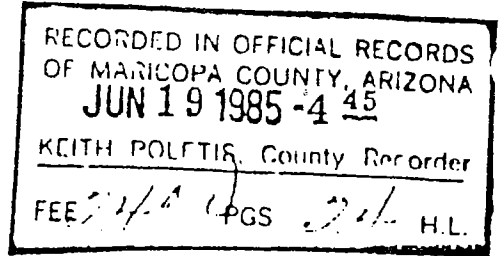


CORRECTOR

When recorded mail to:

UDALL, SHUMWAY, BLACKHURST 85 283508
ALLEN, LYONS & DAVIS, P.C.
30 West First Street
Mesa, Arizona 85201



RESTATED AND CORRECTING
DECLARATION

OF COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION is made on the date hereinafter set forth by BOWEN QUALITY CONSTRUCTION COMPANY, INC., an Idaho corporation, hereinafter referred to as "Declarant."

WITNESSETH:

WHEREAS, Declarant is the owner of certain property in the City of Mesa, County of Maricopa, State of Arizona, which is more particularly described as:

LOTS 1-183, STONEBRIDGE GARDENS, as recorded in Maricopa County, in Book 272 of Maps, page 36, a subdivision of Tract "A", STONEBRIDGE ESTATES, according to the plat of record in the Office of the County Recorder, Maricopa County, Arizona, recorded in Book 271 of Maps, page 28.

WHEREAS, Declarant executed a Declaration of Covenants, Conditions and Restrictions on February 18, 1985 which was recorded in the Maricopa County Recorder's office in Recorder's No. 85-083827 on February 26, 1985 (hereinafter the "Original Declaration"); and

WHEREAS, Declarant desires to restate and correct said Original Declaration and by executing this Declaration pursuant to Article XI, Section 4 of the Original Declaration, does so hereby;

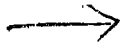
NOW THEREFORE, Declarant hereby declares that all of the properties described above shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to STONEBRIDGE GARDENS, INC., an Arizona nonprofit corporation, its successors and assigns.

(a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;



(b) the right of the Association to suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(c) the right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds of each class of members has been recorded.

(d) the right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and the recreational facilities thereon; and

(e) the right of the Association to amend this Declaration, the Association's Articles and Bylaws or its published rules and regulations after due notice and hearing as provided in the Bylaws.

Section 2. Delegation of Use. Any owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

Section 3. Waiver of Use. No Owner may exempt himself from personal liability for assessments duly levied by the Association, nor release the Lot owned by him from the liens and charges discussed herein, by waiver of the use and enjoyment of the Common Area and the facilities thereon or by abandonment of his Lot. Each individual who signs a purchase contract for a Lot on behalf of a corporation, partnership or other entity shall be personally liable for the assessments on said Lot notwithstanding any principle or rule of law to the contrary.

Section 4. Right of First Refusal. The right of an Owner to sell, transfer, or otherwise convey his or her Lot shall not be subject to any right of first refusal or similar restriction imposed by the Association.

Section 5. Leasing Restrictions. All leases or rental agreements for Lots shall be in writing and specifically subject to the requirements of the Association's Articles of Incorporation, Bylaws, Management Agreement, and these Restrictions, as now in effect or duly adopted or amended. No Lot may be leased or rented for less than a minimum initial term of six months unless otherwise agreed to by the Association's Board of Directors.

Section 6. Restrictions on Mortgaging Lots. 85 283508
Notwithstanding anything to the contrary stated herein, no Owner shall be restricted in his or her right to mortgage or otherwise encumber the Lot or Lots which he or she owns.

Section 7. Notice. Upon the sale or lease of a Lot by an Owner, Owner shall deliver to the Association, within 10 days of the signing of any lease or deed transferring title, a copy of said instrument setting forth the name, address and telephone number of the lessee or vendee as the case may be.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every owner of a lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot.

Class B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

(b) within two (2) years from conveyance of the first Lot in the project to a Class A member.

Section 3. In the event any Owner is in arrears in the payment of any amount due pursuant to any provision of this Declaration for a period of thirty (30) days or shall be in default in the performance of any provisions of this Declaration for a period of thirty (30) days, that Owner's right to vote as a member of the Association shall be suspended and shall remain suspended until payments are brought current or otherwise as provided in Article II, Section 1(b) hereof.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents of the Properties and for the improvement and maintenance of the Common Area. The assessments shall cover the cost of water and sewer for the Common Area, garbage removal services of the City of Mesa, the cost of all repairs, replacement and maintenance of the Common Area and all other authorized activities and facilities, including, but not limited to, common yard maintenance, private drive maintenance, sprinkler system, swimming pool, common parking areas, costs of additional common facilities and improvements, professional fees, taxes and insurance for the Common Area, as may, from time to time, be authorized by the Association's Board of Directors. The Association may impound each Owner's share of Common Area insurance at the time of closing. Notwithstanding anything herein to the contrary, each Owner shall provide and pay directly for insurance covering the structure of his or her Lot as well as water and sewer services for his or her Lot.

Section 3. Establishment of Assessment. Declarant and each Owner of a Lot covenants for themselves and their heirs, successors and assigns, that such Lot shall be subject to an assessment, in an amount to be determined by the Association, as permitted by this Declaration of Covenants, Conditions and Restrictions. The amount to be prorated among the members of the Association shall be established annually by the Board of Directors.

Section 4. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be Five Hundred Dollars (\$500.00) per Lot.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year not more than the amount that the cost of living has increased above the maximum assessment for the previous year according to the index which is maintained by the Valley National Bank of Arizona, a national banking association, without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the amount that the cost of living has increased according to the index which is maintained by the Valley National Bank of Arizona, a national banking association, by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

Section 6. Notice and Quorum for Any Action Authorized Under Sections 4 and 5. Written notice of any meeting called for the purpose of taking any action authorized under Section 4 or 5 shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast 60 percent of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 7. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis

Section 8. Date of Commencement of Annual Assessments: Due Dates. The annual assessments provided for herein shall commence as to all Lots on the first day of the month following the conveyance of the Common Area. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. No owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. In addition to the above, any assessment not paid on or before the due date shall be automatically assessed \$25.00 as a late charge.

Section 10. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE V

ARCHITECTURAL CONTROL

No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature,

kind, shape, height, materials, and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VI

PARTY WALLS

The rights and duties of the Owners of any Lots within the project with respect to party walls shall be governed by the following:

(a) Each wall, including patio walls, which is built as a part of the original construction of the homes upon the Properties and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) The cost of reasonable repair and maintenance of a party wall shall be shared by the adjoining Owners of such wall in proportion to the use thereof, without prejudice, however, to the right of any Owner to call for a larger contribution from the adjoining Owner under any rule of law regarding liability for negligent or willful acts or omissions.

(c) If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Notwithstanding any other provision of this Article, an Owner who, by his negligent or willful act, causes any party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

(f) In addition to meeting the Owner requirements of these restrictive covenants and of any building code or similar regulations or ordinances, any Owner proposing to modify, make additions to or rebuild in any manner which requires the extension or other alteration of any party wall, shall first obtain the written consent of the adjoining Owner. to the repair or rebuilding of a party wall or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to arbitration under such rules as may from time to time be adopted by the Association. If no such rules have been adopted, then the matter shall be submitted to three arbitrators, one chosen by each of the Owners and the third by the two so chosen, or, if the arbitrators cannot agree as to the selection of the third arbitrator within five (5) days, then by any Judge of the Superior Court of Maricopa County, Arizona. A determination of the matter signed by any two of the three arbitrators shall be binding upon the Owners, who shall share the cost of arbitration equally. In the event one party fails to choose an arbitrator within ten (10) days after personal receipt of a request in writing for arbitration from the other party, then the other party shall have the right and power to choose both arbitrators.

(h) These covenants shall be binding upon the heirs and assigns of any owners but no person shall be liable for any act or omission respecting any party wall except such as took place while an Owner.

(i) The Association may by its Bylaws, rules or regulations, govern the use of party walls by Owners, if necessary, to prevent the imposition of annoyances between Owners.

ARTICLE VII

MAINTENANCE

Each Owner shall be responsible for the upkeep and maintenance of his Lot and for the upkeep and maintenance of individual patios, all other areas, features, or parts of his Lot and property not otherwise maintained by the Association. All fixtures and equipment installed within a Lot, commencing at a point where the utility lines, pipes, wires, conduits or systems enter the Lot, shall be maintained and kept in repair by the Owner thereof. Termite control shall be the responsibility of the Owner. An Owner shall do no act nor any work that will impair any easement or hereditament, nor do any act nor allow any condition to exist which will adversely affect the other Lots or their Owners.

ARTICLE VIII

DAMAGE OR CONDEMNATION OF PROPERTY; INSURANCE

Section 1. Damage by Owner. In the event any common element is damaged or destroyed by an Owner or any of his guests, tenants, licenccees, agents, or members of his family, such Owner shall be liable to the extent provided under Arizona law to repair the damaged element, and the Association shall so repair the damaged element in good workmanlike manner in substantial conformance with the original plans and specifications. The Owner shall then repay the Association in the amount actually expended for such repair.

Each Lot Owner further agrees that these charges for repairs, if not paid within ten (10) days after completion of the work, shall be delinquent and shall become a lien upon Owner's Lot and shall continue to be such a lien until fully paid. The lien shall be subordinate to any first mortgage or encumbrance on the subject property. Said charges shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum. The amount of principal and interest owed by the Owner to the Association shall be a debt, and shall be collectable by any lawful procedure allowed by the laws of the State of Arizona.

Each such Owner, by his acceptance of a deed to a Lot, hereby expressly vests in the Association or its agents the right and power to bring all actions against such Owner for the collection of such charges and to enforce the aforesaid lien by all methods available for the enforcement of such liens and such Owner hereby expressly grants to the Association power of sale in connection with the lien.

Nothing contained in this Article VIII shall be construed in any way so as to relieve any insurance company from the payment of any and all amount which would be payable under any policy or policies, had not this Article been inserted.

In the event of a dispute between an Owner and the Board of Directors with respect to the cause of damage or the extent of repairs necessitated or with respect to the cost thereof, then, upon written request of the Owner, addressed to the Association, the matter shall be submitted to arbitration under such rules as may from time to time be adopted by the Association or its Board of Directors. If no such rules have been adopted, then the matter shall be submitted to three arbitrators, one chosen by the Board of Directors, one chosen by the Owner, and these two arbitrators shall then choose a third arbitrator.

If the two arbitrators cannot agree as to the selection of the third arbitrator, then he shall be chosen by any Judge of the Superior Court of Arizona in and for the County of Maricopa. A determination by any two of the three arbitrators shall be binding upon the Owner and the Association, who shall share the cost of arbitration equally. In the event one party fails to choose an arbitrator within ten (10) days after personal receipt of a request in writing for arbitration from the other party, then the other party shall have the right and power to choose both arbitrators.

Section 2. Insurance. The Association shall maintain in effect casualty and liability insurance and fidelity bond coverage as specified in this paragraph.

(a) The Association shall obtain, maintain, and pay the premiums as a common expense upon a policy of property insurance covering all of the Common Area (except land, foundation, excavation, and other items normally excluded from coverage) including fixtures and building service equipment to the extent that they are a part of the Common Area, as well as common personal property as applies. Such policy shall provide, as a minimum, protection against loss or damage by fire and other perils normally covered by the standard extended coverage endorsement, as well as all other perils which are customarily covered with respect to projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement. Such insurance shall be in an amount equal to 100% of the current replacement cost of the Common Area of the properties, exclusive of land, foundation, excavation, and other items normally excluded from coverage. The name of the insured under such policy shall be set forth therein substantially as follows:

"Association of Owners of STONE-BRIDGE GARDENS, a planned unit development; for the use and benefit of the individual Owners."

Loss payable shall be in favor of an insurance trustee as hereinafter provided for each Owner and each Owner's mortgagee. Each Owner and each Owner's mortgagee, if any, shall be beneficiaries of the policy in the proportion of common ownership of the Common Area of the Association. The policy shall provide that it may not be cancelled or substantially modified without at least ten days' prior written notice to the Association.

Such insurance shall provide for an agreed amount and inflation guard endorsement, if available.

(b) The Association shall also maintain comprehensive general liability insurance coverage covering all of the Common Area, public ways of the project and commercial spaces, if any, owned by the Association, whether or not they are leased to some third party and covering all officers of the Association. Coverage limits shall be in amounts generally required by private institutional mortgage investors for projects similar in construction, location and use, and shall in any event be for at least \$1,000,000 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage under this policy shall include, without limitation, legal liability of the insureds for property damage, bodily injuries and deaths of persons in connection with the operation, maintenance or use of the Common Area and legal liability arising out of lawsuits related to employment contracts of the Association. Such policies must provide that they may not be cancelled or substantially modified by any party without at least ten (10) days' prior written notice to the Association.

(c) The Association shall also maintain blanket fidelity bonds for all officers, directors, trustees, and employees of the Association and all other persons handling or responsible for funds of or administered by the Association. Furthermore, where the Association has delegated some or all of the responsibility for the handling of funds to a management agent, blanket fidelity bonds shall be required for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The total amount of fidelity bond coverage shall be for not less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management agent, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bond be less than a sum equal to three months' aggregate assessments on all units plus reserve funds. Fidelity bonds required herein must meet the following requirements:

(1) Fidelity bonds shall name the Association as an Obligee;

(2) The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "Employees," or similar terms or expressions;

(3) The premiums on all bonds required herein for the Association (except for premiums on fidelity bonds maintained by a management agent for its own officers, employees, and agents) shall be paid by the Association as a common expense; and

(4) The bonds shall provide that they may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10 days' prior written notice to the Association.

Section 3. Damage and Repair. If all or any part of the Common Area is damaged or destroyed by fire or other hazard, the repair or reconstruction of such Common Area shall be determined in the following manner:

(a) Construction.

(1) Any repair or reconstruction must be substantially in accordance with the plans and specifications for the original improvements; and if not, then according to plans and specifications approved by the Board and a majority of the Owners.

(2) Immediately after a determination is made to repair or reconstruct damage to property for which the Association has the responsibility for repair and reconstruction, the Association shall obtain reliable and detailed estimates of the cost of the repair or reconstruction.

(3) If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair by the Association, assessments shall be made against the Owners in the case of damage to Common Area in sufficient amounts to provide funds to pay the

estimated costs. Additional assessments may be made at any time during or following the completion of construction. Such assessments on account of damage to Common Area shall be uniform for each Lot of every phase for which Common Area has been previously conveyed to the Association, and the Board may enforce such assessments as a special assessment under Article IV above.

(4) Except for loss or damage which is less than one percent (1%) of the value of the Common Area insured by the Association, all insurance proceeds payable on account of damage or loss to the properties shall be paid to any bank in Arizona which is selected as a trustee by the Board, which bank is herein referred to as the "Insurance Trustee." The Insurance Trustee shall not be liable for payment of premiums, for the renewal or the sufficiency of policies, or for the failure to collect any insurance proceeds. Insurance proceeds payable on account of loss or damage which equals less than one percent (1%) of the value of the Common Areas insured by the Association shall be payable to and be used by the Association to repair such loss or damage.

(5) The duty of the Insurance Trustee shall be to receive the insurance proceeds that are paid, and to hold them in trust for the benefit of the Owners and the First Mortgagees as follows: An undivided share of such proceeds on account of damage to Common Area shall be allocated to the Owners according to their shares in the Common Area set forth above. In the event a mortgagee endorsement has been issued as to a Lot, the share of the Owner shall be held in trust for the First Mortgagee and the Owner as their interests may appear. The Board may at its sole option direct the Trustee to hold the funds in interest bearing accounts or certificates pending disbursement.

(b) Manner of Disbursement. The proceeds from assessments and insurance received by the Insurance Trustee shall be disbursed in the following manner:

(1) The portion of insurance proceeds representing damage, the reconstruction and repair of which is the responsibility of the Association, shall be disbursed in payment of the costs of such repair and reconstruction in the manner required by the Board and upon approval of an architect qualified to practice in Arizona and employed by the Association to supervise the work.

(2) The Insurance Trustee shall not be required to determine whether a disbursement is to be made, the identity of the payee, or the amount to be paid, but may rely upon a certificate of the Board acting for and on behalf of the Association stating such information.

(c) Licensed Contractors; Bond. All repair and construction work shall be done by licensed contractors of good reputation. Payment bonds, performance bonds and statutory lien bonds may, but need not, be required in the discretion of the Board, but all work shall be done under written contracts.

Section 4. Condemnation. If a portion or all of the Common Areas should be taken by exercise of the power of eminent domain, or should be transferred and conveyed to a condemning authority in anticipation of such exercise, the entire award made as compensation for such taking, including but without limitation, any amount awarded as severance damages, or the entire amount received and paid in anticipation of such taking, after deducting therefrom, in each case, reasonable and necessary costs and expenses, including, but without limitation, attorneys' fees and court costs (which net amount is hereinafter in this Section 4 referred to as the "Award") shall be paid to the Board as trustee for all Owners and First Mortgagees. As soon as practicable, the Board shall utilize the Award to restore the portion of the Common Area thus taken if any, and shall divide the remainder of the Award among the Owners according to their shares in the Common Area set forth above.. If the cost of repair and restoration of the Common Area shall exceed the amount of the Award, a special assessment shall be levied against the Owners to the extent necessary to make up such deficiency, such assessment to be levied equally against the Owners of Lots. The special assessment provided for herein shall be secured by the lien provided for in this Declaration. Nothing herein contained shall be deemed to impair or affect the priority of any First Mortgagee in any proceeds of any condemnation award.

ARTICLE IX

USE RESTRICTIONS

Section 1. The Properties and improvements thereon, except the Association's Common Area, are hereby restricted to residential dwellings for residential use. All buildings or structures erected upon the properties shall be of new construction and no building or structures shall be moved from other locations onto the property. No structures of a temporary character, trailer, basement, tent, shack, garage, barn or other out building shall be used on any portion of the premises at any time as a residence, either temporarily or permanently.

Section 2. Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for Declarant as Developer, to maintain during the period of development, improvements and sale of the original Lots, upon such portion of the premises as such builder may choose such facilities as may be reasonably required, convenient or incidental to the development and improvement of the Properties including, without limitation, a business office, storage area, construction yards, signs, model units, and sales office.

Section 3. No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, except that no more than two (2) dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained for any commercial purposes. Dogs must be retained at all times on leash and may not be tied up on the Common Area. The Association may from time to time, make additional rules and regulations governing the keeping or treatment of animals on the properties.

Section 4. No advertising signs, billboards, unsightly objects, or nuisances shall be erected, placed or permitted to remain on the property, nor shall the property be used in any way or for any purpose which may endanger the health or unreasonably disturb the Owner of any Lot or any resident thereof. Further, no business activities of any kind whatsoever shall be conducted in any building or on any portion of the premises; provided further, however, the foregoing covenants shall not apply to the buildings, if any, of the Builder, its agents and assigns during the construction and sale period, and of the Association, its successors and assigns, in the furtherance of its powers and purposes, as herein set forth.

Section 5. All clotheslines, equipment, garbage cans, service yards, woodpiles, or storage piles shall be kept screened by adequate planting or fencing so as to conceal them from view of neighboring Lots and streets. All clotheslines shall be confined to patio areas.

Section 6. All rubbish, trash or garbage shall be regularly removed from the premises, and shall not be allowed to accumulate thereon. Garbage cans are to be covered and contained. Garbage cans are to be placed on the streets of the Common Area or other location designed by the Association's Board of Directors, and, when emptied, are to be promptly removed therefrom, on the day(s) of scheduled refuse removal.

Section 7. No vehicle of any type which is abandoned or inoperable shall be stored or kept on any Lot, private street or drive within the boundaries of the Properties in such a manner as to be seen from any other Lot or from any streets, drives or alleyways within the boundaries of the Properties. Vehicles which create loud or annoying noises are prohibited.

Section 8. Parking of Owner vehicles shall be restricted to the two spaces in their Lot's garage. On-site parking shall be reserved for Owner's guests and visitors. Recreational vehicles, boats and/or trailers shall not be stored on the properties other than in the Owner's garages.

Section 9. Except in the individual patio areas, no planting or gardening shall be done, and no fences, hedges or walls shall be erected or maintained upon the premises, except such as are installed in accordance with the initial construction of the buildings located thereon or as approved in accordance with the Architectural Control provisions in Article V herein.

Section 10. The Common Area shall remain undivided and shall, at all times, be owned by the Association or its successors, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Common Area.

Section 11. Without prior written approval and the authorization of the Board of Directors, no exterior television or radio antennas of any sort shall be placed, allowed or maintained upon any portion of the improvements to be located upon the properties, nor upon any structure situated upon the real property, other than an aerial for a master antenna system, should any such master system or systems be utilized and require any such exterior antenna.

Section 12. No sign or graphics of any nature whatsoever shall be displayed or placed on any Lot, in any window or on any part of the property or the common areas; provided, however, a "For Sale" or "For Rent" sign of authorized Real Estate companies may be located on a lot.

Section 13. Noise from automobiles, stereos, televisions, parties, conversations, etc. must not be excessive and must not be an imposition or annoyance to other Owners.

Section 14. Owners and their guests must comply with posted rules for the Association's swimming pool and any other recreational facilities. The Association's Board of Directors shall vest its management agent with authority to refuse admittance to, or eject from the Association's pool and/or any other recreational facilities, any person failing to comply with said posted rules.

Section 15. In the event of fire, medical emergency, need to do emergency repairs, or other catastrophe, the Association or its management agents shall have the right to enter any Lot or improvement of Owner without prior Owner authorization.

Section 16. Nothing shall be allowed to detract from the overall appearance of the property. The Association's Board of Directors is authorized to take whatever action is necessary to prevent and/or correct distracting or annoying appearances.

ARTICLE X

EASEMENTS

There is hereby created a blanket easement upon, across, over, and under the Common Area for ingress, egress, installation, replacing, repairing and maintaining all utilities, including, but not limited to, water, sewers, gas, telephones, and electricity, and a master television antenna system. By virtue of this easement, it shall be expressly permissible for the providing electrical and/or telephone company to erect and maintain the necessary poles and other necessary equipment on the property and to affix and maintain electrical and/or telephone wires, circuits and conduits on, above, across and under the roofs and exterior walls of the Lot. Notwithstanding anything to the contrary contained in this paragraph, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on the premises, except as planned or approved by the Association's Board of Directors and except as may be installed or required by the City of Mesa. This easement shall in no way affect any other recorded easements on the premises.

Each Lot and the Common Area shall be subject to an easement for encroachments created by construction, reconstruction, repair, settling, shifting, movement and overhangs, as designed or constructed and for the maintenance of same, so long as it stands. In the event an improved structure is partially or totally destroyed and then rebuilt, the Owners agree that minor encroachments of parts of the adjacent Lots or Common Area due to construction shall be permitted and that a valid easement for the encroachment and the maintenance thereof shall exist. Notwithstanding any provision herein to the contrary, any encroachment permitted herein shall not exceed one (1) foot.

Section 13. Noise from automobiles, stereos, televisions, parties, conversations, etc. must not be excessive and must not be an imposition or annoyance to other Owners.

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Despite any inference contained herein to the contrary, it is understood that the City of Mesa is not responsible for nor will it accept management of the utilities, streets, facilities, landscaped areas or the Common Area, etc., located on these properties.

ARTICLE XI

WATER

The Association shall provide water only for use on the Common Area and shall not be responsible to provide water for any Lot herein for domestic consumption or landscape maintenance. The cost of water used for the Common Area shall be paid by the Association from assessments levied pursuant to Article IV.

ARTICLE XII

RIGHTS OF ELIGIBLE MORTGAGE HOLDERS, INSURERS OR GUARANTORS

Section 1. Notice of Action. Upon request to the Association, identifying the name and address of the holder, insurer or guarantor, and the Lot number or address, any such eligible mortgage holder or eligible insurer or guarantor will be entitled to timely written notice of:

- (a) Any condemnation loss or any casualty loss which affects a material portion of the project or any Lot on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable;
- (b) Any delinquency in the payment of assessments or charges owed by Owner of a Lot subject to a first mortgage held, insured, or guaranteed by such eligible holder or eligible insurer or guarantor which remains uncured for a period of sixty (60) days;
- (c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (d) Any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in Section 2 below or in Section 4 of Article XIII.

Section 2. Other Provisions for Eligible Mortgageholders. Eligible mortgageholders shall also be afforded the following rights:

- (a) Any restoration or repair of the project, after a partial condemnation or damage due to

an insurable hazard, shall be performed substantially in accordance with the declaration and the original plans and specifications unless other action is approved as specified in Article VIII above.

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(b) Any election to terminate the legal status of the project after substantial destruction or a substantial taking in condemnation of the project property requires the approval of eligible holders holding mortgages on Lots which have at least 51% of the vote of Lot subject to eligible holder mortgages.

(c) No reallocation of interest in the Common Area resulting from a partial condemnation or partial destruction of the project may be effected without the prior approval of eligible holders holding mortgages on all remaining Lots whether existing in whole or in part, and which have at least 51% of the vote of such remaining Lots subject to eligible holder mortgages.

(d) Where professional management has been previously required by any eligible mortgage holder or eligible insurer or guarantor, whether such entity became an eligible mortgage holder or eligible insurer or guarantor at that time or later, any decision to establish self-management by the Association shall require the prior consent of Owners of Lots to which at least 67% of the votes in the Association are allocated and the approval of eligible holders holding mortgages on Lots which have at least 51% of the votes of Lots subject to eligible holder mortgages.

ARTICLE XIII

GENERAL PROVISIONS

Section 1. Enforcement. The covenants, restrictions, reservations and conditions contained herein shall run with the land and shall be binding upon all persons purchasing, leasing, subleasing, occupying, owning and otherwise having an interest in any Lot, their heirs, personal representatives, administrators, successors, grantees and assigns. After the date on which this instrument has been recorded, these covenants, restrictions, reservations and conditions and all decisions of the Association pursuant hereto may be enforced by the Association, or its Board of Directors, which shall have the right and duty to enforce the same and expend Association monies in pursuance thereof, and also may be enforced by the Owner of any Lot or by the holder of any first mortgage, or deed of trust, or the Owner under a valid agreement of sale, or any one or more of said parties.

Any lien, liability or obligation arising as the result of a breach of the covenants, restrictions, reservations and conditions shall be binding upon and effective against any Owner of the premises, other than one whose title thereto is acquired by foreclosure of a mortgage, or deed of trust sale, or deed in lieu of foreclosure, or forfeiture proceeding or sheriff's sale or equivalent proceedings. Any person shall take such title subject to the lien hereof for all the charges pursuant to the provisions of this Declaration that have accrued up to the time of such taking of title, and subject to the lien hereof for all the charges that shall accrue subsequent to the taking of such title. Any person or entity acquiring title by foreclosure of a mortgage, or deed of trust sale, or deed in lieu of foreclosure, or forfeiture of an agreement of sale, or sheriff's sale or equivalent proceedings, shall take title subject to the liens hereof for only those charges that accrue subsequent to the taking of such title. The breach of any of the covenants, restrictions or conditions may be enjoined or reviewed by appropriate proceedings notwithstanding the lien or existence of any mortgage or deed of trust. ALL INSTRUMENTS OF CONVEYANCE OF ANY INTEREST OF ALL OR ANY PART OF A LOT SHALL CONTAIN REFERENCE TO THIS INSTRUMENT AND SHALL BE SUBJECT TO THE COVENANTS, RESTRICTIONS, RESERVATIONS AND CONDITIONS HEREIN. THIS INSTRUMENT SHALL BE BINDING UPON ALL RESALE PURCHASERS OF LOTS AND UPON ALL PERSONS AFFECTED BY ITS TERMS, WHETHER OR NOT EXPRESS REFERENCE IS MADE TO THIS INSTRUMENT IN ANY SUCH INSTRUMENT OF CONVEYANCE. Enforcements shall be by proceedings at law or in equity against any person or persons violating or attempting to violate any covenant either to restrain violation or to recover damages. Owners of individual Lots shall have similar rights of action against the Association, where applicable.

Section 2. Attorneys' Fees. In the event the Association employs an attorney or attorneys to enforce the collection of any amounts due pursuant to this Declaration or in connection with any lien provided for herein, or the foreclosure thereof, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, the Owner, Owners and parties against whom the action is brought shall pay all attorneys' fees, costs and expenses thereby incurred by the Association in the event the Association prevails in any such action.

Section 3. Severability. The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections hereof shall not affect the remaining portions of this instrument or any part thereof, all of which are inserted conditionally on their being held valid in law and in the event that one or more of the phrases, sentences, clauses, paragraphs or sections contained herein should be invalid or should operate to render this agreement invalid, this

agreement shall be construed as if such invalid phrase or phrases, sentence or sentences, clause or clauses, paragraph or paragraphs or section or sections had not been inserted.

In the event that any provision or provisions of this instrument appear to be violative of the Rule against Purpetuities, such provision or provisions shall be construed as being void and of no effect as of twenty-one (21) years after the death of the last surviving incorporator of BOWEN QUALITY CONSTRUCTION, or twenty-one (21) years after the death of the last survivor of all of the incorporators' children and grandchildren who shall be living at the time this instrument is executed, whichever is the later.

Section 4. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by persons or parties owning not less than seventy-five percent (75%) of the Lots and thereafter by an instrument signed by persons or parties owning not less than seventy-five percent (75%) of the Lots. Any amendment must be recorded.

For as long a period of time as may be required to fully amortize any mortgage upon any of the residence units in which the Federal National Mortgage Association (FNMA) or the Government National Mortgage Association (GNMA) have any interest, no amendment shall be made which would be deemed to be in conflict with, or contrary to, the terms of any promissory note, mortgage, regulatory agreement or document executed by the Association or any of the Owners of residence units for the purpose of obtaining written approval and consent of FNMA and GNMA.

The consent of Owners of Lots to which at least 75% of the vote in the Association are allocated and the approval of eligible holders holding mortgages on Lots which have at least 67% of the votes of Lots subject to eligible holder mortgages shall be required to terminate the legal status of the project as a planned unit development. In addition, the approval of eligible holders holding mortgages on Lots which have at least 51% of the votes of Lots subject to eligible holder mortgages shall be required to add or amend any material provisions of the Restrictions which establish, provide for, govern or regulate any of the following:

- (a) Voting;
- (b) Assessments, assessment liens or subordination of such liens;
- (c) Reserves for maintenance, repair, and replacement of a Common Area;

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- (d) Insurance or fidelity bonds;
- (e) Rights to use of the Common Area;
- (f) Responsibility for maintenance and repair of the several portions of the Property;
- (g) Expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project;
- (h) Boundaries of any Lots;
- (i) The interests in the Common Area;
- (j) Convertability of Lots into Common Area or of Common Area into Lots;
- (k) Leasing of Lots;
- (l) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his or her Lots;
- (m) Any provisions which are for the express benefit of mortgage holders, eligible mortgage holders, or eligible insureds or guarantors of first mortgages on Lots.

The foregoing provisions of this Section 4 shall not apply to amendments made as a result of destruction, damage or condemnation. In addition, any additional amendments shall not be considered material if it is for the purpose of correcting technical errors or for clarification only.

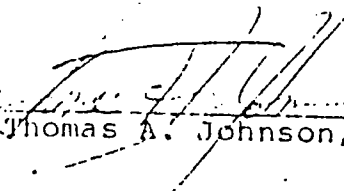
An eligible mortgageholder who receives a written request to approve additions or amendments to the Articles of Incorporation, Bylaws, any management agreement, or the Restrictions, but who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

Section 5. FHA/VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: dedication of Common Area and amendment of this Declaration of Covenants, Conditions and Restrictions.

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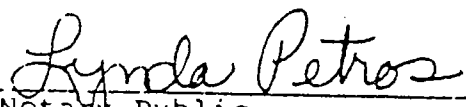
IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this 17th day of June, 1985.

BOWEN QUALITY CONSTRUCTION COMPANY, INC., an Idaho corporation

By: 
Thomas A. Johnson, Vice President

STATE OF ARIZONA)
 : ss
County of Maricopa)

On this 17th day of June, 1985, before me, a Notary Public, personally appeared THOMAS A. JOHNSON, Vice President of BOWEN QUALITY CONSTRUCTION COMPANY, INC., an Idaho corporation, and that he, as such officer, known to me to be the person whose name is subscribed to the foregoing instrument, acknowledged that he executed the same for the purposes therein contained.


Lynda Petros
Notary Public

My Commission Expires:
