DOUGLAS COUNTY

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DECLARATION OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

STERLING RANCH ESTATES

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DOUGLAS COUNTY

TABLE OF CONTENTS

		Page
ARTICLE I	RECITALS AND DECLARATION	1
	1.1 Ownership of Property	1
	1.2 Intention of Declarant	1
	1.3 Declaration and Property Subject Thereto	1
ARTICLE II	DEFINITIONS	2
	2.1 Association	2
	2.2 Beneficiary	2
	2.3 Board	2
	2.4 By-Laws	2
	2.5 Common Property	2
	2.6 Declarant	2
	2.7 Design Review Committee	2
	2.8 Design Review Committee Rules	3
	2.9 Improvement	3
	2.10 Lot	3
	2.11 Mortgage	3
	2.12 Mortgagee	3
	2.13 Owner	3
ARTICLE III	HOMEOWNERS ASSOCIATION	3
	3.1 The Organization	3
	3.2 Membership	3
	3.3 Duties of the Association	4
ARTICLE IV	RIGHTS AND RESTRICTIONS ON USE OF LOTS	4
	4.1 Lot Use	5
	4.2 Size Requirement	5
	4.3 Height Restrictions	5
	4.4 Animals	5
	4.5 Signs	5
	4.6 Trailers, Boats and Motor Vehicles	5
	4.7 Motorcycles and Off-Road Vehicles	5
	4.8 Utility Service	5
	4.9 Maintenance of Lawns, Plantings and Landscape	6
	4.10 Machinery and Equipment	6
	4.11 Building Standards	6
	4.12 Fences	7
	4.13 Sanitation Standards	7
	4.14 Temporary Structures	7
	4.15 No Further Subdivision	7
	4.16 Rights of Declarant	7

0553087

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TABLE OF CONTENTS, Continued

		Page
ARTICLE V	DESIGN REVIEW COMMITTEE	8
5.1	Appointment of Design Review Committee	8
5.2	Meetings	8
5.3	General Provisions	8
5.4	Nonliability for Approval of Plans	9
5.5	Reconstruction After Destruction	10
5.6	Effect of Provisions	10
ARTICLE VI	COMMON MAINTENANCE OBLIGATIONS	10
6.1	Common Interests	10
6.2	Proportionate Responsibility	10
6.3	Management of Common Interests	10
ARTICLE VII	MAINTENANCE ASSESSMENTS	11
7.1	Creation of Lien; Personal Obligations for Assessments	11
7.2	Basic Maximum Amount of Regular Semi-Annual Assessment	11
7.3	Special Assessment for Emergency Needs	12
7.4	Payment of Assessment by Declarant	12
7.5	Date of Commencement of Assessments; Due Dates	12
7.6	Maintenance Fund	12
7.7	Effect of Non-Payment of Assessments; Lien Rights; Remedies of Association	12
7.8	Homestead Waiver	13
7.9	Curing of Default	13
7.10	Priority of Assessment Lien; Subordination of Lien	14
7.11	Rights of Board; Waiver of Owners	14
7.12	Purposes of Assessments	14
ARTICLE VIII	RIGHTS OF MORTGAGEES AND TRUST DEED BENEFICIARIES	15
ARTICLE IX	MISCELLANEOUS PROVISIONS	15
9.1	Amendment and Duration	15
9.2	Continuing Liability for Assessments	15
9.3	Enforcement and Nonwaiver	15
9.4	Interpretation	17
9.5	Venue and Jurisdiction	17

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DOUGLAS COUNTY

DECLARATION OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

STERLING RANCH ESTATES

THIS DECLARATION is made this 20th day of September, 2002, by STERLING RANCH ESTATES, LLC, a Nevada limited liability company, (herein called "Declarant").

ARTICLE I

RECITALS AND DECLARATION

1.1 Ownership of Property: Declarant is the owner of certain real property located in Douglas County, Nevada, described in Exhibit "A" attached hereto and incorporated herein by this reference, constituting Lots 1 through 32 of the Sterling Ranch Estates, LLC, Final Subdivision Map, recorded in the Official Records of Douglas County, Nevada, at Book 0902, Page 5372, as Document No. 552347, hereinafter referred to as "Sterling Ranch."

1.2 Intention of Declarant: By this Declaration, Declarant intends to set forth the common plan for the use, enjoyment, maintenance, repair, restoration and improvement of Sterling Ranch (as hereinafter defined) and the interests therein conveyed or reserved, and for the payment of any and all expenses pertaining thereto. Declarant also intends to create for Sterling Ranch mutually beneficial restrictions for the benefit of Sterling Ranch.

1.3 Declaration and Property Subject Thereto: NOW, THEREFORE, in furtherance of such intent, Declarant hereby declares that all of the real property referred to herein as Sterling Ranch, Exhibit "A" attached hereto, is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, covenants and conditions, all of which are declared and agreed to be in furtherance of a plan for Sterling Ranch, and are established and agreed upon for the purpose of enhancing and perfecting the value, desirability and attractiveness of all of said real property and every part thereof. All of the limitations, covenants, restrictions and conditions shall run with said real property and shall be binding upon and shall inure to the benefit of Declarant, and each Owner, and every party having or acquiring any

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ownership, right, title or interest in the real property subject hereto or any part thereof, and shall inure to the benefit of and shall be binding upon each successor in interest thereto. Each and all of said limitations, easements, uses, obligations, covenants, conditions and restrictions shall be deemed to be and shall be construed as equitable servitudes, enforceable by any of the Owners of any portion of the real property subject hereto against any other owner, tenant or occupant of said real property or any portion thereof.

ARTICLE II

DEFINITIONS

The words defined in the following paragraphs of this Article II shall have the meaning specified for all purposes in this Declaration, unless the context requires otherwise or unless expressly provided to the contrary.

2.1 Association: The Sterling Ranch Estates Property Owners Association, Inc., a non-profit Nevada corporation, its successors and assigns.

2.2 Beneficiary: A beneficiary under a deed of trust or a mortgagee under a mortgage encumbering any of the Lots, and/or the assignee of such beneficiary or mortgagee.

2.3 Board: The Board of Directors of the Association as provided for in its Articles of Incorporation.

2.4 By-Laws: The By-Laws of the Association which are or which shall be adopted by the Board, and any subsequent properly adopted amendments thereto.

2.5 Common Property: All property and easements in the Sterling Ranch subdivision which benefit or are owned in common by all owners, or the Association, for use in common by the owners; including, without limitation, water tank and related facilities, landscape, roadway, and drainage and detention basin easements, and all improvements thereon in furtherance of such ownership and common use. Such common property and easements are set forth on the Subdivision Map of Sterling Ranch, recorded in the Official Records of Douglas County at Book 0902, Page 5372, as Document No. 552347.

2.6 Declarant: The Declarant herein is STERLING RANCH ESTATES, LLC, a Nevada limited liability company, and its successors and assigns.

2.7 Design Review Committee: The committee created pursuant to Article V below.

DOUGLAS COUNTY

2.8 Design Review Committee Rules: The rules adopted by the Design Review Committee pursuant to Section 5.2 below.

2.9 Improvement: Any residence, building, driveway, walk, fence, landscaping or planting, and any addition or modification to any Lot, and any other structure or landscaping improvement of every type and kind.

2.10 Lot: Each Lot within the Sterling Ranch Subdivision, excluding Lot A thereof, as the same may be shown on the Subdivision Map therefor, as recorded in the Official Records of Douglas County at Book 0902, Page 5372, as Document No. 552347.

2.11 Mortgage: An instrument recorded against any Lot to secure a monetary obligation, including a deed of trust as well as a mortgage.

2.12 Mortgagee: A beneficiary under or holder of a deed of trust as well as a mortgagee named in a mortgage.

2.13 Owner: The record Owner of any Lot. "Owner" shall include a vendee under an Installment Contract of Sale, and shall exclude the vendor thereunder and also exclude any Lessee or those having any interest in any Lot solely for security for the performance of an obligation.

ARTICLE III

HOMEOWNERS ASSOCIATION

3.1 The Organization: The Association, as a non-profit membership corporation, is charged with the duties and empowered with the rights as set forth herein and as set forth in the Articles and By-Laws.

In the event that the Association, as a corporate entity, is dissolved, a non-profit, unincorporated association shall forthwith and without further action or notice be formed to succeed to all rights and duties of the Association hereunder. The affairs of such unincorporated association shall be governed by the laws of the State of Nevada and, to the extent not inconsistent therewith, by the Articles and By-Laws of the Association as if they were created for the purpose of governing the affairs of an unincorporated association.

3.2 Membership: Each Owner, including Declarant, shall be a member of the Association, by virtue of being an Owner, and for so long as such owner remains an owner. Association membership shall be appurtenant to and not be separated from Lot ownership. There shall be one (1) membership per Lot, and a

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maximum of thirty-two (32) members. Upon termination of ownership, the membership in the Association shall also terminate.

3.3 Duties of the Association: The Association shall have all of the powers as set forth in the Articles and Bylaws, together with the general power to do any and all things that may lawfully be done in operating for the benefit of the health, welfare and safety of the Association and its members, subject only to the limitations upon the exercise of such powers as are expressly set forth herein, the Articles, and the By-Laws. Without limiting the generality of the foregoing paragraph, the Association, for the benefit of all members, shall have the power, obligation and duty to enforce the provisions of this Declaration, and shall pay for all of the following out of membership assessments:

a) All necessary utilities and services used for and consumed in the common property.

b) Charges for maintaining and repairing or replacing any portion of the common property or improvements thereon.

c) The policy or policies of comprehensive liability insurance, insuring the Association, the Board and the owners against any liability to the public or to the owners incident to the use of or resulting from any accident or intentional act occurring in or about the common property and insuring the Board and each member thereof from any liability based on actions taken by the Board or as a Board Member.

d) Legal, accounting and other services necessary or proper for the maintenance and operation of the Association, common property, or the enforcement of this Declaration.

ARTICLE IV

RIGHTS AND RESTRICTIONS ON USE OF LOTS

Each Lot shall be for the exclusive use and benefit of the Owners thereof, subject, however, to all of the following limitations and restrictions:

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4.1 Lot Use: Each and every Lot within Sterling Ranch shall be exclusively for residential use, and the construction of one (1) single-family residence, and such other appurtenant or accessory improvements as may be approved by the Design Review Committee.

4.2 Size Requirement: There is hereby established a minimum square footage for the residential structures to be built on any Lot. The minimum square footage for any single-family residence structure shall be two thousand two hundred (2,200) square feet of living area on the ground floor, exclusive of the garage area. For a residence having two (2) stories, the minimum square footage for the second story shall be at least fifty percent (50%) of the first story footage.

4.3 Height Restrictions: No residence may exceed two (2) stories. Reasonable height restrictions may be imposed by the Design Review Committee.

4.4 Animals: The owner of each lot may keep and maintain normal household pets, and up to five (5) horses on each Lot. Except as stated, no other animals shall be kept on any Lot or in any structure on the Lot. The provisions of the Douglas County Code governing household pets shall be determinative if applicable and reasonable and not in conflict with this provision. There shall be no commercial rearing of animals of any type. All animals shall be restrained within the Lot. All horses shall be kept within a fenced enclosure, and shall have a permanent structure for shelter. Provision shall be made for fly control and manure removal.

4.5 Signs: Signs of any kind shall not be displayed to the public view on or from any Lot without the approval of the Design Review Committee. The Committee may approve permanent identification signs and temporary realty signs.

4.6 Parking: Streets are for temporary parking only. Commercial vehicles up to one (1) ton designation are permitted.

4.7 Motorcycles and Off-Road Vehicles: Streets are limited to use by licensed vehicles, unless authorized by the Association. Motorized vehicles of any type shall not be driven on any common property except streets, unless authorized by the Association.

4.8 Utility Service: All lines, wires or devices for transmission or receipt of electric current or telephone, television and radio signals shall be contained in conduits or cables placed and

maintained underground or concealed in or under buildings or approved structures. Temporary power or telephone services incidental to the construction of Improvements and buildings are permitted. Satellite receiver dishes up to twenty-four inches (24") in diameter are permitted.

4.9 Maintenance of Lawns, Plantings and Landscape: Each Owner shall keep the roadway easement or right of way, and all shrubs, trees, grass and plantings on his Lot neatly trimmed, properly cultivated and free from refuse, weeds and other unsightly material.

4.10 Machinery and Equipment: Machinery or equipment placed on any Lot shall be limited to that which is usual and customary in connection with the use, maintenance or construction of any Improvement approved to be constructed on such Lot. Owners shall permit any such machinery and equipment, or any vehicle exceeding twenty-two feet (22') in length to access Sterling Ranch Estates only from the southern entrance located on Jo Lane. Any owner violating this provision is responsible for the costs incurred to repair any damage to the roadway or common areas. Small tractors, snow blowers, all-terrain vehicles and riding lawn mowers less than two thousand (2000) pounds gross vehicle weight are permitted.

4.11 Building Standards:

a) Construction or Improvement on any Lot shall be undertaken or maintained in compliance with all applicable provisions of the ordinances, rules and regulations of Douglas County, the State of Nevada, and any other governmental authority having jurisdiction, and this Declaration.

b) A thirty-five foot (35') minimum set back for construction of any improvement or structure, except landscaping, walkways, and driveways, and except fences allowed under Section 4.12 below, shall apply to each Lot.

c) The architectural style, color and materials of any outbuilding shall be selected with consideration given to the main residence. Reflective material or paint shall not be used so as to reflect sunlight on or visible to a Neighboring Property. Tanks shall be screened from view.

d) Every residence shall have at least a two (2) car garage.

e) Relocated improvements, pre-fabricated, modular or factory-built housing or construction shall not be allowed for the single family residence. Mobile homes may not be utilized or stored on any lot or street. This provision is pursuant to NRS 278.0209.6, to eliminate the effect of NRS 278.0209.1.

f) Each owner shall install a culvert across the driveway in accordance with Douglas County specifications prior to any other construction on such Owner's Lot.

4.12 Fences: No fence shall exceed six (6') feet in height. No fencing shall be placed on any lot within thirty feet (30') feet of any Common Property (excluding streets), except for the same size and style of white vinyl fencing that surrounds portions of the subdivision. Opaque fences or walls shall not be erected, placed, or allowed on any Lot in Sterling Ranch, except for required enclosures. Barbed wired or concertina wire fences will not be permitted on any Lot in Sterling Ranch.

4.13 Sanitation Standards: Garbage, refuse, or obnoxious or offensive material shall not be permitted to accumulate on any Lot in Sterling Ranch, and the owner of each Lot in Sterling Ranch shall cause all such material to be disposed of in accordance with accepted sanitary practice. All garbage or trash containers and other such facilities shall be placed in enclosed areas so that they shall not be visible from adjoining Lots or Neighboring Property or from the roads. Each Owner shall keep their lot in a neat and clean condition, and shall ensure that any contractor or invitee on such Lot does likewise. Firearms may not be discharged within Sterling Ranch.

4.14 Temporary Structures Prohibited: Temporary structures of any kind shall not be created, constructed, permitted or maintained on any Lot in Sterling Ranch prior to the commencement of the construction of a residence, and without the approval of the Design Review Committee.

4.15 No Further Subdivision: Lots shall not be further divided or subdivided, nor partitioned, nor may any license, easement or other interest therein less than the whole be conveyed by the Owner thereof.

4.16 Rights of Declarant: Any other provision of this Declaration to the contrary notwithstanding, Declarant may assign in whole or in part any of its privileges, exemptions, rights and duties under this Declaration to any other person, and may permit the participation in whole or in part by any other person in any of its privileges, exemptions, right and duties hereunder. Notwithstanding any provision herein, Declarant reserves and shall have the right to construct a residence on any Lot and use such residence commercially as a model house and sales office,

as long as Declarant owns a Lot within Sterling Ranch. Declarant may additionally erect such signs in connection with such use as Declarant may choose.

ARTICLE V

DESIGN REVIEW COMMITTEE

5.1 Appointment of Design Review Committee: The Design Review Committee shall consist of three (3) persons. The Declarant shall initially appoint the Design Review Committee. The Declarant shall retain the right to appoint or replace all members of the Design Review Committee until such time as ninety-five percent (95%) of the Lots within Sterling Ranch have been conveyed by Declarant. Thereafter, all members shall be Owners, and the Board shall fill any vacancy or vacancies. The Design Review Committee shall be advisory to the Board, and the Board shall approve, disapprove or modify its actions. The Board may assume its duties when the Board assumes appointment powers.

5.2 Meetings: The Design Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of its members shall constitute an act by the Design P :view Committee. The Committee may charge a filing fee to be used to pay an architect or engineer, who may or may not be a Committee member, to review any submitted plans and specifications. The Design Review Committee may establish reasonable rules and regulations governing its practice or procedure.

5.3 General Provisions:

a) Improvements, including any dwelling unit, garage, fence, wall, retaining wall, or any type of construction activity, including grading and/or removal of natural or other ground cover and landscaping, shall not be commenced or placed upon any Lot until approval shall have been obtained in writing from the Committee. Two (2) complete sets of architectural plans and specifications shall be submitted to the Design Review Committee for approval as to any intended Improvement. Any plans and specifications shall include a plot plan indicating and establishing the type and location of any proposed work, including the exact location of all structures, a foundation plan, a floor plan for each floor and front, side and rear elevations, and exterior color samples, and landscape and fence plans and details. The Design Review Committee's approval will be evidenced by the

endorsement of the Committee of the plans and specifications. The Committee will retain one (1) set of the plans and specifications, and one (1) set will be returned to the applicant.

b) The Design Review Committee shall examine and approve or disapprove, or stipulate to any changes or alterations in the architectural plans and specifications for any Improvement proposed to be placed or constructed on any Lot. Any such changes or alterations in the architectural plans and specifications duly submitted to the Committee shall be made only in the best and continuing interest of maintaining a superior tone and quality of architecture throughout Sterling Ranch.

c) In the event the Design Review Committee fails to approve or disapprove such plans and specifications within thirty (30) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Design Review Committee, or the Board fails to approve or disapprove the Committee's recommendation within ten (10) days thereafter, such plans and specifications will be deemed approved.

d) Approval of any given plan(s) and specifications, alterations(s), or change(s) may be withheld due to noncompliance with any of the specific requirements of this Declaration, or due to the Committee's reasonable disapproval of the location of the building site upon any Lot, of a structure's appearance, of the construction materials proposed therein or thereon, of the proposed lot grading, of the harmony of a proposed structure with the surrounding area and homes.

e) Approval by the Design Review Committee, as confirmed by the Board, is a prerequisite for issuance of a building permit by Douglas County for construction of any Improvement.

5.4 Nonliability for Approval of Plans:

a) Plans and specifications are not reviewed or approved by the Design Review Committee or Board for engineering design, or compliance with any standards or requirements except as imposed exclusively herein. By approval of such plans and specifications, neither the Design Review Committee, the members thereof, the Board nor Declarant assumes liability or responsibility therefor, or for any defect, deficiency or omission in any Improvement constructed from such plans and specifications.

b) Any person submitting plans to the Design Review Committee for approval, by so doing, releases and waives any claim against the Design Review Committee, and does agree and covenant that he

will not bring any action or suit to recover damages against Declarant, the Design Review Committee, the Board or the Association, or its members, or their consultants, advisors, employees, or agents.

c) Members of the Design Review Committee or Board shall not be liable for damages to any person, association, or other entity submitting any architectural plans for approval, or to any Owner or proposed Owner of a Lot or Lots within Sterling Ranch, by reason of any action, failure to act, approval, disapproval, or failure to approve or disapprove architectural plans and specifications.

5.5 Reconstruction After Destruction: The reconstruction after destruction by casualty or otherwise of any Improvements shall by accomplished in compliance with the provisions of this Article.

5.6 Effect of Provisions: The establishment of the Design Review Committee and the procedure for architectural review and approval shall not be construed as changing any rights or restrictions upon Owners to maintain, repair, alter or modify or otherwise have control over the Lots as may otherwise be specified in this Declaration.

ARTICLE VI

COMMON MAINTENANCE OBLIGATIONS

6.1 Common Interests: Sterling Ranch does include property and easements owned by the Association for common purpose and benefit, for which all Owners shall share the responsibility and obligation therefor. Such common interests include Common Property as defined herein; and such other common improvements as may be added by the Association. Such common property and interests shall be held and managed as set forth in this Article.

6.2 Proportionate Responsibility: Each Owner shall have an equal proportionate one-thirty-second (1/32) share of the total obligation and liability as to all costs related to and incurred in connection with each common interest, either directly by ownership or indirectly by membership in the Association.

6.3 Management of Common Interests: Management of the common interests shall be the responsibility of the Association. The necessary costs and expenses incurred for repair, maintenance or replacement of any common interest property, easement or any property of interest owned by the Association shall be as determined by the Board. Each Owner shall pay his share within thirty (30) days of notice.

ARTICLE VII

MAINTENANCE ASSESSMENTS

7.1 Creation of Lien; Personal Obligation for Assessments: Declarants, for each lot on the property, hereby covenant and each subsequent owner of any Lot on the property, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association: (1) regular semi-annual assessments or charges; (2) special assessments, and (3) emergency assessments. Such assessments will be fixed, established and collected from time to time as hereinafter provided. All assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and a continuing lien upon the Lot against which each such assessment is made, which lien shall be created and enforced in accordance with the provisions of this Article. Each such assessment (and all other assessments levied in accordance with this Declaration) together with late charges, interest, costs, penalties, shall also be the joint and several personal obligations of each person who was an Owner of such lot at the time the assessment fell due.

7.2 Basic Maximum Amount of Regular Semi-Annual Assessment:

a) Initial Regular Assessment: Each owner shall be obligated to pay to the Board an annual assessment. The initial annual assessment, as of the date hereof, is Seven Hundred and ninety-nine dollars ($799). As the Association's budget shall increase or decrease, as herein provided, such assessment shall be adjusted so that the Owner of each lot pays an equal amount.

b) Increase of Assessment by Board: The Board may not, without the vote or written assent of a majority of the voting power of the Association residing in members, other than Declarant, impose a regular annual assessment per unit which is more than twenty percent (20%) greater than the regular assessment for the immediately preceding fiscal year.

c) Certificate of Payment: The Association shall, upon demand, furnish to any owner liable for assessments, a certificate in writing, signed by a member of the Board, setting forth whether the assessments on a specified Lot have been paid and the amount of delinquency, if any. A charge of $10.00 per

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certificate may be made by the Board for issuance of said certificates. Such certificates shall be conclusive evidence of payment.

7.3 Special Assessment for Emergency Needs: In case the regular assessment is insufficient for any reason, the Board shall have authority to levy a special assessment to make up the deficiency in the maintenance fund on the same basis as a regular assessment. However, on any proposed special assessment in any fiscal year, the Board may not, without the vote or written assent of a majority of the voting power residing in members, other than Declarant, levy special assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. The provisions herein with respect to special assessments do not apply in the case where the special assessment against a member is a remedy utilized by the Board to reimburse the Association for costs incurred in bringing the member and his building and/or lot into compliance with the provisions of first this Declaration.

7.4 Payment of Assessment by Declarant: Upon the close of escrow of the first Lot in Sterling Ranch, assessments for all lots shall be levied. Assessments shall be prorated on an annual basis for the initial year. Declarant shall pay annual assessments for each lot owned by it.

7.5 Date of Commencement of Assessments; Due Dates: Regular assessments shall be paid by each owner in equal semi-annual installments, in advance, on the first day of January and July each year. On the close of the sales escrow for each particular Lot the Owner shall pay the annual regular assessment for that year from the date of close of escrow to the end of the year in which escrow closes. Special and emergency assessments shall be paid within thirty (30) days of receipt of a request to pay same.

7.6 Maintenance Fund: Assessment charges collected shall be promptly deposited in the Association bank account selected by the Board. The Board shall have exclusive control of said account and shall be responsible to the owners for maintenance of accurate records thereof at all times. Withdrawals shall not be made from said account except to pay for the charges and expenses for the common benefit of all owners as set forth herein.

7.7 Effect of Non-Payment of Assessments; Lien Rights; Remedies of the Association: Every owner, including Declarant, shall be deemed to covenant and agree to pay the assessments provided for in this

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Declaration, and further, agree to the enforcement of such assessments in the manner provided for in this Declaration.

a) Delinquency: The assessment charge each owner is obligated to pay shall be a debt of each owner at the time each installment becomes due. In the event of default by any owner in the payment of any such installment, such amounts as may be in default, together with interest thereon at the rate of twelve percent (12%) per annum, and a late charge fee in the amount of twelve percent (12%) of the amount owed, and all costs which may be incurred by the Board in the collection of such charges, including reasonable attorney's fees, shall be due, and shall become a lien upon the lot and building of the defaulting owner upon the recording in the office of the County Recorder of a Notice of Assessment.

b) Notice of Creation of Assessment Lien: The Notice of Assessment shall not be filed of record unless and until the Board or a person designated by it shall have delivered to said defaulting owner, not less than fifteen (15) days prior to the recordation of such Notice of Assessment, a written Notice of Default and a demand upon the defaulting owner to cure same within said fifteen (15) day period, and said Notice of Assessment shall expire and be null and void, unless within thirty (30) days after recordation thereof, the Board records a Notice of Default, as hereinabove provided.

c) Foreclosure Sale: Not less than ten (10) days nor more than thirty (30) days from the filing of said Notice of Default, the Board shall begin proceedings to cause the property of said defaulting owner to be sold in the same manner as a sale as provided in the applicable laws governing power of sale foreclosures or through judicial foreclosures.

d) Enforcement of Lien by Suit: If any action is filed by the Board to enforce the provisions of this Article, any judgment rendered against the defaulting owner shall include all costs and expenses and reasonable attorney's fees, necessarily incurred in prosecuting such action.

7.8 Homestead Waiver: Each owner does hereby waive, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law in effect at the time any installment of maintenance charges becomes delinquent or any lien is imposed, pursuant to the terms hereof.

7.9 Curing of Default: Upon the timely payment or other satisfaction of all delinquent assessments and charges set forth in the Notice of Assessment filed and recorded in accordance with this Article,

and all other assessments which have become due and payable with respect to the lot as to which such Notice of Assessment was filed and recorded, following the date of such recordation, together with all costs (including reasonable attorney's fees) and all late charges and interest which have accrued thereon, the Board shall file and record a satisfaction and release of the lien created by the Notice of Assessment. A fee of $10.00 covering the cost of preparation and recordation shall be paid to the Association prior to such action. The satisfaction of the lien created by the Notice of Assessment, shall be executed by any director of the Association or by any authorized representative of the Board. For the purposes of this paragraph, the term "costs" shall include costs and expenses actually incurred or expended by the Association in connection with the cost of preparation and recordation of the Notice of Assessment and in efforts to collect the delinquent assessments secured by the lien and a reasonable sum for attorney's fees.

7.10 Priority of Assessment Lien; Subordination of Lien: Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of the beneficiary of any first deed of trust upon the entire development or upon any Lot therein, made in good faith and for value and no such lien shall, in any way, defeat, invalidate or impair the obligation or the priority of such first deed of trust unless the beneficiary thereof shall expressly subordinate its interest, in writing, to such lien.

7.11 Rights of Board; Waiver of Owners: Each owner hereby vests in and delegates to the Board, or its duly authorized representatives, the right and power to bring all actions at law or lien foreclosures, whether judicially or by power of sale, or otherwise against any owner(s) for the collection of delinquent assessments in accordance herewith and hereby expressly waives any obligation to the enforcement in accordance with this Declaration, of the obligation to pay assessments as set forth herein.

7.12 Purposes of Assessments: The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the members thereof, their guests and invitees, and in particular, shall be used for the purpose of improving, protecting, operating and maintaining Sterling Ranch, and the Common Property, landscaping and structures located thereon, and providing for the performance of the Board of each and every of the powers and duties of the Board.

DOUGLAS COUNTY

ARTICLE VIII

RIGHTS OF MORTGAGEES AND TRUST DEED BENEFICIARIES

Holders of first mortgages and trust deeds on Sterling Ranch Lots made for value and in good faith shall be entitled to the rights and privileges set forth in this Article. A breach of any of the foregoing Covenants, Conditions, and Restrictions, or the re-entry by reason of any such breach, shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value as to said premises, or any part thereof, but these Covenants, Conditions, and Restrictions shall be binding upon the Owner whose title to a Lot in Sterling Ranch is acquired under foreclosure, trustee's sale, or otherwise, and shall be binding upon the party so acquiring title.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Amendment and Duration:

a) Amendment: Except as otherwise provided herein, the provisions hereof may be amended by an instrument in writing signed and acknowledged by not less than three-quarters (3/4) of the Owners, which amendment shall be effective upon recordation in the Office of the Recorder of Douglas County, Nevada. Provided, however, that the Declarant may amend these restrictive covenants prior to the sale of three-quarters (3/4) of the Lots, by a written amendment recorded in the office of the Recorder of Douglas County, Nevada.

b) Duration: The provisions of this Declaration, including the covenants, conditions and restrictions contained herein, shall continue and be effective for a period of twenty (20) years from the date of recordation and shall be automatically extended for successive periods of ten (10) years, until a three-quarters (3/4) vote of the Owners of all of the Lots within Sterling Ranch shall determine that they shall terminate, and notice thereof is recorded in the office of the Recorder of Douglas County, Nevada.

9.2 Continuing Liability for Assessments: Owners are not exempt from liability for their specified contribution to the maintenance fund by abandonment of the property.

9.3 Enforcement and Nonwaiver:

a) Enforcement of Covenants, Conditions, and Restrictions: The Covenants, Conditions, and Restrictions herein contained shall bind and inure to the benefit of, and be enforceable by, the Declarant, their

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heirs, executors, administrators, and all future assigns, and by the future Owner or Owners of any Lot or Lots in Sterling Ranch.

b) Violation of Covenants, Conditions, and Restrictions: The Board, or any Owner or Owners of any Lot or Lots in Sterling Ranch, may institute and prosecute any proceeding at law or in equity against any person, firm or other entity, violating or threatening to violate, any of the Covenants, Conditions, and Restrictions herein contained. Any such action may be maintained for the purpose of stopping and/or preventing a violation, to recover damages for a violation, or for both such purposes.

c) Failure to Enforce: The failure of Declarant, its successors or assigns, the Board, or of any Owner of any Lot in Sterling Ranch to enforce any of the Covenants, Conditions, and Restrictions herein contained shall not be deemed a waiver of a right to enforce them thereafter.

d) Application of Remedy: Nothing herein shall be construed as preventing the application of any remedy given by law against a nuisance, public or private, the application of which shall be in addition to any other remedy or remedies now or hereafter provided by law.

e) Attorney's Fees and Costs: In the event the Board or any Lot Owner shall employ an attorney to enforce any provision(s) of this Declaration, the prevailing party shall be entitled to recover reasonable attorney's fees and costs.

f) Consent to Remedies: Each person who enters into a purchase agreement for a Lot in Sterling Ranch, or who accepts the conveyance of title to a Lot in Sterling Ranch, shall be deemed to have agreed to all of the provisions of this Declaration, and that the Board or any Owner of a Lot in Sterling Ranch shall have all of the rights, powers, and remedies as set forth in this Declaration.

g) Failure to Institute Action: Failure on the part of the Declarant, its heirs, successors, and assigns, or other Lot Owners to claim his or their right(s) hereunder, or to institute a legal action, shall not be deemed as an amendment or alteration of these Covenants, Conditions, and Restrictions, or a ratification of past breaches, violations or misconduct, or condonation of any future similar breaches or violations of these Covenants, Conditions, and Restrictions.

9.4 Interpretation:

a) Restrictions Severable: The covenants, conditions and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

b) Captions: All captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the terms or provisions of this Declaration.

9.5 Venue and Jurisdiction

The Ninth Judicial District in and for the State of Nevada shall have sole and exclusive venue and jurisdiction for any action or dispute brought hereunder.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set their hands and seals this 20th day of September 2002.

STERLING RANCH ESTATES, LLC
By: Ronald R. Sharp, Managing Member

STATE OF NEVADA)
) ss:
COUNTY OF DOUGLAS)

On September 20, 2002, before me, a notary public, personally appeared RONALD R. SHARP, personally known (or proved) to me to be the person whose name is subscribed to the above instrument who acknowledged that he executed the instrument.

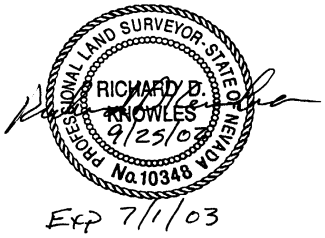
MARIANNE M. RHOADS
Notary Public Nevada
Douglas County
99-58405-5
My Appointment Expires September 26, 2003

Notary Public

DOUGLAS COUNTY

LEGAL DESCRIPTION
FOR
STERLING RANCH ESTATES

All that certain real property situate in the Southwest ¼ of Section 1, Township 12 North, Range 20 East, M.D.M., Douglas County, Nevada, as shown on that certain Final Map #PD-01-19 for Sterling Ranch Estates as Recorded in the Office of the Douglas County Recorder, Document #552347, Book 0902, Page 5372.



Exp 7/1/03

REQUESTED BY
Brooke Shaw et al's
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2002 SEP 26 PM 3: 11

LINDA SLATE
RECORDER

$ 34.00 PAID K2 DEPUTY

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