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LAURA DEAN-LYTLE

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SaddleBrooke Villas Association No. 20, Inc.

P.O. Box 8252

TUCSON, AZ 85738

**AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SADDLEBROOKE UNIT TWENTY**

This Amended and Restated Declaration of Annexation and of Covenants, Conditions and Restrictions For SaddleBrooke Unit 20 (this "Amended Declaration") is executed this 9th day of November, 2001.

RECITALS

A. A Declaration of Annexation and of Covenants, Conditions and Restrictions for SaddleBrooke Unit 20 was recorded in the Official Records of Pinal County, Arizona, on December 21, 1995, as Instrument No. 1995-039117, and thereafter amended by the Amendment recorded on February 16, 1996, as Instrument No. 1996-005486, (collectively, the "Original Villas Declaration"), to guide the use and enjoyment of the Villas Property (as defined below). The Original Villas Declaration annexed the property described in Exhibit A into the area served by the Master Association (as defined below).

B. The Original Villas Declaration was expressly made subject and subordinate to the Declaration of Restrictions that were recorded in the Official Records of Pinal County, Arizona, on December 5, 1990, at Docket 1712, page 834, *et. seq.* (the "Original Master Declaration"). The Original Master Declaration was amended and restated in its entirety by the Amended and Restated Declaration of Restrictions that were recorded in the Official Records of Pinal County, Arizona, on November 13, 2000, as Instrument No. 2000-047132 (the "Master Declaration").

C. This Amended Declaration amends and restates the Original Villas Declaration in its entirety. This Amended Declaration shall guide the use and enjoyment of the property described in Exhibit A attached hereto and made part hereof by this reference. The Villas Association declares the property described in Exhibit A to be subject to all of the covenants, conditions, restrictions and easements that are set forth in this Amended Declaration, all of which are to be construed as restrictive covenants running with the land.

D. Owners of the Villas Lots (as defined below), will be members of both the Master Association and the Villas Association described below, and shall pay assessments to both of such

associations. Owners of Villas Lots will be subject to the covenants, conditions, and restrictions set forth in both the Master Declaration and in this Amended Declaration. Wherever a conflict exists between this instrument and the Master Declaration, the Master Declaration shall prevail.

Declaration:

NOW, THEREFORE, the Original Villas Declaration is hereby amended and superseded (and entirely replaced) with the following:

1. DEFINITIONS. Unless otherwise defined herein, capitalized terms used but not defined in this Amended Declaration shall have the meaning given to them in the Master Declaration. The following terms have the meanings set forth below:

(a) "Villas Areas" shall mean the roadway, parking area and other tracts and parcels identified on Exhibit "B" to this Amended Declaration.

(b) "Villas Articles" shall mean the articles of incorporation of the Villas Association, which have been filed in the office of the Arizona Corporation Commission, as such articles of incorporation may be amended from time to time.

(c) "Villas Assessments" shall mean Annual Villas Assessments, Special Villas Assessments, and/or all other amounts owed by any Owner to the Villas Association.

(d) "Villas Association" shall mean SaddleBrooke Villas Association No. 20, Inc., an Arizona nonprofit corporation, its successors and assigns.

(e) "Villas Board" shall mean the Board of Directors of the Villas Association.

(f) "Villas Bylaws" shall mean the bylaws of the Villas Association, as such bylaws may be amended from time to time.

(g) "Villas Lots" shall mean Lots that are subject to this Amended Declaration.

(h) "Villas Property" shall mean the real property described in Exhibit A attached hereto and made part hereof.

(i) "Villas Rules" shall mean the rules and regulations adopted by the Villas Board in accordance with this Amended Declaration, the Villas Articles and the Villas Bylaws, as such rules and regulations may be amended from time to time.

(j) "Villas Transition Date" shall mean January 1, 1999, as specified in the Transition Agreement.

(k) "Master Association" shall mean the SaddleBrooke Homeowners Association #1, Inc., an Arizona nonprofit corporation.

(l) "Master Declaration" shall mean the Amended and Restated Declaration of Restrictions that were recorded in the Official Records of Pinal County, Arizona, on November 13, 2000, as Instrument No. 2000-047132.

2. ANNEXATION AND EFFECTIVE DATE. Declarant and Trustee have heretofore exercised their right and authority to annex the Villas Property to the Premises.

3. THE VILLAS ASSOCIATION.

(a) Purposes. The purpose of the Villas Association is to landscape certain Villas Areas and certain portions of the Villas Lots and to maintain such landscaping, the Villas Areas, any roadways and parking areas thereon, certain sprinkler and irrigation systems, the driveways, and walkways, and the roofs, exterior glass and exterior surfaces of the houses constructed on the Villas Lots, all as more particularly described below. The Villas Association shall have such other rights and obligations as are provided in this Amended Declaration, the Villas Articles, Villas Bylaws and the Villas Rules. All funds received by the Villas Association shall be held and applied by it for the benefit of the Owners of Villas Lots in accordance with the provisions of this Amended Declaration, the Villas Articles, the Villas Bylaws and the Villas Rules. Neither Declarant nor any of its affiliates shall have any obligation to landscape or maintain any improvements on any Villas Lot.

(b) Villas Areas. The Villas Areas shall not constitute Common Area of the Association, as defined in the Master Declaration.

(c) Landscaping. The Villas Association shall landscape, and maintain the landscaping and the sprinkler and irrigation systems, if any, installed by the Villas Association or Declarant on the front, side and back yards of each Villas Lot, including the portion of each Villas Lot that is between (a) the street, any planter wall, entry wall or any wall separating any Villas Lots, and (b) the exterior wall of the residential unit situated on the Villas Lot. The type and amount of landscaping and sprinkler and irrigation system(s), if any, to be installed on the Villas Lots by - the Villas Association shall be in the sole discretion of the Villas Association. After the initial installation of the landscaping on the Villas Lots, the Villas Association shall have the right to make such modifications to the landscaping as it deems appropriate from time to time. No Owner or other person shall install any plants, trees, granite or other landscaping in the portion of their Villas Lot which is to be maintained by the Villas Association pursuant to this subsection, and no Owner of a Villas Lot or other person shall make any changes to the landscaping installed in such area by the Declarant or the Villas Association without the prior written consent of the Villas Association.

(d) Nonstructural Exterior Maintenance. Except as otherwise provided below, the Villas Association shall maintain and repair the roofs and the exterior surfaces of all residential units on the Villas Lots, including but not limited to maintaining the driveways, walkways, exterior glass and, paint on the exterior surfaces of the residential units and the walks and driveways on the Villas Lots. The type of paint to be used in the painting of the exterior surfaces

of the residential units and the timing and frequency of the painting of the exterior surfaces of the residential units shall be in the sole discretion of the Villas Association. No Owner of a Villas Lot or other person shall paint or otherwise alter or modify the exterior surface of any residential unit on the Villas Lot, or make any modifications or changes to the exterior surfaces of any residential unit on a Villas Lot, without the prior written approval of the Villas Association. Notwithstanding anything to the contrary herein, the Villas Association shall not have any obligation to make any structural repairs to any residential unit on any Villas Lot. The Villas Association shall not have any obligation to maintain any heating or air conditioning (HVAC) units for any residential unit. Each Owner shall be solely responsible for the maintenance, repair and replacement of structural improvements on his Villas Lot, and the residential unit and all improvements located thereon, except for any portion of the Villas Lot which is to be maintained by the Association.

(e) Damage or Destruction by Villas Owners. No Villas Lot Owner shall in any way damage or destroy any landscaping, the exterior surface of any residential unit on the Villas Property or any area to be maintained by the Villas Association. If, as a result of the negligent or wrongful acts or omissions of any Owner or resident of a Villas Lot, or its guest, tenant or invitee, any repairs, maintenance, replacements or other work is required on the landscaping, exterior surfaces or other areas maintained by the Villas Association, the expenses incurred by the Villas Association as a result thereof shall be paid to the Villas Association by such Owner upon demand. The amounts owed by such Owner to the Villas Association shall be a lien on the Villas Lot of such Owner, which lien may be enforced by the Villas Association in the same manner as provided elsewhere in this Amended Declaration for the collection and enforcement of Villas Assessments.

(f) Villas Articles and Bylaws. In addition to the rights and powers of the Villas Association set forth in this document, the Villas Association and its directors, officers, employees, agents and members shall have such rights and powers as are set forth in the Villas Articles and Villas 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. A copy of the Villas Articles and Villas Bylaws shall be available for inspection at the office of the Villas Association during reasonable business hours.

(g) Board of Directors and Officers. The affairs of the Villas Association shall be conducted by the Villas Board and such officers and committees as the Villas Board may elect or appoint in accordance with the Villas Articles and the Villas Bylaws. The Villas Board may appoint various committees and may appoint a manager or managing agent who shall, subject to the direction of the Villas Board, be responsible for the day-to-day operation of the Villas Association. The Villas Board shall determine the compensation to be paid to the manager or managing agent. The Board shall have the power to contract with any outside entity (including the Master Association) for such entity to perform all or any portion of the operations which are the responsibility of the Board.

(h) Villas Rules. The Villas Board shall be empowered to adopt, amend or repeal, as Villas Rules, such rules and regulations as it deems reasonable and appropriate. Villas Rules shall be effective upon adoption or at such later time as may be specified in the Villas Rules, and shall

be binding upon all Owners of Villas Lots. The Villas Rules may include the establishment of a system of fines and penalties enforceable as liens in the same manner as liens for Villas Assessments. The Villas Rules shall not be inconsistent with this Amended Declaration, the Villas Articles or the Villas Bylaws. If consistent with the Master Declaration, this Amended Declaration, the Villas Articles and the Villas Bylaws, Villas Rules shall have the same force and effect as if they were set forth in and were part of this Amended Declaration and shall be binding on the Owners of Villas Lots, and all other persons having any interest in, or making any use of, the Villas Property. The Villas Rules shall be available to each Owner of a Villas Lot upon request at the principal office of the Villas Association.

(i) Indemnification. To the fullest extent permitted by law, (i) every director and officer of the Villas Association, every member of any Villas committee, and Declarant and its agents, employees, officers and directors, shall be indemnified by the Villas Association, and (ii) every other person serving as an employee or direct agent of the Villas Association or on behalf of the Villas Association may, in the discretion of the Villas Board, be indemnified by the Villas Association, against all expenses and liabilities, including without limitation attorneys fees, reasonably incurred by or imposed upon him 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 Villas Association (or in the case of Declarant by reason of having appointed, removed or controlled, or having failed to control, members of the Villas Board or any committee of the Villas Association), 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 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 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.

(j) Approval of Construction. No building, fence, wall, satellite dish, exterior landscaping, awning, sunshade, solar collector, or other improvement, attached to or detached from other structures, and no decorative alterations, exterior painting, repairs, excavation, roof replacement, wall construction or other work that in any way alters the exterior appearance of any Villas Lot or any improvements thereon (whether or not such change is Visible from Neighboring Property, as defined in the Master Declaration), or that in any way affects the structural integrity of any residential unit on any of the Villas Lots, shall be erected, placed, altered, or maintained on any Villas Lot until the construction plans and specifications and the plans showing the location of the structure or plot plan have been approved by the Villas Board (or any committee established by the Villas Board for that purpose) as to color, quality of workmanship and materials, harmony with the external design and color of existing structures, and as to location with respect to topography and finished grade elevation. The Villas Board and any such committee shall have the right to require any reasonable plans, specifications, engineering data or other information reasonably related to the construction as a condition to reviewing or approving the proposed construction or other work, and may establish a reasonable fee for such review. Neither Declarant, the Villas Board nor any such committee shall have any liability for the structural integrity or the quality of any such construction or other work, or the design or engineering thereof, notwithstanding any review, approvals, disapprovals, requirements or conditions of the

Villas Board or any such committee pursuant to this section. No changes or deviation in or from the plans and specifications as approved by the Villas Board shall be made without the prior written consent of the Villas Board. Owners of Villas Lots shall also be subject to all of the provisions of the Master Declaration, including those that deal with architectural approval for improvements on the Lots. The provisions of this section shall not apply to any construction performed by Declarant or its agents or contractors.

(k) Review Fee. The Villas Association shall be allowed to charge the Owner or other party submitting plans a reasonable charge for its costs incurred in reviewing and approving or disapproving the proposed plans. Such charge shall be determined by the Villas Board from time to time and shall be collected at the time of submission of the plans. The Villas Association shall not have any obligation to review or approve plans that are not accompanied by payment of the reasonable fee hereunder.

(l) Review Criteria. The Villas Board shall have the right to disapprove plans and specifications submitted if, in its opinion, the plans and specifications are not in accordance with all of the provisions of this document or are not complete or if, in its opinion, the design, color scheme or location of the proposed structure or improvement is not in harmony with the general surroundings and topography of the Villas Lot or with other buildings and structures in the vicinity, or if the plans and specifications are incomplete. The Villas Board shall, in the exercise of its judgment and determination, act reasonably and in good faith. The decision of the Villas Board shall be final.

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

(n) Contracts with Others for Performance of Villas Association's Duties. Subject to the restrictions and limitations contained herein, the Villas Association may enter into contracts and transactions with others.

4. MEMBERSHIP AND VOTING.

(a) Owners of Villas Lots. Every Owner of a Villas Lot shall be a member of the Villas Association, and the Master Association. Each membership shall be appurtenant to and may not be separated from ownership of the Villas Lot to which the membership is attributable. Joint ownership, or ownership of undivided interests, shall not increase the number of memberships. There may be only one Villas Association membership attributable to each Villas Lot even though there may be two or more Owners of the Villas Lot. The Owners of a Villas Lot shall share the Villas Association membership attributable to the Villas Lot.

(b) Right to Vote. Each membership shall be entitled to one (1) vote in the Villas Association and the Master Association for each Villa owned by the membership. The Villas Association shall not be obligated to recognize any change in the ownership of a membership for voting or other purposes unless and until the Villas Board is given actual written notice of such change and is provided satisfactory proof thereof. The vote for each membership in the Villas Association must be cast as a unit, and 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 thereupon conclusively be presumed for all purposes that he was acting with the authority and consent of all other owners of the same membership unless objection thereto is made at the time the vote is cast. In the event more than one vote is cast for a particular membership, none of the votes for the membership shall be counted and all said votes shall be deemed void.

(c) Suspension of Voting Rights. The Villas Association has the right to suspend the voting rights, if any, of an Owner of a Villas Lot for any period during which any Villas Assessment against such Owner's Villas Lot is delinquent and remains unpaid and, for any other infraction by an Owner of any provision of this Amended Declaration, for a period not to exceed the longer of sixty (60) days or the period during which such infraction continues.

(d) No Cumulative Voting for Board Members. Cumulative voting shall not be permitted in any election of the members of the Villas Board.

(e) Membership Rights. Each member of the Villas Association shall have the rights, duties and obligations set forth in this document and such other rights, duties and obligations as are set forth in the Villas Articles, Villas Bylaws, Villas Rules, and the Master Declaration.

(f) Transfer of Membership. The rights and obligations of a member shall not be assigned, transferred, pledged, conveyed or alienated in any way by an Owner except upon transfer of ownership of such Owner's Villas Lot, and then only to the transferee of ownership to the Villas Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of ownership to a Villas Lot shall operate to transfer the membership appurtenant to the Villas Lot to the new Owner thereof. **ALL DEBTS AND OBLIGATIONS OF THE VILLAS ASSOCIATION PRIOR TO THE VILLAS TRANSITION DATE SHALL CONTINUE TO BE THE DEBTS AND OBLIGATIONS OF THE VILLAS ASSOCIATION AFTER THE VILLAS TRANSITION DATE.**

(g) EXEMPTION OF DECLARANT AND TRUSTEE FROM RESTRICTIONS. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AMENDED DECLARATION, NONE OF THE COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS OR OTHER PROVISIONS IN THIS AMENDED 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 LEASE OF LOTS, THE PREMISES, SADDLEBROOKE, ANY PROPERTY ADJACENT TO SADDLEBROOKE OR ANY PART THEREOF.

5. VILLAS ASSESSMENTS.

(a) Creation of Lien and Personal Obligation. Each Owner, by execution of a purchase contract or otherwise acquiring any interest in a Villas Lot, is deemed to covenant and agree, for himself, his heirs, successors and assigns, to pay to the Villas Association all Villas Assessments, impounds and late payment charges as provided herein and in the Villas Articles and Villas Bylaws. All Villas Assessments, impounds and late payment charges, if any, together with interest, costs and reasonable attorneys' fees, shall be secured by a lien upon the Villas Lot to which they are assessed, and all rents and proceeds of the Villas Lot, as well as being a personal obligation of the Owner of said Villas Lot. The personal obligation for delinquent Villas Assessments shall not pass to successors in title unless (1) expressly assumed by them, or (2) prior to the transfer of title as evidenced by the records of the County Recorder of Pinal County, Arizona, or other appropriate governmental agency, a notice or affidavit of lien for such Villas Assessment shall have been filed or recorded, or (3) the successor in title had actual or constructive knowledge, at the time the successor came into title, that there were past due assessments on the Villas Lot, or (4) the successor in title did not acquire the Villas Lot by purchase in an arms length transaction. A successor in title shall be deemed to have constructive knowledge of past due assessments if such successor fails to make reasonable inquiry of the Villas Association regarding the existence of any past due assessments on the Villas Lot to be acquired by such successor within thirty days prior to the acquisition of title. The recording of this Amended Declaration constitutes record notice of the lien for Villas Assessments, and no other recordation of any claim or notice of the lien is required. The Villas Association shall have the right but not the obligation, to record a notice of lien against any Villas Lot setting forth the amounts secured by the lien for Villas Assessments.

(b) Purpose of Villas Assessments. The Villas Association shall apply all funds and property received by it, including the Annual and Special Villas 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 the members of the Villas Association by devoting the funds and property to the performance of the purposes of the Villas Association, as set forth above, the expenses of the administration and operation of the Villas Association, and to any other expenses incurred in conformance with this Amended Declaration -, the Villas Articles, Villas Bylaws or Villas Rules (which expenses are sometimes referred to herein as "Villas Expenses"). Villas expenses include, without limitation, expenses for (i) landscaping the Villas Areas and other areas described in Section 3 of this Amended Declaration, (ii) watering, fertilizing, maintaining, repairing and replacing such landscaping, (iii) maintaining, repairing and replacing roadways, driveways and parking areas located on any Villas Areas, (iv) maintaining, repairing and replacing sprinkler and irrigation systems and equipment for the Villas Areas and for any landscaping maintained by the Villas Association, and (v) painting, repairing, maintaining and replacing the exterior surfaces of the residential units located on the Villas Lots, including without limitation repairing, maintaining and replacing the roofs and exterior glass of such residential units. Villas Expenses may also be

used for any other purpose that benefits the Owners of Villas Lots, including 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 the premises which may be necessary, desirable or beneficial to the general common interests of the Owners of Villas Lots and the members of the Villas Association.

(c) Determination of Villas Assessments. The Villas Board shall, not later than December 1 of each year, determine the annual assessments for the ensuing calendar year (the "Annual Villas Assessments"). Unless otherwise established by the Villas Board, Annual Villas Assessments shall be paid in monthly installments and shall be due and payable on or before the first day of each month. In addition to the Annual Villas Assessments authorized above, in any assessment year, the Villas Board may at any time during the year levy a special assessment (a "Special Villas 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 Villas Association. Villas Assessments, whether Annual Villas Assessments, Special Villas Assessments or other assessments deemed necessary by the Villas 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 Villas Board in its sole discretion 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.

(d) Maximum Annual Villas Assessment. The Annual Villas Assessments for each Villas Lot for calendar year 1996 shall not exceed \$130.00 per month (the "Maximum Annual Assessment") or the appropriate multiple thereof if assessments are due less frequently than monthly. The Maximum Annual Villas Assessment for each Villas Lot for subsequent calendar years shall increase by ten percent (10%) per year, compounded annually on December 31 of each year. For example, the Maximum Annual Villas Assessment for calendar year 1997 shall be \$143.00 per month, and the Maximum Annual Villas Assessment for calendar year 1998 shall be \$157.30 per month, even if the actual Annual Villas Assessments for 1998 are not increased above 1997 levels. Although the Annual Villas Assessments assessed against each Villas Lot during any calendar year shall not exceed the Maximum Annual Villas Assessment for that year, the Villas Board shall have no obligation to increase the Annual Villas Assessments during any year. **IN ADDITION TO THE ANNUAL VILLAS ASSESSMENT, EACH VILLAS LOT SHALL ALSO BE LIABLE FOR THE PAYMENT OF ASSESSMENTS SET FORTH IN THE MASTER DECLARATION.**

(e) Enforcement of Villas Assessments. The Villas Board may maintain on the clubhouse bulletin board or such other appropriate place, in the sole discretion of the Board, a list of all members whose Villas Assessments (whether Annual Villas Assessments, Special Villas Assessments or otherwise) are past due. In the event of delinquency, the Villas Board may cause to be filed in the office of the County Recorder of Pinal County, a notice or affidavit of non-payment of Villas Assessments and may post a copy thereof upon the Villas Lot. If any member is

in default in paying any Villas Assessment (whether Annual Villas Assessment, Special Villas Assessment or otherwise) when such Villas Assessment becomes due and payable, the member shall be deemed to be delinquent, and the member shall be subject to a late charge equal to the lesser of twenty-five percent (25%) of the delinquent Villas Assessment or the highest late charge permitted by applicable law, which sum and the delinquent sums shall bear interest from the date of such delinquency until paid at the rate of 22% per annum or the highest rate permitted by applicable law, which ever is lower. If any member shall fail or refuse to pay any Villas Assessment when due, then the lien therefor and the interest, costs, reasonable attorneys' fees and any late charges, may be foreclosed by the Villas Association in any manner provided or permitted for the judicial foreclosure of realty mortgages or deeds of trust in the State of Arizona. Subject to the limitations contained in the following sentence, the lien for Villas Assessments on any Villas Lot shall be subordinate to the lien of any First Mortgage in favor of an institutional lender in an arms length transaction. The sale or transfer of any Villas Lot by judicial foreclosure, trustee's sale or any equivalent proceedings under any such First Mortgage shall not affect the lien for Villas Assessments except as to payments that become due prior to such sale or transfer. If the fines or interest rate set forth in this section are not lawful for any reason, then the Villas Board shall have the right to levy reasonable monetary late charges, interest rates and/or penalties against Owners of Villas Lots who fail to pay any Assessments or other amounts to the Villas Association when such amounts are due and payable.

(f) Enforcement After Foreclosure Sale. An action to abate the breach of any of the covenants, conditions, restrictions, servitudes and reservations in this Amended Declaration may be brought against persons or entities who acquire title to any Villas Lot through foreclosure of a Mortgage, whether by judicial foreclosure, trustee's sale or any equivalent proceedings, and against the successors in interest to such persons and entities, even though the breach may have existed prior to the time such persons or entities may have acquired an interest in such Villas Lot.

(g) Subject to Declaration. At such time as a Mortgagee shall come into possession of or become record Owner of a Villas Lot, the Mortgagee shall be subject to all of the terms and conditions of this Amended Declaration including, but not limited to, the obligation to pay all Villas Assessments and charges accruing thereafter, as well as the lien therefor, in the same manner as any other Owner of a Villas Lot.

(h) Reserve Fund. The Villas 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 to be established from time to time by the Villas Board. **NEITHER THE VILLAS BOARD, DECLARANT NOR ANY OTHER PERSON OR ENTITY SHALL HAVE ANY LIABILITY FOR FAILING TO ESTABLISH RESERVES, OR RESERVES OF ANY PARTICULAR AMOUNT.**

(i) Commencement of Obligation to Pay Villas Assessments. The obligation to pay the Villas Assessments for each Villas Lot (whether monthly, quarterly, semi-annually, annually or as otherwise decided by the Villas Board) shall commence on the date the Villas Lot is purchased.

(j) Surplus. The Villas Association shall not be obligated to spend in any year all the

sums received by it in such year (whether by way of Villas Assessments, fees or otherwise) and may carry forward as a surplus any balances remaining. The Villas Association shall not be obligated to reduce the amount of the Annual Villas Assessments in the succeeding year if a surplus exists from a prior year and the Villas Association may carry forward from year to year such surplus as the Villas Board in its discretion may determine to be desirable for the greater financial security of the Villas Association and the accomplishment of its purposes. The Villas Association may, but will not be obligated to, cause all or any part of such surplus to be placed in a reserve fund.

(k) Borrowing. The Villas Association may incur debt and may borrow money, in such amounts, at such rates, upon such terms and security, and for such periods of time, as the Villas Board in its sole discretion deems necessary or appropriate.

(l) No Offsets. All Villas Assessments shall be payable in the amount specified in the Villas Assessment or notice of Villas Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that (a) the Villas Association, or the Villas Board, or Declarant is not properly exercising its duties and powers as provided in this Amended Declaration, or (b) Villas Assessments for any period exceed Villas Expenses.

(m) Homestead Waiver. Each Owner, to the extent permitted by law, hereby waives, to the extent of any liens created pursuant to this Amended 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.

6. USE OF VILLAS AREAS. Every Owner of a Villas Lot shall have a nonexclusive right and easement of enjoyment in and to the Villas Areas, which right and easement shall be appurtenant to and shall pass with the title to every Villas Lot, subject to the following provisions:

(a) the right of the Villas Association to suspend the voting rights, if any, of an Owner and right of an Owner to use the Villas Areas for any period during which any Villas Assessment or other assessment under the Master Declaration against his Villas Lot is delinquent and remains unpaid and, for any other infraction by an Owner of any provision of this Declaration, for a period not to exceed the longer of sixty (60) days or the period during which such infraction continues;

(b) the right of the Villas Association to dedicate or transfer all or any part of the Villas Areas to any public agency, authority or utility, for such purposes and subject to conditions as may be agreed to by the Villas Board;

(c) the right of the Villas Association to limit the use of the Villas Areas by persons who are not owners of Villas Lots, and to charge admission, membership and other fees to owners and/or nonowners for the use of any recreational or other facility, if any, situated upon the Villas Areas, and to establish rules and regulations pertaining to or restricting the use of any such facility situated upon the Villas Areas;

(d) the right of the Villas Association to borrow money for the purpose of improving,

replacing, restoring, expanding or operating the Villas Areas or adding new Villas Areas and, in aid thereof, to mortgage or encumber the Villas Areas, provided that the rights of the lender thereunder shall be subordinated to the rights of the owners of Villas Lots; and

(e) the right of the Villas Association to refuse Owners of Villas Lots access to those Villas Areas, if any, that are not designed for use by Owners of Villas Lots, such as drainage and retention areas, and the right of the Villas Association to change the use of the Villas Areas and to limit the right of Owners to use the Villas Areas accordingly.

7. MASTER DECLARATION BINDING ON VILLAS LOTS. The Villas Property, including all Villas Lots and all Villas Areas, and all interests therein, shall be owned, occupied, leased, sold and conveyed subject to the Master Declaration. All of the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights set forth in the Master Declaration shall run with the land and be binding upon the Villas Property and all parties having or acquiring any right, title or interest in or to the Villas Property, or any part thereof, and shall inure to the benefit of each person or entity having at any time any interest or estate in the Villas Property, or any part thereof, the Association provided for in the Master Declaration and each member of the Villas Association.

8. ROADS. Owners of Villas Lots hereby acknowledge that nonresidents of SaddleBrooke may have the right to use certain roadways within SaddleBrooke, whether or not such roadways have been dedicated to the public, and Owners of Villas Lots shall not interfere with or object to such use of such roadways.

9. EASEMENTS IN FAVOR OF THE VILLAS ASSOCIATION AND DECLARANT. The Villas Association, and its successors, assigns and designees, shall have the right and an easement over all of the Villas Lots, but not in the residential units constructed on the Villas Lots, for the purpose of examining, maintaining, repairing and replacing the landscaping and irrigation systems and the roof, exterior glass and other exterior surfaces of the residential units, as set forth in Section 3 above, for the purpose of performing any other obligations of the Villas Association or exercising any rights of the Villas Association, and for any other reasonable purpose. Declarant and its successors, assigns and designees also shall have the right and an easement over all of the Villas Lots, but not in the residential units constructed on the Villas Lots, for the purpose of performing any construction, reconstruction, warranty work, maintenance, repair, surveying or examination of the Villas Lots and/or residential units or other improvements thereon, and for any other similar purpose specified by Declarant.

10. EASEMENTS FOR ENCROACHMENTS, ADJUSTMENT OF LOT LINES. In the event any residential unit or other structure or any fence or wall constructed as part of the initial construction of improvements on a Villas Lot encroaches upon another Villas Lot or any Villas Areas or Common Areas, a valid easement for such encroachment and for the maintenance of the residential unit, fence, wall or other structure or improvement within the encroachment area shall exist over the Villas Lot, Villas Area or Common Area upon which the residential unit, fence, wall or other structure or improvement encroaches. As the Villas will consist of a series of attached residences, Declarant intends to construct the dividing walls between the residential units

on the Villas Lot lines of the attached residences. If for any reason the dividing wall between any attached residential units is not located on the lot line, then to the fullest extent permitted by law, the lot line between such Villas Lots automatically shall be deemed to have been relocated to the location of such dividing wall.

1.1. GENERAL PROVISIONS.

(a) Incorporation. This Amended Declaration shall be considered an integral part of the Master Declaration and shall be construed as if the provisions hereof were set forth in the Master Declaration. This Amended Declaration shall run with all of the Villas Property and shall be enforceable as a part of the Master Declaration. The Recitals to this Amended Declaration are incorporated into this Declaration.

(b) 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 Villas Association or any Villas Lot Owner of any property served by the Villas 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 the Villas Association or such Villas Lot 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.

(c) Establishment of Restrictions. The Villas 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 Amended 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 Villas Property, and shall apply to and bind the heirs, assignees and successors-in-interest of every owner of any portion of the Villas Property.

(d) Use. Each Villas Lot Owner, lessee, tenant, or other user or occupant of any Villas Lot covenants and agrees, to use or permit the use of its Villas Lot only in accordance with the covenants, conditions and restrictions applicable to that Villas Lot hereunder and under the Master Declaration.

(e) Purpose of the Restrictions. The purpose of this Amended Declaration is to ensure the quality, development and use of the Villas Property and to enhance and protect the value, desirability and attractiveness of the Villas Property.

(f) No Waiver. The failure of the Villas Association, the Master Association, Declarant 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 the Villas Association, the Master Association, Declarant or such Owner, nor shall such failure to enforce be deemed a waiver or abandonment of this Amended Declaration or any provision hereof.

(g) Gender. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular and plural, and to a trust, corporation, other legal entity or to an individual, as the identity of the applicable persons or entities may require.

(h) Severability. If any provision of this Amended Declaration or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Amended 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.

(i) Captions. The marginal or topical headings of the Sections contained in this Amended Declaration - are for convenience only and do not define, limit or construe the contents of the Sections of this Amended Declaration.

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

(k) Binding Effect. Deeds to and instruments-affecting all or any part of the Villas Property may contain the covenants herein set forth by reference to this Amended 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.

(l) Rule Against Perpetuities. If any of the options, privileges, covenants or rights created by this Amended 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.

(m) Amendments. This Amended Declaration may be amended, modified or revoked, in whole or in part at any time, only with the consent of Declarant and the Owners of 51% of the Villas Lots, by recording with the Pinal County Recorder's Office an instrument in recordable form executed by (i) the Declarant, (ii) the president or vice president of the Villas Association, and (iii) the secretary or assistant secretary of the Villas Association. SaddleBrooke Development Company, as Declarant, recognizes that the Villas Owners should have the right to make reasonable changes to this Amended Declaration that do not affect the Declarant's rights. Therefore SaddleBrooke Development Company, as Declarant, agrees that it will not unreasonably withhold its consent to any amendment requested by the Villas Association and the Villas Owners that does not affect any rights, interests or benefits of Declarant. In no event shall Developer have any liability for consenting to any amendment approved by the Owners of at least 51% of the Villas Lots.

(n) Interpretation. Except for judicial construction, Declarant and the Villas Association, by its board of directors, shall have the exclusive right to construe and interpret the provisions of this Amended Declaration. Nothing contained in the preceding sentence shall affect

or impair any rights of the Association to construe, interpret or enforce any provision of the Master 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 mutual agreement of Declarant and the Villas Association shall be final, conclusive and binding as to all persons and property benefited or bound by the provisions hereof.

12. Housing for Older Persons. The Villas Association is subject to all of the terms and provisions of the Master Declaration, including but not limited to those contained in Section 2.4 of the Master Declaration. Section 2.4 of the Master Declaration provides in part as follows:

"SaddleBrooke #1 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 the Fair Housing Amendment Act of 1988 and subsequent amendments to this Act, no person who has not yet reached his or her nineteenth (19th) birthday shall reside permanently at SaddleBrooke #1. The Board, in its discretion, shall have the right and power to determine when a person resides "permanently" at SaddleBrooke #1."

13. Affect of Amendment. Notwithstanding anything to the contrary contained in this Amended Declaration, no action taken by any person or entity prior to the date of this Amended Declaration shall constitute a violation of this Amended Declaration if such action was not a violation of the Original Villas Declaration. The preceding sentence shall not be construed as permitting any person or entity to take actions in the future that violate this Amended Declaration.

IN WITNESS WHEREOF, this Amended Declaration is being executed by the Villas Association as of the date first above written with the approval of Declarant and of at least 51% of the Owners of Villas Lots.

VILLAS ASSOCIATION:

SADDLEBROOKE
ASSOCIATION NO. 20, INC.

VILLAS

By: Krafermanli

Its: President

Attest: Paul P. Butler
Secretary

DECLARANT:

SADDLEBROOKE DEVELOPMENT
COMPANY, an Arizona corporation

By: [Signature]

Its: V.P.

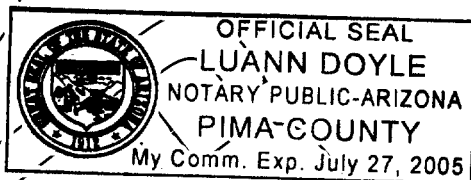
STATE OF ARIZONA)
) ss.
County of Pinal)

The foregoing instrument was acknowledged before me this 2nd day of Nov 2001, by Ewa Hermacinski and Paul Butler, the President and Secretary, respectively, of SaddleBrooke Villas Association No. 20, Inc., an Arizona nonprofit corporation, on behalf of the corporation.

Luann Doyle
Notary Public

My Commission Expires:

7-27-2005



STATE OF ARIZONA)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 9th day of Nov 2001, by Karl Pfen, the VICE PRESIDENT of SaddleBrooke Development Company, an Arizona corporation, on behalf of the corporation.



AB
Notary Public

My Commission Expires:

10/12/04

EXHIBIT A

The Villas Property

Lots one (1) through forty (40), inclusive, and Tracts B, C, D, E, F, H, and I and Common Area Tract A, SaddleBrooke - Unit Twenty (Amended), according to the plat thereof recorded at Cabinet B, Slide 112, records of Pinal County Recorder, Pinal County, Arizona.

EXHIBIT B

VILLAS AREAS

Tracts B, C, D, E, F, H, and I and Common Area Tract A, SaddleBrooke - Unit Twenty (Amended), according to the plat thereof recorded at Cabinet B, Slide 112, records of Pinal County Recorder, Pinal County, Arizona.