shall not be construed to require that any notice be given if not otherwise required and shall not prohibit satisfaction of any notice requirement in any other manner.

17.8 Security. The Phase 1 Association and the Phase 2 Association will strive to maintain SaddleBrooke Phase 1 and SaddleBrooke Country Club No. 2 as a safe, secure residential environment. HOWEVER, NEITHER THE PHASE 1 ASSOCIATION, THE PHASE 2 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, THE PHASE 1 ASSOCIATION, THE PHASE 2 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 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, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY SECURITY MEASURES RECOMMENDED OR UNDERTAKEN.

17.9 Restatement of Prior Tract Declaration. This Tract Declaration amends and restates in its entirety the Tract Declaration, Land Use Classification and Use Restriction for the Covenants, Conditions and Restriction for SaddleBrooke Unit Fifteen that was recorded in the Official Records of the Pinal County Recorder on August 26, 1994, at Docket 2036, Page 888, as Instrument No. 129177.

17.10 Severability. If any provision of this Tract Declaration or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Tract Declaration or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

17.11 Captions. The marginal or topical headings of the Sections contained in this Tract Declaration are for convenience only and do not define, limit or construe the contents of the Sections of this Tract Declaration.

17.12 Joint and Several Liability. In the case of joint ownership of a Lot, the liabilities and obligations of each of the joint Owners set forth in or imposed by this Tract Declaration, shall be joint and several.

17.13 Binding Effect. Deeds to and instruments affecting all or any part of the Annexed Property may contain the covenants herein set forth by reference to this Tract 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.

17.14 Rule Against Perpetuities. If any of the opinions, privileges, covenants or rights created by this Tract 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.

17.15 Interpretation. Except for judicial construction, Declarant, the Phase 1 Association and the Phase 2 Association, by their respective boards of directors, shall have the exclusive right to construe and interpret the provisions of this Tract Declaration. In the absence of any adjudication to the contrary by a court of competent jurisdiction, the construction or interpretation of the provisions hereof by unanimous agreement of Declarant, the Phase 1 Association and the Phase 2 Association, shall be final, conclusive and binding as to all persons and property benefited or bound by the provisions hereof, and the interpretations by Declarant alone shall presumptively be deemed correct and binding.

IN WITNESS WHEREOF, the undersigned have executed this Tract Declaration as of the date first above written.

TRUSTEE:

FIRST AMERICAN TITLE INSURANCE
COMPANY as Trustee of Trust
No. 7565, 7771, 7907, 7908 and 7947

By *Stanley Robinson*
Trust Officer

DECLARANT:

SADDLEBROOKE DEVELOPMENT COMPANY,
an Arizona corporation

By *Edward J. Robson*
Edward J. Robson, Chairman of the Board

STATE OF ARIZONA)
)ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 21st day of October, 1994, by Edward J. Robson, Chairman of the Board of SaddleBrooke Development Company, an Arizona corporation, on behalf of the corporation.

Mark A Lewis
Notary Public

My Commission Expires:

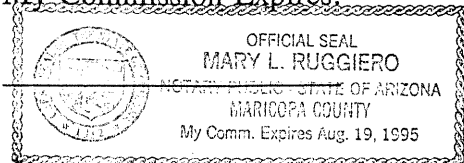


STATE OF ARIZONA)
)ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 25 day of October, 1994, by STANLEY MATHISEN, a Trust Officer of First American Title Insurance Company - A California corporation, as Trustee of Trust No. 7565, 7771, 7907, 7908 and 7947, being authorized to do so on behalf thereof.

Mary L. Ruggiero
Notary Public

My Commission Expires:



2052-053

EXHIBIT "A"

Lots 1 through 212, inclusive, and Tracts A through L, inclusive, Tracts N through V, inclusive, and Tracts Y and Z, SaddleBrooke Unit 15, according to the plat thereof recorded in Cabinet B, Slide 91, records of the Pinal County Recorder, Pinal County, Arizona, as amended.

2052-054

EXHIBIT "B"

PARCEL

LAND USE CLASSIFICATION

Lots 1 through 212

Single Family Residential Use

Common Area Tract A

Phase 1 Common Area

Tracts B through L, inclusive,
Tracts N through V, inclusive,
and Tracts Y and Z

Phase 1 Common Area

LEGAL DESCRIPTION EXHIBIT "C"
AMENDED PLANNED AREA DEVELOPMENT
SADDLEBROOKE UNITS FOURTEEN AND SEVENTEEN

ANNEXATION PROPERTY

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° 04' 37" East a distance of 1,039.96 feet; Thence leaving said Southerly Line North 49° 10' 28" East a distance of 540.96 feet; Thence North 65° 59' 55" 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° 37' 20" West a distance of 654.34 feet, more or less, to the Point of Beginning.

Excepting therefrom those portions of the above-described parcels lying within SaddleBrooke Unit Fifteen as shown on Final Plat thereof recorded in Cabinet B , Slide 91, in Pinal County Records;

And also 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.

The above-described parcels contain a total of 174.200 acres, more or less.

See Plat of Amended Planned Area Development for SaddleBrooke Units Fourteen and Seventeen hereon, made part of this Legal Description by reference herein.

(2) 6/4

2053-676



OFFICIAL RECORDS OF
PINAL COUNTY RECORDER
KATHLEEN C. FELIX

DATE: 31OCT94 TIME: 1600
FEE: \$6.00 \$4.00 \$.00
PAGES: 002
DOCKET: 2053 PAGE: 676
INSTRUMENT # 135843

When recorded return to:
Mr. Mark Lewis
SADDLEBROOKE DEVELOPMENT COMPANY
9532 East Riggs Road
Sun Lakes, Arizona 85248

**RATIFICATION AND APPROVAL
OF
AMENDED AND RESTATED TRACT DECLARATION OF
COVENANTS CONDITIONS AND RESTRICTIONS AND AMENDMENT
TO DECLARATION OF COVENANT CONDITIONS AND RESTRICTIONS
OF SADDLEBROOKE COUNTRY CLUB NO. 2 FOR
SADDLEBROOKE UNIT FIFTEEN (RESTATED CC&R'S)**

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the beneficiary of record of that certain Deed of Trust, Collateral Assignment of Beneficial Interests in Trust, Assignment of Leases and Rents, Security Agreement and Financing Statement, dated August 9, 1993, recorded August 11, 1993, in Dockets 1934, page 164, (hereinafter "the D.O.T.") and those certain U.C.C.-1 Financing Statements recorded in Docket 1934, Page 218, and Docket 1934, Page 250, all being records of the Pinal County Recorder, Pinal County, Arizona (collectively "Financial Instruments") hereby ratifies, affirms and approves the Restated CC&R's, according to the Restated CC&R's recorded in the office of the Pinal County Recorder in Docket 2052, Pages 20 and 28, respectively, and each and every dedication more specifically set forth thereon, as if the undersigned had originally joined in the execution of said Restated CC&R's.

IN WITNESS WHEREOF, the undersigned signs this 11 day of October, 1994.

Bank One, Arizona, NA a
National Banking Association

By Gary Spore

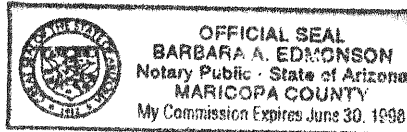
Its Asst. Vice President

STATE OF ARIZONA)
)ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 11th day of October 1994, by Gary Spore who acknowledges himself to be the Asst. Vice President of Bank One, Arizona, N.A., being authorized to do so, upon behalf of the corporation.

Barbara A. Edmonson
Notary Public

My Commission Expires: 6/30/98



MARK/RATIFICATION