

BYLAWS
OF
SAGUARO RANCH PROPERTY OWNERS ASSOCIATION, INC.

Saguaro Ranch Property Owners Association, Inc., an Arizona nonprofit corporation, hereby adopts the following Bylaws:

ARTICLE I
NAME AND LOCATION

The name of the Corporation is SAGUARO RANCH PROPERTY OWNERS ASSOCIATION, INC. (the "Association"). The principal office of the Corporation shall be located at 3800 West Moore Road, Tucson, Arizona 85742, but meetings of Members and Directors may be held at such places within Pima County, Arizona, as may be designated by the Board.

ARTICLE II
DEFINITIONS

Section 1. "Association" shall mean and refer to SAGUARO RANCH PROPERTY OWNERS ASSOCIATION, INC., an Arizona nonprofit corporation, its successors and assigns.

Section 2. "Properties" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions, Restrictions and Easements for Saguaro Ranch.

Section 3. "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Lot" shall mean and refer to residential lots shown upon any recorded subdivision map of the Properties with the exception of the Common Area and the Guest Ranch Facilities (as defined in the Master Declaration. "Lot" shall include residential lots later annexed in accordance with the Master Declaration.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot that is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" shall mean and refer to Title Security Agency of Arizona, an Arizona corporation, as Trustee under its Trust Numbers 773, 786 and 787, and their successors and assigns. Saguaro Ranch Development Corporation, an Arizona corporation,

shall have authority to act on behalf of Declarant.

Section 7. "Master Declaration" shall mean and refer to the Declaration of Covenants, Conditions, Restrictions and Easements for Saguaro Ranch recorded in the Office of the Pima County, Arizona, Recorder, as it may be amended.

Section 8. "Marana Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions Running With the Land (Saguaro Ranch) recorded in the Office of the Pima County, Arizona, Recorder, as it may be amended.

Section 7. "Design Review Covenant" shall mean and refer to the Design Review Covenant (Saguaro Ranch) recorded in the Office of the Pima County, Arizona, Recorder, as it may be amended.

Section 8. "Guest Ranch Facilities" shall mean and refer to the Guest Ranch and the Horse Ranch, all as defined in the Master Declaration.

Section 9. "Member" shall mean and refer to those persons entitled to membership as provided in the Master Declaration.

ARTICLE III MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the first Friday of each month of March each year thereafter, unless changed by the Board. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following that is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board, by Declarant, or upon written request of the Members who are entitled to vote one-tenth (1/10) of all of the votes of the Membership.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting by mailing a copy of such notice, postage prepaid, at least ten (10) days before such meeting to each Member entitled to vote, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the

meeting.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of the Membership shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Master Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his Lot.

ARTICLE IV BOARD OF DIRECTORS; SELECTION; TERM OF OFFICE

Section 1. Number. The affairs of the Association shall be managed by a Board of not less than three (3) nor more than nine (9) directors, who need not be Members of the Association.

Section 2. Term of Office. The directors shall be elected at the annual meeting of the Members or at a special meeting of Members called for that purpose, and each director shall hold office until the annual meeting held next after his or her election or until his or her successor shall have been elected and qualified, or until his or her death, or until he or she shall have resigned or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association, except that Declarant shall appoint the directors during the Declarant Control Period, as defined in the Master Declaration, and no director may be removed without Declarant's consent during such time. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any service he or she may render to the Association. However, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V
NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination. Nomination for election to the Board shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting or a special meeting called for the purpose of electing directors. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the President to serve one (1)-year terms. The Nominating Committee shall make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members.

Section 2. Election. Election to the Board shall be by secret written ballot or public hand or voice vote. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 3. Right of Appointment. Notwithstanding the above, the directors shall be nominated, appointed or removed solely by the Declarant during the Declarant Control Period.

ARTICLE VI
MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board shall be held at such frequency as determined by the Board without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day that is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any two directors, after not less than one (1) day's notice to each director.

Section 3. Quorum. A majority of the number of directors shall

constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. In addition to all other powers, the Board shall have power to:

(a) adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of the Members and their guests thereon and to establish penalties for the infraction thereof;

(b) suspend the voting rights and the right to use of the recreational facilities of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for infraction of published rules and regulations;

(c) exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

(d) declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties; and

(f) grant easements over, across or under the Common Areas for public utilities, ingress, egress and such other purposes as may be deemed advisable by the Board.

Section 2. Duties. It shall be the duty of the Board to carry out the obligations set forth in the Master Declaration, the Marana Declaration and the Design Review Covenant.

ARTICLE VIII
OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of the Association shall be a president and vice-president, who shall at

all times be members of the Board, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The initial election of officers shall take place at the first meeting of the Board and thereafter following each annual or special meeting of the Members at which directors are elected.

Section 3. Term. The officers of the Association shall be elected annually by the Board, and each shall hold office for one (1) year, unless he or she shall sooner resign or shall be removed or otherwise disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer that he or she replaces.

Section 7. Multiple Offices. Multiple offices may be held by the same person.

Section 8. Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments.

(b) Vice-President. The vice-president shall act in the place and stead of the president in the event of his or her absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by him by the Board.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the

Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses and shall perform such other duties as required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board; keep proper books of account; and prepare an annual budget and a statement of income and expenditures to be presented to the Membership at its regular annual meeting.

ARTICLE IX COMMITTEES

Subject to the rights of Declarant, the Board shall appoint the Design Review Board, as provided in the Design Review Covenant. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purposes.

ARTICLE X BOOKS AND RECORDS

The books, records and papers of the Association shall be subject to inspection by any Member according to Arizona law. The Declaration, the Design Review Covenant, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XI ASSESSMENTS

As more fully provided in the Declaration, each Member is personally obligated to pay to the Association annual and special assessments, which are secured by a continuing lien upon the Lot against which the assessment is made. Any assessments that are not paid when due shall be delinquent. The Board shall implement a policy for dealing with delinquent dues consistent with Arizona law.

ARTICLE XII AMENDMENTS - CONFLICTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of a majority of the votes entitled to be cast at a meeting of a quorum of Members

present in person or by proxy.

Section 2. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles of Incorporation shall control; and in the case of any conflict between the Master Declaration, the Marana Declaration or the Design Review Covenant and these Bylaws or the Articles, the Master Declaration, the Marana Declaration and the Design Review Covenant shall control.

ARTICLE XIII
FISCAL YEAR

The fiscal year of the Association shall be the calendar year.

Dated the 8th day of September, 2003.

SAGUARO RANCH PROPERTY OWNERS
ASSOCIATION, INC., an Arizona nonprofit
corporation

By: 
Joe F. Tarver, Secretary

S. ANN RODRIGUEZ, RECORDER

RECORDED BY: NMB

DEPUTY RECORDER

1134

PE2

SMARA

TOWN OF MARANA

ATTN: TOWN CLERK

13251 N LON ADAMS RD

MARANA AZ 85653



DOCKET: 12173

PAGE: 1647

NO. OF PAGES: 4

SEQUENCE: 20032160506

11/07/2003

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MAIL

AMOUNT PAID \$ 8.00

11/07/2003

AFFIDAVIT OF SCRIVENER'S ERROR

WHEREAS, TITLE SECURITY AGENCY OF ARIZONA, an Arizona corporation, as Trustee of its Trust Numbers 773, 785 and 787 only and not in its corporate capacity, is the owner of that certain real property legally described as SAGUARO RANCH, a subdivision of Pima County, Arizona, recorded in Book 57 of Maps and Plats at Page 57 (the "Plat"); and

WHEREAS, such owner employed Darling Environmental & Surveying, Ltd. "Darling"), to prepare the Plat; and

WHEREAS, scrivener's errors were made on Sheets 1 and 13 of the Plat, in that a certain General Note creating easements was inadvertently omitted from Sheet 1 of the Plat and the name of a street was inadvertently omitted from Sheet 13 of the Plat;

NOW, THEREFORE, let it be known that it is the intention of Darling by executing this Declaration of Scrivener's Error that the Plat be amended as follows:

1. Sheet 1 of the Plat is amended by adding the following as General Note 15:

15. There is hereby created easements over and across each of the Lots and Blocks in this Subdivision for the purposes of Private Recreational Trail Paths and Private Horseback Riding Trails, as those terms are referred to in the Dedication of this Plat and in Article 2, Section 2.5, and in Article 6, Section 6.3, of that certain Declaration of Covenants, Conditions, Restrictions and Easements for Saguaro Ranch, recorded at Docket 12131, Page 4142 (referred to in the Dedication of the Plat as the "Covenants, Conditions and Restrictions"). Such easements shall not be located within the building sites on the Lots as approved by the Design Review Board. The Developer shall have the right to record an instrument modifying

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the legal descriptions of the easements created hereby such that they encompass and burden only those portions of a Lot or Lots affected by the Private Recreational Trail Paths and Private Horseback Riding Trails "as built".

2. Sheet 13 of the Plat is amended by adding the street name "Horse Ranch Loop" thereon, as delineated by the "cloud" on Exhibit "A" hereto, which is by this reference incorporated herein.

Dated this 3rd day of November, 2003.

DARLING ENVIRONMENTAL & SURVEYING,
LTD., an Arizona corporation

By: Richard D. Darling
Richard D. Darling, President

APPROVED:

TITLE SECURITY AGENCY OF ARIZONA,
an Arizona corporation, as Trustee
of its Trust Numbers 773, 785 and
787 only and not in its corporate
capacity

By: Leslie D. Hogg
Leslie D. Hogg, Trust Officer

APPROVED:

TOWN OF MARANA

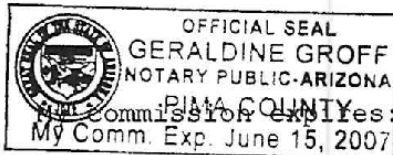
By: Farhad Moghimi
Farhad Moghimi, Town Engineer

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STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me on the 5th day of November, 2003, by Richard D. Darling, as President of Darling Environmental & Surveying, Ltd., an Arizona corporation, for and on behalf of such corporation.



Geraldine Groff
Notary Public

6/15/2007

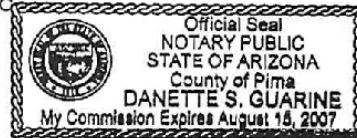
STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

The foregoing instrument was acknowledged before me on the ___ day of November, 2003, by Leslie D. Hogg, as Trust Officer of Title Security Agency of Arizona, an Arizona corporation, as Trustee of its Trust Numbers 773, 785 and 787 only and not in its corporate capacity.

Danette S. Guarine
Notary Public

My Commission Expires:

8-15-07



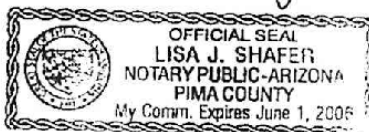
STATE OF ARIZONA)
) ss.
COUNTY OF PIMA)

the The foregoing instrument was acknowledged before me on the ___ day of November, 2003, by Farhad Moghimi, as Town Engineer of the Town of Marana.

Lisa J. Shafer
Notary Public

My commission expires:

June 1, 2006



CL MULTI USE TRAIL
SEE GENERAL NOTES

15
SEE SHEET 8

HORSE RANCH LOOP



19
SEE SHEET 8

20
SEE SHEET 8

EXHIBIT-A AFFIDAVIT OF
SCRIVENERS ERROR
SAGUARO RANCH
BOOK 57 PAGE 57
LOWER LEFT CORNER OF SHEET 13

PREPARED FOR: Saguaro Ranch Development Corporation Tucson, Arizona		 DARLING ENVIRONMENTAL & SURVEYING, LTD. 1050 N. KOLB RD. / SUITE 136 - TUCSON, AZ 85715 PH (520) 398-2735 • FAX (520) 398-2767	
TITLE SCRIVENERS ERROR EXHIBIT SHOWING THE ADDED STREET NAME OF HORSE RANCH LOOP TO SHEET 13 OF THE SAGUARO RANCH FINAL PLAT		Scale: NTS	REVISION
		Sheet 03-20.dwg	

11/3/02

* E RECORDING * Page 1 of 60



SEQUENCE: 20142170119

No. Pages: 60

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F. ANN RODRIGUEZ, RECORDER
Recorded By: JSH(e-recording)



When recorded, return to:

**SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
SAGUARO RANCH**

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
SAGUARO RANCH

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**SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
SAGUARO RANCH**

This Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Saguaro Ranch ("Declaration") is made as of July 31, 2014, by Northlight Trust I, a Delaware statutory trust ("Declarant") and Saguaro Ranch Property Owners Association, Inc., an Arizona nonprofit corporation ("Association").

RECITALS

A. An Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements for Saguaro Ranch (the "Amended and Restated Declaration") was recorded at Docket 12550, Page 2986, in the records of the County Recorder of Pima County Arizona, to establish a general plan for the development, use, operation and maintenance of the master planned community, commonly known as Saguaro Ranch located in Pima County, Arizona.

B. An Amended and Restated Design Review Covenant was recorded at Docket 12550, Page 2971, in the records of the County Recorder of Pima County, Arizona, and was amended by the First Amendment to Amended and Restated Design Review Covenant recorded at Docket 12928, Page 2048, and re-recorded at Docket 12961, Page 2054 and by the Second Amendment to Amended and Restated Design Review Covenant recorded at Docket 13195, Page 1982, in the records of the County Recorder of Pima County, Arizona (collectively, the "Restated Design Covenant").

C. Section 18.2 of the Amended and Restated Declaration provides that the Amended and Restated Declaration may be amended upon the written consent of Owners representing a majority of the total number of votes entitled to be cast on Association matters, or by the affirmative vote of the Owners representing a majority of the total number of votes entitled to be cast on Association matters at a meeting of the Owners called for that purpose. Section 18.2 further provides that during the Declarant Control Period, no amendment shall be effective unless approved in writing by Declarant. Section 18.3 of the Amended and Restated Declaration provides that any amendment to the Amended and Restated Declaration must be executed by the President of the Association and recorded in the office of the County Recorder of Pima County, Arizona.

D. Declarant is the successor to the rights of the Declarant under the Amended and Restated Declaration, and the Declarant represents a majority of the total number of votes entitled to be cast on Association matters. The execution of this Declaration by the Declarant shall constitute the Declarant's consent to and approval of this Declaration. This Declaration shall completely amend and restate and shall supersede the Amended and Restated Declaration and the Restated Design Covenant which upon the recording of this Declaration shall be of no further force and effect.

INTRODUCTION TO THE COMMUNITY

This Declaration creates mutually beneficial covenants, conditions and restrictions for Saguaro Ranch and establishes a flexible but reasonable procedure for its overall development, administration, maintenance and preservation. This Declaration intends to create an environmentally-sensitive community boasting a high quality of life for its residents. The Association will be responsible for implementing the goals for the community, as they are expressed in this Declaration. Foremost among these goals is to preserve and display the natural beauty of the surrounding environment through the plan of development and the uses of the land.

ARTICLE I **CREATION OF THE COMMUNITY**

1.1 **Declaration.** Declarant hereby declares that the property described in Exhibit "A" and any additional property subjected to this Declaration by Supplemental Declaration shall be held, sold, used, and conveyed subject to the covenants, conditions, and restrictions herein, which shall run with the title to the land, and which covenants, conditions, and restrictions amend, replace and supersede those set forth in the Amended and Restated Declaration and the Restated Design Covenant. This Declaration shall be binding on and shall inure to the benefit of all parties having any right, title, or interest in the Properties or any part thereof, their heirs, successors, successors-in-title, and assigns.

1.2 **Duration.** Unless terminated as provided below, this Declaration shall have perpetual duration. Unless otherwise provided by Arizona law, in which case such law shall control, this Declaration may not be terminated within 20 years of the date of recording without the consent of all Owners. After 20 years from the date of recording, this Declaration may be terminated only by an instrument in writing, signed by the Association and approved by Owners holding at least eighty percent (80%) of the votes in the Association and recorded in the records of the County Recorder of Pima County, Arizona.

ARTICLE II **CONCEPTS AND DEFINITIONS**

The terms used in this Declaration and not otherwise defined shall generally be given their natural, commonly accepted definitions except as otherwise specified. Certain capitalized terms shall be defined as set forth below.

2.1 **"Architectural Review Committee" or "ARC".** The committee which the Declarant or Board may create, subject to provisions of Article V, and at such time as it shall determine in its discretion, to review construction and administer and enforce architectural standards.

2.2 "Area of Common Responsibility". The Common Area, together with any other areas which become the responsibility of the Association, including the Neighborhood Entry and Access Improvements, as defined in Section 6.3.

2.3 "Articles". The Articles of Incorporation of Saguaro Ranch Property Owners Association, Inc., as they may be amended from time to time.

2.4 "Association". Saguaro Ranch Property Owners Association, Inc., an Arizona nonprofit corporation, its successors and assigns.

2.5 "Base Assessment" or "Regular Assessment". Assessments levied on all Lots to fund Common Expenses, as more particularly described in Article IX.

2.6 "Benefited Assessment". Assessments levied on one or more but less than all Lots, as more particularly described under Section 9.7.

2.7 "Board of Directors" or "Board". The body responsible for administration of the Association.

2.8 "Bylaws". The Bylaws of Saguaro Ranch Community Association, Inc., as they may be amended from time to time.

2.9 "Class 'B' Control Period". The period during which the Class "B" Member is entitled to appoint the members of the Board as provided in Article VII below.

2.10 "Common Area". All real and personal property which the Association now or hereafter owns, leases, has easement rights to, or otherwise holds possessory or use rights in for the common use and enjoyment of the Owners. The term may include, without limitation, recreational facilities, entry features, signage, landscaped medians, as well as hiking, walking and bicycle trails, and shall include the areas defined by the Plats as "Private Recreational Trail Easements," "Private Multiuse Trail Easements," and "Private Horseback Riding Trail Easements."

2.11 "Common Expenses". The actual and estimated expenses incurred or anticipated to be incurred by the Association that are deemed by the Board to be for the general benefit of all Lots, including expenses with respect to the Common Area and Area of Common Responsibility, reasonable management fees, expenditures for capital-type items, and any reasonable reserve, as the Board may find necessary or appropriate.

2.12 "Covenant to Share Costs". Any declaration or other instrument executed by Declarant or the Association which creates easements or other rights for the benefit of the Association (or its Members) and the present and future owners of the real property subject to such declaration or other instrument and/or which obligates the Association and such owners to share the costs as described therein. Any Covenant to Share Costs may affect less than all Owners.

2.13 "Declarant". Northlight Trust I, a Delaware statutory trust, or any successor, or assignee thereof designated as the Declarant in a written instrument executed by the immediately-preceding Declarant.

2.14 "Design Guidelines". The architectural, design, development, and other guidelines, standards, controls, and procedures promulgated by the Declarant or the Board including, but not limited to, application and review procedures, as they may be amended from time to time.

2.15 "Dwelling Unit". All buildings located within a Lot and used or intended to be used for a single-family residential use in conformity with the Governing Documents, including any garages, carports, open or closed patios and basements, as originally constructed.

2.16 "Exclusive Common Area". A portion of the Common Area intended for the exclusive or primary use or benefit of one or more, but less than all, Neighborhoods, as more particularly described in Article XIII.

2.17 "Guest Ranch". Lot 50 of the Upper Original Plat (as defined in Exhibit "A" hereto) and any private membership organization that may be located and operated on Lot 50, and all real and personal property owned, operated and managed by the owner(s) thereof, or provided for the use of their members, invitees and patrons. The Guest Ranch and the facilities thereon are Private Amenities, unless annexed herein by Declarant.

2.18 "Governing Documents". This Declaration together with the Articles and Bylaws of the Association, any declaration of easements, Covenants to Share Costs, the Design Guidelines, Use Restrictions, and any rules, regulations or policies adopted by the Board shall contain the standards for the Properties and the Association.

2.19 "Improvement". Any of the following: (a) a Dwelling Unit, building, fence or wall; (b) any swimming pool, tennis court, basketball goal, backboard or apparatus or playground equipment; (c) any road, driveway or parking area; (d) any trees, plants, shrubs, grass or other landscaping improvements of any type and kind; (e) any statuary, fountain, artistic work, craft work, figurine or ornamentation of any type or kind, (f) flagpole; and (g) any other structure of any type, kind or nature.

2.20 "Lessee". means the lessee or tenant under a lease, oral or written, of any Lot including an assignee of the lessee's or tenant's interest under a lease.

2.21 "Lot". A portion of the Properties, whether improved or unimproved, which may be independently owned and is intended for development, use, and occupancy as an attached or detached residence for a single family. The term shall refer to the land, if any, which is part of the Lot as well as any improvements thereon.

2.22 "Member". A Person entitled to membership in the Association as an Owner of a Lot.

2.23 "Mortgage". A mortgage, deed of trust, deed to secure debt, or any other form of security deed.

2.24 "Mortgagee". A beneficiary or holder of a Mortgage.

2.25 "Neighborhood". A group of Lots designated by Declarant, or the Board following expiration of the Class "B" Control Period, from time-to-time as a separate Neighborhood for any reasonable purpose including, without limitation, sharing Exclusive Common Areas and/or receiving other benefits or services from the Association which are not provided to all Lots within the Properties. A Neighborhood may include noncontiguous parcels of property. A Neighborhood may be reconfigured from time to time in the discretion of the Declarant, or the Board following expiration of the Class "B" Control Period.

2.26 "Neighborhood Assessments". Assessments levied against the Lots in a particular Neighborhood or Neighborhoods to fund Neighborhood Expenses.

2.27 "Neighborhood Expenses". The actual and estimated expenses incurred or anticipated to be incurred for the benefit of the Owners within a particular Neighborhood or Neighborhoods, including expenses with respect to Exclusive Common Area benefiting the Owners and their Lots within such Neighborhood.

2.28 "Official Records." The Office of the County Recorder of Pima County, Arizona.

2.29 "Owner". Collectively, one or more Persons who hold the legal or equitable title to any Lot, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a contract of sale, the purchaser (rather than the fee owner) will be considered the Owner, unless the contract specifically provides otherwise.

2.30 "Person". A human being, a corporation, a limited liability company, a partnership, a trustee, or any other legal entity.

2.31 "Plat". Collectively, the subdivision plats referenced on Exhibit "A" hereto, along with any other plats referenced in any Supplemental Declaration.

2.32 "Private Amenities". Real property and improvements and facilities thereon designated as "Private Amenities" by the Declarant that may be (but are not necessarily) located adjacent to or in the vicinity of the Properties, and that are privately owned and operated by persons other than the Association for recreational, commercial and related purposes, on a membership basis or otherwise, such as guest facilities, dining and bar facilities, and other commercial premises (and property, facilities, and equipment thereon from time to time). Private Amenities include the Guest Ranch.

2.33 "Properties", "Project" or "Saguaro Ranch". The real property described in Exhibit "A", together with any additional property annexed and made subject to this Declaration.

2.34 "Resident". Each person occupying or residing in any Dwelling Unit.

2.35 "Reviewing Body". The body authorized to exercise architectural review pursuant to Article V.

2.36 "Rules". The rules and regulations adopted by the Board pursuant to Article IV.

2.37 "Special Assessment". Assessments levied against all Owners to cover unanticipated costs, as more particularly described in Article IX.

2.38 "Supplemental Declaration". An amendment or supplement to this Declaration filed pursuant to Article X which subjects additional property to this Declaration, identifies any Common Area within the additional property, and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein.

2.39 "Use Restrictions". The restrictions on the use and occupancy of the Property set forth in Article IV.

2.40 "Visible From Neighboring Property". With respect to any given Improvement, that such Improvement is or would be visible to a natural person six feet tall, standing at ground level on any part of any Lot, the Common Area or any public street within or adjacent to the Project.

ARTICLE III **ENVIRONMENTAL ACTIVITIES**

The Declarant intends for the development and future use of Saguaro Ranch to be carried out in an environmentally sensitive manner. In this regard, the Declarant has two goals: (a) to incorporate and feature the natural beauty of the surrounding environment into the physical development of Saguaro Ranch, and (b) to regulate the use of the Properties such that any interference with the surrounding environment is minimized. It is the intention of this Declaration that the Association be given the authority through both express and implied powers to regulate landscaping, site planning and building design, construction, and activities on the Properties in order to achieve these goals.

The Association shall specifically be authorized to take an active role in raising the environmental consciousness of the residents of Saguaro Ranch by, among other things, organizing environmental and educational programs for Saguaro Ranch residents and others in the region. Such programs may be designed to promote public awareness of and participation in environmental

activities throughout Saguaro Ranch, and may address topics which include but need not be limited to conservation, management, and enhancement of the natural environment.

The Declarant, on behalf of itself, its successors and assigns, and the Association, acknowledges and agrees that the architectural and landscaping requirements and guidelines set forth in the Design Guidelines, as initially prepared, and as may be amended from time to time, shall remain consistent with the environmental and design philosophy espoused in this Article.

ARTICLE IV **USE AND CONDUCT**

4.1 **Framework for Regulation.** The Declarant has established a general plan of development for Saguaro Ranch in order to enhance the aesthetics and environment within Saguaro Ranch and to engender a sense of community within the Properties. To accomplish this objective, the Properties are subject to the provisions of the Governing Documents governing individual conduct and use of or actions upon the Properties. In accordance with the Governing Documents, the Board and the Members shall have the ability to respond to changes in circumstances, conditions, needs, and desires affecting the Owners. All provisions of the Governing Documents shall apply to all Persons on the Properties. The lessee and all occupants of leased Lots shall be bound by the terms thereof, whether or not the lease so provides. All Owners shall be responsible for inserting a provision in any lease informing the lessee and all occupants of the Lot of all applicable rules and use restrictions affecting the Lot, the Common Area or Exclusive Common Area. If there exist any discrepancies, inconsistencies or conflicts between the provisions of this Declaration and any other Governing Documents, the provisions of this Declaration will prevail in all instances.

4.2 **Rule Making Authority.** The Board may adopt, amend and repeal rules and regulations pertaining to the use of the Common Areas and the use and maintenance of Areas of Common Responsibility.

4.3 **Owners' Acknowledgment.** All Owners are subject to the Use Restrictions and are given notice that (a) their ability to use their privately-owned property is limited thereby, (b) the Use Restrictions may be changed by an amendment to this Declaration, and (c) the Rules may be changed by the Board. Each Owner by acceptance of a deed acknowledges and agrees that the use and enjoyment and marketability of his or her property can be affected by this provision and that the Use Restrictions and rules may change from time to time. In the event of a conflict between the Design Guidelines and the Use Restrictions, the Design Guidelines shall control.

4.4 Residential Use .

(a) All Lots and Dwelling Units shall be used, improved and devoted exclusively to residential use. No trade or business may be conducted on any Lot or in or from any Dwelling Unit, except that the Owner, Lessee or other Resident of a Dwelling Unit may conduct a business activity within the Dwelling Unit so long as: (1) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Dwelling Unit; (2)

the business activity is a legal activity and conforms to all applicable zoning ordinances or requirements for the Project; (3) the business activity does not involve persons coming to the Lot to purchase goods or services or the door-to-door solicitation of Owners, Lessees or Residents in the Project; (4) the use of the Dwelling Unit for trade or business in no way destroys or is incompatible with the residential character of the Dwelling Unit or the surrounding neighborhood; (5) the trade or business is conducted only inside the Dwelling Unit, and does not involve the viewing, purchasing or taking delivery of goods or merchandise at, to, from or in any Dwelling Unit; (6) the trade or business is conducted by a Resident or Residents of the Dwelling Unit with no employee working in or from such Dwelling Unit who is not a Resident thereof; (7) the volume of vehicular or pedestrian traffic or parking generated by such trade or business does not result in congestion or be in excess of what is customary in a residential neighborhood; (8) the trade or business does not utilize flammable liquids or hazardous materials in quantities not customary to a residential use; and (9) the use of the Dwelling Unit for a trade or business does not violate any other provision of the Governing Documents.

(b) The terms "business" and "trade" as used in this Section shall be construed to have ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation or other form of consideration, regardless of whether: (1) such activity is engaged in full or part time; (2) such activity is intended or does generate a profit; or (3) a license is required for such activity. The leasing of a Dwelling Unit by the Owner thereof shall not be considered a trade or business within the meaning of this Section.

4.5 Temporary Occupancy and Temporary Buildings. No trailer, basement of any incomplete building, tent, shack, garage or barn, and no temporary buildings or structures of any kind, shall be used at any time for a residence, either temporary or permanent. Temporary buildings, trailers or other structures used during the construction of improvements approved by the Architectural Review Committee shall be removed immediately after the completion of construction, and in no event shall any such buildings, trailers or other structures be maintained or kept on any property for a period in excess of twelve months without the prior written approval of the Reviewing Body.

4.6 Nuisances; Construction Activities.

(a) No rubbish or debris of any kind shall be placed or permitted to accumulate on any Lot or other property, and no odors or loud noises shall be permitted to arise or emit therefrom, so as to render any such property or any portion thereof, or activity thereon, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to the Residents of such other property. No condition shall be permitted to exist or operate upon any Lot or other property so as to be offensive or detrimental to any other property in the vicinity thereof or to its Residents.

(b) Normal construction activities and parking in connection with the

building of Improvements on a Lot shall not be considered a nuisance or otherwise prohibited by this Declaration, but Lots shall be kept in a neat and tidy condition during construction periods, trash and debris shall not be permitted to accumulate, and supplies of brick, block, lumber and other building materials will be piled only in such areas as may be approved in writing by the Reviewing Body. In addition, any construction equipment and building materials stored or kept on any Lot during the construction of Improvements may be kept only in areas approved in writing by the Reviewing Body, which may also require screening of the storage areas. Each Owner shall be obligated to: (1) keep such Owner's Lot, as well as surrounding areas of the Project, including, without limitation, all pedestrian and road rights-of-way and drives, reasonably clean and clear of equipment, building materials, dirt, debris and similar materials in connection with or related to construction activities by or for the benefit of such Owner; and (2) promptly repair or rebuild any buildings, structures, landscaping or other improvements including, without limitation, any Improvements that are damaged or destroyed through the act of any Owner or the Owner's contractors, agents or employees in connection with or related to construction activities by the Owner or the Owner's contractors, agents or employees, whether or not such act is negligent or otherwise culpable.

(c) No Person shall permit anything or condition to exist upon any Lot which shall induce, breed or harbor infectious plant diseases, invasive plants or noxious insects. No outside clotheslines or other outside facilities for drying or airing clothes shall be erected, placed or maintained on any Lot so as to be Visible From Neighboring Property. No Lot shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, gas, earth or any earth substance of any kind. No Owner or other Person shall drill any type of water well within the Project.

(d) The provisions of this Section shall not apply to construction activities of the Declarant or any of Declarant's contractors, subcontractors, suppliers, agents or employees.

4.7 Antennas. Except for antennas, satellite dishes and other over-the-air receiving devices covered by the FCC rules governing Over-the-Air Reception Devices; Television Broadcast Service and Multi-channel Multipoint Distribution Service (the "FCC Rule"), no antenna for the transmission or reception of television or radio signals or for access to the internet shall be installed on any Lot unless approved by the Board of Directors. Any antenna, satellite dish or other receiving device covered by the FCC Rule may be installed on a Lot without the prior approval of the Board of Directors provided the antenna, satellite dish or receiving device is placed inside a Dwelling Unit or other building or is placed on the portion of the Lot which is the least Visible From Neighboring Property and does not interfere with the viewer's ability to install, maintain or use the antenna, satellite dish or receiving device. The Board of Directors shall have the right to adopt rules and regulations with respect to the installation and placement of antennas, satellite dishes and other receiving devices; provided, however, that the Board of Directors shall not impose or enforce any rule or regulation which is inconsistent with or prohibited by the FCC Rule.

4.8 Trash Containers and Collection. No garbage or trash shall be placed or kept on any Lot except in covered containers of a type, size and style which are approved by the

Reviewing Body. In no event shall such containers be kept or placed on a Lot so as to be Visible From Neighboring Property except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection. All rubbish, trash, or garbage shall be removed from Lots and shall not be allowed to accumulate thereon. No outdoor incinerators shall be kept or maintained on any Lot.

4.9 Utility Service. No lines, wires, or other devices for the communication or transmission of electric current or power, including telephone, television, and radio signals, shall be erected, placed or maintained anywhere in or upon any Lot unless the same shall be contained in conduits or cables installed and maintained underground or concealed in, under or on buildings or other structures approved by the Reviewing Body. No provision of this Declaration shall be deemed to forbid the erection of temporary power or telephone structures incident to the construction of buildings or structures approved by the Reviewing Body.

4.10 Animals.

(a) No animal, bird, fowl, poultry, reptile or livestock may be kept on any Lot, except that a reasonable number of dogs, cats, parakeets or similar household birds may be kept on a Lot if they are kept, bred or raised thereon solely as domestic pets and not for commercial purposes. The Board shall have the authority to determine what is a reasonable number of dogs, cats, parakeets or similar household birds for any particular Lot, and the Board's determination shall be final. All dogs, cats or other pets permitted under this Section shall be confined to an Owner's Lot, except that a dog may be permitted to leave an Owner's Lot if such dog is at all times kept on a leash not to exceed six feet (6') in length and is not permitted to enter upon any other Lot. Any person bringing a dog onto the Common Area shall immediately remove any feces deposited on the Common Area by the dog. The Board may restrict the portions of the Areas of Common Responsibility on which dogs are permitted.

(b) No dogs, cats, parakeets or similar household birds shall be allowed to make an unreasonable amount of noise or to become a nuisance. No structure for the care, housing or confinement of any dogs, cats, parakeets or similar household birds shall be maintained so as to be Visible From Neighboring Property. Upon the written request of any Owner, Lessee or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purposes of this Section, a particular dogs, cats, parakeets or similar household birds is a nuisance or making an unreasonable amount of noise. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions set forth in this Declaration.

(c) The Board may adopt rules and regulations further restricting and governing animals within the Properties, which rules may include, without limitation rules providing for the removal from the Properties of a domestic pet which has bitten or attacked a person or other animal, has a propensity to attack persons or other animals or otherwise constitutes a threat to the safety of persons or other animals in the Property or which because of incessant barking or other behavior constitutes an unreasonable annoyance or nuisance to Owners and Residents.

4.11 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot, except such machinery or equipment as is usual and customary in connection with residential use of property or machinery or equipment necessary for the construction of a Dwelling Unit, building, structure, or other Improvement on the Lot.

4.12 Signs. No signs whatsoever (including, but not limited to, "for sale" or "for lease" signs) may be erected, posted or displayed on any Lot in a location that is Visible From Neighboring Property without the prior written approval of the Reviewing Body, except for the following: (a) signs constructed or erected by the Declarant or by the Association and (b) signs which the Association is required by applicable law to permit to be displayed on a Lot, but the Association may regulate the size, location, design, content and appearance of such signs to the extent permitted by law.

4.13 Further Subdivision, Property Restrictions, Rezoning and Timeshares. Without the prior written approval of the Board, no Owner (other than the Declarant) shall do any of the following: (a) further subdivide a Lot or separate the Lot into smaller lots or parcels; (b) convey or transfer less than all of a Lot; or (c) replat the Lot or combine the Lot with other Lots. No further covenants, conditions, restrictions or easements shall be recorded by any Owner, Lessee, or other Person (other than the Declarant) against any Lot without the provisions thereof having been first approved in writing by the Board. No application for rezoning, variances or use permits pertaining to any Lot shall be filed with any governmental authority by any Person (other than the Declarant) unless the application has been approved by the Board and the proposed use otherwise complies with this Declaration. No Lot shall be subjected to or used for any timesharing, cooperative, weekly, monthly or any other type or revolving or periodic occupancy by multiple owners, cooperators, licensees or timesharing participants.

4.14 Vehicles and Parking.

(a) As used in this Section, the following definitions apply: (1) "Motor Vehicle" means a car, van, sport utility vehicle, bus, truck, recreational vehicle, motor home, motorcycle, all terrain vehicle, utility vehicle, pickup truck or other motor vehicle; and (2) "Streets" means the streets shown on the Plat.

(b) No mobile home, travel trailer, tent trailer, trailer, camper shell, boat trailer or other similar equipment or vehicle may be parked, kept or stored on the Common Area. No mobile home, travel trailer, tent trailer, trailer, camper shell, boat trailer or other similar equipment may be parked, kept or stored on any Lot so as to be Visible From Neighboring Property.

(c) Except as permitted by this Section, no Motor Vehicle may be parked, kept or stored on any Lot or the Common Area. No Motor Vehicles designed or used for carrying merchandise, supplies or equipment for commercial purposes may be parked on the Common Area or on a Lot, except for the temporary parking of the Motor Vehicles of contractors, subcontractors,

suppliers or vendors of the Association or the Owners, Lessees or Residents.

(d) No Motor Vehicle owned or leased by an Owner, Lessee or Resident of a Lot may be parked on the Streets if space for the parking of the Motor Vehicle is available in any of the following areas: (1) the garage or carport situated on the Lot of the Owner, Lessee or Resident; (2) the driveway on the Lot constructed as part of the initial construction of Improvements on the Lot; or (3) a driveway expansion constructed on the Lot with the approval of the Reviewing Body.

(e) Motor Vehicles owned or leased by an Owner, Lessee or Resident of a Lot must be parked in the garage or carport situated on the Lot to the extent space is available in the garage or carport for the parking of such Motor Vehicles. If space is not available in the garage or carport, then Motor Vehicles owned or leased by an Owner, Lessee or Resident of a Lot may be parked on the driveway constructed as part of the initial construction of Improvements on the Lot. Parking of Motor Vehicles owned or leased by an Owner, Lessee or Resident of a Lot may only be parked on a driveway expansion constructed with the approval of the Reviewing Body if space for the parking of such Motor Vehicles is not available either in the garage or carport or in the driveway constructed as part of the initial construction or Improvements on the Lot. The parking of a Motor Vehicle owned or leased by an Owner, Lessee or Resident of a Lot on a driveway expansion is also subject to such rules and regulations as may be adopted by the Board.

(f) No Motor Vehicle of any kind may be stored on a Lot, except in a garage, and no Motor Vehicle of any kind may be stored on the Common Area. For purposes of illustration but not of limitation, a Motor Vehicle shall be deemed stored if it is covered by a car cover, tarp or other material. Motor Vehicles owned by guests of an Owner, Lessee or other Resident may be parked in the driveway on a Lot or on the Streets or in designated parking spaces on the Common Area.

(g) Recreational vehicles, motor homes and similar vehicles owned or leased by an Owner, Lessee or Resident may be parked in the driveway on a Lot for the purpose of loading or unloading, subject to such limitations as may be established by the Board.

(h) No Motor Vehicle shall be constructed, reconstructed or repaired on any Lot in such a manner as to be Visible From Neighboring Property, and no inoperable Motor Vehicle may be stored or parked on any Lot in such a manner as to be Visible From Neighboring Property. Except for emergency repairs, no Motor Vehicle shall be constructed, reconstructed or repaired on the Streets or any other part of the Common Area. No inoperable Motor Vehicle may be stored or parked on the Streets or any other part of the Common Area.

(i) The Board shall have the right and power to adopt rules and regulations governing and further restricting the parking of Motor Vehicles on Lots or the Streets and implementing the provisions of this Section. In the event of any conflict or inconsistency between the provisions of this Section and the rules and regulations adopted by the Board of Directors, the provisions of this Section shall control.

4.15 Drainage. No Dwelling Unit, structure, building, landscaping, fence, wall or other improvement shall be constructed, installed, placed or maintained in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the drainage plans for the Project, or any part thereof, or for any Lot as shown on the approved drainage plans on file with the municipality in which the Project is located. In addition, no Owner or other Person shall change the grade or elevation of a Lot in any manner that would obstruct, interfere with or change the direction or flow of water in accordance with the approved drainage plans.

4.16 Garages. No garage shall be converted to living spaces or altered or used for storage of material or other purposes so as to not allow for the parking of at least two (2) automobiles, except that the Declarant may use a garage in one or more model homes for a sales office and/or a construction office. The interior of all garages shall be maintained and kept in a neat, clean and sightly condition, free of debris or unsightly objects. Garage doors shall be kept closed except when the opening of the door is necessary to permit ingress or egress.

4.17 Roof-top HVAC Equipment Prohibited. No heating, ventilating, air conditioning or evaporative cooling units or equipment related thereto may be mounted, installed or maintained on the roof of any Dwelling Unit or other building so as to be Visible From Neighboring Property.

4.18 Basketball Goals and Backboards. No portable basketball goal or backboard shall be constructed, installed or maintained on any Lot. Permanent basketball goals or backboards may be kept on a Lot provided they are kept and used in accordance with the Association Rules which govern their size, design, color, material, location and hours of use. All permanent goals must be approved by the Reviewing Body prior to installation.

4.19 Playground Equipment. No jungle gyms, swing sets or similar playground equipment which would be Visible From Neighboring Property shall be erected or installed on any Lot without the prior written approval of the Reviewing Body.

4.20 Rental of Lots. No Owner may lease less than his entire Lot and the Dwelling Unit situated thereon. All leases must be in writing and must provide that the terms of the lease are subject in all respect to the provisions of the Governing Documents and that any violation of this Declaration or the Rules by the Lessee or the other Residents shall be a default under the lease. There shall be no subleasing of Dwelling Unit or assignments of leases. At least ten (10) days before commencement of the lease term, the Owner shall provide the Association with the following information: (a) the commencement date and expiration date of the lease term; (b) the names and contact information for any adults that will be occupying the Dwelling Unit during the lease term; (c) the address and telephone number at which the Owner can be contacted by the Association during the lease term; (d) the name, address and telephone number of a person other than the Owner whom the Association can contact in the event of an emergency involving the Lot; and (e) a description and the license plate numbers of the Lessee's vehicles. Any Owner who leases his Lot and the Dwelling Unit situated thereon must provide the Lessee with copies of this Declaration, the Design Guidelines

and the Rules. Any lease of a Lot or Dwelling Unit situated thereon must be for an initial term of at least three (3) months. The Owner shall be liable for any violation of this Declaration, the Design Guidelines or the Rules by the Lessees or other persons residing in the Dwelling Unit and their guests or invitees and, in the event of any such violation, the Owner, upon demand of the Association, shall immediately take all necessary actions to correct any such violations.

4.21 Screening Materials. All screening materials, whether fences, hedges or walls, shall be maintained and replaced from time to time on the Lots by the Owners thereof in accordance with the original construction of such Improvements by the Declarant or as approved by the Reviewing Body pursuant to Article V.

4.22 Lights. Except as initially installed by the Declarant, no spotlights, floodlights or other high intensity lighting shall be placed or utilized upon any Lot or any structure erected thereon which in any manner will allow light to be directed or reflected on any other property except as approved by the Reviewing Body.

4.23 Window Cover Materials. Within sixty (60) days after a Residence is first occupied, the Owner shall install permanent draperies or window coverings on all windows facing the street. No reflective materials, including, but without limitation, aluminum foil, reflective screens or glass, mirrors or similar items, shall be installed or placed upon the outside or inside of any windows of a Dwelling Unit without the prior written approval of the Reviewing Body. No enclosures, drapes, blinds, shades, screens or other items affecting the exterior appearance of a Dwelling Unit shall be constructed or installed without the prior written consent of the Reviewing Body.

4.24 Flags and Flagpoles. Except for the flags listed in A.R.S. §33-1808, Subsection A, no flag may be displayed on a Lot if the flag is Visible From Neighboring Property without the prior written approval of the Board. The Board may adopt reasonable rules and regulations regarding the placement and manner of display of flags, including the flags listed in A.R.S. §33-1808, Subsection A. The Association may adopt rules and regulations regulating the location and size of flagpoles, limiting an Owner or Resident to displaying no more than two flags at once and limiting the height of a flagpole to no more than the height of the rooftop of the Dwelling Unit located on the Lot on which the flagpole is installed.

ARTICLE V

ARCHITECTURAL APPROVAL

5.1 General Requirement for Prior Approval. No structure or Improvement of any type whatsoever shall be placed, erected or installed upon any portion of the Properties, no alterations or improvements of or additions to the existing Improvements, and no work (including staking, clearing, excavation, grading, and other site work, and exterior painting or other exterior alteration of existing Improvements) of any kind that would alter the Lot or the exterior appearance of any Improvement on a Lot shall take place within the Properties without the approval of the Reviewing Body, as established pursuant to Section 5.2. In addition to the construction of Dwelling

Units and other buildings, it is specifically intended that the placement or posting of other structures (e.g., without limitation, fences, signs, antennae and satellite dishes, clotheslines, playground equipment, basketball hoops, pools, propane and other fuel tanks (other than portable gas grills), lighting, temporary structures, solar devices, and artificial vegetation) on the exterior of any Lot or other portion of the Properties shall require the approval of the Reviewing Body which approval shall be consistent with applicable law. Modifications to the interior of screened porches, patios, and similar portions of a Lot visible from outside the structures on the Lot shall be subject to this Article.

5.2 Architectural Review.

(a) New Construction. Until expiration of the Class "B" Control Period, the Declarant or the Architectural Review Committee, if one has been established, shall have exclusive authority to administer and enforce the architectural controls created pursuant to this Declaration and to review and act upon all applications submitted for approval. There shall be no surrender of this right prior to the expiration of the Class "B" Control Period except in a written instrument executed by Declarant and delivered to the Board. The ARC, if established, shall consist of at least three persons who shall serve and may be removed in the Declarant's sole discretion during the Class "B" Control Period and thereafter shall be appointed and removed by the Board. The ARC shall include at least one member of the Board who shall serve as chairperson of the ARC.

(b) Fees; Assistance. The Board may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, landscape architects, engineers or other professionals. In addition, the Board may require a deposit, in an amount not to exceed \$10,000 ("Deposit"), at the time of submission of any application for new construction of the main residential structure on a Lot or for a rebuild of the main residential structure on a Lot. Such Deposit shall be refundable upon rejection of an application, or upon completion of the work described in the application in accordance with the Governing Documents. The Deposit shall be held and disbursed in accordance with Section 33-1817 of the Arizona Revised Statutes or any other applicable law of the State of Arizona. The Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review and all costs incurred for any such review may be assessed to the Owner by the Association.

5.3 Guidelines and Procedures.

(a) The Declarant has prepared or shall prepare the initial Design Guidelines which shall apply to all matters requiring approval pursuant to this Declaration. The Design Guidelines may contain general provisions applicable to all of the Properties, as well as specific provisions which vary from one portion of the Properties to another depending upon location, unique characteristics, intended use, and any applicable zoning ordinances. The Design Guidelines are intended to provide guidance to Owners regarding matters of particular concern in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions

of the Reviewing Body, and compliance with the Design Guidelines does not guarantee approval of any application.

(b) During the Class "B" Control Period, the Declarant shall have the sole authority to amend the Design Guidelines from time to time in its discretion. Thereafter, the ARC shall have the authority to amend the Design Guidelines, with the consent of the Board, in a manner consistent with the philosophy for the development of Saguaro Ranch as set forth in Article III. Subject to Article III, there shall be no limitation on the scope of amendments to the Design Guidelines; the Declarant is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines more or less restrictive in whole or in part.

(c) The Association shall make the Design Guidelines available to Owners who seek to engage in development or construction within the Properties, and all such Persons shall conduct their activities in accordance with such Design Guidelines. In the Declarant's discretion, the Design Guidelines may be recorded in the Official Records, in which event the recorded version, as it may be amended from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

(d) All structures and Improvements constructed upon a Lot shall be constructed in substantial compliance with the plans and specifications for such improvements submitted and approved by the Reviewing Body. So long as the Reviewing Body has acted in good faith, its findings and conclusions with respect to appropriateness of, applicability of, or compliance with the Design Guidelines and this Declaration shall be final.

(e) Prior to commencing any activity requiring approval under this Article V, an Owner shall submit an application for approval of the proposed work to the Reviewing Body. Such application shall be in the form required by the Reviewing Body and shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout and screening therefor and other features of proposed construction, as required by the Design Guidelines and as applicable. The Reviewing Body may require the submission of such additional information as it deems necessary to consider any application.

(f) In reviewing each submission, the Reviewing Body may consider whatever reasonable factors it deems relevant, including, but not limited to, visual and environmental impact, ecological and archeological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, location in relation to surrounding structures and plant life, compliance with the general intent of the environmental and design philosophy stated in Article III, and architectural merit. Decisions may be based purely on aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular Improvements.

(g) The Reviewing Body shall, within the period specified in the Design Guidelines, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (1) approval of Plans, or (2) segments or features of the Plans which are deemed to be inconsistent or not in conformity with this Declaration and/or the Design Guidelines. If the Reviewing Body fails to advise the submitting party by written notice within the period specified in the Design Guidelines of either the approval or disapproval and suggestions for curing objections, approval shall be deemed to have been denied unless the Reviewing Body fails to respond within an additional 30 days following written request from the applicant, in which case approval shall be deemed as having been given. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery and facsimile transmission of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery to the submitting party.

(h) If construction does not commence on a project for which Plans have been approved within 120 days of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to resubmit the Plans to the Reviewing Body for reconsideration. If construction is not completed on a project for which Plans have been approved within two years of such approval, such approval may, in the sole discretion of the Reviewing Body, be deemed withdrawn, and such incomplete construction shall then be deemed in violation of this Declaration.

5.4 No Waiver of Future Approvals. Each Owner acknowledges that the members of the Board and Reviewing Body will change from time to time and that interpretation, application and enforcement of the Governing Documents may vary accordingly. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval. Should the Reviewing Body permit non-conforming improvements, it shall not be construed as a waiver of future enforcement rights or permission for future noncompliance.

5.5 Variances. The Reviewing Body may authorize variances or deny approvals (a) when reasonable circumstances dictate, such as unusual topography, natural obstructions, hardship or aesthetic or environmental considerations, and (b) when construction in substantial accordance with the variance would be consistent with the purposes of the Declaration and compatible with existing and anticipated uses of adjoining properties, or construction if not disapproved would have a significant detrimental effect on adjoining properties or the Project. Notwithstanding the above, the Reviewing Body may not authorize variances without the consent of the Declarant during the Class "B" Control Period.

5.6 Limitation of Liability. Neither the Declarant, the Association, the Board, the ARC, nor any member or officer of the foregoing, shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the

Association, the Board, the ARC, nor any member or officer of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot. In all such matters, the Declarant, the Board, the ARC and their members and officers shall be defended and indemnified on demand by the Association, including as provided in the Bylaws.

5.7 Enforcement. All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. The Association shall be primarily responsible for enforcement of this Article in accordance with the Governing Documents. If, however, in the discretion of the Declarant, the Association fails to take appropriate enforcement action within a reasonable time period, the Declarant, during the Class "B" Control Period or for so long as it owns any portion of the Properties or has a right to annex property pursuant to Section 10.1, shall be authorized to exercise any enforcement rights which could have been exercised by the Association.

ARTICLE VI

MAINTENANCE AND REPAIR

6.1 Level of Maintenance Required. Saguaro Ranch shall be maintained in accordance with the Governing Documents and any development agreements or orders between the Declarant (or its predecessors in interest) and the Town of Marana, Arizona. Each Person responsible for maintenance of any portion of the Properties shall maintain or provide for such maintenance in accordance with such standards, which may include special requirements or exemptions for property owned by the Declarant or the Association or for the Area of Common Responsibility. Maintenance, as used in this Article, shall include, without limitation, repair and replacement as needed, as well as such other duties, including irrigation, as the Board may determine necessary or appropriate. During the Class "B" Control Period, the Declarant and, thereafter, the Board, may establish a higher standard for portions of the Properties that are environmentally or archeologically sensitive or that provide a greater than usual aesthetic value and may require additional maintenance for such areas to reflect the nature of such property. Notwithstanding anything to the contrary contained herein, neither the Association, nor any Owner, nor any other Person responsible for the maintenance of a portion of the Properties shall be liable for property damage or personal injury occurring on, or arising out of the condition of, property which it does not own unless and only to the extent that it has been negligent in the performance of its maintenance responsibilities.

6.2 Owner's Responsibility. Each Owner shall maintain his or her Lot in accordance with the Governing Documents, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Lot. In addition to any other enforcement rights provided for in the Governing Documents, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred against such Owner in accordance with Article IX. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is

required due to an emergency situation.

6.3 Neighborhood Responsibility. The Owners of Lots within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining and insuring the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, rights-of-way and open space between the Lots within the Neighborhood and adjacent public roads and private streets within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association. The Owners of Lots within Neighborhoods to which an Exclusive Common Area is assigned shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining and insuring such Exclusive Common Area pursuant to Article XIII of this Declaration. Notwithstanding the foregoing, the Board may resolve and elect that the expenses for maintaining, operating, repairing, replacing and insuring entry features, private drives, guard gates and guard houses, and similar improvements (collectively, the "Neighborhood Entry and Access Improvements") be borne by the Association as a Common Expense. Such election by the Board shall not be deemed, by itself, an election that such Neighborhood Entry and Access Improvements do not constitute Exclusive Common Areas for any other purpose under this Declaration. The Board shall have no liability on account of its election made pursuant to this paragraph with respect to Neighborhood Entry and Access Improvements, or any activities of the Board or its agents with respect thereto.

6.4 Responsibility for Repair and Replacement. By virtue of taking title to a Lot, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Lot, less a reasonable deductible, unless and to the extent the Association carries such insurance (which they may but are not obligated to do hereunder). Each Owner shall provide the Association with a certificate of insurance or similar evidence thereof. Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his or her Lot, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article V. Alternatively, the Owner shall clear the Lot of building debris and maintain it in a condition consistent with the environmental and design philosophy set forth in this Declaration. The Owner shall pay any costs which are not covered by insurance proceeds.

ARTICLE VII

THE ASSOCIATION AND ITS MEMBERS

7.1 Functions of Association. The Association shall be (a) the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility; (b) the primary entity responsible for compliance with and enforcement of the Governing Documents; and (c) the entity permitted to provide for and fund such community activities and services as deemed necessary, appropriate or desired in accordance with the Governing Documents. The Association shall also be responsible for preparing those statements and certificates required under Sections 33-1806 and 33-1807 of the Arizona Revised Statutes ("ARS"), and under any successor statutes

thereto, and for performance under any other provisions of Title 33, Chapter 16 of the ARS required of the "association" thereunder. Any action, approval, duty or other matter to be performed or undertaken by the Association or the Board under the terms of the Governing Documents may be delegated in writing to any person if the Board determines such delegation to be in the best interests of the Owners. The Association shall perform its functions in accordance with the Governing Documents and Arizona law.

7.2 Membership. Every Owner shall be a Member of the Association. There shall be only one membership per Lot. Membership in the Association shall be appurtenant to the Lot and a membership in the Association shall not be transferred, pledged or alienated in any way, except upon the conveyance of a Lot and then only to the new Owner of the Lot. Any attempt to make a prohibited transfer shall be void and shall not be reflected upon the books and records of the Association. If a Lot is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 7.3(c) and in the Bylaws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised only by any officer, director, partner or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

7.3 Voting. The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners, except the Declarant until the termination of the Class "B" membership. Class "A" Members shall have one vote for each Lot owned.

(b) Class "B". The Class "B" Member shall be the Declarant. The Class "B" Member shall be entitled to 180 votes minus the number of votes held by Class A Members. The Class "B" membership, and thus the Class "B" Control Period, shall terminate upon the earlier of:

(1) when 95% of the total number of Lots permitted under the zoning code or applicable master plan for Saguaro Ranch on file with the Town of Marana have been conveyed to Owners other than the Declarant or affiliates thereof;

(2) May 11, 2035; or

(3) when, in its discretion, exercised in writing and delivered to the Board and recorded in the Official Records, the Declarant so determines.

Upon termination of the Class "B" membership, the Declarant shall be a Class "A" Member and shall remain a Class "A" so long as the Declarant owns any Lot.

(b) Approval of Members. Unless otherwise specifically provided in the Governing Documents, any provision of the Governing Documents that requires the vote or assent of the Members shall be deemed satisfied as follows: (i) the vote in person, by absentee ballot or by proxy of the specified percentage of votes cast at a meeting of Members that is duly called and noticed pursuant to the terms of the Governing Documents; or (ii) the written consent of the specified percentage of votes cast by written ballot following notice to Members in accordance with the terms of the Governing Documents; or (iii) if no percentage of votes is otherwise specified, the vote or written consent of a Majority of a quorum of Members shall be required. In any situation where there is more than one Owner of a Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Lot's vote shall be suspended if more than one Person seeks to exercise it. Unless otherwise provided in this Declaration, any act for which the vote of the Members is required shall be approved if consented to by those Members whose combined votes constitute more than fifty percent (50%) of all votes attributable to the Members entitled to vote thereon at any meeting or action in lieu of a meeting at which a quorum is present.

(c) Suspension of Voting Rights. No Owner shall be entitled to exercise voting rights as a Member of the Association during any period in which the Owner is delinquent in the payment of Assessments or other sums payable to the Association pursuant to the Governing Documents including, but not limited to, any costs of collection.

7.4 Neighborhoods. Any Neighborhood, acting through a majority of the Owners within the Neighborhood, may request that the Association provide a higher level of service than that which the Association generally provides to all Neighborhoods, or may request that the Association provide special services for the benefit of Lots in such Neighborhood. Upon the affirmative vote, written consent, or a combination thereof, of Owners of a majority of the Lots within the Neighborhood, the Association shall provide the requested services. The cost of such services, which may include a reasonable administrative charge in such amount as the Board deems appropriate, shall be assessed against the Lots within such Neighborhood as a Neighborhood Assessment.

ARTICLE VIII

ASSOCIATION POWERS AND RESPONSIBILITIES

8.1 Acceptance and Control of Association Property. The Association may acquire, hold, and dispose of tangible and intangible personal property and real property. Declarant may convey to the Association improved or unimproved real estate located within the Properties, including personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained as Area of Common Responsibility by the Association at its expense for the benefit of its Members. Upon Declarant's written request, the Association shall convey to Declarant any unimproved portions of the Common Areas that Declarant

originally conveyed to the Association for no consideration, to the extent conveyed by the Declarant in error or required by Declarant to make minor adjustments in property lines.

8.2 Maintenance of the Area of Common Responsibility.

(a) The Association shall maintain and keep in good repair the Area of Common Responsibility. The Association may also maintain and improve other property which it does not own, including, without limitation, washes, stream beds, wildlife habitats, and property, including any trail systems, that may be dedicated to public use, if the Board determines that such maintenance is necessary or desirable and if otherwise permitted by applicable law. Except as otherwise specifically provided herein, all costs for maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense allocated among all Lots as part of the Base Assessment, without prejudice to the right of the Association to seek reimbursement from Persons responsible for such work pursuant to this Declaration, any Covenant to Share Costs, other recorded covenants, or agreements with such Persons.

(b) All costs associated with maintenance, repair and replacement of Exclusive Common Areas shall be a Neighborhood Expense assessed as a Neighborhood Assessment against the Lots within the Neighborhood(s) to which the Exclusive Common Area is assigned. As examples of Neighborhood Expenses, (1) Lots 10, 12 and 13, as described in the South Amended Plat, shall share common driveway maintenance, repair and replacement expenses in the following percentages: Lot 10, 25%, Lot 12, 37.5%, and Lot 13, 37.5%; (2) Lots 14 and 15, as described in the South Amended Plat, shall share common driveway maintenance, repair and replacement expenses in the following percentages: Lot 14, 50%, and Lot 15, 50%; and (3) Lots 17 and 18, as described in the South Amended Plat, shall share common driveway maintenance, repair and replacement expenses in the following percentages: Lot 17, 50%, and Lot 18, 50%; provided that, in accordance with subsection (d), below, an Owner of a Lot shall be responsible for repairing any damage to the common driveways constituting Exclusive Common Areas resulting from such Owner's installation of utilities to and within such Owner's Lot or due to the construction of any improvement to or on such Owner's Lot, and the costs of repairs resulting therefrom shall be assessed to such Owner.

(c) The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless the Board and the Class "B" Member, if any, agree in writing to discontinue such operation.

(d) The costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, any Covenant to Share Costs, other recorded covenants, or agreements with the owner(s) thereof. Maintenance, repair and replacement of Exclusive Common Areas shall be a Neighborhood Expense assessed to the Neighborhood(s) to

which the Exclusive Common Areas are assigned, unless such Exclusive Common Areas have been designated as Neighborhood Entry and Access Improvements pursuant to Section 6.3. Nothing in this Section 8.2 shall prejudice the right of the Association to seek reimbursement from any Person whose negligent or wrongful acts or omissions necessitated such repairs or replacement.

8.3 Maintenance in Public Rights-of-Way. The Association may, in its reasonable discretion, locate and maintain all improvements that are located within or on public easements or public rights-of-way in accordance with applicable ordinances of the Town of Marana, Arizona and the terms of any easements or licenses applicable.

8.4 Insurance.

(a) Types and Limits of Insurance. To the extent deemed reasonably necessary by the Board, the Association shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(1) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area, if any, and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. The Association shall have the authority and interest to insure any property for which it has maintenance or repair responsibility, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(2) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, the Board, officers of the Association, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(3) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(4) Directors and officers liability coverage;

(5) Fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment but not less than an amount equal to one-sixth of the annual Base Assessments on all Lots plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(6) Such additional insurance as the Board, in its best business judgment, determines advisable, which may include, without limitation, flood insurance, boiler and machinery insurance, and building ordinance coverage.

(b) Premiums. Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses and shall be included in the Base Assessment, except that (1) premiums for property insurance obtained on behalf of a Neighborhood shall be charged to the Owners of Lots within the benefited Neighborhood as a Neighborhood Assessment; and (2) premiums for insurance on Exclusive Common Areas may be included in the Neighborhood Assessment of the Neighborhood(s) benefited unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(c) Policy Requirements. All Association policies shall provide for a certificate of insurance to be furnished to each Member insured and to the Association. The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 8.4(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Lot(s) as a Benefited Assessment. All insurance coverage obtained by the Board shall:

(1) be written with a company authorized to do business in the State of Arizona which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(2) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Area and Area of Common Responsibility shall be for the benefit of the Association and its Members. Policies secured on behalf of a Neighborhood shall be for the benefit of the

Owners of Lots within the Neighborhood and their Mortgagees, as their interests may appear;

(3) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(4) contain an inflation-guard endorsement; and

(5) include an agreed-amount endorsement, if the policy contains a coinsurance clause.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:

(1) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(2) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

(3) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(4) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal; and

(5) a provision vesting in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(d) **Damage and Destruction.** Immediately after damage or destruction to all or any part of the Properties covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes or desired architectural and design alternatives. Any damage to or destruction of the Common Area shall be repaired

or reconstructed unless the Board elects to call for a vote on such matters and Owners representing at least 75% of the total Class "A" votes and the Class "B" Member, if any, decide within 6 months after the loss not to repair or reconstruct. If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such period, then the period shall be extended until such funds or information are available. If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive landscaped condition. Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Owners, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage.

8.5 Compliance and Enforcement.

(a) Every Owner and every occupant of a Lot shall comply with the Governing Documents and all rules, regulations and policies of the Association. The Board may impose sanctions for violation of the foregoing, after notice and an opportunity for a hearing in accordance with the procedures set forth in the Bylaws. Such sanctions may include, without limitation, some or all of the following:

(1) reasonable monetary fines (including for failure to grant reasonable permission to enter a Lot as may be reasonably requested by the Association in accordance with this Declaration). (If any occupant, guest or invitee of a Lot violates the Declaration, the Bylaws or any rule or regulation and a fine is imposed, the fine shall first be assessed against the occupant; provided, however, if the fine is not paid by the occupant within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);

(2) suspending an Owner's right to vote;

(3) suspending any Person's right to use any recreational facilities within the Common Area (provided, however, nothing herein shall authorize the Board to prohibit ingress or egress to or from a Lot);

(4) suspending any services provided by the Association to an Owner or the Owner's Lot if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(5) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of any applicable parking rules and regulations);

(6) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Lot in violation of Article V and to restore the Lot to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(7) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article V from continuing or performing any further activities in the Properties; and

(8) levying Benefited Assessments to cover costs incurred by the Association to bring a Lot into compliance with the Governing Documents.

(b) In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in the Bylaws:

(1) exercising self-help in any emergency situation; and

(2) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

(c) All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of the Governing Documents or any rule or regulation, the Association shall be entitled to recover all costs, including, without limitation, attorneys' fees and court costs, reasonably incurred in such action. The Association shall not be obligated to take action to enforce any covenant, restriction, or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with the applicable law, or in any case in which the Board reasonably determines that it would not be economically prudent or would otherwise not be of sufficient benefit to the Association to justify taking enforcement action. Any such determination shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or estop the Association from enforcing any other covenant, restriction or rule.

8.6 Implied Rights: Board Authority. The Association may exercise any right or privilege given to it expressly by the Governing Documents or which may be reasonably implied from, or reasonably necessary to effectuate, any such right or privilege. Except as otherwise specifically provided in the Governing Documents, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

8.7 Disclaimer of Liability.

(a) The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to promote the health, safety and welfare of Owners and occupants of any Lot. Notwithstanding anything contained in the Governing Documents or any other document governing or binding the Association, neither the Association, the Board, any officers of the Association, the management company of the Association, the Declarant nor any successor Declarant shall be liable or responsible for, or in any manner a guarantor or insurer of, the health, safety or welfare of any Owner or occupant of any Lot or any tenant, guest or invitee of any Owner or occupant or for any property of any such Persons. Each Owner and occupant of a Lot and each tenant, guest and invitee of any Owner or occupant shall assume all risks associated with the use and enjoyment of the Properties, including all recreational facilities, if any, and may be required to execute specific liability waivers from time to time as a condition of such use.

(b) Neither the Association, the Board, any officers of the Association, the Association's management company, the Declarant, nor any successor Declarant shall be liable or responsible for any personal injury, illness or any other loss or damage caused by the presence or malfunction of utility lines, or utility sub-stations adjacent to, near, over, or on the Properties. Each Owner and occupant of a Lot and each tenant, guest, and invitee of any Owner, Declarant, or occupant shall assume all risk of personal injury, illness, or other loss or damage arising from the presence or malfunction of utility lines, utility sub-stations, and electromagnetic fields and further acknowledges that the Association, the Board, the officers of the Association, the management company of the Association, the Declarant or any successor Declarant have made no representations or warranties, nor has any Owner or occupant, or any tenant, guest, or invitee of any Owner, Declarant, or occupant relied upon any representations or warranties, expressed or implied, relative to the condition or impact of utility lines or utility sub-stations, or electromagnetic fields.

(c) No provision of the Governing Documents shall be interpreted as creating a duty of the Association, the Board, the officers of the Association, the management company of the Association, the Declarant nor any successor Declarant to protect or further the health, safety or welfare of any Person(s), even if the funds of the Association are used for any such purpose.

(d) Each Owner (by virtue of his or her acceptance of title to his or her Lot) and each other Person having an interest in or lien upon, or making any use of, any portion of the Properties (by virtue of accepting such interest or lien or making such use) shall be bound by this Section and shall be deemed to have waived any and all rights, claims, demands and causes of action against the Association, the Board, the officers of the Association, the Association's management

company, the Declarant and any successor Declarant arising from or connected with any matter for which the liability has been disclaimed.

8.8 Provision of Services. The Association may provide services and facilities for the Members of the Association and for third parties if the Board determines it to be in the best interest of the Association. The Association shall be authorized to enter into contracts or other similar agreements with other entities, including Declarant, to provide such services and facilities. In addition to Common Expense charges, the Board shall be authorized to charge additional use and consumption fees for selected services and facilities. By way of example, some services and facilities which may be so provided include landscape maintenance, pest control service, cable television service, security, caretaker, fire protection, utilities, and similar services and facilities. The Board shall be permitted to modify or cancel existing services or facilities provided, if any, or to provide additional services and facilities. Nothing contained herein is a representation as to what services and facilities will or will not be provided.

8.9 Security.

(a) It is the goal of all Owners, including Declarant, to have a safe and healthy environment. The Association may, but shall not be obligated to, maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be; provided, neither the Association, the Board, the officers of the Association, the Association's management company, nor the Declarant or any successor Declarant, shall in any way be considered insurers or guarantors of security within the Properties. Neither the Association, the Board, the officers of the Association, the Association's management company, nor the Declarant or any successor Declarant shall be held liable for any loss or damage for failure to provide adequate security or for the ineffectiveness of security measures undertaken.

(b) All Owners and occupants of any Lot, and all tenants, guests, and invitees of any Owner or the Declarant, acknowledge that the Association and its officers, its Board of Directors, the Association's management company, the Declarant, or any successor Declarant, do not represent or warrant that any entrance (gated, secured or otherwise), patrolling of the Properties, neighborhood watch group, volunteer security patrol, or any security system may not be compromised or circumvented; nor that any entrance, patrolling of the Properties, neighborhood watch group, volunteer security patrol, or any security systems will prevent loss by burglary, theft, hold-up, or otherwise; nor that any entrance, patrolling of the Properties, neighborhood watch group, volunteer security patrol, any fire protection system, burglar alarm system, or other security systems will in all cases provide the detection or protection for which the system is designed or intended.

(c) All Owners and occupants of any Lot and all tenants, guests, and invitees of any Owner or the Declarant assume all risks for loss or damage to Persons, to Lots, and to the contents of Lots and no Owner, occupant, or any tenant, guest, or invitee of any Owner or the Declarant may rely upon any representations or warranties, express or implied, relative to any entrance, patrolling of the Properties, neighborhood watch group, volunteer security patrol, or any

security systems recommended or installed or any security measures undertaken within the Properties.

(d) Guardhouses and/or guard gates may be constructed at various entrances to the Properties and some or all Neighborhoods in order to limit access and to provide more privacy for the Owners. Each Owner and occupant, and their families, guests and invitees acknowledge that any guardhouse and/or guard gate may restrict or delay entry by the Police, the Fire Department, ambulances and other emergency vehicles or personnel. Each Owner and other occupant and their families, guests and invitees agree to assume the risk that any guardhouse and/or guard gate may restrict or delay entry by emergency vehicles and personnel. Neither the Association, the Board, the officers of the Association, the Association's management company, nor the Declarant or any successor Declarant shall be liable to any Owner or other occupant or their families, guests or invitees for any claims or damages resulting, directly or indirectly, from the construction, existence of maintenance of any guardhouse and/or guard gate.

(e) Each Owner and other occupant and their families, guests and invitees acknowledge that any guardhouse and/or guard gate does not guarantee the safety or security of the Owners and other occupants and their families, guests and invitees or guarantee that no unauthorized Person will gain access to the Project.

8.10 Governmental, Educational and Religious Interests. During the Class "B" Control Period, Declarant and thereafter the Board may designate sites within the Properties for government, education or religious activities and interests, including, but not limited to, fire, police, utility facilities, schools or education facilities, houses of worship, libraries, parks, art, nature study, museum, and other public facilities. The sites may include Common Areas and, in such case, the Association shall dedicate and convey such sites as directed by the Declarant and no membership approval shall be required.

8.11 Equestrian/Pedestrian Trail System Open to the Public. All Owners hereby acknowledge that equestrian, hiking, bicycle, pedestrian or similar type trail system or systems located within all or a portion of the Properties may be maintained by the Association, and may be open for the use and enjoyment of the public in accordance with any applicable rules, regulations and ordinances of the Town of Marana.

ARTICLE IX

ASSOCIATION FINANCES

9.1 Budgeting and Allocating Common Expenses. Not less than 30 days before the beginning of each fiscal year, the Board shall prepare a budget covering the Common Expenses estimated to be incurred during the coming year. The budget may include a reserve fund as provided below. The Base Assessment shall be levied equally against all Lots subject to assessment and shall be set at a level which is reasonably expected to produce total receipts for the Association equal to the total budgeted Common Expenses, including contributions to reserves. In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the

Association. In addition, the Board shall take into account the number of Lots subject to assessment under this Article on the first day of the fiscal year for which the budget is prepared and the number of Lots reasonably anticipated to become subject to assessment during the fiscal year. The Declarant may, but shall not be obligated to, reduce the Base Assessment for any fiscal year by payment of a subsidy (in addition to any amounts paid by Declarant under Section 9.5), which may be either a contribution, an advance against future assessments due from the Declarant, or a loan, in the Declarant's discretion. Any such subsidy shall be disclosed as a line item in the Common Expense budget. The payment of such subsidy in any year shall not obligate the Declarant to continue payment of such subsidy in future years. Notice of assessments shall be posted in a prominent place within the Properties and included in the Association's newsletter, if any. If the Board fails for any reason to determine the budget for any year, then and until such time as a budget shall have been determined, the budget in effect for the immediately preceding year shall continue for the current year.

9.2 Budgeting and Allocating Neighborhood Expenses. At least 30 days before the beginning of each fiscal year, the Association shall prepare a separate budget for each Neighborhood covering the estimated Neighborhood Expenses, if any, expected to be incurred on behalf of such Neighborhood during the coming year. The budget may include a reserve fund as provided in Section 9.3. Any Neighborhood, upon a majority vote of the Owners within such neighborhood, may request that additional services or an increased level of services be provided, and in such case, any additional costs shall be added to such budget. Such budget may include a reserve contribution establishing a fund for repair and replacement of items maintained as a Neighborhood Expense, if any, as well as any other assessments permitted under Section 9.4 below. Neighborhood Expenses shall be levied as a Neighborhood Assessment against all Lots subject to assessment within such Neighborhood. Notice of the Neighborhood Assessment shall be provided as set forth in Section 9.1. If the Board fails for any reason to determine the Neighborhood budget for any year, then and until such time as such budget shall have been determined as provided herein, the Neighborhood budget in effect for the immediately preceding year shall continue for the current year. The Board shall have no liability for under-budgeting or under-assessing with respect to a Neighborhood, Neighborhood Assessments, or Neighborhood Expenses, and each Neighborhood, and the Lots in such Neighborhood, shall be liable therefor in any corrected or supplemental budget or assessment.

9.3 Budgeting for Reserves. The Board shall prepare, on an annual basis, reserve budgets for both general and Neighborhood purposes which take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost of each asset. Such reserve budgets may also anticipate making additional capital improvements and purchasing additional capital assets. The Board shall include in the Base Assessments and Neighborhood Assessments reserve contributions in amounts sufficient to meet these projected needs, if any, as well as reserves to meet any other reasonable purpose, including reserves for delinquent assessments. The Board may adopt resolutions regarding the expenditure of reserve funds, including policies designating the nature of assets for which reserve funds may be expended. Such policies may differ for general Association purposes and for each Neighborhood. During the Class "B" Control Period, neither the Association nor the Board shall adopt, modify, limit, or expand such policies without the Declarant's prior written consent.

9.4 Authority to Assess Owners. Time of Payment. The Association may levy assessments against each Lot for Association or Neighborhood expenses as the Board may specifically authorize from time to time. There shall be four types of assessments for Association expenses: (a) Base Assessments; (b) Neighborhood Assessments; (c) Special Assessments; and (d) Benefited Assessments. Each Owner, by acquiring legal or equitable title for any portion of the Properties, is deemed to covenant and agree to pay these assessments. Assessments shall be paid in such manner and by such dates as the Board may establish. If any Owner is delinquent in paying any assessments or other charges levied on his or her Lot, the Board may assess a late charge and require unpaid installments of all outstanding assessments to be paid in full immediately.

9.5 Declarant's Option to Fund Budget Deficits. During the Class "B" Control Period, Declarant may annually elect either to pay assessments on all of its unsold Lots at a rate equal to twenty-five percent (25%) of Base Assessments, or to pay the shortage (or operating deficit), if any, for such fiscal year; provided however, Declarant shall not be responsible for any shortage resulting from the failure of any Owner to pay assessments applicable to such Owner. Such "shortage" shall be deemed to exist if Income and Revenues, as defined in paragraph (a) below, are less than Expenditures incurred, as defined in paragraph (b) below.

(a) Income and Revenues are: the amount of all income and revenue of any kind received and/or earned by the Association, excluding refundable deposits.

(b) Expenditures are: the amount of all actual operating expenses incurred, or obligated for, by the Association during the fiscal year, including any reserve contributions for such year, but excluding all non-cash expenses such as depreciation or amortization, all expenditures and reserve contributions for making additional capital improvements or purchasing additional capital assets, and all expenditures made from reserve funds.

(c) Unless the Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, the Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. The Association is specifically authorized to enter into subsidy contracts or contracts for "in-kind" contribution of services, materials, or a combination of services and materials with the Declarant or other entities for payment of Common Expenses. After termination of the Class "B" Control Period, the Declarant shall pay assessments on its unsold Lots in the same manner as any other Owner.

9.6 Special Assessments. In addition to other authorized assessments, the Board may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted, including sums expended on capital-type items, to the extent not included within Base Assessments. Such Special Assessment may be levied against the entire membership, if

for Common Expenses, or against the Lots within any Neighborhood, if for Neighborhood Expenses. Such Special Assessments shall become effective unless disapproved by the Declarant during the Class "B" Control Period within 60 days following the levy of such assessment. Special Assessments shall be payable in such manner and at such times as determined by the Board and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

9.7 Benefited Assessments. The Board may levy Benefited Assessments against particular Lots for expenses incurred or to be incurred by the Association as follows:

(a) to cover the costs or reasonable portion thereof, including overhead and administrative costs, of providing benefits, items, or services to the Lot or occupants thereof upon request of the Owner pursuant to a menu of special services which the Board may from time to time authorize, which assessments may be levied in advance of the provision of the requested benefit, item or service as a deposit against charges to be incurred by the Owner; and

(b) to cover costs incurred (including overhead and administrative costs) in bringing the Lot into compliance with the Governing Documents or costs incurred (including overhead and administrative costs) as a consequence of the conduct of the Owner or occupants of the Lot, their licensees, invitees, or guests; provided, the Board shall give the Lot Owner prior written notice and an opportunity for a hearing before levying a Benefited Assessment under this sub-section (b).

The Board may also levy a Benefited Assessment against the Lots within a Neighborhood to reimburse the Association for costs incurred (including overhead and administrative costs) in bringing the Neighborhood into compliance with the provisions of the Governing Documents.

9.8 Personal Obligation.

(a) Each Owner is deemed to covenant and agree to pay all assessments authorized in this Declaration (and, with respect to Lots owned jointly, all such Owners are deemed to covenant and agree to pay assessments jointly and severally). All assessments, together with interest from the due date of such assessment at the rate of 18% per annum unless a different rate is determined by the Board, reasonable late charges established by the Board, costs, and attorney's fees, shall be the personal obligation of the Person who was the Owner of such Lot at the time the assessment arose. Upon a transfer of legal or equitable title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance. However, no first Mortgagee who obtains title to a Lot by exercising the remedies provided in its Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

(b) No Owner may exempt himself from liability for assessments by non-use of Common Area, abandonment of his Lot, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or

abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

(c) The Board shall, upon written request, furnish to any Owner liable for any type of assessment or its Mortgagee a certificate in writing signed by an officer of the Board or its designated agent setting forth whether such assessment has been paid and the amount of any unpaid assessments, within the time periods prescribed by law. A properly-executed certificate of the Board as to the status of assessments on a Lot will be binding on the Board as of the date of issuance of the certificate and for the time periods specified in the certificate. Payment of a processing fee for the issuance of such certificate may be required.

9.9 Lien for Assessments.

(a) Any Assessment, or any installment of an Assessment, not paid within fifteen (15) days after the Assessment, or the installment of the Assessment, first became due shall bear interest from the due date at the rate of interest set from time to time by the Board. In addition, the Board may establish a late fee to be charged to any Owner who has not paid any Assessment, or any installment of an Assessment, within fifteen (15) days after such payment was due.

(b) The Association shall have a lien (the "Assessment Lien") on each Lot for any Assessment levied against that Lot from the time the Assessment becomes due and for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments. The Association's lien for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments may be foreclosed in the same manner as a mortgage on real estate. Fees, charges, late charges, monetary penalties and interest charged pursuant to Section 33-1803 of the Arizona Revised Statutes, other than charges for late payment of Assessments, are not enforceable as Assessments under this Section. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment of the Assessment becomes due. The Association has a lien for fees, charges, late charges (other than charges for late payment of Assessments), monetary penalties or interest charged pursuant to Section 33-1803 of the Arizona Revised Statutes after the entry of a judgment in a civil suit for those fees, charges, late charges, monetary penalties or interest from a court of competent jurisdiction and the recording of that judgment in the records of the County Recorder of Pima County, Arizona, as otherwise provided by law. The Association's lien for monies other than for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments may not be foreclosed and is effective only on conveyance of any interest in the Lot. The recording of this Declaration constitutes record notice and perfection of the Association's lien for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments, and no further recordation of any claim of lien shall be required. Although not required in order to perfect the Association's lien, the

Association shall have the right but not the obligation, to record a notice setting forth the amount of any delinquent Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments which are secured by the Association's lien. If the Association records a notice of lien, the Association may charge the Owner of the Lot against which the Notice of Lien is recorded a lien fee in an amount established from time to time by the Board.

(c) The Association's lien for Assessments, for charges for late payment of those Assessments, for reasonable collection fees and for reasonable attorney fees and costs incurred with respect to those Assessments shall have priority over all liens, other interests and encumbrances except for: (1) liens and encumbrances recorded before the recording of this Declaration; (2) liens for real estate taxes and other governmental assessments and charges; and (3) the lien of any first Mortgage or seller's interest in a first contract for sale recorded prior to the Assessment Lien. Any first Mortgagee or any other Person acquiring title or coming into possession of a Lot through foreclosure of the first Mortgage, purchase at a foreclosure sale or trustee's sale, or through any equivalent proceedings, such as, but not limited to, the taking of a deed in lieu of foreclosure shall acquire title free and clear of any claims for unpaid Assessments and charges against the Lot which became payable prior to the acquisition of such Lot by the first Mortgagee or other Person. Any assessments and charges against the Lot which accrue prior to such sale or transfer shall remain the obligation of the defaulting Owner.

(d) The Association shall have the right, at its option, to enforce collection of any delinquent Assessments together with interest, lien fees, reasonable attorneys' fees and any other sums due to the Association in any manner allowed by law including, but not limited to, (1) bringing an action at law against the Owner personally obligated to pay the delinquent Assessments and such action may be brought without waiving the Assessment Lien or (2) bringing an action to foreclose the Assessment Lien in the manner provided by law for the foreclosure of a realty mortgage. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any and all Lots purchased at such sale.

9.10 Failure to Assess. Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

ARTICLE X

EXPANSION AND REDUCTION OF THE COMMUNITY

10.1 Expansion by the Declarant. Declarant may from time to time subject to the provisions of this Declaration any real property located in Pima County, Arizona by filing a Supplemental Declaration in the Official Records describing the additional property to be subjected. A Supplemental Declaration filed pursuant to this Section shall not require the consent of any Person

except the owner of such property, if other than Declarant. The Declarant's right to expand the community pursuant to this Section shall expire upon termination of the Class "B" Control Period or 20 years after the recording of this Declaration in the Official Records, whichever is earlier. Nothing in this Declaration shall be construed to require the Declarant or any successor to subject additional property to this Declaration.

10.2 Expansion by the Association. The Association may also subject additional property to the provisions of this Declaration by filing a Supplemental Declaration in the Official Records describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of Owners representing a majority of the Class "A" votes of the Association and the consent of the owner of the additional property. In addition, during the Class "B" Control Period, the consent of the Declarant shall be necessary. The Supplemental Declaration shall be signed by the President and Secretary of the Association, by the owner of the additional property, and by Declarant, if Declarant's consent is necessary.

10.3 Additional Covenants and Easements. The Declarant may subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Assessments, including Neighborhood Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by someone other than Declarant, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

10.4 Effect of Filing Supplemental Declaration. Any Supplemental Declaration filed pursuant to this Article shall be effective upon recording in the Official Records unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

10.5 De-annexation of Property. Declarant reserves the right to de-annex any real property from the terms of this Declaration at any time during the Class "B" Control Period without prior notice and without the consent of any Person, for the purpose of removing such real property from the coverage of this Declaration or clarifying that such property is no longer subject to annexation, provided such action is not materially adverse to the overall, uniform scheme of development for the Properties. If Declarant elects to de-annex any property, Declarant shall record a Supplemental Declaration in the Official Records.

ARTICLE XI
RIGHTS RESERVED TO DECLARANT

11.1 Construction of Improvements. The Declarant and its employees, agents and designees shall have a right and easement over and upon all of the Common Area for the purpose of making, constructing, installing, modifying, expanding, replacing, and removing any improvements to the Common Area as it deems appropriate in its sole discretion.

11.2 Right to Use Common Area. The Declarant and its designees may maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of the Declarant, may be required, convenient, or incidental to the construction or sale of Lots, including, but not limited to, business offices, signs, model Dwelling Units, and sales offices. The Declarant and its designees shall have easements for access to and use of such facilities. The Declarant and its designees, during the course of construction on the Properties adjacent to any Common Area, may use such Common Area for temporary storage and for facilitating construction on adjacent property. The user of such Common Area will return the Common Area to the condition it was in prior to its use. If the Declarant use under this Section results in additional costs to the Association, the Declarant shall reimburse the Association for such costs, but the Declarant shall not be obligated to pay any use fees, rent or similar charges for its use of Common Areas pursuant to this Section. The Declarant and its employees, agents and designees shall also have a right and easement over and upon all of the Common Area for the purpose of making, constructing and installing such improvements to the Common Area as it deems appropriate in its sole discretion.

11.3 Other Covenants Prohibited. No Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties during the Class "B" Control Period without Declarant's written consent. Any attempted recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant.

11.4 Right to Approve Changes. Notwithstanding any contrary provision of this Declaration, no amendment to or modification of any rules, use guidelines or restrictions, or Governing Documents affecting the Properties shall be effective without prior notice to and the written approval of the Declarant during the Class "B" Control Period.

11.5 Right to Transfer or Assign Declarant Rights. Any or all of the rights and obligations of the Declarant set forth in this Declaration may be transferred to other Persons. No such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the Official Records.

11.6 Amendment. This Article shall not be amended without the prior written consent of Declarant during the Class "B" Control Period. The rights contained in this Article shall terminate upon the earlier of (a) 40 years after the conveyance of the first Lot to an Owner, or (b) the recording by Declarant of a written statement terminating such rights. Thereafter, the Declarant and

its designees may continue to use the Common Area for purposes stated in this Article only pursuant to a rental or lease agreement between the Declarant and/or such designee and the Association.

ARTICLE XII

EASEMENTS

12.1 Easements in Common Area. Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, and such right and nonexclusive easement shall be appurtenant to such Owner's Lot, subject to:

- (a) This Declaration, and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The right of the Board to adopt rules, regulations or policies regulating the use and enjoyment of the Common Area, including rules restricting use of recreational facilities within the Common Area to owners of Lots and their guests, and rules limiting the number of occupants and guests who may use the Common Area;
- (d) The right of the Board to suspend the right of an Owner to use recreational facilities within the Common Area;
- (e) The right of the Association to dedicate or transfer all or any part of the Common Area to governmental entities ;
- (f) The right of the Board to impose reasonable requirements and charge reasonable membership, admission, or other fees for the use of any recreational facility situated upon the Common Area;
- (g) The right of the Board to permit use of any Common Area recreational, educational, or cultural facilities by non-Owners, their families, lessees, invitees and guests;
- (h) The right of the Board to create, enter agreements with, grant easements to and transfer portions of the Common Area to non-profit or tax-exempt organizations ;
- (i) The right of the Board, with respect to Common Area, to enter agreements with or grant easements to neighboring property owners;

(j) The right of the Association to mortgage, pledge, or hypothecate any or all of its real or personal property as security for Association obligations;

(k) The rights of certain Owners to the exclusive use of those portions of the Common Area designated as Exclusive Common Area;

(l) The right of the Board to change the use of any portion of the Common Area (with the consent of the Declarant during the Class "B" Control Period); and

(m) The rights and obligations of the Association, acting through its Board, to restrict, regulate or limit Owners' and occupants' use of the Common Area for health and safety purposes, or for environmental preservation purposes, including, without limitation, wildlife corridors, winter wildlife ranges and natural wildlife habitat.

12.2 Easements of Encroachment. Declarant reserves unto itself easements of encroachment, and easements for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with this Declaration) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of the Declarant. Additionally, Declarant reserves easements of encroachment (not more than one foot in distance from any Lot boundary line) for Lot Owners if the encroachment was unintentional and the encroaching item or structure was built in substantial conformity with plans approved by the appropriate Reviewing Body pursuant to Article V.

12.3 Easements for Utilities, Etc. Declarant reserves unto itself, and grants to the Association, an easement for the purpose of access and maintenance upon, across, over, and under all of the Properties to the extent reasonably necessary to install, replace, repair, and maintain cable television systems, master television antenna systems, security and similar systems, roads, walkways, bicycle pathways, trails, wetlands, drainage systems, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, gas, and electricity. The Declarant and/or the Association may assign these rights to any local utility supplier, cable company, security company or other company providing a service or utility to Saguaro Ranch subject to the limitations herein. This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing Dwelling Unit, and any damage to a Lot resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant. Declarant specifically grants to the local utility suppliers easements across the Properties for ingress, egress, installation, reading, replacing,

repairing, and maintaining utility meters and boxes. However, the exercise of this easement shall not extend to permitting entry into the Dwelling Unit on any Lot, nor shall any utilities be installed or relocated on the Properties, except as approved by the Board and Declarant during the Class "B" Control Period.

12.4 Easements to Serve Additional Property. The Declarant hereby reserves unto itself and its duly-authorized agents, representatives, employees, successors, assigns, licensees, and Mortgagees, an easement over the Common Area for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B" whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Area for construction of roads and for connecting and installing utilities on such property. Declarant further agrees that if the easement is exercised for permanent enjoyment and use of and/or access to such property, and such property or any portion thereof is not made subject to this Declaration, the Declarant shall enter into a reasonable agreement with the Association to share the cost of maintenance of any access roadway serving such property.

12.5 Easements for Cross-Drainage. Every Lot and the Common Area shall be burdened with easements for natural drainage of storm water runoff from other portions of the Properties and from the Guest Ranch and other Private Amenities in accordance with the drainage plans for the Project approved by Pima County or the Town of Marana.

12.6 Right of Entry. The Association shall have the right, but not the obligation, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Lot, for emergency, security, and safety reasons. Such right may be exercised by the authorized agents of the Association, its Board, officers or committees, and by all police officers, fire fighters, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to and permission from the Owner thereof. This easement includes the right to enter any dwelling on any Lot to cure any condition which increases the risk of fire or other hazard if an Owner fails or refuses to cure the condition within a reasonable time after request by the Board, but does not authorize entry into any Dwelling Unit without permission of the Owner, except by emergency personnel acting in their official capacities. Public providers of emergency services shall have access to Lots in an emergency as provided by state law and, if applicable, Town of Marana, Arizona, operating policies.

12.7 Easements for Maintenance and Enforcement. Authorized agents of the Association shall have the right, and a perpetual easement is hereby granted to the Association, to enter all portions of the Properties, including each Lot to (a) perform its maintenance responsibilities under Article VI, and (b) make inspections to ensure compliance with this Declaration. Except in emergencies, entry onto a Lot shall be only during reasonable hours and after notice to and permission from the Owner. This easement shall be exercised with a minimum of interference to the quiet enjoyment to Owners' property, and any physical damage caused by the Association shall be repaired by the Association at its expense. The Association also may enter a Lot to abate or remove, using such measures as may be reasonably necessary, any structure, thing or condition which violates the Governing Documents.

12.8 Rights to Storm Water Runoff, Effluent and Water Reclamation. Declarant hereby reserves for itself and its designees all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Properties. Such right shall include an easement over the Properties for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff and effluent. This Section may not be amended without the consent of the Declarant or its successor, and the rights created in this Section shall survive termination of this Declaration. The Properties are hereby burdened with a non-exclusive easement in favor of the Association for overspray of water from any irrigation system serving the Area of Common Responsibility. The Association may use treated effluent in the irrigation of any Area of Common Responsibility. Under no circumstances shall the Association or any other Person be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

12.9 Easement for Use of Private Streets. The Declarant hereby creates a perpetual, nonexclusive easement for access, ingress and egress over the private streets within the Common Area (and any Exclusive Common Area), for law enforcement, fire fighting, paramedic, rescue and other emergency vehicles, equipment and personnel; for school buses; for U.S. Postal Service delivery vehicles and personnel; private delivery or courier services; and for vehicles, equipment and personnel providing garbage collection service to the Properties; provided, such easement shall not authorize any such Persons to enter the Properties except while acting in their official capacities.

12.10 Easements for Private Amenities. The Declarant hereby creates and grants a perpetual, nonexclusive easement for access, ingress and egress in favor of the Guest Ranch and any other Private Amenities designated by Declarant, their owners and their members (regardless of whether such members are Owners), their respective guests, invitees, and the employees, agents, contractors, and designees thereof, over the Common Area (including without limitation all "Private Recreational Trail Paths", "Private Multiuse Trail Paths" and "Private Horseback Riding Trail Easements", as depicted on the Plats), and including all roadways located within the Properties reasonably necessary for egress between entrance to the Properties and the Guest Ranch and any other Private Amenities. The Declarant hereby creates and grants a perpetual, nonexclusive easement on, over and under the Common Area for the installation, construction, maintenance, use, repair and replacement of utilities facilities, consistent with and subject to the conditions described in Section 12.3, in favor of the such Private Amenities.

12.11 Easements for Tax Exempt Organizations. Tax-exempt organizations designated or established by the Declarant or the Association to maintain or assist in the preservation of any environmentally-sensitive areas, including but not limited to any wildlife habitat areas, shall have easements over the Common Area to the extent necessary to carry out their responsibilities.

ARTICLE XIII
EXCLUSIVE COMMON AREAS

13.1 Purpose. Certain portions of the Common Area may be designated as Exclusive Common Areas and reserved for the exclusive or primary use or benefit of Owners, occupants and invitees of Lots within a particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Exclusive Common Areas may include entry features and shared private drives within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of Exclusive Common Areas shall be assessed as a Neighborhood Assessment against the Owners of Lots in those Neighborhoods to which the Exclusive Common Area is assigned, except as to those Neighborhood Entry and Access Improvements which the Board has elected to maintain, repair, replace and insure pursuant to Section 6.3, the costs associated therewith constituting a Common Expense.

13.2 Designation. Initially, the Declarant shall designate any Exclusive Common Area. No such assignment shall preclude the Declarant from later assigning use of the same Exclusive Common Area to additional Lots and/or Neighborhoods during the Class "B" Control Period. Thereafter, a portion of the Common Area may be assigned as Exclusive Common Area of a particular Neighborhood or Neighborhoods and Exclusive Common Area may be reassigned upon approval of the Board and the vote of Owners representing a majority of the Class "A" votes in the Association, including a majority of the Class "A" votes within the Neighborhood(s) to which the Exclusive Common Areas are assigned, if applicable.

13.3 Use by Others. The Association may permit Owners of Lots in other Neighborhoods to use all or a portion of Exclusive Common Areas upon such terms and conditions as the Association deems reasonable.

ARTICLE XIV
PARTY WALLS AND OTHER SHARED STRUCTURES

14.1 General Rules of Law to Apply. Each wall, driveway or similar structure built as a part of the original construction on the Lots which serves and/or separates any two adjoining Lots shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

14.2 Maintenance; Damage and Destruction. All Owners whose Lot is served or separated by any party structure shall share the cost of reasonable repair and maintenance of such structure equally. If a party structure is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners subsequently use the structure they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions.

14.3 Right to Contribution Runs With Land. The right of an Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

14.4 Disputes. Any dispute concerning a party structure shall be subject to the dispute resolution procedures set forth in Article XV.

ARTICLE XV

DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

15.1 Agreement to Avoid Litigation. The Declarant, the Association, its officers, directors, and committee members, all Persons subject to this Declaration (including Owners, their family members and tenants), and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Properties, without the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that specified claims, grievances, controversies, disagreements or disputes described in this Section ("Claims") shall be resolved using alternative dispute resolution procedures in lieu of filing suit in any court, provided that the term "Claim" shall not include the acts of Declarant, the Association and their agents to enforce the terms of this Declaration.

15.2 Claims. Unless specifically exempted in this Section XV, all Claims arising out of or relating to (a) the interpretation, application or enforcement of the Governing Documents, or (b) the failure of the Declarant, the Association or the Board to properly conduct elections, give adequate notice of meetings, properly conduct meetings, allow inspection of books and records, or establish adequate reserve funds or (c) the authority of the Association or the Board to take or not take any action under the Governing Documents; or (d) the performance or non-performance by any Bound Parties of any of the respective obligations or responsibilities under the Governing Documents to or on behalf of any other Bound Parties; or (e) the rights, obligations and duties of any Bound Party under the Governing Documents or relating to the design or construction of improvements on the Properties shall be subject to the provisions of Section 15.3.

Notwithstanding the above, unless all parties thereto otherwise agree, the following shall not be Claims and shall not be subject to the provisions of Section 15.3:

(a) any action or suit by the Association to enforce the provisions of Article IX (Association Finances) including, without limitation, actions taken to enforce the collection of any assessments, to enforce or foreclose any lien in favor of the Association, or to determine the priority of any lien for assessments;

(b) any suit by the Association to obtain a temporary or permanent restraining order (or emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability

to enforce the provisions of Article IV (Use and Conduct) and Article V (Architectural Approval);

(c) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;

(d) any claim, grievance, controversy, disagreement or dispute that primarily involves (i) title to any Lot or Common Area, (ii) the interpretation or enforcement of any express or implied warranty made in connection with the sale of a Lot; (iii) the eviction of a tenant from a Lot, or (iv) an employment matter between the Association and any employee of the Association;

(e) any action taken arising out of any separate written contract between Owners, between Declarant and any Owner, that would constitute a cause of action under the laws of the State of Arizona in absence of the Governing Documents;

(f) any suit in which any indispensable party is not a Bound Party; and

(g) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 15.3(a) unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article.

With the consent of all parties thereto, any of the above may be submitted to the alternative dispute resolution procedures set forth in Section 15.3.

15.3 Mandatory Procedures.

(a) Notice. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent") (collectively, the "Parties") shall notify each Respondent in writing and provide a copy to the Board (the "Notice"), stating plainly and concisely:

(1) the nature of the Claim, including the date, time, location, Persons involved and Respondent's role in the Claim;

(2) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);

(3) Claimant's proposed remedy; and

(4) that Claimant will meet with Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation and Mediation.

(1) The Parties shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing by the Board, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in negotiation.

(2) If the Parties do not resolve the Claim within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days to submit the Claim to such entity as is designated by the Association for mediating claims or, if the Parties otherwise agree, to an independent agency providing dispute resolution services in Arizona.

(3) If Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

(4) Any settlement of the Claim through mediation shall be documented in writing by the mediator and signed by the Parties. If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation, or within such time as determined by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth when and where the Parties met, that the Parties are at an impasse, the nature of the impasse, and the date that mediation was terminated. The Termination of Mediation may also establish any undisputed factual findings or agreed resolutions, as agreed upon by the Parties.

(5) All mediation discussions are privileged and confidential. Persons who are not Parties are not allowed to attend the mediation conference without the consent of the Parties. Any mediation resolution may be enforced in a court of law. Each of the Parties to a Claim will bear its own costs incurred prior to and during the negotiation and mediation proceeding described herein, including the fees of its attorney or other representative. Each Party to a Claim will share equally all costs of the mediator and, if and to the extent required, will pay its respective share of the costs in advance of the mediation as a condition to its continuation of the prosecution or defense of the Claim.

The Claimant shall thereafter be entitled to sue in any court of competent jurisdiction or to initiate proceedings before any appropriate administrative tribunal on the Claim.

15.4 Enforcement of Resolution. If the Parties agree to a resolution of any Claim through negotiation or mediation in accordance with Section 15.3 and any Party thereafter fails to abide by the terms of such agreement, then any other Party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in Section 15.3. In such event, the Party taking action to enforce the agreement or award shall be entitled to recover from the non-complying Party (or if more than one noncomplying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys' fees and court costs.

ARTICLE XVI

RELATIONSHIPS WITH OTHER ENTITIES

16.1 Relationship With Tax-Exempt Organizations. The Declarant or the Association may create, enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Common Area to non-profit, tax-exempt organizations, the operation of which confers some benefit upon the Properties, the Association, its Members, or residents. The Association may contribute money, real or personal property, or services to such entity. Any such contribution shall be a Common Expense and included as a line item in the Association's annual budget. For the purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as, but not limited to, entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time. The Association may maintain multiple-use facilities within the Properties for temporary use by tax-exempt organizations. Such use may be on a scheduled or "first-come, first-served" basis. A reasonable maintenance and use fee may be charged for the use of such facilities.

16.2 Environmental Entities. During the Class "B" Control Period, the Declarant shall have the right to enter into agreements with environmental entities for the purpose of observing, maintaining, or preserving environmentally-sensitive areas located within the Properties and monitoring or conducting such natural resource, habitat preservation or other environmental programs or plans which may be implemented within the Properties. Entities designated by the Declarant shall have the right to enter the Properties and perform environmental activities subject to reasonable time, place, and manner restrictions adopted by the Board. The Board shall have the right to enter into agreements with environmental entities with the consent of the Declarant during the Class "B" Control Period.

16.3 Private Amenities; Other Associations. The Declarant or the Association may create, enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements, rights-of-way, and licenses over the Common Area to the Guest Ranch, other Private Amenities, and the owners thereof. The Declarant or the Association may contract the owner(s) of the Private Amenities or with other homeowners' associations or entities to provide services and to fairly allocate costs among the parties utilizing such services that may be administered by the Association or such other organizations, for the benefit of the Owners. The costs

associated with such efforts by the Association (to the extent not chargeable to other organizations) shall be a Common Expense.

16.4 Cost Sharing with Nonresidential Properties. Adjacent to or in the vicinity of the Properties, there may be certain nonresidential areas, including, without limitation, the Guest Ranch and other Private Amenities, multi-family developments (apartments), churches, schools, retail shopping areas, and commercial parcels which may not be subject to this Declaration, are not dedicated to the public, and are neither Lots nor Common Area as defined in this Declaration (hereinafter "nonresidential properties"). The Declarant or the Association shall be authorized to enter into a Covenant to Share Costs with owners of nonresidential properties under which such nonresidential owners shall be obligated to share in certain costs incurred by the Association associated with the maintenance, repair, replacement, and insuring of such property which the Association is obligated to maintain, repair, replace, or insure pursuant to this Declaration and which is used by or which benefits jointly the owners of the nonresidential properties and the Owners within the Properties. The Association shall be obligated to perform the duties and functions set forth for it in the Covenant to Share Costs.

16.5 Tortolita Property Owners Association. A portion of the Properties is located within an area subject to certain recorded instruments, which, among other things, purports to establish the Tortolita Property Owners Association ("Tortolita HOA"). Each Owner of property within the Properties that is subject to the Tortolita HOA, or bound by recorded instruments evidencing or creating the same, hereby appoints the Association as attorney-in-fact for the purpose of voting or exercising any rights as a member of the Tortolita HOA or amending, modifying or terminating the recorded instruments relating to the same. This power of attorney is coupled with an interest, shall be irrevocable, and shall be binding on any heirs, personal representatives, successors or assigns of an Owner.

16.6 Town of Marana Covenants. Declarant's predecessor-in-interest has executed and recorded that Declaration of Conditions, Covenants, and Restrictions Running with the Land (Saguaro Ranch), dated August 23, 2003, and recorded September 9, 2003, at Docket 12131, page 4239, records of Pima County, Arizona (as may be amended, superseded, or replaced, the "Marana Covenants"). The Marana Covenants impose additional restrictions upon those portions of the Properties subject thereto, and in the event of a conflict between the provisions of this Declaration and the provisions of the Marana Covenants, the Marana Covenants shall control.

16.7 Conflicts. This Declaration is not intended to supersede applicable Town and County ordinances and all Owners and Members are required to comply with Town of Marana and Pima County codes and ordinances. In the event of any conflict between the standards set forth in this Declaration or any Supplemental Declaration, and the standards contained in Town of Marana and Pima County ordinances, the more stringent standard shall be applied.

ARTICLE XVII
CHANGES IN OWNERSHIP OF LOTS

Any Owner desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least fourteen days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. In addition, all Owners acknowledge that the Association may be required to provide resale disclosure statements or other similar type information required by applicable law and may charge such Owner a reasonable fee, in addition to any assessments, for the provision of such information. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the later of the date upon which such notice is received by the Board or title to the Lot is transferred.

ARTICLE XVIII
CHANGES IN COMMON AREA

18.1 Condemnation. Whenever any part of the Common Area shall be taken or conveyed under threat of condemnation by any authority having the power of eminent domain, each Owner shall be entitled to notice thereof by posting in a prominent place within the Properties and included in the Association's newsletter, if any. The Board may convey Common Area under threat of condemnation if the Board reasonably determines that it is in the best interest of the Association and is approved in writing by Declarant during the Class "B" Control Period. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

(a) If the taking involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent practicable, unless within 60 days after such taking the Declarant, so long as the Declarant owns any portion of the Properties or has the right to annex property, shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board.

(b) If the taking does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

18.2 No Partition. Except as permitted in this Declaration, the Common Area shall remain undivided, and no Person shall bring any action for partition of the whole or any part thereof without the written consent of all Owners and Mortgagees.

18.3 Dedication of Common Area. The Association may dedicate or grant easements over portions of the Common Area to any local, state, or federal governmental entity.

ARTICLE XIX
ACKNOWLEDGEMENTS OF OWNERS

19.1 Private Amenities. The Guest Ranch and other Private Amenities may include many year-round activities; as such, the Guest Ranch and other Private Amenities may generate, pursuant to their legal and authorized operation, an unpredictable amount of visible, audible and odorous impacts and disturbances from activities relating to the construction, operation, use, improvement and maintenance thereof. The activities associated with the Ranch Facilities and other Private Amenities may include, without limitation: (a) vehicular and residential traffic, such as (1) buses, vans, maintenance vehicles and other vehicles that transport residents and guests thereof over, around and through the Private Amenities and Saguaro Ranch, and (2) construction vehicles and equipment; (b) activities relating to the construction, operation, improvement and maintenance of the Private Amenities, including access roads, improvements, structures, facilities, signs and other temporary or permanent operational fixtures and facilities; and (c) activities relating to the use of the Private Amenities, including hiking, horseback riding, bicycling, recreational events, arts and other festivals, musical and other performances, entertainment, competitions, promotional activities, and other recreational and resort activities.

19.2 Roadways. Roads within Saguaro Ranch may be subject to restricted or gated access limitations, and are subject to rules and regulations of the Association. In addition, certain roads within the Properties may be used to access other properties not within Saguaro Ranch (including properties owned by Declarant or others), and may be subject to easement or other rights in favor of such third parties.

19.3 Construction Activities. Construction activity at the Properties, including with respect to the development of Lots, Common Areas, and related facilities and improvements, will continue and such construction activity may cause inconvenience to the Owners, including but not limited to noise and the transportation of material, labor, trucks and equipment.

19.4 Land Use. Property located within Saguaro Ranch may be developed pursuant to the land uses and restrictions set forth in applicable governmental approvals relating to the permitted uses, densities and the like at Saguaro Ranch ("Development Approval"), with no representations made herein concerning the planned uses of such property or any other property. The zoning for the Properties is established and governed by the Development Approval, and any amendment thereto requires approval by the Town of Marana, Arizona. Each Owner acknowledges and agrees that such Owner has not relied upon any statements or representations regarding Saguaro Ranch or any other property. Each Owner further acknowledges and agrees that such Owner will not take any action to impair or delay any development of real property governed by the Development Approval so long as such development is consistent with the Development Approval, and each Owner hereby waives any right it may have to object to any development so long as such development is in conformance with the terms, conditions and restrictions of the Development Approval as the same may be amended from time to time.

19.5 Zoning. Each Owner waives any right to protest that the Owner may have with regard to zoning, amendments to zoning, withdrawal from zoning, or any other zoning actions, or pursuant to any other applicable zoning, subdivision, environmental or other development statutes, ordinances or regulations or any amendments thereto, or pursuant to any future zoning, subdivision, environmental or other development statutes, ordinances or regulations that may be adopted granting any rights of protest, and with regard to the operation, maintenance, expansion, modification or control of the Guest Ranch as now existing or as they may exist in the future, specifically including, but not limited to, and any and all activities in which the Guest Ranch are or may become involved including, but not limited to, bike riding, hiking, horseback riding, wagon rides, other recreational activities, musical concerts, commercial and restaurant establishments, festivals, residential and business development, real property acquisition, construction, modification, facility and equipment maintenance, landscaping, tree removal and thinning, blasting, development, or subdivision, or any other land use activities or any other activities, noise, sound, lighting, dust, music, or other effects of any activities, by or on behalf of Declarant, the owners of the Guest Ranch, or their affiliates, agents, servants, tenants, guests, licensees, invitees, employees, successors or assigns. Any such protest by any Owner to any governmental authority shall be considered void and shall not be considered by the governmental authority to have any force and effect.

19.6 Use of Name/Logo. No Person shall use the words "Saguaro Ranch" or any derivative thereof, or any other name given to the Properties by Declarant, nor any logo of the Properties, in any printed or promotional materials without Declarant's prior written consent. Any breach of the foregoing shall entitle Declarant to injunctive relief and reasonable attorney fees, as determined by the court.

19.7 Private Amenities.

(a) No representation is made that any of the Private Amenities, including the Guest Ranch, will be developed for any particular use or with any particular improvements or features. The owner(s) of any Private Amenities may develop the Private Amenities for any residential, commercial or other purposes, subject to the requirements of any applicable governmental authority. No interest in or right to use any Private Amenity located within or near the Properties, such as bridal facilities, swimming pools, spas or the like, are given or granted to any Owner pursuant to this Declaration. The owners of the Private Amenities, including the Guest Ranch, shall have the right, in their sole discretion, to remove, relocate, discontinue operation of, restrict access to, charge fees for the use of, sell interests in, or otherwise deal with such assets in their sole discretion.

(b) Access to and use of the Private Amenities is strictly subject to the rules and procedures of the owner(s) of such Private Amenities, including the Guest Ranch, and no Person gains any right to enter or to use the Private Amenities by virtue of membership in the Association or ownership or occupancy of a Lot. All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by the Declarant, the Association, or by any Person acting on behalf of any of the foregoing, with regard to the nature and scope of any improvements on, or the continuing ownership or operation of, the Private Amenities. The use,

ownership or operation of the Private Amenities may change at any time. All Persons, including the Owners, are hereby advised that the Association will not own the Guest Ranch or any portion thereof. The ownership or operation of the Private Amenities may change at any time by virtue of, but without limitation, (a) the sale to or assumption of operations by an independent Person, (b) establishment of, or conversion of the ownership structure to, an "equity" club or similar arrangement whereby the members of the Private Amenities or an entity owned or controlled by its members become the owner(s) and/or operator(s) of the Private Amenities, or (c) the conveyance of the Private Amenities to one or more affiliates, shareholders, employees, or independent contractors of the Declarant. No consent of the Association, any Member, or any Owner shall be required to effectuate any change in ownership or operation of the Private Amenities.

(c) Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by the owner(s) thereof. Such owner(s) shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their Private Amenities and to terminate use rights altogether (subject to the terms of any written agreements entered into by such owner(s)).

(d) Neither Declarant, the Association nor the owner(s) or operator(s) of the Guest Ranch or any other Private Amenity guarantees or represents that any view over and across the Guest Ranch or any other Private Amenity from any Lot will be preserved without impairment. The owner(s) of the Guest Ranch or any other Private Amenity, if any, shall have no obligation to prune or thin vegetation or other landscaping, and shall have the right, in their sole and absolute discretion, to add vegetation and other landscaping to the Guest Ranch or other Private Amenities from time to time. Any such additions or changes to the Guest Ranch or any other Private Amenity may diminish or obstruct any view from the Lots and Common Area and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

ARTICLE XX

AMENDMENT OF DECLARATION

20.1 Amendment by Declarant. Until termination of the Class "B" Control Period, Declarant may unilaterally amend this Declaration for any purpose. Thereafter, the Declarant may unilaterally amend this Declaration if such amendment is (a) necessary to bring any provision into compliance with any applicable governmental statutes, rule, regulation, or judicial determination; (b) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) required by an institutional or governmental lender or purchaser of Mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable it to make or purchase Mortgage loans on the Lots; (d) necessary to enable any governmental agency or reputable private insurance company to guarantee or insure Mortgage loans on the Lots; or (e) otherwise necessary to satisfy the requirements of any governmental agency for approval of this Declaration. However, any such amendment shall not adversely affect the title to any Lot unless the affected Owner shall consent thereto in writing.

20.2 Amendment by Owners. Except as otherwise specifically provided in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners representing at least 67% of the total Class "A" votes, and the consent of the Declarant, during the Class "B" Control Period. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

20.3 Validity and Effective Date of Amendments. Amendments in accordance with this Declaration shall become effective upon recordation in the Official Records, unless a later effective date is specified therein.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Declarant and the Association have executed this Declaration as of July 31, 2014.

"Declarant"

NORTHLIGHT TRUST I,
a Delaware statutory trust

By: NORTHLIGHT SPECIAL GP I,
LLC, a Delaware limited liability,
its Manager.

By: [Signature]
Title: Manager

"Association"

Saguaro Ranch Property Owners Association,
Inc., an Arizona nonprofit corporation

By: [Signature]
Its: President

STATE OF New York)
) ss.
County of New York)

The foregoing instrument was acknowledged before me this July, 2014,
by Mark P. Pinschman, the Manager of Northlight Special GP I, LLC, a
Delaware limited liability company, the Manager of Northlight Trust I, a Delaware statutory trust on
behalf of the Trust.

My Commission Expires: 12/19/2015

[Signature]
Notary Public

YOUNGJOO MOON
Notary Public, State of New York
Qualified in Queens County
No. 01MO6253493
My Commission Expires 12-19-2015

STATE OF ARIZONA)
) ss.
County of Pima)

The foregoing instrument was acknowledged before me this 31 day of July, 2014,
by Gregory Walter, the President of Saguaro Ranch Property Owners Association, Inc.,
an Arizona non-profit corporation, on behalf of the corporation.

My Commission Expires: 11-5-17

[Signature]
Notary Public

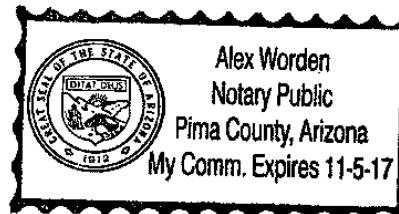


EXHIBIT "A"
TO
SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
SAGUARO RANCH

(LEGAL DESCRIPTION OF SAGUARO RANCH)

Lots 1 through 31, and Common Areas "A", "B" & "C" of SAGUARO RANCH SOUTH AMENDED, a subdivision of Pima County, Arizona, recorded in Book 59 of Maps and Plats at Page 69, records of Pima County, Arizona.

Lots 32 through 49, Lots 51 and 52 and Common Area "A" of SAGUARO RANCH, a subdivision of Pima County, Arizona, recorded in Book 57 of Maps and Plats at Page 57, records of Pima County, Arizona.

Lots 51, and 53 through 65, and Common Areas "A" and "B", and public rights-of-way and easements of SAGUARO RANCH II, a subdivision of Pima County, Arizona, recorded in Book 61 of Maps and Plats at Page 89, records of Pima County, Arizona.

Lots 43 through 45 and Lots 66 through 96, and Common Areas "A", "B-1" & "B-2" of SAGUARO RANCH III-A, a subdivision of the Town of Marana, Pima County, Arizona, recorded in Book 63 of Maps and Plats, at Page 33, being a subdivision of portions of Section 17 and 20, Township 11 South, Range 13 East, Gila & Salt River Base and Meridian, Pima County, Arizona, and a resubdivision of Lots 43-45, Block 3 & a portion of Common Area "A" of SAGUARO RANCH, as recorded in Book 57 of Maps and Plats at Page 57, records of Pima County, Arizona.