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Arizona Land & Ranches, Inc.
1570 Plaza West Drive
Prescott, Arizona 86303



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FOURTH

AMENDED AND RESTATED

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

SADDLE CREEK RANCH

Yavapai County, Arizona



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**FOURTH
AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
SADDLE CREEK RANCH**

Yavapai County, Arizona

This instrument shall constitute the **FOURTH AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR SADDLE CREEK RANCH** located in Yavapai County, Arizona.

RECITALS:

WHEREAS, Transnation Title Insurance Company, a Nebraska corporation, as Trustee under Trust No. 7384 (hereinafter "Declarant"), under the direction of Arizona Land & Ranches, Inc., an Arizona corporation, as Trustor and Beneficiary of said Trust (hereinafter "Developer") originally caused to be recorded the "Declaration of Covenants, Conditions and Restrictions for Saddle Creek Ranch," as recorded in Book 4438, Page 548 in the Yavapai County Recorder's office in Yavapai County, Arizona (hereinafter the "Original Declaration"); and

WHEREAS, the Original Declaration was subsequently Amended and Restated, thereby replacing in its entirety, the Original Declaration, as recorded in Book 4374, Page 897; Book 4391, Page 401; and in Book 4448, Page 694; and thereafter amended as recorded in Book 4448, Page 694, and in Book 4497, Page 928, in the Yavapai County Recorder's office (collectively the "Amended and Restated Declaration"); and

WHEREAS, Declarant, under the direction of Developer, intends to amend and restate the Amended and Restated Declaration.

NOW THEREFORE, in accordance with Section 7.4 of the Declaration, Declarant, intends to and does hereby amend, replace and restate the Amended and Restated Declaration for Saddle Creek Ranch and this instrument shall for all purposes amend, replace and restate said Amended and Restated Declaration in its entirety as set forth below.

THIS DECLARATION is being recorded to establish a general plan for the development, sale, lease and use of Saddle Creek Ranch as described on Exhibit "A" attached hereto (the "Property") in order to protect and enhance the value and desirability of the Property. Declarant declares that all of the Property (as defined herein) shall be held, sold and conveyed subject to this Declaration. Declarant hereby authorizes Developer to act as its agent in exercising all Declarant's rights contained herein. By acceptance of a deed or by acquiring any interest in any of the Property subject to this Declaration, each person or entity, for him/herself or itself, his/her heirs, personal representatives, successors, transferees and assigns, binds him/herself, his/her heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby



acknowledges that this Declaration sets forth a general scheme for the development, sale, lease and use of the Property and hereby evidences his/her interest that all the restrictions, conditions, covenants, rules and regulations contained in this Declaration shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, lessees and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by Declarant, Developer, the Association, and all Owners. Declarant and Developer, their successors, assigns and grantees, covenant and agree that the Parcels and the membership in the Association and the other rights created by this Declaration shall not be separated or separately conveyed, and each membership shall be deemed to be conveyed or encumbered with its respective Parcel even though the description in the instrument of conveyance or encumbrance may refer only to the Parcel.

1. DEFINITIONS

As used herein, the following terms have the following meanings:

1.1 Additional Property means the real property owned by Declarant which is adjacent to or situated within the vicinity of the Property, together with all improvements situated thereon, which Developer may subsequently annex and make part of the Property and which would be subject to this Declaration.

1.2 Architectural Guidelines means any additional guidelines for the construction of any structure or improvement on the Property set forth by the Architectural Review Committee in addition to those set forth in this Declaration.

1.3 Architectural Review Committee (the "Committee") means the committee appointed by the Association's board of directors, whose purpose is to review the plans for all buildings, walls, fences or other structures prior to construction.

1.4 Association means the Saddle Creek Ranch Property Owners Association, an Arizona nonprofit corporation, as referred to in Section 2 of this Declaration.

1.5 Board means the board of directors of the Saddle Creek Ranch Property Owners Association.

1.6 Common Areas means all real property, along with any amenities, improvements or facilities located thereon, that are owned, leased or granted to the Association for the common use and enjoyment of its Members (the Owners). Common Areas may include, but are not limited to, interior roadways, easements, or any other areas or facilities designated by Declarant to be Common Area and granted to the Association herein or on the Records of Survey of the Property for the benefit of its Members.

1.7 Common Roadways means interior roadways as designated on the original Record of Survey by Declarant and granted to the Property Owners Association for the benefit of its Members.



1.8 Declarant means Transnation Title Insurance Company, a Nebraska corporation, as Trustee under Trust No. 7384, acting on behalf of Arizona Land & Ranches, Inc., an Arizona corporation, as Developer of the Property and Trustor/Beneficiary of the Trust. The rights and responsibilities of Declarant hereunder shall be exercised and carried out by Arizona Land & Ranches, Inc., its successors and assigns.

1.9 Declaration means this Fourth Amended and Restated Declaration of Covenants, Conditions, and Restrictions.

1.10 Developer means Arizona Land & Ranches, Inc., an Arizona corporation, its successors and assigns, the original owner and developer of Saddle Creek Ranch.

1.11 First Deed of Trust means any deed of trust or realty mortgage, or agreement for sale made in good faith and for value and properly executed and recorded so as to create a lien on any Parcel or Parcels that is prior to the lien of any other deed of trust or realty mortgage.

1.12 Lessee is any current person or entity holding the lease to the reserved Grazing Rights, along with the rights to certain "pre-existing" registered ground and surface waters used for livestock watering and certain grazing-related facilities situated on the Property as located and defined on the Record of Survey.

1.13 Member means the Owner of record of any Parcel located within the Project as a member of the Saddle Creek Ranch Property Owners Association.

1.14 Owner shall mean and refer to the owner of record, whether one or more persons or entities, of fee or equitable or beneficial title to any Parcel, including Declarant. Owner shall include the purchaser of a Parcel under an executory contract for purchase. The foregoing definition does not include persons or entities that hold an interest in any Parcel solely as security for the performance of an obligation.

1.15 Parcel or Parcels means a portion of the Project intended for independent ownership and use and designated as a Parcel on the Record of Survey, either individually or collectively as the case may be as such divisions maybe allowed by law.

1.16 Property or Project means the real property described on Exhibit "A"(and any amendments or corrections thereto), attached to this Declaration, together with all improvements located thereon, and all Additional Property, together with all improvements located thereon, which is annexed and subjected to this Declaration by the Declarant. The Property initially subject to this Declaration is comprised of: Lots 1 through 17 inclusive, of Saddle Creek Ranch; and Lots 34 through 63 inclusive, of Saddle Creek Ranch Phase 3; located in Yavapai County and as shown on the Records of Survey for those portions of the Saddle Creek Ranch development.

1.17 Ranching means the raising of cattle, horses, poultry and domestic animals in accordance with the provisions stated in herein.



1.18 Record of Survey means the recorded surveys or plats of Saddle Creek Ranch (1st phase) and Saddle Creek Ranch Phase 3 as recorded in the official records of Yavapai County, Arizona, and as have or hereafter may be amended, corrected or supplemented (referred to on Exhibit "A" attached), together with all subsequent recorded surveys or plats for any Additional Property.

1.19 Transition Date means that date specified on or before which the Developer transfers control of the Association to its Members or at such time as one hundred percent (100%) of the Parcels have been sold or earlier, at Developer's option.

2. PROPERTY OWNERS ASSOCIATION

2.1 Purpose: The Property shall be subject to the Saddle Creek Ranch Property Owners Association. The purpose of the Association is: (1) To maintain, repair and improve; (a) the common roadways (including snow removal), gates, fences and roadway drainage facilities located on or within the Property; and (b) any other Common Areas benefiting the Property and designated by Declarant for maintenance by the Association. (2) To maintain, repair and improve roadways on land not within the Property that lie within public or private easements, but only if such roadways provide access to the Property from highways and roads maintained by public funds. Nothing stated in subpart 2.1(2) shall be construed to require the Association to maintain the roadways described in that subpart. (3) To enforce the provisions set forth in this Declaration.

DEVELOPER SHALL MAINTAIN THE COMMON AREAS UNTIL THE TRANSITION DATE OF THE ASSOCIATION.

2.2 Membership: Each and every Owner, in accepting a deed or contract for any Parcel, whether or not it shall be so expressed in such deed or contract, automatically becomes a Member of the Association, and agrees to be bound by the terms set forth in this Declaration and such reasonable rules and regulations as may, from time to time, be established by the Association. Membership shall be appurtenant and may not be separated from ownership of the Parcel. The rights and obligations of an Owner and membership in the Association shall not be assigned, transferred, pledged, conveyed or alienated in any way, except upon transfer of ownership of such Parcel, whether by intestate succession, testamentary disposition, foreclosure of a deed of trust or a mortgage, or such other legal processes as are now in effect or as may be hereafter established pursuant to the laws of the State of Arizona. The Association shall be operated and conducted on a strictly cooperative and non-profit basis. Each Owner, as a Member, shall have such voting rights as set forth in this Declaration and in the Association Bylaws.

2.3 Voting: With the exception of Lots 3, 41, 43, 49, 56, and 57, each Owner of a Parcel other than Declarant shall have three (3) votes for each "original" Parcel owned ("original" meaning the Parcel as originally created on the Record of Survey), unless and until such Parcel is divided. Developer shall have ten (10) votes for each Parcel owned by Declarant. The total number of Parcels and therefore the total number of votes may also be increased or decreased from time to time by the annexation of Additional Property or the de-annexation of Property, pursuant to Sections 4 and 5 of this Declaration. Unless otherwise specifically provided herein



or in the Bylaws, all Association matters requiring a vote of the Members shall be determined by a majority vote (i.e., a majority of the votes cast) so long as the quorum requirements are met. If more than one party is the Owner of a Parcel, there must be unanimous agreement among those who own an interest; otherwise the vote(s) attributable to that Parcel shall not be counted. Any action requiring a vote of the Members may take place in two ways: By vote cast in person at a meeting; and/or by absentee ballot as provided for in the Bylaws. In the event of any division of a Parcel each resultant portion of the Parcel shall be considered a separate Parcel subject to a separate assessment, and subject to the following reallocation of votes, entitled to a separate vote in the Association. At any time that a Parcel not owned by Declarant is legally further divided in accordance with this Declaration, the three (3) votes originally available to the original Parcel shall be reallocated as follows: 1) If the original Parcel has been divided into two (2) Parcels, the largest Parcel shall be allocated two (2) votes and the remaining Parcel shall be allocated one (1) vote. 2) If the original Parcel has been divided into three (3) Parcels, each Parcel shall be allocated one (1) vote.

The Owners of Lots 3, 41, 43, 49, 56, and 57 shall have four (4) votes for each "original" Parcel owned. If at any time Lots 3, 41, 43, 49, 56, or 57 are legally further divided in accordance with this Declaration, the four (4) votes originally available to the original Parcel shall be reallocated as follows: 1) If the original Parcel has been divided into two (2) Parcels, each Parcel shall be allocated two (2) votes; 2) If the original Parcel has been divided into three (3) Parcels, the largest Parcel shall be allocated two (2) votes and the remaining Parcels shall be allocated one (1) vote each; and 3) If the original Parcel has been divided into four (4) Parcels, each Parcel shall be allocated one (1) vote each.

2.4 Quorum Requirement: Except as otherwise stated herein and in the Association's Bylaws, the number of votes received by the Association for most voting matters must represent twenty-five percent (25%) of the total number of votes entitled to be cast in order to constitute a quorum, whether the votes be cast in person or received as absentee ballots.

2.5 Management of the Association: Developer shall maintain control of the Association and act as its board of directors (the "Board") until the Transition Date when a new Board is elected by the Members. Thereafter, the Members shall elect the Board annually in accordance with the Bylaws. Unless otherwise stated herein or in the Bylaws, and with the exception of those matters requiring a vote of the Members, the Board and such officers as the Board may elect or appoint in accordance with the Articles and Bylaws (as they may be amended from time to time), shall conduct all affairs and exercise the powers of the Association.

2.6 Powers to Conduct Business: The Association shall have the powers set forth herein and in the Bylaws, including the power to enter into contracts with third parties to perform all or part of its functions, and to hire its own employees to do so. The Association shall have the power to obtain appropriate insurance, to create reserves, to enforce the provisions set forth in this Declaration and, with approval of the Members, to issue rules and regulations pertaining to the Common Area, to establish an architectural review committee and other committees, and to establish further architectural guidelines in addition to the provisions contained in this Declaration.

2.7 Estimated Costs: The Association, on an annual basis, shall make a determination of the estimated costs of insurance, operating costs and the repair and maintenance of roadways, easements and any other designated Common Areas shown on the Record of Survey or otherwise so designated, including any reserves necessary for future capital expenditures and maintenance. The Association shall furthermore allocate the estimated costs for such insurance, operating costs maintenance and repairs to be included under Regular Assessments. The Association shall prepare an annual budget and also an annual accounting of monies received and disbursed in accordance with the Bylaws.

2.8 Regular Assessments: Each Owner, other than Declarant, shall pay Regular Assessments for normal maintenance, repair, management and reserves for the Common Areas, along with insurance and operating costs for the Association and compensation to the Board of Directors. Such assessments shall be charged to each Member on a uniform flat-fee basis per Parcel owned. The assessments may be collected on a monthly, quarterly or annual basis, or any combination of same as determined by the Board. The Board shall establish, prepare and distribute to the Members an estimate of anticipated annual expenses (the "Budget") for the following fiscal year at least sixty (60) days prior to the end of the current fiscal year. Any proposed Budget that would result in an increase of more than fifteen percent (15%) in the regular assessments from the immediate previous year must be approved by the Members pursuant to the Bylaws. Assessment billing shall be sent to every Owner at least forty-five (45) days prior to the due date established by the Board. The initial regular assessment shall be \$312.00 per Parcel annually.

2.9 Special Assessments: In addition to Regular Assessments, the Association may establish or levy Special Assessments. The Board may levy a Special Assessment to cover the cost of bringing a Parcel (or its Owner or lessee) into compliance with the requirements of this Declaration, the Bylaws, the Articles or rules and regulations established by the Association. The Association may also establish a Special Assessment for the construction, repair, reconstruction, or replacement of a capital improvement of the Common Area or for any other lawful Association purpose or expense, HOWEVER any Special Assessment established for the purpose of such capital expenditures must be approved by a two-thirds (2/3) majority vote of Members meeting a fifty percent (50%) quorum requirement. Special assessments shall be allocated and charged on the same basis per Parcel as Regular Assessments.

2.10 Proration of Assessments: Regular Assessments will be assessed as of the date of recordation of the deed wherein the Owner acquired legal title to the Parcel. All Owners acquiring interest in a Parcel during the calendar year shall be obligated for a pro rata portion thereof. Declarant shall not be responsible for comparable assessments on each Parcel owned by Declarant. However, Developer may be responsible for providing labor, material and/or monies in sufficient amounts, not to exceed the amount of the normal Parcel assessment for each Parcel owned by Declarant, if necessary in Developer's opinion, to properly fulfill the Association's maintenance responsibilities until the Transition Date or earlier, at Developer's option. Where the holder of a First Deed of Trust, including Declarant, obtains title to the Parcel as a result of trustee's sale, or deed in lieu of foreclosure, of said First Deed of Trust, such acquirer of title, its successors and assigns, shall not be liable for the share of the assessments by the Association chargeable to such Parcel which became due prior to the acquisition of title to such Parcel by



such acquirer. Such acquirer shall be responsible, as any Owner, for assessments charged subsequent to the acquisition.

2.11 Assessment Liens: Assessment payments shall be considered delinquent if not postmarked within fifteen (15) days from the established due date. For each Parcel, the applicable regular and any special assessments, late payment penalties and charges, if any, together with interest, (all as set by the Association, but not to exceed the amount permitted by law), costs and reasonable attorney's fees, shall constitute a lien on the Parcel. Each Owner shall be personally responsible for his or her share of assessments imposed by the Association. This personal obligation or delinquent assessments shall not pass to the Owner's successor; PROVIDED HOWEVER, the obligation to pay the same shall be a continuing lien on the applicable Parcel, excepting for the provisions of Section 2.10 above, relating to deed of trust beneficiaries and to realty mortgagees. Such lien shall be prior to all other liens excepting only ad valorem liens in favor of governmental assessing units or special assessment districts. The Assessment lien may be foreclosed by the Association in a like manner as a foreclosure of a real property deed of trust or realty mortgage only under the following circumstances: a) If the amount owed is \$1,200 or more, not including collection fees, attorney's fees or late fees; or b) The amount has been delinquent for a minimum of one (1) year. The Association shall have the power to bid on the delinquent Parcel at a foreclosure sale, and acquire, hold, lease, encumber and convey the same. A suit to recover a money judgment for unpaid assessments and charges shall be maintainable by the Association without foreclosing or waiving the lien securing the same.

2.12 Maintenance/Management/Repairs of the Common Area: The Association shall take necessary and appropriate action for the maintenance, repair, replacement, and management of the facilities referred to in Section 2.1(1.a – 1.b) above, and shall have the right to enter upon a Parcel, if reasonably necessary, in order to take such action. The Association may take such action as the Association deems appropriate to maintain, repair or manage the facilities referred to in subpart 2.1(2), above.

2.13 Notice of Noncompliance In the event the Board or a majority of the Members meeting a fifteen percent (15%) quorum determines that any Owner has not complied with the provisions of this Declaration, the Board shall give notice to said Owner by certified mail (the "first notice"). The Owner shall be given ten (10) days after the date of said notice to respond by certified mail. Within ten (10) business days after receipt of the Owner's response or if the Owner fails to respond within twenty (20) days from the date of the first notice, the Board shall provide the Owner with a full written explanation of the violation and state the provision in the Declaration that has allegedly been violated (the "second" notice) which shall include: the date of the violation or the date the violation was observed; the first and last name of the person or persons who observed the violation; and the process the Owner must follow to contest the notice. The Owner shall correct same or, if not readily correctable within fifteen (15) days after the date of the second notice, submit corrective plans proposing Owner's remedy to the condition. The Board shall approve or disapprove any plans submitted by the Owner within ten (10) days of receipt of said corrective plans and set forth a reasonable time for the correction. In the event such condition is not corrected in accordance with the approved plans and within the allotted time, or in the event the Owner has not submitted corrective plans and fails to make the correction within (30) days from the date of the Board's second notice, the Association is hereby



granted the right of entry onto the affected Parcel to remedy such condition or violation. If so corrected by the Association, the Association may recover its costs by filing a civil suit, obtaining a judgment and filing a lien on the Owner's Parcel. The lien may not be foreclosed on as in the case of Assessment liens, however, it shall be valid and if unpaid, taken from the sales proceeds when the Parcel is sold. The Association is hereby granted the right of entry onto the affected Parcel for the purpose of correcting the condition or violation complained of. Remedies to Owners contesting a violation notice may include filing a civil lawsuit or filing a petition for a hearing in front of an Administrative Law Judge with the Office of Administrative Hearings.

2.14 Legal Costs: The Declarant, Developer, and/or the Board may cause a lawsuit to be commenced and maintained in the name of the Association against an Owner to enforce the payment of any delinquent assessment or to enforce any other pertinent provision of this Declaration. Any judgment rendered in any such action shall include the amount of the delinquency, interest at a rate not to exceed ten percent (10%) per annum from the date of delinquency, the amount of damages proven, court fees, and reasonable attorney's fees which are incurred by the Association as fixed by the court and as allowed by law.

2.15 Variances: So long as Developer maintains control of the Association, Developer, in its sole and absolute discretion, may grant a variance to any restriction or provision contained herein, and approve or disapprove any proposed improvement or alteration for any reason, including, but not limited to, aesthetics or potential negative impact on its ability to sell any remaining Property. After the Transition Date and in accordance with the Bylaws, the Board or Members may grant reasonable variances, where strict adherence to these restrictions would cause undo hardship or in cases where the Members of the Association would, in the Association's opinion, benefit from said variance. Variances may only be granted by a unanimous vote of the Directors or by two-thirds (2/3) majority vote of the Members meeting a thirty-five percent quorum (rounded to the nearest whole number). Any variance granted is to be recorded in the Yavapai County Recorder's Office and should state if the provisions of the variance are to "run with the land" or terminate when the affected Parcel is sold or changes ownership.

2.16 Transition Date: The Developer, as the Association's initial Board, shall call a meeting of the Members for the purpose of turning over the operation and control of the Association and notify the Members not less than thirty (30) days prior to said meeting. Prior to the meeting, the Members shall initially elect, by a majority of the votes cast by Members meeting a twenty-five percent (25%) quorum, three (3) Members to the Board. The election results shall be announced at the meeting. So long as Declarant owns any Parcel in the Project at the time of the Transition Date, Developer may exercise its voting rights by casting the number of votes it still retains at the time. Immediately following the transition meeting, the newly elected Board may hold their first meeting for the purpose of electing officers and conducting any other business of the directors. Following the Board meeting, the Association may hold its first annual meeting of the Members.



3. ARCHITECTURAL AND DESIGN CONTROL

3.1 Architectural Review Committee: The Association shall have an Architectural Review Committee (referred herein as the "Committee") consisting of not less than three (3) nor more than five (5) Members of the Association or Non-Members that are appointed by the Board. The purpose of the Committee is to ensure that the provisions set forth herein regarding fencing and structure/dwelling guidelines are adhered to for aesthetic purposes. The Committee may also establish additional reasonable architectural guidelines with approval from the Association (a majority vote of the Members). The members of the Committee shall incur no liability for their acts or omissions. Until the Transition Date, Developer and/or individuals or entities appointed by the Developer, shall review all plans and sample materials required herein to be submitted to the Committee for approval and exercise all other design review powers delegated to the Committee in this Declaration and in the Association Bylaws.

3.2 Approval of Plans: No residence, guest house, barn, garage or other structure, or improvement of any type, including additions or substantial changes to the exterior of an existing residence or other structure, shall be commenced, erected or maintained upon the Property until the plans and specifications have been submitted to and approved by the Architectural Review Committee. Additionally, plans for proposed horse facilities, including temporary shelters and fencing for horses (referred to herein as "horse fencing"), must be submitted to and approved by the Architectural Review Committee. A review fee of \$250.00 may be charged by the Committee upon submittal of plans. In the event the Committee fails to approve or disapprove any such proposed plans for improvements or alterations within thirty (30) days of submittal, the plans shall be governed only by the restrictions herein and those set forth in any additional architectural guidelines that may have been established by the Committee and approved by the Members. Provided, however, the plans shall not be considered to be submitted to the Committee until the completed plans and all required information, including material and color samples have been received by the Committee. The Committee shall have the right to reasonably refuse to approve any plans which are not considered to be aesthetically in harmony with the overall appearance and theme of the Project and to consider the effect of the proposed structure on the outlook from adjacent or neighboring Parcels. The Committee or its assigns shall have the right to waive a particular restriction where strict adherence to a provision would cause undo hardship. All Committee approvals and disapprovals shall be in writing. Actions of the Committee shall be by the majority vote of the Committee members.

3.3 Indemnity: Each Owner who submits a request for approval of an improvement or alteration of any structure shall indemnify, defend and hold harmless the Association, the Board, the Committee, their officers, directors, Members and shareholders for, from, and against any and all costs, claims or charges arising from the submission of the request, any action taken on the request, and from the construction of the improvements or the implementation of an alteration to any existing structure.

4. ANNEXATION OF ADDITIONAL PROPERTY



4.1 Developer's Right to Annex Additional Property: At any time the Developer shall have the right to annex and subject to this Declaration all or any portion of the Additional Property without the consent of any other Owner or person. Developer, its successors and designees reserve all present and future rights to utilize all Common roadways and easements within the Project to comparably develop lands within or adjacent to the Project and to grant use of said easements to additional subsequent individuals or entities. Any such expansion to be included within this Declaration shall be subject to the terms and conditions of this Declaration, but may include reasonable variances.

4.2 Annexation of Additional Property: Developer may annex and subject Additional Property to this Declaration by recording an amendment to Exhibit "A" of this Declaration describing the property being annexed. Common Area, as shown on the Record of Survey for the Additional Property, shall be subject to the provisions set forth in this Declaration with the maintenance, repair and replacement of the Common Area being the responsibility of the Association as set forth herein. The voting rights of the Owners of Parcels annexed pursuant to this section shall be effective as of the date of the annexation. The Owner's obligation to pay assessments shall commence as provided in Section 2.10 of this Declaration.

4.3 Sequence of Annexation: The Additional Property may be annexed as a whole, at one time or in one or more portions or phases at different times, or it may never be annexed, and there are no limitations upon the order of annexation or the boundaries thereof. The Additional Property annexed by the Developer pursuant to Section 4 need not be contiguous with other property in the Project, and the exercise of the right of annexation as to any portion of the Additional Property shall not bar the further exercise of the right of annexation as to any other portion of the Additional Property.

4.4 Disclaimer: DECLARANT MAKES NO REPRESENTATIONS OR WARRANTIES WHATSOEVER THAT: (1) The Project will be completed in accordance with the plans for the Project as they exist on the date this Declaration is recorded; (2) Any Property subject to this Declaration will be committed to or developed for a particular use or for any use; (3) The use of any Property subject to this Declaration will not be changed in the future; or (4) All or any portion of the Additional Property will annexed, or the exact number of Parcels to be added in the event of annexation.

5. DE-ANNEXATION

5.1 Developer's Right to De-Annex Property: Notwithstanding any other provision of this Declaration, Developer shall have the right from time to time, at its sole option and without the consent of any Owner, the Board or any other person, to delete from the Property and remove from the effect of this Declaration one or more portions or Parcels of the Property, so long as (1) The portion of the Property to be removed and deleted is owned by Declarant, or the Owner of such portion of the Property executes and records an instrument approving such deletion and removal; and (2) Such deletion and removal would not deprive Owners of other parts of the Property of easements or rights-of way necessary to the continued use of their respective parts of the Property (unless Declarant at the same time provides for reasonably adequate replacement easements or rights-of way). Developer may exercise its rights of de-annexation in each case by



executing and causing to be recorded an instrument which identifies the portion of the Property to be so deleted and removed and which is executed by each Owner of such portion of the Property to be so deleted and removed (if other than Declarant). The deletion and removal of such portion of the Property shall be effective upon the date such instrument is recorded; whereupon, the portion of the Property so deleted and removed shall thereafter for all purposes be deemed not a part of the Property subject to this Declaration. No such deletion and removal of a portion of the Property shall act to release such portion from the lien for assessments or other charges hereunder which have accrued prior to the effective date of such deletion and removal, but all such assessments or other charges shall be appropriately prorated to the effective date of such deletion and removal. Each portion of the Property deleted and removed pursuant hereto shall thereafter be deemed to be a part of the Additional Property unless otherwise expressly provided to the contrary in the instrument recorded to effect such deletion and removal.

6. GENERAL RESTRICTIONS APPLICABLE TO ALL PARCELS (SUBJECT TO SECTIONS 6.26 AND 6.27 REGARDING LOTS 8 AND 34 AND AS OTHERWISE STATED HEREIN).

6.1 Use Restrictions: All Parcels shall be used for residential and recreational purposes only provided, however, livestock, horses, poultry and domestic animals may be kept pursuant to the provisions in Sections 6.12 & 6.13. Notwithstanding anything contained in this Paragraph this restriction shall not prohibit home offices in a residential property where business is conducted through telephone, computer, or other electronic means and where the business is not apparent from the exterior of the residence; does not create noise or congestion from traffic or parking; and preserves the residential nature of the Property. All uses shall be in compliance with Yavapai County zoning regulations and permitted uses, in addition to the provisions stated herein.

6.2 Structures: Not more than one (1) single family detached residential structure and one (1) guest house, along with customary outbuildings such as, a garage, barn, stable, tack-room, horse facilities and equipment room shall be permitted on each Parcel. Under no circumstances shall any Parcel contain more than two (2) living quarters consisting of the primary residence and guest quarters. Guest quarters are defined as a separate guest house OR living quarters contained within a barn. Construction of a guest house, barn, or other structures or improvements (other than temporary horse shelters permitted under paragraphs 6.4 and 6.13) may not begin until construction of the primary residence has begun or has been completed. No structure shall exceed two (2) stories or thirty feet (30') in height unless written approval has been given by the Architectural Review Committee including but not limited to barns and windmills. All structures must be constructed from new material or its equivalent with the finished exteriors being of natural colors, in harmony with each other, and in harmony with the natural surroundings. Structures may be subject to Yavapai County codes, regulations, building permits, and Flood Control District requirements (if applicable), the compliance of which shall be the Owner's responsibility. No grading, excavation or leveling of a Parcel or construction, installation or erection of a structure, including residence, guest house, barn, garage, tack-room, horse fencing, equipment room or other structure, (including substantial alterations of existing structures) shall commence until the following have been submitted to and approved by the



Architectural Review Committee; plot plan, floor plan, front, back and side elevations, samples of all siding and roofing materials and the colors to be used. No reflective roofing shall be allowed. Corrals and pens shall be built and maintained in an attractive and workmanlike manner and maintained in such sanitary manner so as not to be considered a nuisance. Construction of all structures (other than residences) shall be completed within six (6) months from commencement. Residences and guest houses shall be completed in accordance with the provisions stated in Section 6.3 below.

6.3 Primary Residences and Guest Houses: Construction of a primary residence and guest house or barn with living quarters shall be newly and permanently constructed for year-round living and must meet Yavapai County's minimum standards for single-family dwelling construction. Plans shall be subject to approval, in writing, by the Committee prior to the commencement of construction. No mobile, modular, manufactured or pre-constructed home may be moved onto the Property. All residences shall be constructed on-site and shall be of conventional construction. No structure, including but not limited to dwellings, shall exceed two (2) stories in height. Primary residences shall contain a minimum of 1,800 square feet of living area, exclusive of garage, carport, open porches, and patios. Two (2) story primary residences shall contain a minimum of 1,200 square feet on the first level with a minimum of 600 square feet on the second level. The square footage for guest houses shall be in accordance with current Yavapai County zoning regulations. The exterior of all primary residences and guest houses shall consist of a minimum of fifty percent (50%) wood, stone and/or glass and shall be of natural colors and in harmony with each other and their natural surroundings. No dwelling or other improvement shall be occupied until fully completed as approved by the Committee. Construction of any residence shall be completed within one (1) year of commencement.

6.4 Temporary Structures: Motor homes, travel trailers and recreational vehicles may not be parked or used on a Parcel for more than seven (7) accumulative days per month. Temporary shelters used for the keeping of horses (as defined in paragraph 6.13) shall not be used for more than seven (7) days per month unless the Committee has received, reviewed and approved both the barn design and the temporary shelters design, in which case the shelters may be used for up to six (6) months while the barn is being constructed in accordance with the provisions in paragraph 6.2. All such structures (other than temporary horse shelters) must be fully self-contained. No temporary structure may be used as a residence or guest house. These provisions must be strictly adhered to.

6.5 Location of Structures: All structures are to be erected or placed no closer to Parcel boundary lines than 100 feet unless approved, in writing, by Developer or the Committee. Fences are not considered "structures" The set-back lines and all other restrictions contained herein are in addition to zoning and other land use regulations established by governmental authorities and the more restrictive shall apply.

6.6 Utility Lines: All utility lines running to any residence, outbuilding, machinery, pump, etc., must be placed underground beginning at the point where it enters the Parcel UNLESS prior written approval is received from the Developer or the Committee to allow lines to be constructed above ground due to topographic or surface constraints.



6.7 Storage, Parking and Repairs: No campers, camping trailers, boats, boat trailers, travel trailers, motor homes, recreational vehicles, or any other sporting or camping equipment or unlicensed or unregistered vehicle may be stored on any Parcel unless stored in a garage or outbuilding that has been approved by the Committee. No repairs, rebuilding or maintenance work shall be performed on any of the above or any other piece of equipment within 100 feet of the Parcel boundary lines, nor adjacent to roadways and every effort shall be made to perform such work in an outbuilding or within a screened area.

6.8 Antennas and Generators: The placement location of antennas, satellite dishes and power generators must have approval from the Committee prior to installation and must not be installed in such a way as to disturb the owners of adjacent Parcels. If there is a dispute over the placement, the Committee shall have the final decision on what affect the placement has on adjacent Parcel owners. Turbine wind generators are prohibited.

6.9 Off-Road Vehicles: All vehicles, engines, or motors must be operated with a muffler and/or spark arrestor. Off-road vehicles such as motorbikes, motorcycles, ATV's, snow mobiles or other motorized vehicles may be operated on owner's individual Parcel, however motor-cross tracks, racing areas, competitive off-road racing or any structured motor-cross activities are strictly prohibited. Any off-road vehicles operated on roadways must be operated in a safe manner and in such a way so as not to create a hazard or a nuisance or endanger livestock.

6.10 Water and Individual Sewage Systems: Each Parcel Owner may drill one (1) domestic, well per Parcel owned, at Owner's cost, and withdraw groundwater for noncommercial purposes so long as the well pump does not exceed a capacity of fifteen (15) gallons per minute. "Domestic" water use as defined herein, may include the following; outdoor watering for landscape vegetation, a garden, a pasture, livestock and other allowed animals, crops, alfalfa (so long as not for commercial purposes), a pond, and the irrigation of not more than ten percent (10%) of the Parcel (by Owner's well), PROVIDING HOWEVER, no more than six (6) acre feet per calendar year is used from each permitted well. If the Parcel is subdivided, under the provisions of this Declaration, each Parcel may have its own well, subject to the conditions mentioned previously. Any domestic well must be installed in compliance with the laws, rules, and regulations of the Arizona Department of Water Resources and any other applicable federal, state or local regulatory agency or authority. If requested by the Board or Developer, Owner will provide reasonable evidence of the well pump's capacity and amount of land being irrigated during any calendar year. All residences shall contain an individual sewage system that has been constructed to Yavapai County Health Department standards. All required permits must be obtained prior to installation. No such systems may be installed within 100 feet of any Parcel boundary line without prior approval of the Committee. All sewage systems shall be maintained so as not to disturb surrounding Owners with offensive odors or sights and located so as to minimize grading and disturbance to existing vegetation.

6.11 Drainage Easements: The Property is hereby subject to drainage easements for drainage of storm water runoff. No person shall be entitled to alter the existing drainage patterns on any portion of the Property or materially relocate existing drainage locations in any way.

6.12 Livestock, Poultry and Domestic Animals: The intended use of the Property is for residential and recreational purposes, however Ranching, as defined herein, is permitted so long



as it does not impede adjacent Owners enjoyment of their property by creating a nuisance, excessive noise, odor, health or sanitary concerns. No more than two (2) pigs or hogs may be raised for 4-H or agricultural club projects at a time. The breeding of cattle and horses for profit and horse training facilities are allowed so long as the combined total of all animals does not exceed one (1) per acre owned. Boarding facilities (except as otherwise stated herein), riding stables, dairies, kennels, and poultry farms are considered commercial use of the Property and are prohibited. All livestock, poultry and other animals (other than horses) shall be confined within a fenced area with fencing constructed of new material or the equivalent and of adequate height and strength to safely contain said animals. If barbed wire fencing is used it shall conform to the provisions set forth in Section 6.24 herein. Livestock and poultry areas shall be kept clean and odor free, with all manure removed on a regular basis. Dogs shall be kept within fenced areas or restrained on leashes.

6.13 Horses Provision: The number of horses kept on a Parcel shall not exceed the total number of animals allowed under paragraph 6.12 (1 per acre). Additionally, a suitable facility is required to be constructed to accommodate the maximum number of horses. At a minimum, a fully enclosed and covered barn shall be constructed with a number of stalls sufficient to house 50% of the total number of horses. The fenced area must equal a minimum of one acre per 2 horses, not including attached barn turnouts, working arenas, horse walker areas and round pens. The fencing of horses (horse fencing) shall be in conformance with paragraph 6.24 and shall be approved by the Committee prior to installation. It is recommended that the facade of the structures be analogous with the facade of the primary residence. Prefab metal barns are allowed provided they are sided with 50% wood or stone. The construction is to be done in a professional manner. Covered, but un-enclosed structures (i.e. mare motels) are permitted for use as shades in pastures, but are not to be considered a replacement for permanent accepted suitable facilities. Temporary structures are allowed but only in conformance with paragraph 6.4.

Professional horse trainers are allowed and shall not be considered as a commercial business, but rather as a "Ranching" activity. Riding stables open to the public are not allowed. Boarding facilities are allowed only in conjunction with a training facility, but shall not be open to the general public. "Special event" activities such as horse shows, seminars or clinics sponsored by a training facility or private individual are prohibited unless written approval from the Board is obtained. Covered and uncovered lighted arenas are allowed provided the lights are extinguished by 8 pm. Designs of all structures are to be approved by the Committee.

Horse training facilities constructed and leased out by an Owner are the responsibility of the Owner and it shall be the Owners' responsibility to take corrective action to ensure the facility is in compliance with this Declaration.

It is strongly recommended that owners provide the board with a general sketch of their planned facility, including the structures planned, the proposed use, the number of animals proposed and a timeframe for completion of the facility prior to submitting formal plans.

6.14 Re-sale / Lot divisions: No original Parcel(s) may be resold or further divided by an Owner until after eighteen (18) months from the date of initial conveyance or until after the Transition Date, whichever is sooner. Developer may grant a written variance to the required waiting period to subdivide a Parcel under the following circumstances: 1) For the purpose of



constructing a primary residence on the Parcel and/or newly created Parcels; and 2) The original Parcel and any newly created Parcels may not be sold by original Owner(s) until eighteen (18) months after the date of initial conveyance or until after the Transition Date, which ever is sooner unless the Parcel offered for sale has a primary residence constructed on it. Any division of Parcels must be done in strict accordance with all applicable laws including required approvals by Yavapai County and the State of Arizona, which is the sole responsibility of the Owner. Subject to state and county regulations, original Parcels may be divided twice, creating a maximum of three (3) Parcels, with a minimum Parcel size of ten (10) acres each, with the exception of Lots 3, 41, 43, 49, 56, and 57 each of which may be further divided three times, creating a maximum of four (4) Parcels, with a minimum Parcel size of ten (10) acres each. All Parcels newly created by an Owner through subdividing an original Parcel must contain a minimum of 150' feet of road frontage along roads which have been previously dedicated to the Saddle Creek Ranch Property Owners Association on the Record of Survey OR along a thirty foot (30') roadway easement created by Owner on the original Parcel for the purpose of ingress / egress, emergency vehicle access and utility line construction and maintenance to the new Parcel. A ten foot (10') wide easement shall be created along and adjacent to all other Parcel boundary lines. All easements created shall be appurtenant and of a perpetual term. Additionally, all easements shall state the party responsible for maintenance and must be recorded by Owner in the Office of the Yavapai County Recorder prior to conveyance of either Parcel to a subsequent party.

6.15 No Medical Facilities: Hospitals, clinics, and other facilities for the treatment or care of the physically or mentally ill or disabled are prohibited.

6.16 Churches or Clubs: or other institutions organized for religious worship or discussion is prohibited as are buildings used primarily as clubhouses or meeting facilities.

6.17 Garbage: No Parcel may be used for temporary or permanent storage of rubbish or trash (collectively, garbage). No garbage may be kept on any Parcel except in covered containers and screened from view from adjacent Parcels.

6.18 Junkyards, Auto Repair, Second-Hand Business, And Material Storage: No junkyards, auto repair, second-hand businesses or other commercial uses that create a negative visual impact, excessive noise or congestion from traffic or parking shall be conducted on any Parcel. No storage of trucks, cars, buses, and machinery, equipment or building materials shall be stored on any Parcel unless enclosed in a proper structure so as not to be visible from an adjoining Parcel or any roadway.

6.19 Nuisance Activities: The unusual, unnecessary, prolonged, or indiscriminate creation of noise, dust, fumes, odors or any other offensive activity is prohibited, including but not limited to road racing, loud music, and excessive gunfire.

6.20 Signs: No signs will be permitted (including but not limited to For Sale or For Rent signs) on Parcels until after eighteen (18) months from the date of initial conveyance or after the Transition Date: EXCEPT for address signs that identify the address and/or the Owner of the Parcel, which signs will not exceed 4 square feet. All signs are to be in strict conformance with the laws and ordinances set forth by Yavapai County. Permits may be required. Developer



reserves the right to remove any and all signs that are in violation of the provisions in this Declaration. None of the sign restrictions in this Declaration apply to the Developer or its assigns or successors for the purpose of selling Parcels, including advertising, locational, directional, or street signs. Nothing in this provision shall prohibit an Owner from attempting to sell their Parcel in accordance with and pursuant to the provisions stated herein and in Section 6.14.

6.21 Easements: With the exception of easements created for subdivision purposes referred to in Section 6.14, no further granting of easements shall occur without the express written approval of the Association or Developer. Owners will provide access to easements whenever requested by utility companies. Subject to Section 6.24, no structure, including fencing, shall be constructed on the recorded easements as they are shown on the Record of Survey. All fences placed adjacent to common roadways within the Project (except for Lots 1 and 2) shall be located no closer than forty-five feet (45') from the centerline of the roadway. Fences placed on Lots 1 and 2, adjacent to the one hundred foot (100') roadway easement along the north boundary line, shall be located no closer than one hundred (100') feet from the parcel boundary line. A "blanket" easement has been recorded over all lots in the development, for any existing water lines across the property (in their current location). Said easement is granted to the owner/lessee of the grazing rights (their successors or assigns) for purposes of repairing, replacing and maintaining the existing lines for use in watering livestock. Structures may not be placed on or over the said water lines or so close as to prohibit Lessee from accessing said lines for the purposes stated on the Recorded document. Developer reserves the right to grant the use of all recorded easements to additional subsequent individuals or entities at its sole discretion.

6.22 Mineral Extractions: In no event shall any Owner or lessee use or cause to be used any portion of the Property, including his or her own Parcel, for the purposes of drilling, exploring, mining, or otherwise developing any deposits of oil, minerals, or other natural resources lying above, on, or under said Property, with the exception of such drilling and exploration by the Developer or the Owner as may be necessary to produce an adequate water supply for the development of the Parcel involved pursuant to the provisions stated in Section 6.10. Nothing in this Section shall prohibit Developer from excavating Property still owned by Declarant for purposes of building or improving roadways within the Project.

6.23 Reserved Water Rights and Grazing Rights: The grazing rights to the Property, along with the rights to surface and groundwater rights have been retained by and for the exclusive use of Developer (Arizona Land & Ranches, Inc.), or its successors and assigns or lessees. HOWEVER, each Owner may drill one (1) domestic, well per Parcel owned under the provisions of Section 6.10. Additionally, an Owner may fence its Parcel in order to restrict cattle and other livestock from crossing or grazing on Owner's Parcel or any portion thereof, at which time said reserved grazing rights shall be terminated from the fenced portion of the Parcel. Providing, however, those Parcels containing retained existing waters and easements thereto, may not be fenced in such a way as to restrict access of the Developer, Lessee or livestock from accessing the water or the easement area. Any fencing shall be in accordance with the minimum standards set forth in Section 6.24 below. Provided that improvements on Owner's Parcel are not interfered with, Arizona Land & Ranches, Inc., and its successors and assigns, retains easements across the Property as may be convenient or necessary for the use of its water rights and grazing rights, as such easements exist now or may be designated in the future by Arizona Land & Ranches, Inc. or its successors or assigns.



6.24 Fencing: No fencing shall be constructed within the fifteen foot (15') utility easement area. All fences placed along and adjacent to common roadways (except for Lot # 1 and Lot # 2) must be placed a minimum of forty-five feet (45') from the centerline of the roadway. Fences placed on Lots 1 and 2, adjacent to the one hundred foot (100') roadway easement along the north boundary line, shall be placed no closer than one hundred (100') feet from the parcel boundary line. "Horse fencing", as referred to herein, shall at a minimum, be constructed of three (3) rail pipe or no-climb fencing with a top pipe rail or other material approved by the Committee and may not be constructed without prior approval of the Committee. No temporary panels shall be used for fencing. Subject to the provisions herein, Owner, at his/her expense, shall have the right to move any "pre-existing" ranch fence which goes through Owner's Parcel PROVIDING HOWEVER, so long as the grazing rights are retained, said fence is reconnected so that there is no gap in the overall fencing unless written approval has been obtained from the Lessee or owner of the grazing rights. Any fences moved and/or installed by Owner, shall be at Owner's sole expense. Barbed wire fencing may be used for other than horse fencing. HOWEVER, wherever barbed wire fencing is used it shall be constructed using "wildlife friendly" techniques whereby the fence shall have smooth wire as the bottom strand, be 18 inches above the ground, and the overall fence height shall not exceed 60 inches. Additionally, barbed wire fencing shall be constructed with the following minimal requirements: 1) Posts not more than 15' apart: 2) Not less than three stays between posts: 3) Four continuous strands of wire and: 4) Is adequate, in accordance with normal ranch standards, to contain horses and other livestock.

6.25 Environmental Protection: The beauty of the Property is in the mixture of trees and open space. Trees having a minimum trunk diameter of six inches and measuring two feet above ground level may only be cut if the following conditions are met: 1) Are dead or dying; or 2) Removal is required to clear land for building sites, access roads, fire prevention, enable installation of utilities, view corridors, or recreational open space. In any event not more than twenty percent (20%) of any one Parcel may be cut or cleared without written permission from the Association.

6.26 Exemption from Certain Restrictions for Lot 8: Certain pre-existing conditions on Lot 8 shall be exempted. The existing primary residence is not required to consist of a minimum of fifty percent (50%) wood, stone and/or glass as stated in Section 6.2, unless substantial alterations to the existing structure are made. Pre-existing structures are exempt from Section 6.5. Pre-existing utility lines are exempted from Section 6.6. Pre-existing pumps on pre-existing wells are exempted from the fifteen (15) gallons per minute capacity as stated in Section 6.10. Pre-existing fences are exempted from Sections 6.12, 6.21 and 6.24.

6.27 Exemption from Certain Restrictions for Lot 34: Lot 34 shall be exempt from certain specific covenants, conditions and restrictions contained elsewhere in this Declaration. In spite of those provisions contained herein to the contrary, the following shall apply specifically to Lot 34: Under Section 3 (Architectural Review Committee), Lot 34 shall be exempt from review and approval of all plans by the Architectural Review Committee; Under Section 6.2 (Structures), it is not necessary for a primary residence to have begun construction or to be completed prior to the construction or placement of a barn, guest house, or other structure or improvements; Under Section 6.3 (Primary Residences and Guest Houses), a primary residence may contain a



minimum of 800 square feet; a new manufactured home (not older than one (1) year from the date of manufacture to the date of installation) is permitted to be installed and used as a permanent dwelling or primary residence however, all dwellings and structures shall meet Yavapai County minimum standards for single-family dwellings; no single-wide manufactured homes are allowed; and a primary residence is not required to consist of a minimum of fifty percent (50%) wood, stone and/or glass as stated; Under Section 6.10 (Water and Individual Sewage Systems), the capacity of the well pump may exceed fifteen (15) gallons per minute and over six (6) acre feet of water may be used from the permitted well for ranching purposes; Under Section 6.12 (Livestock, Poultry and Domestic animals), the number of livestock may exceed 1 animal per acre owned but only on a periodic and temporary basis, as needed for ranching purposes; Under Section 6.13 (Horse Provisions) only the following shall apply; a) a suitable facility is required to be constructed to meet the maximum number of horses, b) the fencing of horses shall be in conformance with the barbed wire provisions set forth in Section 6.24, c) it is recommended that the facade of barns or other horse structures be analogous with the facade of the primary residence, d) the construction is to be done in a professional manner, e) covered, but un-enclosed structures (i.e. mare motels) are permitted, and f) temporary structures are allowed but only in conformance with paragraph 6.4; And, under Section 6.24 (Fencing), the special provisions regarding "horse fencing" shall not apply, however barbed wire may be used in accordance with the barbed wire provisions contained in that section.

7. GENERAL PROVISIONS

7.1 Enforcement: The covenants, conditions, and restrictions contained in this Declaration shall run with the land and shall be binding upon all persons owning, leasing, subleasing or occupying any Parcel after the date on which this instrument shall have been recorded in the Office of the Recorder of Yavapai County, Arizona unless otherwise stated herein or in a variance granted by Developer or the Board. This Declaration may be enforced by the following; Declarant, Developer, Lessee, the Association, the holder of a First Deed of Trust on any Parcel, any Owner or lessee of a Parcel, or by any one or more of said persons acting jointly; PROVIDED, HOWEVER, that any breach by reason thereof shall not defeat or adversely affect the lien of a First Deed of Trust upon any Parcel, but each and all said covenants, conditions, and restrictions shall be binding upon and effective against any Owner, lessee or occupant of said Parcel whose title thereto is acquired by foreclosure, or otherwise; and FURTHER PROVIDED that the breach of any said covenants, conditions, and restrictions may be enjoined, abated or remedied by appropriate proceedings, notwithstanding the lien or existence of any such First Deed of Trust. All instruments of conveyance or assignment of any interest in all or any party of the Property may refer to this Declaration and shall be subject thereto as though this Declaration were therein set forth in full.

7.2 Developer's Exemption: Nothing herein shall be construed as prohibiting Developer from maintaining a sales or development office on any Parcel owned by it or engaging in activities which Developer deems appropriate to its development, sales program, water reservations or ranching activities.

7.3 Invalidity / Severability: In the event any of the covenants, conditions, and restrictions contained herein is ruled invalid by a court of competent jurisdiction, such covenant, condition or



restriction shall be deemed severed from this Declaration and shall in no way affect the validity of any other provision of this Declaration, all of which shall remain in full force and effect. In cases where there is a disparity between any provision of this Declaration and current Yavapai County regulations, the more restrictive shall prevail.

7.4 Amendments: With the exception of Sections 6.4, 6.10, 6.14, 6.24, 6.26 and 6.27 this Declaration may be amended by the Association after the Transition Date by instrument approved by a two-thirds (2/3) majority vote of Members meeting a fifty percent (50%) quorum. Such amendment shall be recorded in the Office of the Yavapai County Recorder and become effective immediately thereafter. Section 6.4 may not be amended by the Association until fifteen (15) years after the Transition Date. Sections 6.10, 6.14, and 6.24, 6.26 and 6.27 may not be amended by the Association at any time. No Section or paragraph may be amended by the Association in such a way as to change or negate the rights reserved by Declarant or Developer herein or on the Record of Survey; nor to affect the exemptions granted to the Owners of Lots 8 and 34 throughout this Declaration; nor to affect the provisions set forth for Lots 3, 41, 43, 49, 56, and 57 regarding the number of allowed lot splits and allocated votes. Prior to the Transition Date, Declarant may amend any provision of this Declaration without approval of the Owners. After the Transition Date, Declarant may amend this Declaration without approval of the Association or the Owners to correct any inconsistencies, make non-substantive revisions, clarify a provision or to comply with any law or regulation.

7.5 Term: This Declaration shall remain in full force and effect for a term of twenty (20) years from and after the date of recording of this Declaration. This Declaration shall be automatically renewed and extended for successive periods of ten (10) years each, unless terminated by seventy-five percent (75%) of the votes cast by Members entitled to vote or amended pursuant to Section 7.4 above. Such termination or amendment shall be recorded in the Office of the Yavapai County Recorder.

EXECUTED this 10th day of August, 2007

DECLARANT:

TRANSNATION TITLE INSURANCE CO.

a Nebraska corporation, as Trustee under Trust No. 7384

By: [Signature]
Its: [Signature]

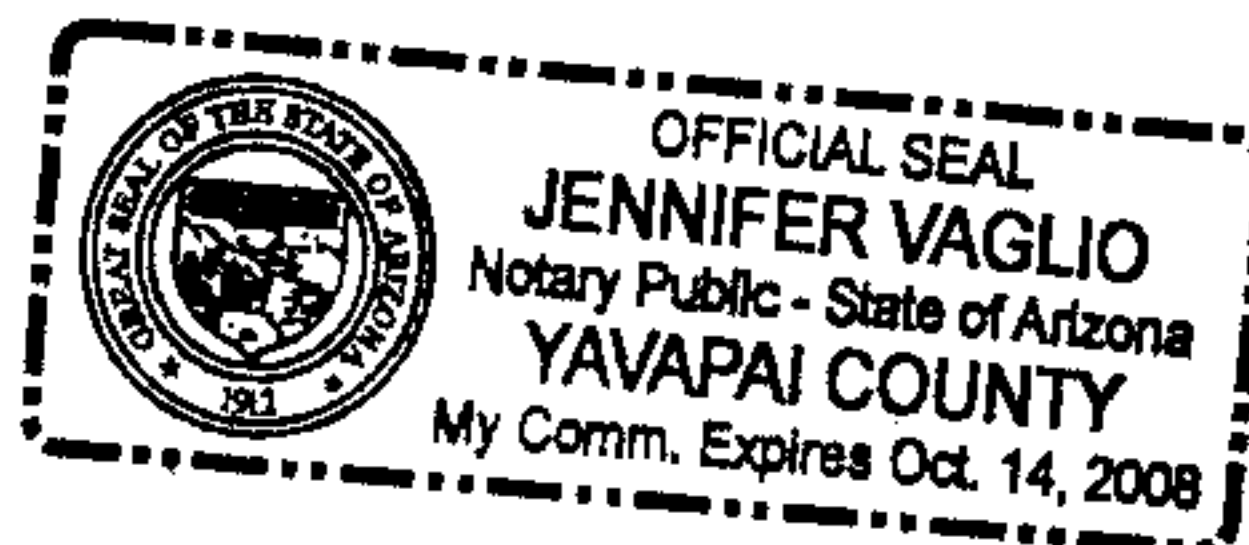


STATE OF ARIZONA)
) ss.
County of Yavapai)

This instrument was acknowledged before me this 13th day of August, 2007 by
Jim Muse as Asst. Secretary of Transnation Title
Insurance Company.

Notary Jennifer Vaglio

My Commission expires:
10-14-08



APPROVED:

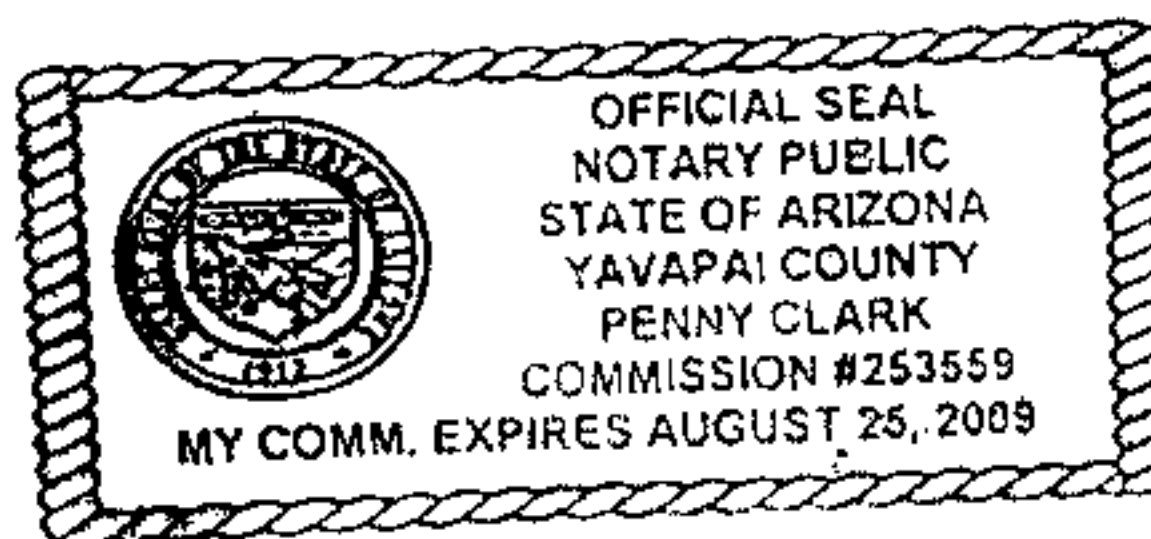
ARIZONA LAND & RANCHES, INC.

an Arizona corporation, as Developer and Beneficiary under Trust No. 7384

By: Renee Howes

Its: VP

STATE OF ARIZONA)
) ss.
County of Yavapai)



This instrument was acknowledged before me this 10th day of August, 2007 by
Renee Howes, as Vice President of Arizona Land &
Ranches, Inc.

Notary Penny Clark

My Commission expires: 8-25-07



EXHIBIT "A"
LEGAL DESCRIPTION

SADDLE CREEK RANCH, LOTS 1 – 17, INCLUSIVE, LOCATED IN SECTION 25, TOWNSHIP 12 NORTH, RANGE 7 WEST AND IN SECTIONS 19 & 30 IN TOWNSHIP 12 NORTH, RANGE 6 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPI COUNTY, ARIZONA, AS RECORDED IN BOOK 137 PAGES 10 & 11, AT FEE NUMBER 3943479, IN THE OFFICIAL RECORDS OF THE YAVAPAI COUNTY RECORDER'S OFFICE.

SADDLE CREEK RANCH PHASE 3, LOTS 34 – 61, INCLUSIVE, LOCATED IN SECTION 35, TOWNSHIP 12 NORTH, RANGE 7 WEST AND IN SECTION 1 IN TOWNSHIP 11 NORTH, RANGE 7 WEST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, YAVAPI COUNTY, ARIZONA, AS RECORDED IN BOOK 158, PAGES 141 & 142, AT FEE NUMBER 4072221, IN THE OFFICIAL RECORDS OF THE YAVAPAI COUNTY RECORDER'S OFFICE.