DOC # 3218736
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COPY

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR SILVER RIDGE AT EAGLE CANYON

DECLARANT:

LENNAR RENO, LLC

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FOR

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR SILVER RIDGE AT EAGLE CANYON

THIS DECLARATION is made by LENNAR RENO, LLC, a Nevada limited liability company ("Declarant").

PREAMBLE:

A. Declarant is the owner of certain real property located in the County of Washoe, State of Nevada, consisting of one hundred twenty-one (121) lots, all as more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference.

B. It is the desire and intention of Declarant to create a planned community pursuant to Nevada Revised Statutes Chapter 116, and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the units in the planned community.

C. Declarant hereby declares that the Property (as defined herein) is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the limitations, restrictions, reservations, rights, easements, conditions and covenants contained in this Declaration, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Property for the purpose of enhancing the value, desirability and attractiveness of the Property. All phases and units of the Property shall be subject to this Declaration, be under the authority of the Association, and be under the Authority of the ARC. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Property. All of the limitations, restrictions, reservations, rights, easements, conditions and covenants herein shall run with and burden the Property and shall be binding on and for the benefit of all of the Property and all Persons having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns. The development plan of the Property shall be consistent with the overall development plan, if any, submitted to the VA and FHA.

D. Declarant, its successors, assigns and grantees, covenant and agree that the right to use the Common Elements, the membership in the Association, and any voting rights related thereto, any easements conveyed therewith and the fee title to each respective Lot conveyed therewith shall not be separated or separately conveyed, and each such interest, right, membership and easement shall be deemed to be conveyed or encumbered with its respective Lot even though the description in the instrument of conveyance or encumbrance may refer only to the Lot. Any conveyance by an Owner of a Lot within the planned community, or any portion thereof, shall be presumed to convey the entire Lot, together with membership in the Association, and any rights, privileges, duties and obligations associated with membership in the Association.

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ARTICLE I

1. Definitions. Unless otherwise expressly provided, the following words and phrases when used herein shall have the following specified meanings.

1.1 Annexable Territory. Annexable Territory shall mean the real property described in Exhibit "B" attached hereto and incorporated herein by this reference, all or any portion of which may from time to time be made subject to this Declaration pursuant to Article XV hereof; provided that the maximum number of Lots that may be added to the Project pursuant to said Article XV, in addition to the Lots in Phase 1, shall not exceed seven hundred (700).

1.2 Architectural Review Committee, ARC or Committee. Architectural Review Committee, ARC or Committee shall mean the Architectural Review Committee created pursuant to Article IV hereof.

1.3 Articles. Articles shall mean the Articles of Incorporation of the Association, as such Articles may be amended from time to time.

1.4 Assessment, Annual. Annual Assessment shall mean the annual charge against each Owner and his Lot, representing a portion of the Common Expenses which are to be levied among all Owners and their Lots in the Project in the manner and proportions provided herein.

1.5 Assessment, Capital Improvements. Capital Improvement Assessment, shall mean a specified charge or levy against each Owner and its Lot, representing a portion of the costs to the Association for installation, construction, or reconstruction of any Improvements on any portion of the Common Elements, which the Association may, from time to time specifically authorize, pursuant to the provisions of this Declaration.

1.6 Assessment, Reconstruction. Reconstruction Assessment shall mean a charge which the Board may from time to time levy against a particular Owner and his Lot, representing a portion of the cost to the Association for reconstruction of any Improvements on any of the Common Elements. Such charge shall be levied among all of the Owners and their Lots in the Project in the same proportions as Annual Assessments.

1.7 Assessment, Special. Special Assessment shall mean a charge against a particular Owner and his Lot, levied by the Board after Notice and Hearing, which is directly attributable to, or reimbursable by, that Owner, equal to the cost incurred by the Association for

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corrective action performed pursuant to the provisions of this Declaration, or a reasonable fine or penalty assessed by the Board, plus interest, late charges, attorneys fees, and other related charges on such Special Assessments as provided for herein.

1.8 Association. Association shall mean SILVER RIDGE AT EAGLE CANYON HOMEOWNERS' ASSOCIATION, a Nevada nonprofit corporation, its successors and assigns. The Association is an "association" as defined in Section 116.110315 of the Nevada Revised Statutes, as may be amended from time to time. The Association shall be situated solely in Washoe County, Nevada.

1.9 Association Maintenance Funds. Association Maintenance Funds shall mean the accounts created for receipts and disbursements of the Association, pursuant to Article V hereof.

1.10 Beneficiary. Beneficiary shall mean a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust, as the case may be, and the assignees of such Mortgagee or Beneficiary.

1.11 Board or Board of Directors. Board or Board of Directors shall mean the Board of Directors of the Association. The Board is an "executive board" as defined in Section 116.110345 of the Nevada Revised Statutes, as may be amended.

1.12 Bylaws. Bylaws shall mean the Bylaws of the Association, as such Bylaws may be amended from time to time.

1.13 Close of Escrow. Close of Escrow shall mean the date on which a deed is Recorded conveying a Lot from Declarant to a member of the home-buying public.

1.14 Common Elements. Common Elements shall mean those areas of real property, easements and the Improvements located thereon which are now owned, controlled or leased by the Association or subsequently acquired by or annexed into the Association for the common use and enjoyment of all Owners, residents, and guests, and such real property and Improvements for which the Association shall be responsible for the maintenance and upkeep as provided in this Declaration.

1.15 Common Expenses. Common Expenses shall mean those expenses for which the Association is responsible under this Declaration, including the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Elements; unpaid Annual Assessments or Special Assessments; the costs of any commonly metered charges for the Property; the cost of maintenance of clustered mailboxes, if any; the costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all landscape maintenance, repair, replacement and removal, maintenance of drainage

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facilities, gardening, lighting, fencing, weed abatement, irrigation and irrigation systems (including without limitation all charges and fees related to the appropriation, use and application of treated effluent) and the repair, replacement, relocation, improvement, expansion and removal thereof, as hereinafter defined, security, if any, and other services benefiting the Common Elements; the costs of fire, casualty and liability insurance, workers' compensation insurance, errors and omissions and director, officer and agent liability insurance, and other insurance covering the Property and the Directors, officers and agents of the Association; the costs of bonding of the members of the Board; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Property, or portions thereof; and the costs of any other item or items incurred by the Association, for any reason whatsoever in connection with the Property, for the common benefit of the Owners.

1.16 County. County shall mean Washoe County, Nevada, a political subdivision of the State of Nevada, and its various departments, divisions, employees and representatives.

1.17 Declarant. Declarant shall mean LENNAR RENO, LLC, a Nevada limited liability company, and any Person to which it shall have assigned any rights hereunder by an express written assignment. Any such assignment may include only specific rights of the Declarant hereunder and may be subject to such conditions and limitations as the Declarant may impose in its sole and absolute discretion. In addition, any first Mortgagee and its successors and assigns (other than a Member of the home-buying public) which acquires title to any portion of the Properties owned by Declarant by virtue of the foreclosure of a deed of trust or a deed-in-lieu of foreclosure shall succeed to all of the rights of the Declarant hereunder with respect to the property acquired.

1.18 Declaration. Declaration shall mean this instrument as it may be amended from time to time.

1.19 Deed of Trust. Deed of Trust shall mean a Mortgage as further defined herein.

1.20 Family. Family shall mean one or more natural persons related to each other by blood, marriage or adoption, or one or more natural persons not all so related, but who maintain a common household in a Residence.

1.21 FHA. FHA shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States government which succeeds to the FHA's function of insuring notes secured by Mortgages on residential real estate.

1.22 FHLMC. FHLMC shall mean the Federal Home Loan Mortgage Corporation (also known as The Mortgage Corporation) created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporation.

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1.23 Fiscal Year. Fiscal Year shall mean the fiscal accounting and reporting period of the Association between annual meetings of the Owners. This definition is limited to the Association's budgeting practices and the Board may choose any other period for tax reporting purposes.

1.24 FNMA. FNMA shall mean the Federal National Mortgage Association, a government-sponsored, private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

1.25 GNMA. GNMA shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

1.26 Improvements. Improvements shall mean all landscaping, structures and appurtenances thereto of every type and kind, including but not limited to, buildings, outbuildings, walkways, sprinkler pipes, swimming pools, spas, and other recreational facilities, roads, paths, drainage facilities, garages, carports, driveways, parking areas, fences, screening walls, block walls, retaining walls, awnings, stairs, decks, landscaping, antennae, hedges, windbreaks, planted trees and shrubs, poles, signs, and lighting.

1.27 Lot. Lot shall mean any lot or parcel of land shown upon any recorded final subdivision map or Recorded parcel map of the Project, together with the Improvements, if any, thereon, but excepting any Common Elements, private streets, and public or public utility easements and emergency vehicle access easements.

1.28 Manager. Manager shall mean the Person or entity employed by the Association, if any, pursuant to and limited by the provisions of this Declaration, and delegated the duties, power or functions of the Association as limited by this Declaration, the Bylaws and the terms of the agreement between the Association and said Person.

1.29 Map. Map shall mean a Recorded map or plat covering all or any portion of a Phase of Development.

1.30 Member, Membership. Member shall mean any Person holding a membership in the Association, as provided in this Declaration. Membership shall mean the property, voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

1.31 Mortgage. Mortgage shall mean any Recorded mortgage or deed of trust or other conveyance of a Lot or other portion of the Property to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance.

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1.32 Mortgagee, Mortgagor. Mortgagee shall mean a Person to whom a Mortgage is made and shall include the Beneficiary of a Deed of Trust. Mortgagor shall mean a Person who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor" and the term "Beneficiary" shall be synonymous with the "Mortgagee."

1.33 Notice and Hearing. Notice and Hearing shall mean written notice and a hearing before the Board or any of its committees designated to hear a matter, at which the Owner concerned shall have an opportunity to be heard in person or by counsel, at the Owner's expense, in the manner further provided in the Bylaws, Declaration, and Rules and Regulations, and consistent with Chapter 116 of the Nevada Revised Statutes.

1.34 Notice of Addition/Deletion. Notice of Addition or Deletion shall mean an instrument Recorded pursuant to Article XV hereof to annex or delete all or any portion of the Annexable Territory to or from the Property.

1.35 Operating Budget. Operating Budget shall mean a written, itemized estimate of the income and Reserve and Common Expenses of the Association in performing its functions under this Declaration, as more fully set forth in Article V, Section 5.4 hereof.

1.36 Owner. Owner shall mean the Person or Persons, including Declarant, holding fee simple interest to a Lot, which is part of the Project. The term "Owner" shall include a seller under an executory contract of sale but shall exclude Mortgagees or other Persons holding title as security for the performance of an obligation.

1.37 Participating Builder. A Participating Builder shall mean a Person who has acquired title to a Lot or other portion of the Project, for the purpose of constructing, building or improving such portion of the Project for either resale, lease or rent to the general public; provided, however, that the term Participating Builder shall not mean or refer to Declarant or its successors.

1.38 Person. Person shall mean a natural individual, a corporation, or any other entity with the legal right to hold title to real property.

1.39 Phase 1. Phase 1 shall mean the real property identified as Phase 1 in Exhibit "A" hereto. Phase 1 of the Project shall consist of one hundred twenty-one (121) Lots.

1.40 Phase of Development. Phase of Development or Phase shall mean (a) Phase 1, (b) the real property identified in Exhibit "A" hereto, or (c) all the real property covered by a Notice of Addition Recorded pursuant to Article XV hereof, which may include Lots and/or Common Elements as described therein, unless otherwise defined in such Notice of Addition.

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1.41 Project or Property. Project or Property shall mean (a) all of the Property described in Exhibit A, including Phase 1, and (b) each Phase of Development described in a Notice of Addition.

1.42 Record, File, Recordation. Record, File, or Recordation shall mean, with respect to any document, the recordation or filing of such document in the Office of the Washoe County Recorder or such other appropriate governmental office.

1.43 Reserve Account: Reserve Account shall mean the bank account maintained by the Association to defray unexpected expenses which cannot be accounted for within the Operating Budget.

1.44 Reserve Budget: Reserve Budget shall mean a written itemized estimate of the Annual Assessments collected, expended and carried over for the repair, replacement, and restoration of the Association's common elements, as more fully set forth in Article V, Section 5.4 hereof.

1.45 Reserve Study: Reserve Study shall mean the study required of the Association by Nevada Revised Statutes 116.31152.

1.46 Residence. Residence shall mean a dwelling, intended for use by a single Family.

1.47 Restrictions. Restrictions shall mean this Declaration, the Articles, Bylaws and the Rules and Regulations of the Association, from time to time in effect.

1.48 Rules and Regulations. Rules and Regulations shall mean the rules and regulations adopted by the Board pursuant to this Declaration or the Bylaws, as such Rules and Regulations may be amended from time to time.

1.49 Separate Interest or Unit. Separate Interest or Unit shall mean a "unit" as defined in Section 116.11039 of the Nevada Revised Statutes, as may be amended from time to time. Each Separate Interest or Unit shall be a separate freehold estate, as separately shown, numbered and designated on the applicable Map. In interpreting deeds, declarations and Maps, the existing physical boundaries of the Unit or a Unit constructed or reconstructed in substantial accordance with the applicable Map and the original plans thereof, if such plans are available, shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed, Map or Declaration, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries, as shown on the applicable Map or defined in the deed and Declaration, and the boundaries of a building as constructed or reconstructed.

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1.50 VA. VA shall mean the Department of Veterans Affairs of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by Mortgages on residential real estate.

ARTICLE II

2. Silver Ridge at Eagle Canyon Homeowners' Association.

2.1 Organization of Association. The Association is or shall be incorporated under the name of SILVER RIDGE AT EAGLE CANYON RANCH HOMEOWNERS' ASSOCIATION, as a nonprofit corporation organized under the provisions of Chapter 82 of the Nevada Revised Statutes, as may be amended.

2.2 Duties and Powers. The duties and powers of the Association are those set forth in the Restrictions, together with its general and implied powers of an "association" (as defined in Sections 116.110315, 116.3101 and 116.3102 of Nevada Revised Statutes, as may be amended) and a nonprofit corporation, generally to do any and all things that such a corporation may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Restrictions. The Association shall further have the right to install or construct capital Improvements on the Common Elements. The Association may at any time, and from time to time reconstruct, replace or refinish any Improvement or portion thereof upon the Common Elements in accordance with the original design, finish or standard of construction of such Improvement; replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Elements. The Association may employ personnel necessary for the effective operation and maintenance of the Common Elements, including the employment of legal, management and accounting services. The Association shall additionally have the power but not the duty to enter into contracts with Owners or other persons to provide services or to maintain and repair Improvements within the Project and elsewhere which the Association is not otherwise required to provide or maintain pursuant to this Declaration; provided, however, that any such contract shall provide for the payment to the Association for the costs of providing such services or maintenance. The Association may grant non-exclusive licenses, for consideration, to persons other than Owners for use and enjoyment of the Common Elements. The Association shall further maintain all landscaping adjacent to fences (within the Project) along West Calle de la Plata and along Pyramid Highway.

2.3 Membership. Every Owner, upon becoming the Owner of a Lot, shall automatically become a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases, at which time his Membership in the Association shall automatically cease. Ownership of a Lot shall be the sole qualification for Membership in the Association. Membership in the Association shall not be assignable except to the Person to which title to the Unit has been transferred, and every Membership in the Association shall be

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appurtenant to and may not be separated from the fee ownership of such Lot. The rights, duties, privileges and obligations of all members of the Association shall be as provided in the Restrictions.

2.4 Transfer. The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Lot, and then only to the purchaser or Mortgagee of such Lot. A prohibited transfer is void and will not be reflected upon the books and records of the Association. A Member who has sold his Lot to a contract purchaser under an agreement to purchase shall be entitled to delegate to the contract purchaser his Membership rights in the Association. The delegation shall be in writing and shall be delivered to the Board before the contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Lot until fee title to the Lot sold is transferred. If the Owner of any Lot fails or refuses to transfer his Membership to the purchaser of the Lot upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association. Until satisfactory evidence of such transfer has been presented to the Board, the purchaser shall not be entitled to vote at meetings of the Association. The Association may levy a reasonable transfer fee against a new owner and his Lot (which fee shall be added to the Annual Assessment chargeable to such new owner) to reimburse the Association for the administrative cost of transferring the membership to the new Owner on the records of the Association.

2.5 Classes of Membership. The Association shall have one (1) class of voting Membership. Each Owner shall be a Member. Members shall be entitled to one (1) vote for each Lot owned by such Members and subject to assessment. When more than one (1) Person owns any Lot all such Persons shall be Members, but the vote for such Lot shall be exercised in accordance with Section 2.6 of this Declaration, but in no event shall more than one (1) vote be cast for any Lot.

Notwithstanding the foregoing and subject to the provisions of Section 2.02 (c) of the Bylaws concerning the right of Members other than Declarant to elect a portion of the Board, Declarant shall be entitled to appoint and remove the members of the Board and the officers of the Association until the first to occur of the following events:

(1) Sixty (60) days after the Close of Escrow has occurred for seventy-five percent (75%) of the Lots that may be created, to Owners other than Declarant, in the Property and the Annexable Territory; or

(2) Five (5) years after Declarant has ceased to offer Lots for sale in the ordinary course of business; or

(3) The fifth anniversary of the most recent annexation of Annexable Territory to the Property.

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2.6 Voting Rights. All voting rights shall be subject to the Restrictions. Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for Membership. When more than one (1) Person holds such interest or interests in any Lot ("co-owners"), all such co-owners shall be Members and may attend any meeting of the Association, but only one (1) such co-owner shall be entitled to exercise the single vote to which the Lot is entitled. If only one (1) of several Owners of a Unit is present at a meeting of the Association, that Owner is entitled to cast the vote(s) allocated to such commonly owned Unit(s). Co-owners owning the majority interests in a Lot shall from time to time designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if the designation has been revoked, the vote for the Lot shall be exercised as the co-owners owning the majority interests in the Lot mutually agree. There is a majority agreement if any of the Owners cast the votes allocated to that Unit without protest made promptly to the person presiding over the meeting by the other Owners of the Unit. Unless the Board receives a written objection in advance from an absent co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with the consent of his co-owners. No vote shall be cast for any Lot if the co-owners present in person or by proxy owning the majority interests in such Lot cannot agree to said vote or other action. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the Bylaws of the Association, shall be deemed to be binding on all Owners, their successors and assigns.

2.7 Repair and Maintenance by the Association.

2.7.1 Maintenance Standards. Subject to Article X pertaining to destruction of Improvements and Article XI pertaining to eminent domain, the Association shall have the perpetual obligations and duties, to paint, maintain, repair and replace the Common Elements and Improvements thereon, or shall contract with a community manager authorized pursuant to Chapter 116 of the Nevada Revised Statutes for such maintenance, repair and replacement to assure that the Common Elements and Improvements thereon are kept in a clean, sanitary and attractive condition reasonably consistent with prudent property management practices and the Operating Budget. However, the Association shall not be responsible for or obligated to perform those items of maintenance, repair or improvement of the Residences or Improvements located on any Lot within the Project, the maintenance of which is the responsibility of the Owners as provided in Section 2.9. The Board shall determine the level and frequency of maintenance of the Common Elements but shall cause such maintenance to be performed in a timely manner and at such intervals to maintain the Common Elements in good order, condition and repair and avoid any unsightly conditions on the Common Elements and to timely control the growth and/or accumulation of all vegetation within the Common Elements and maintain

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appropriate fire breaks and vegetation mitigation within the Common Elements in cooperation with the appropriate governmental authority charged with fire suppression in the County. The Common Elements may consist of large areas of open space as required by state, county and supplemental laws, rules or ordinances. These open space areas will not be determined or landscaped by the Association and shall remain natural open space. Notwithstanding anything to the contrary contained in this Declaration, the Association, on behalf of its Members, shall, in perpetuity, have the obligation to ensure and cause the Common Elements to be maintained in good order, condition and repair and to remedy any unsightly conditions on the Common Elements, which obligation shall survive the termination and/or expiration of this Declaration.

2.7.1.1. Drainage Facilities. The Association shall maintain all drainage and storm water detention and/or retention facilities and improvements installed or constructed from time to time for the benefit of the Project. The Declarant reserves the right to relocate any and all drainage and storm water detention and/or retention facilities and related Improvements as may be necessary or desirable to accomplish Declarant's development plan and/or to comply with requirements of any applicable governmental authority which shall not release the Association of its maintenance obligations set forth herein.

2.7.1.2. Maintenance Plan. The Declarant shall cause to be prepared a plan of maintenance for the Common Elements and improvements to be maintained by the Association addressing, at a minimum, estimated funding requirements for the three (3) years following recordation of this Declaration, landscaping, vegetation management, watershed management, debris and litter removal, fire access and suppression and maintenance of public access and public access easements and limitations to public access. The Declarant shall or shall cause the Association to perform the maintenance plan and shall monitor compliance with the maintenance plan for not less than three (3) years following the date of recordation of this Declaration. The obligations of the Declarant under this Section 2.7.1.2 may be assigned, in whole or in part, to a successor declarant and/or Participating Builders.

2.7.2 Charges to Owners. All Common Expenses such as costs of maintenance, repairs and replacements for the Common Elements, and Improvements thereon shall be paid for as Common Expenses out of the Association Maintenance Funds as provided in this Declaration. It shall be the affirmative duty of the Board of Directors to require strict compliance with all provisions of this Declaration and to cause the Property to be inspected by the Architectural Review Committee for any violation thereof. The cost of any maintenance, repairs or replacements by the Association which is not the responsibility of the Association or which arises out of, or is caused by, the act of an Owner or such Owner's Family, tenants, guests, invitees, or agents shall, after Notice and Hearing, be levied by the Board as a Special Assessment against such Owner.

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2.8 Real Property Taxes. Subject to Section 2.7.1 herein and to the extent not assessed to the Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Common Elements and Improvements thereon.

2.9 Repair and Maintenance by Owners. Each Owner shall maintain, repair, replace, paint, finish, landscape and restore or cause to be so maintained, repaired, replaced and restored, at his sole expense, all portions of his Lot, Residence and Improvements thereon. If any Common Expense of the Association is caused by the misconduct or the willful or negligent acts of the Owner or his Family, tenants, guests, invitees or agents, then the Association may assess that expense exclusively against the Lot of such Owner. If any Owner fails to maintain or repair his Residence, Lot and Improvements thereon as required by this Section 2.9, the Association shall have the right to perform such maintenance and repair and to levy a Special Assessment against such Owner as described in Section 2.7.2.

2.10 Use of Agent. The Board of Directors, on behalf of the Association, may contract with a community manager certified in the management of common interest communities pursuant to Chapter 116 of the Nevada Revised Statutes for the performance of maintenance and repair and for conducting other activities on behalf of the Association, as may be determined by the Board. The maximum term of any such contract ("Management Contract") shall be one (1) year, unless a longer term is approved either by vote or written assent of a majority of the voting power of the Association or by VA or FHA, if applicable, in which case the maximum term of the Management Contract shall be three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Project shall also be three (3) years. Each such contract for Declarant's services and each Management Contract shall provide for its termination by either party thereto with cause upon no more than thirty (30) days, written notice to the other party, and without cause and without payment of a termination fee upon no more than ninety (90) days, written notice to the other party.

2.11 FHA Regulatory Agreement. In order to induce FHA to insure Mortgages on Lots in the Project, the Association may enter into an agreement with FHA concerning the financial and maintenance affairs of the Association, which agreement may be executed on FHA Form No. 3278. If the Association enters into such an agreement, its provisions shall control in the event of a conflict with the provisions of this Declaration, the Bylaws, or the Articles, so long as FHA is insuring loans secured by Mortgages on Lots in the Project, but the provisions of any such agreement shall not alter or supersede any zoning or County entitlements affecting the Common Elements or Property.

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ARTICLE III

3. Owners' Property Rights

3.1 Legal Description of Lot. The boundaries and dimensions of each Lot in each Phase of the Development shall be substantially as described and depicted on the Map for each Phase of the Development. The unit numbers for the Lots in Phase 1 are set forth and incorporated by reference in Exhibit "A".

3.2 Association Easement. The Association shall have an easement over the Common Elements, private streets, public utility easements and emergency vehicle access easements for performing its duties and exercising its powers described in this Declaration. Subject to Section 2.7.1 herein, the Association's obligations to maintain the Common Elements, and any Improvements thereon, in any Phase of Development shall commence on the date Annual Assessments commence on Lots in such Phase. Until commencement of Annual Assessments on Lots in any Phase, the Common Elements in such Phase shall be maintained by Declarant.

3.3 Members' Easements in Common Elements. Subject to the provisions of this Declaration, every Member of the Association shall have for himself, his Family, his tenants, guests and invitees, a nonexclusive easement of access, ingress, egress, use and enjoyment of, in and to the Common Elements, and such easements shall be appurtenant to and shall pass with title to every Lot in the Project.

3.4 Extent of Members' Easements. The rights and easements of use and enjoyment of the Common Elements created by this Declaration shall be subject to the Restrictions, which include, without limitation, the following:

(1) The right of the Association to consent to or otherwise cause the construction of additional Improvements on the Common Elements and to consent to or otherwise cause the alteration or removal of any existing Improvements on the Common Elements for the benefit of the Members of the Association;

(2) The right of the Association acting through the Board and pursuant to an agreement executed by Owners to whom a majority of the Association's voting power is allocated, including a majority of the voting power not allocated to Declarant, which agreement must be Recorded and which must specify a date after which the agreement will be void unless Recorded, to convey the Common Elements or to subject the Common Elements to a Mortgage;

(3) The right of the Association, acting through the Board, to grant easements, leases, licenses and concessions through, over or otherwise concerning the Common Elements;

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(4) Subject to the provisions of this Declaration, the right of each Owner to the exclusive use and occupancy for the purposes designated in this Declaration or in any Recorded Notice of Addition of the Unit allocated to his respective Lot;

(5) The rights and reservations of Declarant as set forth in this Declaration;

(6) The right of the Association, acting through the Board, to reasonably restrict access to maintenance and landscaped areas and similar areas of the Property;

(7) The right of the Association to reasonably limit the number of guests and tenants of the Owners using the Common Elements; and

(8) The right of the Association, acting through the Board, to establish uniform Rules and Regulations for the use of the Common Elements, which may include suspending an Owner's right to vote and/or use the Common Elements for violating the Association's Restrictions.

3.5 Waiver of Use. No Owner may exempt himself from personal liability for assessments duly levied by the Association, or effect the release of his Lot from the liens and charges thereof, by waiving or delegating use and enjoyment of the Common Elements.

3.6 Damage by Member. To the extent permitted by Nevada law, each Member shall be liable to the Association for any damage to the Common Elements not fully reimbursed to the Association by insurance if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Member, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Common Elements from the Member, or his or their respective Family and guests, both minor and adult. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the Association further reserves the right, after Notice and Hearing, to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Member or the Person for whom the Member may be liable as described above. In the case of joint ownership of a Lot, the liability of the Owners shall be joint and several, except to the extent that the Association shall have previously contracted in writing with the joint Owners to the contrary. After Notice and Hearing, the cost of correcting the damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against such Member's Lot and may be enforced as provided herein.

3.7 Gravel Pit Disclosure. Each Owner, by acceptance of title to a Lot, acknowledges the existence and operations of a sand and gravel pit contiguous to the Project and agrees that any and all noise, dust and vibration and other unforeseen inconveniences inherent with or that may occur from operations therein, in compliance with the special use permit granted for the sand and

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gravel pit operations as amended from time to time, shall not constitute a nuisance and each Owner, and all tenants, occupants, contractors, agents and invitees of such Owner hereby waive to the fullest extent permitted by applicable law, the right to claim or assert that such operations constitute a nuisance. By acceptance of title to a Lot, each Owner waives any right to challenge or object to the operations of such gravel pit and the continuation and/or renewal of the applicable special use permit.

3.8 Disclosure of Nearby Airport. Each Owner, by acceptance of title to a Lot, acknowledges the existence and operations of an airport approximately 2,600 feet (.5 miles) from the western boundary of the Project and the potential for noise, dust and vibration and other unforeseen inconveniences inherent with or that may occur from operations therein, including low flying aircraft. This disclosure is made in compliance with County's Action Order, TM03-006, dated June 5, 2003, Condition No. 56 (h).

ARTICLE IV

4. Architectural Review Committee

4.1 Members of Committee. The Architectural Review Committee, sometimes referred to herein as the "ARC" shall be comprised of three (3) members. The initial members of the ARC shall be representatives of Declarant until the Close of Escrow of seventy-five percent (75%) of the Lots that may be created, to Owners other than a Participating Builder or Declarant, in the Property and the Annexable Territory. After such time the Board may appoint and remove one (1) member of the ARC, and Declarant shall have the right and power at all times to appoint and remove a majority of the members of the ARC or to fill any vacancy of such majority, until the Close of Escrow of all of the Lots in the Project and the Annexable Territory, after which time the Board shall have the power to appoint and remove all of the members of the ARC. The ARC members appointed by the Board shall be from the membership of the Association, but ARC members appointed by Declarant need not be Members of the Association. The ARC shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Project. Board members may also serve as ARC members.

4.2 Review of Plans and Specifications. The ARC shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the ARC. No construction, alteration, removal, relocation, repainting, demolishing, addition, installation, modification, decoration, redecoration or reconstruction of an Improvement, including landscaping, in the Property shall be commenced or maintained, until the plans and specifications therefore showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the ARC and approved in writing by the ARC;

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provided, however, that any Improvement may be repainted without ARC approval so long as the Improvement is repainted the identical color which it was last painted. The Owner submitting the plans and specifications (the "Applicant") shall obtain a written, dated receipt therefore from an authorized agent of the ARC. Until changed by the Board, the address for the submission of such plans and specifications shall be the principal office of the Association. The ARC shall approve plans and specifications submitted for its approval only if it deems that the installation, construction, alterations or additions contemplated thereby, in the locations indicated, will not be detrimental to the appearance of the surrounding area of the Property as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Elements or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. Declarant, and any Person to which Declarant may assign all or a portion of its exemption hereunder, need not seek or obtain ARC approval of any Improvements constructed on the Property by Declarant or such Person, as the case may be.

The ARC may condition its approval of proposals or plans and specifications for any Improvement on any one or more of the following:

(1) the Applicant's furnishing the Association with security acceptable to the Association to ensure the timely completion of the work;

(2) changes to such plans and specifications as the ARC deems appropriate;

(3) Applicant's agreement to grant appropriate easements to the Association for the maintenance of the Improvements

(4) Applicant's agreement to complete the proposed work within a stated period of time or pursuant to a schedule and to be subject to penalties for failure to adhere to such time periods or schedules;

(5) submission of additional plans and specifications or other information prior to approving or disapproving material submitted; or

(6) such other conditions, restrictions and other terms as the ARC may in its sole and absolute discretion deem necessary or desirable with respect to the proposal.

The ARC may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee to accompany each application for approval, or stating additional factors which it will take into consideration in reviewing submissions. The ARC may provide that the amount of the fee shall be uniform or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The ARC may require such detail in plans and specifications submitted for its

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review as it deems proper, including without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the ARC of any required plans and specifications, the ARC may postpone review of any plans submitted for approval. Decisions of the ARC and the reasons therefore shall be transmitted by the ARC to the Applicant at the address set forth in the application for approval within forty-five (45) days after receipt by the ARC of all materials required by the ARC. Any application submitted pursuant to this Section 4.2 shall be deemed approved unless written disapproval or a request for additional information or materials by the ARC shall have been transmitted to the Applicant within forty-five (45) days after the date of receipt by the ARC of all required materials.

4.3 Meetings of the ARC. The ARC shall meet from time to time as necessary to perform its duties hereunder. The ARC may from time to time, by resolution unanimously adopted in writing, designate an ARC Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the ARC, except the granting of variances pursuant to Section 4.8. In the absence of such designation, the vote of written consent of a majority of the ARC shall constitute an act of the ARC.

4.4 No Waiver of Future Approvals. The approval of the ARC of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

4.5 Compensation of Members. The members of the ARC shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

4.6 Inspection of Work. The ARC or its duly authorized representative may at any time inspect any work for which approval of plans is required under this Article IV ("Work"), which right to inspect shall include the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the ARC-approved plans for the Work or with the requirements of this Declaration ("Noncompliance").

4.6.1 Time Limit. The ARC's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60) days after the latest to occur of the following events: (i) submittal of the plans for the Work to the ARC for its approval as provided in this Article IV; (ii) completion of the Work as provided in the ARC-approved plans; and (iii) written notice from the Owner to the ARC that the Work has been completed.

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This time limit for inspection and notification by the ARC shall be extended indefinitely if any of these conditions has not occurred. If the ARC fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

4.6.2 Remedy. If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the ARC, the ARC shall notify the Board in writing of such failure. Upon Notice and Hearing, the Board shall determine whether there is a Noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a Noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board, at its option, may Record a Notice of Noncompliance and commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

4.7 Scope of Review. The ARC shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations, consistency with this Declaration, and the overall benefit or detriment which would result to the immediate vicinity and the Property generally. The ARC shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The ARC's approval or disapproval shall be based solely on the considerations set forth in this Article IV, and the ARC shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The ARC may consider the impact of views from other Residences or Lots and reasonable privacy right claims as factors in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement. HOWEVER, DECLARANT DOES NOT WARRANT ANY VIEWS WITHIN THE PROPERTY AND NO RESIDENCE OR LOT IS GUARANTEED THE EXISTENCE OR UNOBSTRUCTED CONTINUATION OF ANY PARTICULAR VIEW.

4.8 Variances. The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including without limitation restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require; provided, that any variance so granted shall be and always remain subject and subordinate to all applicable laws, rules and regulations and the Committee is under no obligation to ensure that any variance so granted is in conformity with applicable laws, rules and regulations. Such variances must be evidenced in writing, must be signed by a majority of the ARC, and shall become effective upon Recordation. After Declarant has lost the right to appoint a majority of the members of the ARC, the Board must approve any variance recommended by the ARC before any such variance shall become effective. If such variances are

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granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the use of his Residence or Lot.

4.9 Appeals. For so long as Declarant has the right to appoint and remove a majority of the members of the ARC, decisions of the ARC shall be final, and there shall be no appeal to the Board of Directors. When Declarant is no longer entitled to appoint and remove a majority of the members of the ARC the Board may, at its discretion, adopt policies and procedures for the appeal of ARC decisions for reconsideration by the Board. The Board shall have no obligation to adopt or implement any such appeal procedures, and in the absence of Board adoption of appeal procedures, all decisions of the ARC shall be final.

ARTICLE V

5. Association Maintenance Funds and Assessments.

5.1 Personal Obligation of Assessments. Each Owner, by acceptance of a deed to a Lot 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 for Common Expenses; (2) Capital Improvement Assessments; (3) Special Assessments; (4) Reconstruction Assessments; (5) Transfer Fees (Section 5.9); and (6) Capital Contributions (Section 5.9), such assessments and fees to be established and collected as provided herein. All such assessments and fees, together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge and lien on the Lot against which such assessment is made. Each such assessment and fees, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of the Lot or by an offer to waive use of the Common Elements or the Improvements thereon. The personal obligation for delinquent assessments shall not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

5.2 Maintenance Funds of Association. The Board of Directors shall establish no fewer than two (2) separate Association Maintenance Fund accounts, into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. The Association Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) an adequate Reserve Fund for capital improvements, replacements, painting and repairs of the Common Elements (which cannot normally be expected to occur on an annual or more frequent basis), and for payment of deductible amounts for policies of insurance which the

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Association obtains as provided in Section 9.1 hereof, and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration. Any surplus funds in the Operating Fund of the Association remaining after payment of or provision for Common Expenses and any prepayment of reserves or any other fund established by the Board must be paid to the Lot Owners in proportion to their liability for Common Expenses or credited to them to reduce their future assessments for Common Expenses as determined by the Board.

5.3 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners, for the operation, replacement, improvement and maintenance of the Common Elements, and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Board of Directors only for the purposes specified in this Article V. Nothing in this Declaration shall be construed in such a way as to permit the use of Association assessments or funds to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

5.4 Adoption of Budgets. The Board shall fix the amount of the Annual Assessment to be levied at least sixty (60) days in advance of each Fiscal Year. A written copy of the Operating and Reserve Budgets shall be made available to every Owner at the date and location of the annual meeting of Members or as otherwise required by applicable law.

5.5 Annual Assessments: Commencement and Collection. Annual Assessments for any owner, shall commence on each Lot in a Phase of Development on the first day of the first calendar month following the issuance of a Certificate of Occupancy for that Lot. All Annual Assessments shall be assessed equally against the Members and their Lots based upon the number of Lots owned by each Member. Annual Assessments for fractions of any month involved shall be prorated.

Each Member shall pay to the Association his Annual Assessment in monthly installments due no later than the first day of each month. Each installment of Annual Assessments may be paid by the Member to the Association in one check or in separate checks as payments attributable to deposits into specified Association Maintenance Funds. If any installment of an Annual Assessment payment is less than the amount assessed and the payment


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does not specify the Association Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Member shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund. Notwithstanding anything to the contrary herein contained and during the period of Declarant control of the Association as set forth in Section 2.5 hereof, the Declarant may pay Annual Assessments in monthly, quarterly or annual installments.

5.6 Delinquency. Any installment of an assessment provided for in this Declaration shall be delinquent if not paid by the due date. Upon such delinquency, the full amount of the Assessment (i.e., not simply the delinquent installment) shall immediately become due and payable and shall bear interest at the rate of 18% per annum or the maximum rate permitted by law until paid. Furthermore, the Owner shall be responsible for any and all reasonable costs of collection (including attorneys' fees) and late charges as provided herein. The Board may also require the delinquent Owner to pay a late charge. The Association need not accept any tender of a partial payment of an installment of an assessment and all costs, interest, late charges and attorneys' fees attributable thereto, and any acceptance of any such tender shall not be deemed to be a waiver of the Association's right to demand and receive full payments thereafter.

5.7 Creation, Enforcement and Release of Lien. All sums assessed in accordance with the provisions of this Declaration shall constitute a lien on the respective Lot from the time such sums become due prior and superior to all other liens and encumbrances thereon except (i) liens and encumbrances Recorded before Recordation of this Declaration; (ii) a first Mortgage on the Lot Recorded before the date on which the assessment sought to be enforced becomes delinquent, except the Association lien shall have priority for six (6) months' Annual Assessments, including interest, late charges, attorneys fees and foreclosure or collection costs, pursuant to Chapter 116 of the Nevada Revised Statutes; and (iii) liens for real estate taxes and other governmental assessments or charges against the Lot.

The Association may enforce the lien after:

(1) The Association has mailed by certified or registered mail, return receipt requested, a Notice of Delinquent Assessment which states:

(a) the amount of the assessment and other authorized charges and interest, including the cost of preparing the Notice of Delinquent Assessment;

(b) a sufficient description of the Lot against which the same has been assessed; and

(c) the name of the Owner thereof;

(2) Not less than thirty (30) days after the mailing of the Notice of Delinquent

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Assessment, the Association or other Person conducting the sale has executed and caused to be Recorded a Notice of Default and Election to Sell ("Notice of Default") the Lot to satisfy the lien, which contains the same information as the Notice of Delinquent Assessment plus a description of the deficiency in payment and the name and address of the person authorized to enforce the lien by sale; and

(3) the Owner or his successor-in-interest has failed to pay the amount of the lien (including costs, fees and expenses incidental to its enforcement) for ninety (90) days following Recordation of the Notice of Default. The ninety (90) day period shall begin to run on the first day following the later of:

(y) the date of which the Notice of Default is recorded, or

(z) the day on which a copy of the Notice of Default is mailed by certified or registered mail, return receipt requested, to the Lot's Owner or his successor-in-interest at his address, if known; otherwise, to the address of the Lot.

The Notice of Default shall be signed by any authorized officer or agent of the Association. The Association or other Person conducting the sale shall also, after the expiration of said ninety (90) day period and before selling the Lot, give notice of the time and place of the sale in the manner and for a time not less than that required by law for the sale of real property by execution, except that a copy of the notice of sale must be mailed, on or before the date of first publication or posting, by certified or registered mail, return receipt requested, to the Lot Owner or his successor-in-interest at his address if known, otherwise to the address of the Lot. The lien shall relate only to the individual Lot against which the assessment was levied and not to the Property as a whole. A copy of the Notice of Sale shall also be sent to the Ombudsman for Common Interest Communities, as that term is defined in Chapter 116 of the Nevada Revised Statutes.

Upon payment to the Association of the full amount claimed in the Notice of Default, or other satisfaction thereof, the Board of Directors shall cause to be Recorded a Notice of Satisfaction and Release of Lien ("Notice of Release") stating the satisfaction and release of the amount claimed. The Board of Directors may demand and receive from the applicable Owner a reasonable charge, to be determined by the Board, for the preparation and Recordation of the Notice of Release before Recording it. Any purchaser or encumbrancer who has acted in good faith and extended value may rely upon the Notice of Release as conclusive evidence of the full satisfaction of the sums stated in the Notice of Default. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the full amount of the assessment becomes due.

5.8 Enforcement of Liens. It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one (1) or more of the

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alternative means of relief afforded by this Declaration or in any other matter permitted by law. The lien on a Lot may be enforced by sale, in the County in which the Property or any part of it is situated, of the Lot by the Association, the Association's attorneys, any title insurance company authorized to do business in Nevada, or other persons authorized to conduct the sale as a trustee, or in any other manner permitted by law, after failure of the Owner to pay any Annual, Capital Improvement, Special or Reconstruction Assessment, or installments thereof, as provided herein. The sale shall be conducted in accordance with the provisions of the Nevada Uniform Common-Interest Ownership Act, or in any other manner permitted by law. The Association, through its agents, shall have the power to enter a credit bid on the Lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting homeowner's Unit, and the defaulting Owner shall be required to pay the reasonable rental value for such Unit during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

5.9 Capital Contributions to the Association; Transfer Fees. Upon acquisition of record title to a Lot from Declarant, each Owner of a Lot shall contribute to the capital of the Association an amount, to be determined by the Assoication from time to time, sufficient to adequately fund the Association's Reserve Fund. The initial amount of the capital contribution due upon the first sale of a Lot by the Declarant or a Participating Builder to a member of the home buying public, until changed by the Association, is Two Hundred Fifty Dollars ($250.00). This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association, which amount shall be deposited by the Association into the Reserve Fund. This amount is not and shall not be deemed an advance payment of Assessments for that Lot. The Association may impose a transfer fee upon the sale, transfer, assignment or other conveyance of a Lot in order to cover administrative costs related to processing the transfer of such Lot on the books and accounts of the Association. The amount of the transfer fee will be determined from time to time by the Board.

5.10 Exemption from Assessments. The following property subject to this Declaration shall be exempt from the Assessments herein:

(a) Those portions of the Project dedicated to and accepted by a local or governmental authority, upon dedication to any such local or governmental authority the property so dedicated shall be deemed removed from the Annexable Territory;

(b) Any Association Property owned in fee by the Association; and

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(c) Those portions of the Project owned by Declarant.

ARTICLE VI

6. Project Easements and Rights of Entry; Declarant Rights

6.1 Easements

6.1.1 Access. Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Elements, including any private streets or driveways currently existing in the Property or subsequently added to it, which easements may be conveyed by Declarant to Owners and to the Association for so long as Declarant owns any interest in the Property. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by all Owners and their guests, tenants and invitees residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Lot in the Project. Such easements over the Common Elements and private streets shall be appurtenant to, binding upon, and shall pass with the title to, every Lot conveyed.

6.1.2 Maintenance and Repair. Subject to Article II, Section 2.7.1 herein, Declarant expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements over the Common Elements as necessary to maintain and repair the Common Elements, and private streets and to perform all other tasks in accordance with the provisions of this Declaration. Such easements over the Common Elements and private streets shall be appurtenant to, binding upon, and shall pass with the title to, every Lot conveyed.

6.1.3 Utility Easements. Declarant expressly reserves for the benefit of the Association the right of Declarant to grant additional easements and rights-of-way over the Property to utility companies and public agencies, as necessary, for the proper development and disposal of the Property. Such right of Declarant shall expire with respect to any Phase of Development, upon Close of Escrow for the sale of all Lots in such Phase by Declarant.

6.1.4 Encroachments. Declarant, the Association and Owners of contiguous Lots shall have a reciprocal easement appurtenant to each of the Lots over the Lots and the Common Elements for the purpose of (1) accommodating any existing encroachment of any wall or fence or any Improvement, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the Improvements or any other

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portion of the Project. Easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Common Elements are specifically reserved for the benefit of the Owners. Declarant expressly reserves for the benefit of the Common Elements, and for the benefit of the Owners and the Association, reciprocal nonexclusive easements for drainage of water over, across and upon the Common Elements. The foregoing easements shall not unreasonably interfere with each Owner's use and enjoyment of adjoining Residences. No portion of the Common Elements, including without limitation parking spaces and other amenities contemplated as a part of the Property, are proposed to be leased by Declarant to the Owners or to the Association.

6.1.5 Completion of Improvements. Declarant expressly reserves for its benefit the right and easement to enter the Property to complete any Improvement which Declarant deems desirable to implement Declarant's development plan.

6.1.6 Avigation Easement. Each Owner, by acceptance of the deed to his respective Lot, acknowledges the existence of an aircraft overflight avigation easement affecting the Property, the nature and scope of which is set forth in the public records.

6.1.7 Drainage Easements and Facilities. Declarant reserves the right to create, relocate, adjust, dedicate and abandon easements, licenses or other rights for drainage and drainage and storm water detention and/or retention facilities and related Improvements, on, in, over and under the Common Elements, from time to time, together with all rights necessary for ingress and egress and to construct, maintain, improve, landscape, grade, expand, dedicate, relocate, repair, replace and abandon any and all such drainage and storm water facilities and related Improvements and such water tank on, in, over and under the Common Elements which may be necessary or desirable to implement Declarant's development plan or as may be necessary or required by the County or any other governmental authority.

Declarant may assign, in whole or in part, any of the Declarant's rights under this Section 6.1.

6.2 Rights of Entry. The Association shall have a limited right of entry in and upon the Common Elements and the Lots for the purpose of inspecting the Project, and taking whatever corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, such entry upon the Lots shall be made, except to effect emergency repairs or other emergency measures, only after three (3) days prior written notice to the Owner of such Lot and after authorization of a majority of the Board of Directors. Nothing herein shall be construed to impose any obligation upon the Association to

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maintain or repair any property or Improvements required to be maintained or repaired by the Owners. Nothing in this Article VI shall in any manner limit the right of the Owner to exclusive occupancy and control of his Unit. However, an Owner shall permit a right of entry to the Association or any other person authorized by the Association as required by this Section 6.2. Any damage caused to a Unit by such entry by the Association or by any person authorized by the Association shall be repaired by the Association as a Common Expense of the Association. In case of an emergency, such right of entry shall be immediate.

6.3 Interest of Declarant. It is acknowledged that Phase 1 is a portion of a larger parcel of land which Declarant is causing to be developed. Each Owner of a Lot which is part of the Project acknowledges by acceptance of a deed or other conveyance therefore, whether or not it shall be so expressed in any such deed or other instrument, that Declarant has a substantial interest to be protected with regard to assuming compliance with and enforcement of, the covenants, conditions, restrictions and reservations contained in this Declaration and any amendments thereto and any Supplemental or Additional Declarations Recorded pursuant to this Declaration. Notwithstanding any other provisions of the Restrictions, until such time as Declarant and all Participating Builders no longer own any Lots in the Project, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

(a) Any amendment or action requiring the approval of First Mortgagees pursuant to this Declaration, including without limitation all amendments and actions specified in Sections 12 or specifically requiring the approval of Declarant pursuant to Section 12;

(b) The annexation to the Project of real property, other than the Annexable Territory, pursuant to Section 15 hereof;

(c) The levy of a Capital Improvement Assessment for the construction of new facilities not originally included in the Association Property;

(d) Any significant reduction of Association maintenance or other services; or

(e) Any documents creating or governing a Subassociation including, but not limited to any Additional or Supplemental Declaration.

6.4 Dedication of Regional Trails and Pocket Parks. In connection with the development of the Project, a portion of the regional trail system shall be constructed on the Common Elements and dedicated, transferred and/or conveyed by Declarant (the "Regional Trails") to the County together with the required neighborhood pocket parks to be constructed within the Project (the "Parks"). Alternatively, in the event the real property underlying the Parks and/or Regional Trails has been conveyed to the Association as Common Elements, the Declarant reserves the right to dedicate, transfer and convey the Regional Trails and Parks, and to the extent that such Regional Trails and Parks are not so dedicated prior to the conveyance of the Common

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Elements to the Association, the Association and each Member by acceptance of title to their respective Lot, does hereby consent and agree to the transfer and conveyance of the Regional Trails and Parks to the County, without any further action, approval, ratification or consent being required, and the Association does hereby agree to execute and deliver and does hereby irrevocably constitute and appoint the Declarant as its lawful attorney in fact to execute and deliver any and all documents, agreements, deeds, instruments or assignments that may be necessary to effectuate the transfer and conveyance of the Regional Trails and Parks. Any and all remuneration, credits or reimbursement that may result or arise from or in connection with the dedication, transfer and conveyance of the Regional Trails and Parks shall be paid, credited or reimbursed solely to the Declarant.

ARTICLE VII

7. Declarant's Rights and Reservations. Nothing in the Restrictions shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Common Elements or any portion of the Property owned solely or partially by Declarant, or to alter the foregoing or its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Property so long as any Lot in the Project remains unsold. Any alteration of Declarant's construction plans shall require the prior approval of FHA and VA, if such alteration is inconsistent with the general plan of development of the Property submitted to and approved by FHA and VA, if any. The rights of Declarant hereunder shall include, but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Lots by sale, resale, lease or otherwise. Each Owner by accepting a deed to a Lot hereby acknowledges that the activities of Declarant may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance until such time as Declarant or any successor-in-interest of Declarant ceases to own any portion of the Property or the Annexable Territory. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Lot in the Project by a purchaser from Declarant to make or establish on that Lot additional licenses, dedications, easements, reservations and rights-of-way to itself, to utility companies, governmental agencies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Furthermore, prior to acquisition of title to the affected Lot by a purchaser or with the consent of the affected Lot Owner thereafter, Declarant, in its sole discretion, may cause boundary line adjustments to such a Lot or the Common Elements, without the consent of the Association, to provide for, by way of example and not limitation, logical interconnection of additional Phases of Development, the provision of ingress or egress to the Project or Phases of Development or contiguous developments, to correct planning oversights, such as unforeseen areas where trash and debris may collect or areas of designated Common Elements which may be unusable or inaccessible for proper maintenance, and to provide for drainage and drainage and storm water facilities and related Improvements (including the

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relocation and adjustment thereof). Declarant may use any Lots owned by Declarant in the Project as model home complexes or real estate sales or leasing offices. Declarant need not seek or obtain ARC approval for any Improvement constructed or placed on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in these Restrictions may be assigned by Declarant, in whole or in part, to any successor in interest to any portion of Declarant's interest in any portion of the Property by a written assignment. Declarant and its prospective purchasers of Lots shall be entitled to the nonexclusive use of the Common Elements without further cost for access, ingress, egress, use or enjoyment, in order to show the Property to its prospective purchasers, to dispose of the Property as provided herein, and to develop and sell the Annexable Territory. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property and the Annexable Territory. The use of the Common Elements by Declarant shall not unreasonably interfere with the use thereof by the other Members. The Association shall provide Declarant with all notices and other documents to which a Beneficiary is entitled pursuant to this Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefore. The rights and reservations of Declarant set forth in this Article VII shall terminate on the twentieth (20th) anniversary of the first Close of Escrow for the sale of a Lot in the Project. To the extent that the Declarant exercises any right to adjust the boundaries of the Common Elements or any Lots, the result of any such adjustments shall not increase the number of Lots shown on the Project's Maps and shall comply with all other applicable zoning requirements.

Any potential purchaser of a portion of the Project, other than a purchaser of a Residence, is hereby directed to contact the County, Department of Community Development, to review conditions of approval prior to the finalization of such sale and any subsequent purchasers of a portion of the Project, other than a purchaser of a Residence, shall notify the County Department of Community Development of the name, address, telephone number and contact person for each such new purchaser within thirty (30) days of the final sale, each as set forth in the County Action Order, TM03-006, dated June 5, 2003, Condition No. 8.

ARTICLE VIII

8. Residence and Use Restrictions. All of the Property shall be held, used and enjoyed subject to the following limitations and restrictions and the exemptions of Declarant set forth in this Declaration.

8.1 Single Family Residences. Each Unit shall be used as a Residence for a single Family and for no other purpose. An Owner may rent his Unit to a single Family provided that the Unit is rented pursuant to a lease or rental agreement which is (a) in writing, (b) for a term of at least thirty (30) days, and (c) subject to all of the provisions of this Declaration. Provided, however, that a Unit may not be rented or leased more than three (3) times during any

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calendar year. Notwithstanding that the Owner shall have leased or rented the Unit to a tenant, the Owner and the Lot shall be liable and responsible for a tenant's failure to abide by the terms and conditions of this Declaration, which include the obligations to maintain the landscaping and avoid nuisance conditions. Garage areas within a Unit shall not be converted to or used as living areas.

8.2 Temporary Structures. No structure of a temporary character, trailer, tent, shack, detached garage, barn or other outbuilding shall be used on any Lot at any time as a residence, either temporarily or permanently; provided, however, that Declarant or a Participating Builder may establish, relocate and operate a construction yard, including a "job shack," on any Lot, during and until completion of construction of the Project.

8.3 Lavatories and Toilets. All lavatories and toilets shall be built indoors and connected with a sewer system in accordance with applicable law.

8.4 Automobiles and Recreational Vehicles. No boat, trailer (including, without limitation, utility trailers), motor home, unlicensed or unregistered motorcycle, recreational vehicle or watercraft, camper, commercial vehicle, aircraft, truck larger than what is commonly referred to as a 1 ton truck, or any inoperable or junk vehicle of any kind may be parked, stored, kept or repaired at any time on any Lot within the Project between the residence and the front property line of the Lot; provided, however, that a boat, trailer, motor home, unlicensed or unregistered motorcycle or recreational vehicle or watercraft may be temporarily located between the residence and the front property line of the Lot for a period not to exceed twenty-four (24) hours. Parking, storing or keeping a boat, trailer, motor home, recreational vehicle, camper, commercial vehicle, aircraft, truck larger than 1 ton, or any inoperable or junk vehicle shall be permitted only on the garage side, side yard (an area adjacent to the side of a residence and the side lot line which abuts the exterior wall of the garage of the Residence) behind the most forward part of the Residence in said garage side, side yard and behind a fence. Notwithstanding the foregoing, no commercial vehicle of any type that exceeds ten (10) feet in height shall be parked stored or kept on any Lot. In addition, a boat, trailer, motor home, unlicensed or unregistered motorcycle, recreational vehicle or watercraft, camper, commercial vehicle, aircraft, truck larger than 1 ton, or any inoperable or junk vehicle parked in a side yard as defined above must be parked or stored behind a screened gate which must be kept closed at all times except for immediate ingress and egress. No repairs or restoration of any motor vehicle, motorcycle, boat, trailer, motor home, recreational vehicle, camper, commercial vehicles, aircraft, truck larger than 1 ton, or any inoperable or junk vehicle shall be conducted upon any portion of any Lot within the Project, except wholly within the said Owner's garage; provided, however, that such activity shall at no time be permitted if it is determined by the Architectural Review Committee to be a nuisance or unsightly. A motor vehicle, motorcycle, boat, trailer, motor home, recreational vehicle, camper, truck larger than 1 ton, or commercial vehicle may be operated within the Project for the purposes of ingress to and egress from the Owner's Lot within the Project only. No motorized vehicles shall be operated in any manner in the Common Elements or Regional Trails. Notwithstanding the foregoing, these restrictions shall not be interpreted in such a

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manner so as to permit any activity which would be contrary to any applicable County ordinance. No unlicensed or unregistered motor vehicle, motorcycle, moped, scooter or the like shall be operated within the Project and each Owner shall be responsible for any violations of this Section by its tenants, guests, invitees, agents and contractors.

8.5 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere within the Property, and no odor shall be permitted to arise therefrom so as to render the Property or any portion thereof unsanitary, unsightly, or offensive. No noise or other nuisance shall be permitted to exist or operate upon any portion of a Lot so as to be offensive or detrimental to any other Lot in the Property or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or other items which may unreasonably disturb other Owners or their tenants shall be located, used or placed on any portion of the Property without the prior written approval of the Board. Alarm devices used exclusively to protect the security of a Lot and its contents shall be permitted, provided that such devices do not produce annoying sounds or conditions as a result of frequently occurring false alarms.

8.6 Signs. No sign, poster, billboard, advertising device, political signage or other display of any kind shall be displayed on or be visible from a Lot without the approval of the ARC, except that one (1) sign of customary and reasonable dimensions may be displayed from each Lot advertising the Lot for sale. No "for rent", "for Lease" or other sign indicating that a Lot is available for any temporary occupancy are permitted or may be visible or displayed at any time.

8.7 Antennae. No installation of antennae or satellite dish or other device for the transmission or reception of television or radio signals or any other form of electro-magnetic radiation shall be permitted unless erected, used or maintained in the rear yard of a Residence or Property or mounted as inconspicuously as possible on the Residence. The height of said device shall not exceed eight feet overall (including, but not limited to, the stand, pedestal, and receiver) and/or shall not be more than two feet above the height of the nearest property line fence or wall. Adequate landscape material shall be installed to screen said device from view of adjacent Residences built upon Lots within the Project, as well as from the street. The restrictions set forth in this Section 8.7, to the extent inconsistent therewith, are subject to the Federal Communications Act of 1996 and the rules and regulations promulgated thereunder by the Federal Communication Commission and any subsequent state or federal law, rule or regulation providing rights to owner's telecommunications equipment; provided that this Declaration reserves any and all rights that may be exercised by a home owners association thereunder which rights may be in addition to such rights set forth in this Section 8.7.

8.8 Rooftop Structures and Appliances. Without the prior approval of the ARC, no device, structure or fixture of any kind, including but not limited to, wiring or water softeners


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shall be installed or affixed to the exterior walls or roofs of the residence on Lots within the Project which are in view of adjacent lots or public streets or which are in violation of any applicable County ordinance. The use of solar collectors shall not be permitted on roof tops but may be permitted on other areas of the Lot subject to the approval of the ARC.

Evaporator coolers or other air conditioning devices shall not be permitted on the roofs of structures but may be attached to the exterior wall of a Unit (excluding exterior walls in the front of the Residence); provided, that such devices are not visible from the street or neighboring or nearby Lots. Adequate landscape material shall be installed to screen said device from view of adjacent Residences built upon Lots within the Project, as well as from the street.

8.9 Unsightly Articles. No unsightly articles, including without limitation clotheslines, shall be permitted to remain on any Lot so as to be visible from any other portion of the Property. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in covered, sanitary containers or enclosed areas designed for such purpose. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in covered, sanitary containers or enclosed areas designed for such purpose. All Lots shall be subject to periodic mandatory solid waste collection as required by County. Such containers shall be exposed to the view of neighboring Lots only when set out for collection and then only for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles commercially designed therefore, such that they do not create a fire hazard and except as specifically authorized in writing by the Association (and subject to applicable ordinances and fire regulations).

8.10 Oil and Mining Operations. No tools or equipment and no derrick or other structure designed for use in boring for oil, gas or other kindred substances, or designed for use in boring for water, or designed for use in any mining operation or exploration shall hereafter be erected or placed upon the Property; and no owner of any Lot shall ever consent to the use of the surface of the land, or any portion of the subsurface thereof, by any lessee under any lease to be negotiated or under any lease now of record affecting any of said lots, which lease pertains to the exploration, mining or operating for oil, gas or other hydrocarbon substance and the taking, storing, removing and disposition of same.

8.11 Maintenance of Improvements and Structures. No improvements (including but not limited to dwelling units, garages, carports, walls and fences) shall be permitted to fall into disrepair and all structures shall at all times be kept in good condition and repair and adequately painted or otherwise finished. Any and all repairs, re-decorations, modifications or additions, interior or exterior, shall fully comply with all applicable building code requirements and restrictions and this Declaration.

8.12 Maintenance of Lots Within the Project. No rubbish, brush, weeds, undergrowth or debris of any kind or character shall ever be placed or permitted to accumulate

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upon any lots within the Project, or any portion thereof, so as to render said premises a fire hazard, unsanitary, unsightly, offensive or detrimental to any other lot within the Project or of the occupants thereof. The Owner of each Lot within the Project for himself, his successors and assigns agrees to maintain and to care for, cultivate, prune and maintain in good condition any and all trees, lawns, and shrubs growing on said Lot and should Owner or his successors or assigns fail to do so, or fail to keep said Lot free from rubbish, brush, weeds, undergrowth or debris of any character, the Association, to the extent permitted by applicable law, or the Declarant or its successors in interest at any time, upon thirty (30) days written notice to Owner or his successors and assigns, of its intention to do so, may enter upon said Lot or property and remove such rubbish, brush, weeds, undergrowth or debris and assess said Owner or his successors or assigns for the costs thereof. Declarant or its successor in interest shall notify Owner or his successors or assigns in writing of the costs thereof, and in the event such person or persons fails to remit to Declarant or its successor in interest the charges, such charges shall constitute a lien on said lot or property which may be enforced by Declarant or its successor in interest in the same manner provided by law with respect to a mortgage or other lien on real property.

8.13 Animals. No animals, fowls, reptiles, poultry, fish or insects of any kind ("animals") shall be raised, bred or kept within the Property, except that a reasonable number of dogs, cats or other household pets may be kept within a Residence, provided that they are not kept, bred or maintained for any commercial purpose, nor in unreasonable quantities nor in violation of any applicable local ordinance or any other provision of the Restrictions and such limitations as may be set forth in the Rules and Regulations. As used in this Declaration "unreasonable quantities" shall ordinarily mean more than two (2) pets per household; provided, however, that the Board of Directors may determine that a reasonable number in any instance may be more or less. The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to other Owners in the Property. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure or on a leash or other restraint being held by a person capable of controlling the animal. Furthermore, to the extent permitted by law, any Owner shall be liable to each and all remaining Owners, their Families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by an Owner or by members of his Family, his tenants or his guests; and it shall be the absolute duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Common Elements.

8.14 Business or Commercial Activity. No part of the Property shall ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant, its successors and assigns may use any

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portion of the Property for a model home site and display and sales offices in accordance with Article VII hereof. The provisions of this Section 8.14 shall not preclude any of the above-described activities without external evidence thereof, provided that all of the following conditions are fulfilled: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not visit the Unit or park automobiles or other vehicles within the Property; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside of the boundaries of the Unit; (d) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (e) such activities are consistent with the residential character of the Property and conform with the provisions of this Declaration.

8.15 No Further Subdivision. No Lot may be further subdivided or re-zoned without the prior written approval of the Declarant or Board; provided, however, that nothing in this Section shall be deemed to prevent an Owner from, or require the approval of the Board for: (1) selling a Lot; or (2) transferring or selling any Lot to more than one (1) person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property; or (3) the leasing or renting by any Owner of all of his Lot, provided that any such lease or rental shall be subject to the Restrictions.

8.16 Drainage. There shall be no interference with or alteration to the established drainage, unless an adequate alternative provision, approved by the applicable governmental agency, is made for proper drainage. For the purpose hereof, "established" drainage is defined as the drainage which exists at the time a Lot is conveyed to an Owner by Declarant or a Participating Builder, which includes the placement of rain gutter downspouts and other modifications to the Residence that may impact drainage.

8.17 Fences. Wood fences not exceeding six feet (6') in height and not extending beyond the front of the residence may be erected if the location and quality thereof are first approved in writing by the Architectural Review Committee and are consistent with the rules, regulations and requirements established from time to time by the applicable local governmental entities having jurisdiction over any of the Project. No fences of any kind or type shall be permitted between the front property line of a Lot and Residence. No fence may be painted; however, fences may be stained with a natural wood colored stain that compliments the natural beauty and character of the wood and surrounding area. Interior fences may be erected within the enclosed backyard area of the Residence; provided, that such interior fences do not exceed the height of six (6) feet. No wire fencing of any kind or type shall be permitted except for interior fences (e.g. dog runs). Fencing installed by the Declarant or a Participating Builder at the time a Lot is conveyed to an Owner by Declarant or such Participating Builder, shall be maintained by the Owner, and to the extent that any such fencing must be repaired or replaced it shall be repaired or replaced using the same design and material type and quality as originally installed, unless an alteration therefrom is expressly approved by the Architectural Review Committee in writing and pursuant to the procedures set forth in this Declaration and such alteration is consistent with all applicable laws, rules and regulations related to the Lot and the Project.

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8.18 Site Distance at Intersections. No fence, wall, hedge, or shrub planting which obstructs site lines at elevations between eighteen inches and six (6) feet above the roadways shall be placed or permitted to remain on a corner lot within the triangular area formed by the street property lines and a line connecting them at thirty feet (30') from the intersection of the street lines (and residential driveways may not be placed within ten feet (10') from the return of the intersection), or in the case of a rounded property corner, from the intersections of the street property lines extended, or such greater requirements as may be imposed by applicable law. The same site-line limitations shall apply on any Lot that is within ten (10) feet of the intersection of a street property line with the edge of a driveway or alley. No trees shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such site lines.

8.19 Tanks. No elevated or exposed tanks of any kind shall be erected, placed or permitted upon any lot.

8.20 Exterior Lighting. Any exterior lighting installed on any Lot shall either be indirect or of such controlled focus and intensity as not to disturb the residents of adjacent or nearby Property.

8.21 Landscaping. Declarant or Participating Builder shall landscape the front yard of the Residence in accordance with the landscaping standards and guidelines determined from time to time by the Declarant. At the sole cost and expense of the Owner, within six (6) months, weather permitting, as determined by the Committee, of the sale of the Residence to a Person other than Declarant or a Participating Builder, the rear yard area of each Lot shall be sufficiently landscaped to preserve and protect the grading and slopes of such Lot from erosion or other deterioration that may affect adjacent area or Lots or that may alter or affect the drainage characteristics of such Lot, adjacent Lots or areas.

8.22 Recreational Equipment. All recreational equipment, including, without limitation, basketball hoops and bike and skateboard ramps, shall be kept and stored, when not in immediate use on the Lot, out of sight either behind a closed fence or in such Residence's garage. No recreational equipment may be placed any where in the Project other than on the Lot and consistent with the restrictions set forth in this Declaration, including without limitation, Sections 8.5 and 8.9. Without in any way limiting the authority of the Board to make rules and regulation, the Board may by rule and regulation further define recreational equipment and the use thereof.

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ARTICLE IX

9. Insurance

9.1 Duty to Obtain Insurance; Types

9.1.1 Public Liability. Not later than the time of the first conveyance of a Unit to a person other than a Declarant, the Board shall cause to be obtained and maintained adequate blanket public liability insurance (including medical payments), with such limits as may be considered acceptable to FNMA (not less than $1 million covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements.

9.1.2 Fire and Casualty Insurance. The Board shall also cause to be obtained and maintained a blanket policy of property insurance covering all structural elements of the Property, excluding any Lots. Such coverage shall afford fire, extended coverage and special perils protection (if reasonably available) on a replacement cost basis to all Common Elements owned by the Association.

9.1.3 Fidelity Bonds. Fidelity bond coverage which names the Association as an obligee must be obtained by or on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the Manager of the Association, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Manager, 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 bonds be less than the sum equal to one fourth (1/4) of the Annual Assessments on all Lots in the Project, plus reserve funds.

9.1.4 Other Insurance. The Board of Directors may purchase such other insurance, as necessary, including but not limited to, errors and omissions, directors, officers and agents liability insurance, plate glass insurance, medical payments, malicious mischief, liquor liability and vandalism insurance, fidelity bonds and worker's compensation, and such other risks as shall customarily be covered with respect to developments similar in construction, location and use.

9.1.5 Beneficiaries. Such insurance shall be maintained for the benefit of the Association and the Owners as their interests may appear as named insured and consistent with Section 116.31133 of the Nevada Revised Statutes, subject, however, to loss payment requirements as set forth herein.

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9.2 Waiver of Claim Against Association. As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors and Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said Persons.

9.3 Notice of Expiration Requirements. If available, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be canceled, terminated, materially modified or allowed to expire by its terms, without thirty (30) days' prior written notice to the Board and Declarant, and to each Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity bonds shall provide that they may not be canceled or substantially modified without thirty (30) days prior written notice to any insurance trustee named pursuant to Section 9.5.

9.4 Insurance Premiums. Insurance premiums for any insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association and collected from the Owners. That portion of the Annual Assessments necessary for the required insurance premiums shall be separately accounted for by the Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

9.5 Trustee for Policies. The Association, through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Section 9.1 of this Article shall be paid to the Board of Directors as trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in Article X of this Declaration. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) officers of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds. A representative chosen by the Board may be named as an insured, including a trustee with whom the Association may enter into an insurance trust agreement or any successor to such trustee, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions necessary to accomplish this purpose.

9.6 Actions as Trustee. Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of


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all such insurance. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Owners and Mortgagees who have requested the same in writing.

9.7 Annual Insurance Review. The Board shall review the insurance carried by or on behalf of the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 9.1 above. If economically feasible, the Board shall obtain a current appraisal of the full replacement value of the Improvements on the Property except for foundations and footings, without deduction for depreciation, from a qualified independent insurance appraiser, prior to each such annual review.

9.8 Required Waiver. All policies of physical damage and liability insurance shall provide, if reasonably possible, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

(a) subrogation of claims against the Owners;

(b) any defense based upon coinsurance;

(c) any right of setoff, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association or any Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured;

(e) any right of the insurer to repair, rebuild or replace;

(f) notice of the assignment of any Owner of his interest in the insurance by virtue of a conveyance of any Lot; and

(g) any right to require any assignment of any Mortgage to the insurer.

Each such policy shall also provide that each Owner is an insured person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or Membership in the Association.

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ARTICLE X

10. Destruction of Improvements

10.1 Restoration of the Property. Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Common Elements, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article IX hereof for reconstruction or repair of the Property shall be used for such purpose, unless (a) the Project is terminated; (b) repair or restoration would be illegal under any state or local statute or ordinance governing health or safety; or (c) eighty percent (80%) of the Owners' vote not to rebuild, subject, however, to any requirement to rebuild or repair imposed by the County. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Property shall be reconstructed or rebuilt substantially in accordance with the applicable Map and the original construction plans if they are available, unless changes recommended by the ARC have been approved in writing by sixty-seven percent (67%) of the Owners. A Reconstruction Assessment shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. If the entire Project is not repaired or replaced, then the proceeds attributable to the damaged Common Elements must be used to restore the damaged area to a condition compatible with the remainder of the Project, and (a) any proceeds attributable to Lots and Units that are not rebuilt shall be distributed to the Owners of those Lots or Units; provided, however, that such proceeds shall first be applied to the balance then due on any Mortgages encumbering such Owner's Lot, in order of priority, and (b) the remainder of the proceeds shall be distributed to the Owners holding an interest in such Common Elements in proportion to the interest held; provided, however, that such proceeds shall first be applied to the balance then due on any Mortgage encumbering such Owners' Lots, in order of priority.

10.2 Residence Damage. Restoration and repair of any damage to any individual Residence shall be made by and at the individual expense of the Owner of the Residence so damaged. In the event of a determination to rebuild the Property after partial or total destruction, as provided in this Article X, such repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the ARC as provided herein.

10.3 Notice to Owners. The Board, immediately upon having knowledge of any damage or destruction affecting a material portion of the Common Elements, shall promptly notify all Owners.

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ARTICLE XI

11. Eminent Domain. The term "taking" as used in this Article shall mean condemnation by exercise of the power of eminent domain or by sale under threat of the exercise of the power of eminent domain. The Board shall represent the Owners, with the exception of the Secretary, Department of Veterans Affairs, an officer of the United States of America, in any proceedings, negotiations, settlements, or agreements regarding takings. All takings proceeds shall be payable to the Association for the benefit of the Unit Owners and their Mortgagees, and shall be distributed to such Owners and Mortgagees as provided in this Article XI.

11.1 Project Condemnation. If there is a taking of an interest in all or part of the Common Elements such that the ownership, operation and use of the Common Elements in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking the Owners do not by affirmative vote of at least one-third of their voting power approve the repair, restoration and replacement to the extent feasible of the Common Elements, then the Board shall proceed with the sale of that portion of the Common Elements which were not taken.

11.2 Condemnation of Common Elements. If there is a taking of all or any portion of the Common Elements, or any interest therein, then the award in condemnation shall be paid to the Association and shall be deposited in the Operating Fund.

11.3 Condemnation of Lots. If there is a taking of a Lot, the award in condemnation shall be paid to the Owner of the Lot or Unit.

11.4 Portions of Awards in Condemnation Not Compensatory for Value of Real Property. Those portions of awards in condemnation which do not directly compensate Owners for takings of real property (e.g., awards for takings of personal property, relocation expenses, moving expenses, or other allowances of a similar nature intended to facilitate relocation) shall be paid to the Owners whose personal property is taken, or whose relocation is intended to be facilitated.

11.5 Notice to Owners and Mortgagees. The Board, upon learning of any taking affecting a material portion of the Property, or any threat thereof, shall promptly notify all Owners and those Beneficiaries, insurers and guarantors of Mortgages on Lots in the Project who have filed a written request for such notice with the Association. The Board, upon learning of any taking affecting a Unit, or any threat thereof, shall promptly notify any Beneficiary, insurer or guarantor of a Mortgage encumbering such Unit who has filed a written request for such notice with the Association.

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ARTICLE XII

12. Rights of Mortgagees. Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Mortgagee under any Mortgage upon one (1) or more Lots made in good faith and for value, provided that after the foreclosure of any such Mortgage such Lot(s) shall remain subject to this Declaration, as amended. For purposes of this Declaration, "First Mortgage" shall mean a Mortgage with first priority over other Mortgages or Deeds of Trust on a Lot, and "First Mortgagee" shall mean the Beneficiary of a First Mortgage subject to Article V, Section 5.7 hereof. For purposes of any provision of this Declaration or the other Restrictions which require the vote or approval of a specified percentage of First Mortgagees, such vote or approval shall be determined based upon one (1) vote for each Lot encumbered by each such first Mortgage. In order to induce VA, FHA, FHLMC, GNMA and FNMA to participate in the financing of the sale of Lots within the Project, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Declaration or any other of the Restrictions, these added provisions shall control):

(a) Each Mortgagee/Beneficiary insurer and guarantor of a First Mortgage encumbering one (1) or more Lots, upon filing a written request for notification with the Board, is entitled to written notification from the Association of: (1) any condemnation or casualty loss which affects either a material portion of the Common Elements or the Unit(s) securing the respective First Mortgage; and (2) any delinquency of sixty (60) days or more in the performance of any obligation under the Restrictions, including without limitation the payment of assessments or charges owed by the Owner(s) of the Unit(s) securing the respective First Mortgage, which notice each Owner hereby consents to and authorizes; and (3) a lapse, cancellation, or material modification of any policy of insurance or fidelity bond maintained by the Association.

(b) Each First Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot, pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Lot free and clear of claims for unpaid assessments or charges against such Lot, except for the amount of the Association's superpriority lien as set forth in Article V, Section 5.7 hereof.

(c) Unless at least sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

(1) by act or omission seek to abandon or terminate the Property; or

(2) change the method of determining the obligations, assessments, dues or other charges which may be levied against any Owner; or

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(3) partition or subdivide any Lot; or

(4) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Elements. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Common Elements shall not be deemed a transfer within the meaning of this clause. Furthermore, the Association may grant, for consideration, non-exclusive licenses to use the Common Elements to person other than Owners which licenses shall not be deemed a transfer or encumbrance hereunder); or

(5) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design, the exterior appearance or the maintenance of the Common Elements; or

(6) fail to maintain or cause to be maintained Fire and Extended Coverage insurance on insurable Common Elements as provided in Article IX of this Declaration; or

(7) use hazard insurance proceeds for losses to any Common Element for other than the repair, replacement or reconstruction of such Common Element, subject to the provisions of Article X of this Declaration; or

(8) change the pro rata interest or obligations of any Lot in order to levy assessments or charges, allocate distributions of hazard insurance proceeds or condemnation awards or determine the pro rata share of ownership of each Lot in the Common Elements.

(e) All Mortgagees/Beneficiaries, insurers and guarantors of First Mortgages, upon written request to the Association, shall have the right to:

(1) examine current copies of the Association's books, records and financial, statements and the Restrictions during normal business hours; and

(2) receive written notice of all meetings of Members; and

(3) designate in writing a representative who shall be authorized to attend all meetings of Members.

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(f) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of a community manager.

(g) The Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA or GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of First Mortgages encumbering Lots. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their residential Lots, if such agencies approve the Property as a qualifying subdivision builder their respective policies, rules and regulations, as adopted from time to time. Each Owner hereby authorizes his Mortgagee to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

(h) All intended Improvements in any Phase of Development other than Phase 1 shall be substantially completed prior to annexation. All such Improvements shall be consistent with the Improvements in Phase 1 in terms of quality of construction. The requirements of this subparagraph are for the benefit only of and may be enforced only by FNMA.

(i) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Elements and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Common Elements, and First Mortgagees making such payments shall be owed immediate reimbursement therefore from the Association.

ARTICLE XIII

13. Duration and Amendment

13.1 Duration. This Declaration shall continue in full force for a term of fifty (50) years from the date of Recordation hereof, after which the term shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination satisfying the requirements of an amendment to this Declaration as set forth in Section 13.2 is Recorded. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Unit from the concomitant Membership in the Association, as long as this Declaration shall continue in full force and effect. The provisions of this Article are subject to the provisions of Articles X and XI of this Declaration.

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13.2 Termination and Amendment

(a) Subject to Section 14.1(h) below, notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Association at which a proposed amendment is to be considered. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than sixty-seven percent (67%) of the voting power of the Association, provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. The Member approval described above shall not be required for amendments that may be executed by Declarant with respect to the exercise of developmental rights, the additional of Annexable Territory and as otherwise provided herein.

(b) Except in the case of a taking of all of the Property by eminent domain, termination of this Declaration shall require approval by Members representing at least eighty percent (80%) of the Association's voting power.

(c) A copy of each amendment shall be certified by at least two (2) officers of the Association, and the amendment shall be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Members, if required, have either voted for or consented in writing to any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years.

(d) Notwithstanding any other provisions of this Section 13.2, at any time prior to the first Close of Escrow for the sale of a Lot within Phase 1, Declarant may unilaterally amend or terminate this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant.

(e) Notwithstanding any other provisions of this Section 13.2, for so long as Declarant owns any portion of the Property, Declarant may unilaterally amend this Declaration by Recording a written instrument signed by Declarant in order to conform this Declaration to the requirements of the County, VA, FHA, FNMA, GNMA or FHLMC then in effect.

13.3 Protection of Declarant. Until the tenth (10th) anniversary of the first Close of Escrow for the sale of a Lot in the Project, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or lease Lots therein in accordance with this Declaration shall become effective. Notwithstanding any other provisions

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of the Restrictions, until such time as (i) Declarant is no longer entitled to add Annexable Territory to the Property without the consent of the Association pursuant to Section 15.1, or (ii) Declarant no longer owns any Lots in the Property, whichever occurs last, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

(a) Any amendment and all amendments and actions specified in Sections 13.2;

(b) The annexation to the Property of real property other than the Annexable Territory pursuant to Section 15.2;

(c) Any significant reduction of Association maintenance or other services.

13.4 Abandonment; Enforcement By County

(a) Subject to Section 14.1(h) below, in the event the County shall determine that the Association has abandoned the Common Elements, governance and control of the Common Elements shall pass from the Association to the County. The Association shall be deemed to have abandoned the Common Elements in accordance with the provisions of this Paragraph and all applicable legal standards upon receipt from County or any other governmental entity changed with a responsibility for public health and safety of any notice of violation, citation or any other type of legal service related to the Association's duty to maintain the Common Elements and the Association, or Declarant shall have failed within a sixty (60) day period following issuance of the notice, citation or other legal process to cure such violation or, if the violation may not be corrected within sixty (60) days, to commence a corrective action and thereafter diligently pursue the corrective action to completion. The time periods set forth herein shall be tolled during any period of appeal or litigation with respect to any such citation, notice or legal service.

(b) This subsection is established for the benefit of the County and may not be altered or amended by the Members or the Declarant without the prior written approval of the County.

(c) In the event that the County has exercised control over the Common Elements pursuant to this subsection, such control may be returned to the Association upon such terms and conditions as the County may deem reasonable, in its sole discretion.

13.5. County Intended Third Party Beneficiary. The County is an intended third party beneficiary of this Declaration. The provisions of Sections 13.4, 13.5 and 14.1 (h) shall survive the expiration or termination of this Declaration and the County may enforce against each Member the obligation to maintain in good order, condition and repair all Common Elements, including, but limited to, the right to impose a lien and/or assessment against the Lots for any and

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all costs incurred by County.

ARTICLE XIV

14. General Provisions

14.1 Enforcement of Restrictions

(a) Violations Identified by the Association. If the Board determines that there is a violation of any provision of the Restrictions, or the ARC determines that an Improvement which is the maintenance responsibility of an Owner is in need of installation, maintenance, repair, restoration or painting, then the Board shall give written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation including, if applicable, the length of time the Owner has to submit plans to the ARC and the length of time the Owner has to complete the work proposed in the plans submitted to the ARC.

If an Owner does not perform such corrective action as is required by the Board and the ARC within the allotted time, the Board, after Notice and Hearing, may undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment, including attorneys fees incurred by the Association in obtaining compliance. The attorneys fees recoverable are the actual fees, incurred by the Association and are recoverable as a Special Assessment even if a lawsuit is not commenced and a judgment not obtained. Such Special Assessment shall be subject to enforcement and collection by the Board in accordance with the procedures provided for in this Declaration.

If the violation involves nonpayment of any type of Assessment, then the Board shall be entitled to collect such delinquent Assessment pursuant to the procedures set forth in Article V.

(b) Violations Identified by an Owner. In the event that an owner alleges that another Owner, his Family, guests, tenants, or invitees is violating the Restrictions (other than nonpayment of any type of Assessment), the Owner must first submit the matter to the Board pursuant to the Notice and Hearing procedure established in Article XII of the Bylaws before the complaining Owner may resort to a court of law for relief with respect to the alleged violation.

(c) Legal Proceedings. Failure to comply with any of the terms of the Restrictions by an Owner, his Family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Sections 14.1(a) and (b) above must

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first be followed, if they are applicable.

(d) Limitation on Expenditures. The Association shall not incur litigation expenses, including without limitation attorneys' fees, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings without the approval of a majority of the voting power of the Association, excluding the voting power of any Owner who would be a defendant in such proceedings. Such approval shall not be necessary if the legal proceedings are initiated to (i) enforce the use restrictions contained in Article VIII hereof, (ii) enforce the architectural review provisions contained in Article IV hereof, (iii) collect any unpaid assessments or fines levied pursuant to this Declaration, or (iv) proceed with a counterclaim. The Association may initiate an action to protect the health, safety and welfare of the Association, provided that such action is ratified within ninety (90) days by a majority of the voting power of the Association, excluding the voting power of any Owner who would be a defendant in such proceedings. If such ratification cannot be obtained, the Association may thereafter seek to dismiss the case without prejudice.

(e) Schedule of Fines. The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Unit, to comply with any provisions of the Restrictions. If the Association adopts a policy imposing a fine on an Owner for the violation of this Declaration, the Bylaws, or other rules established by the Association, the Secretary of the Association shall prepare and mail or hand deliver to the address of each Unit a schedule of the fines that may be imposed for those violations. If such a fine is imposed and the violation is not cured within 14 days or a longer period as may be established by the Board, the violation shall be deemed a continuing violation. Thereafter, the Board may impose an additional fine for the violation for each 7-day period or portion thereof that the violation is not cured. Such fines or penalties may only be assessed by the Board, against the Unit of the violating Owner, after Notice and Hearing.

(f) No Waiver. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof.

(g) Right to Enforce. The Board, any Owner (not at the time in default hereunder), or Declarant (so long as Declarant is an Owner) shall be entitled to enforce the Restrictions as described in this Article. Each Owner shall have a right of action against the Association for the Association's failure to comply with the Restrictions. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive.

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(h) County A Third Party Beneficiary. The County is hereby expressly made a third party beneficiary to and may enforce the provisions of this Declaration and, to the extent abandoned by the Association, to undertake and exercise the powers, duties and responsibilities of the Association as set forth in the Declaration. The County shall not exercise any rights or powers under this Section 14.1 (h) until (i) the County provides written notice to the Association of the County's intention to exercise its rights under this Section 14.1 (h), describing in detail the rights and powers to be exercised and all violations, and (ii) the Association or Declarant has failed to commence corrective or enforcement action responsive to the County's written notice, within thirty (30) days following the date upon which such written notice is received by the Association. Nothing contained in this Declaration, however, shall require the County to act or to exercise any of its rights and powers provided in this Declaration, and the County's failure to act pursuant to this Declaration shall not constitute a waiver of said rights and powers nor serve as a basis to impose any liability upon the County whatsoever. Notwithstanding the foregoing, the provisions of this Declaration may be amended as provided herein and pursuant to applicable law without the consent or prior notice to the County, provided, that Sections 2.7, 6.4, 13.4, 13.5 and 14.1 (h) may only be amended with the prior written consent of the County or its successor in interest.

(i) Attorneys' Fees. Any judgment rendered in any action or proceeding pursuant to this Declaration shall include a sum for attorneys' fees in such amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and costs of court. Notwithstanding the foregoing, the Association may include in a Special Assessment the actual attorneys' fees incurred by the Association in obtaining compliance with the Association's Restrictions, which attorneys fees are recoverable even if no lawsuit is filed and no judgment obtained.

14.2 Severability. The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provisions hereof.

14.3 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential development and for the maintenance of Common Elements, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the other, unless the context dictates otherwise.


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14.4 Mergers or Consolidations. Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Property, together with the covenants and restrictions established upon any other property, as one (1) plan.

14.5 No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property to the public, or for any public use.

14.6 No Representations or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents or employees in connection with the Property or any portion thereof, or any Improvement thereon, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with any governmental authority.

14.7 Nonliability and Indemnification

(a) General Limitation. Except as specifically provided in the Restrictions or as required by law, no right, power, or responsibility conferred on the Board or the ARC by the Restrictions shall be construed as a duty, obligation or disability charged upon the Board, the ARC, any member of the Board or of the ARC, or any other officer, employee or agent of the Association. Such Persons are subject to the insulation from liability provided for directors of corporations by the laws of the State of Nevada. Members of the Board are not personally liable to the victims of crimes occurring on the Property.

(b) Indemnification. When liability is sought to be imposed on the Declarant, a member of the Board, an officer, employee or agent of the Association or ARC, for actions undertaken in the performance of such Person's duties as prescribed herein, in the Articles and Bylaws and resolutions of the Board, the Association shall indemnify him for his losses or claims, and undertake all costs of defense, unless and until it is proven that be acted with willful or wanton misfeasance or with gross negligence. After such proof that the Association is no longer liable for the cost of defense the Association may recover costs already expended from the person or persons who so acted. Punitive damages may not be recovered against the Association or Declarant, but may be recovered from Persons whose activity gave rise to the damages. This Section 14.7 shall be construed to authorize payments and indemnification to the fullest extent now or hereafter permitted by applicable law. The entitlement to indemnification hereunder shall

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inure to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any person entitled to such indemnification.

14.8 Notices. Except as otherwise provided in this Declaration, notice to be given to an Owner shall be in writing and may be delivered personally to the Owner. Personal delivery of such notice to one (1) or more co-Owners of a Lot or to any general partner of a partnership owning a Lot shall be deemed delivery to all co-Owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing (and unless the provisions of Nevada law, including without limitation the provisions of Section 116.31162 of the Nevada Revised Statutes, as may be amended, require delivery by registered or certified mail), such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Unit. Such notice shall be deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board of Directors in which case the notice provisions of the Bylaws shall control. Any notice to be given to the Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

14.9 Priorities and Inconsistencies. If there are conflicts or inconsistencies between this Declaration and either the Articles of Incorporation or the Bylaws of the Association, the terms and provisions of this Declaration shall prevail.

14.10 Constructive Notice and Acceptance. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Property does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Property, or any portion thereof.

ARTICLE XV

15. Annexation/Deannexation of Additional Property. Additional real property may be annexed/deannexed to Phase 1 and such additional real property may become subject to or removed from this Declaration by the methods set forth hereinafter:

15.1 Additions by Declarant. Declarant or its successors or assigns shall have the right from time to time to add the Annexable Territory, or any portion or portions thereof, to the Property and to add additional unspecified property pursuant to NRS Section 116.2122 within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on the tenth (10th) anniversary of the date of Recordation of this

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Declaration. As each Phase of Development is developed, Declarant may, with respect thereto, record a Notice of Addition and/or an additional or supplemental declaration ("Supplemental Declaration") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development. Declarant makes no assurances regarding the order in which the Annexable Territory will be annexed to the coverage of the Declaration or whether such Annexable Territory will be so annexed to the Project.

15.2 Other Additions. In addition to the provision for annexation specified in Section 15.1 above, additional real property may be annexed to the Property and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3) of the voting power of the Association. Notwithstanding the foregoing, any additional real property annexed to the Property after the tenth (10th) anniversary of the Recordation of this Declaration shall not effect a change in the percentage interests of Owners in the Common Elements which existed prior to the date of annexation.

15.3 Rights and Obligations-Added Territory. Subject to the provisions of Section 15.4, upon the Recording of a Notice of Addition of Territory containing the provisions as set forth in this Section, all provisions contained in this Declaration shall apply to the real property described in such Notice of Addition of Territory (the "added territory") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the added territory shall be the same as with respect to the Property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Units within the added territory, as well as within the Property originally subject to this Declaration, shall be the same as if the added territory were originally covered by this Declaration. From and after the first day of the month following the first Close of Escrow for the sale of a Lot in the added territory, the Owner of Lots located in the added territory shall share in the payment of assessments to the Association to meet Common Expenses of the entire Property as provided in Section 5 hereof. Voting rights attributable to the Lots in the added territory shall not vest until Annual Assessments have commenced as to such Lots.

15.4 Notice of Addition of Territory. The additions authorized under Sections 15.1 and 15.2 shall be made by Recording a Notice of Addition of Territory, or other similar instrument (which notice or instrument may be or contain the Supplemental Declaration, if any, affecting each such Phase of Development), with respect to the added territory ("Notice of Addition") which shall extend the general plan and scheme of this Declaration to such added territory. The Notice of Addition for any addition under Section 15.1 shall be signed by Declarant. The Notice of Addition for any addition under Section 15.2 shall be signed by at least two (2) officers of the Association to certify that the requisite approval of the Members under Section 15.2 was obtained. The Recordation of said Notice of Addition shall constitute and effectuate the annexation of the added territory described therein, and thereupon said added

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territory shall become and constitute a part of the Property, become subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the owners of Lots in said added territory shall automatically become Members of the Association. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the added territory, or as Declarant may deem appropriate in the development of the added territory, and as are not inconsistent with the general plan and scheme of this Declaration.

15.5 Reciprocal Cross-Easements Between Phases. Subject to annexation of additional property as set forth in Section 15.1:

(a) Declarant hereby reserves for the benefit of and appurtenant to the Lots hereafter located in each Phase of Development annexed to Phase 1 and their respective owners, nonexclusive easements to use the Common Elements in Phase 1 pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Lot in each Phase of Development annexed to Phase 1 owned an undivided interest in the Common Elements in Phase 1.

(b) Declarant hereby grants, for the benefit of and appurtenant to each Lot in Phase 1 and their Owners, a nonexclusive easement to use the Common Elements in each Phase of Development annexed to Phase 1 pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Lot in Phase 1 owned an undivided interest in the Common Elements in each such Phase of Development.

These reciprocal cross-easements shall be effective as to each Phase of Development annexed to Phase 1 and as to Phase 1, only upon the first Close of Escrow for the sale of a Lot in such Phase of Development annexed to Phase 1. Prior to such first Close of Escrow, neither Phase 1 nor the Phases of Development annexed to Phase 1 shall be affected by these reciprocal cross-easements.

15.6 Deannexation and Amendment. Declarant may amend a Notice of Addition or delete all or a portion of a Phase of Development from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such Phase of Development, and provided that (1) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the applicable Notice of Addition was Recorded, (2) Declarant has not exercised any Association vote with respect to any portion of such Phase of Development, (3) assessments have not yet commenced with respect to any portion of such Phase of Development, (4) Close of Escrow has not occurred for the sale of any Lot in such Phase of Development, and (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development or if the Association

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has made such expenditure or incurred any obligation that the Declarant reimburse the Association for any such expenditures and assume and cause the Association to be released from any such obligation.

15.7 Expansion of Annexable Territory. In addition to the provisions for annexation specified in this Section 15, additional real property, not as yet identified, may be annexed to the Project and brought within the general plan and scheme of this Declaration, as provided in NRS 116.2122., at any time within twenty (20) years following the first Close of Escrow for the sale of a Lot in the Project. Such property may be annexed to the Annexable Territory upon the Recordation of a written instrument describing such real property, executed by Declarant and all other owners of the real property to be added to the Annexable Territory, and containing thereon the approval of the FHA and the VA; provided, however, that such written approval shall not be a condition precedent if the FHA or the VA ceases to issue such written approvals.

15.8 Contraction of Annexable Territory. So long as real property is not added territory, as defined in this Section 15, the Annexable Territory may be contracted to delete such real property effective upon the Recordation of a written instrument describing such real property, executed by Declarant and all other owners of such real property, and declaring that such real property shall thereafter be deleted from the Annexable Territory. Such real property may be deleted from the Annexable Territory without a vote of the Association or the approval or consent of any other Person, except as provided in this Section 15.8.

ARTICLE XVI

Upon the Agreement of the Declarant or any successor in interest to Declarant, and a majority-in-interest of the Owners, the Common Elements and Improvements thereon, and the duty to maintain the same, may be assigned to a Maintenance District created by the County pursuant to the applicable law. For purposes of this Article, "majority-in-interest" shall be the Owners of a majority of the total number of acres within the Project. In the event that the Common Elements, Improvements, and duty to maintain the same are assigned to a Maintenance District, the Association shall nevertheless continue and shall retain all of its other powers, including the power to assess its Members and to regulate the Project through the Architectural Review Committee.

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This Declaration is dated for identification purposes May 18, 2005.

LENNAR RENO, LLC, a Nevada limited liability company

By: RL D
Name: ROB WINKEL
Title: VICE PRESIDENT

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on May 18, 2005 by ROB WINKEL _____, as VICE PRESIDENT of Lennar Reno, LLC, a Nevada limited liability company.

(Seal, if any)

Debra A. Kelly
Notary

(My commission expires: 8/28/08)

DEBRA A. KELLY
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 92-1144-2 - Expires August 28, 2008

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EXHIBIT "A"

LEGAL DESCRIPTION OF REAL PROPERTY

PHASE 1

That certain real property located in the County of Washoe, State of Nevada, more particularly described as follows:

All that real property in Washoe County, Nevada identified on Subdivision Tract Map 4485, and described as EAGLE CANYON IV Unit 1, recorded on May 24, 2005, in the Official Records, Washoe County, Nevada, as File No. 3218680 ("Phase 1")

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EXHIBIT "B"

LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

All that certain piece or parcel of land located within portions of Sections Twenty-Three (23) and Twenty-Six (26), Township Twenty-One (21) North, Range Twenty (20) East, Mount Diablo Meridian, Washoe County, Nevada, and being more particularly described as follows:

COMMENCING at the southwest corner of said Section Twenty-Three (23) and proceeding thence North 88°46'58" East, 465.00 feet to the POINT OF BEGINNING;

THENCE North 09°28'08" East, 536.51 feet;

THENCE South 82°03'43" East, 22.08 feet;

THENCE North 06°14'27" East, 666.07 feet;

THENCE South 81°42'34" East, 42.38 feet to the beginning of a tangent curve to the left;

THENCE along said curve, having a central angle of 10°52'56", a radius of 776.00 feet, through an arc length of 147.39 feet;

THENCE North 87°24'30" East, 369.83 feet to the beginning of a tangent curve to the right;

THENCE along said curve, having a central angle of 90°00'00", a radius of 25.00 feet, through an arc length of 39.27 feet;

THENCE North 87°24'30" East, 42.00 feet to the beginning of a curve to the right, the tangent to which bears North 02°35'30" West;

THENCE along said curve, having a central angle of 90°00'00", a radius of 25.00 feet, through an arc length of 39.27 feet;

THENCE North 87°24'30" East, 220.24 feet to the beginning of a tangent curve to the left;

THENCE along said curve, having a central angle of 25°14'06", a radius of 776.00 feet, through an arc length of 341.78 feet;

THENCE North 62°10'25" East, 139.52 feet to the beginning of a tangent curve to the right;

THENCE along said curve, having a central angle of 90°00'00", a radius of 25.00 feet, through an arc length of 39.27 feet;

THENCE North 62°10'25" East, 42.00 feet to the beginning of a curve to the right, the tangent to which bears North 27°49'35" West;

THENCE along said curve, having a central angle of 90°00'00", a radius of 25.00 feet, through an arc

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length of 39.27 feet;

THENCE North 62°10'25" East, 121.26 feet to the beginning of a tangent curve to the right;

THENCE along said curve, having a central angle of 15°57'29", a radius of 274.00 feet, through an arc length of 76.31 feet to a point of compound curvature;

THENCE along said compound curve to the right, having a central angle of 91°06'50", a radius of 34.00 feet, through an arc length of 54.07 feet;

THENCE South 10°45'16" East, 257.56 feet to the beginning of a tangent curve to the left;

THENCE along said curve, having a central angle of 68°45'18", a radius of 863.50 feet, through an arc length of 1036.20 feet;

THENCE South 79°30'34" East, 260.30 feet to the beginning of a tangent curve to the right;

THENCE along said curve, having a central angle of 90°00'00", a radius of 40.00 feet, through an arc length of 62.83 feet;

THENCE South 10°29'26" West, 3375.16 feet;

THENCE North 79°30'24" West, 250.05 feet;

THENCE South 70°38'19" West, 190.44 feet;

THENCE North 79°30'24" West, 235.36 feet;

THENCE South 83°23'51" West, 591.11 feet;

THENCE North 79°30'24" West, 249.38 feet;

THENCE South 10°29'36" West, 205.00 feet;

THENCE South 79°30'24" East, 45.28 feet;

THENCE South 10°29'36" West, 50.00 feet;

THENCE North 79°30'24" West, 160.00 feet;

THENCE South 10°29'36" West, 120.50 feet;

THENCE South 38°02'11" West, 290.61 feet;

THENCE South 19°41'39" West, 195.45 feet;

THENCE South 25°18'01" West, 80.00 feet to the beginning of a curve to the right, the tangent to which bears North 64°41'59" West;

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THENCE along said curve, having a central angle of 04°05'19", a radius of 640.00 feet, through an arc length of 45.67 feet;

THENCE North 60°36'40" West, 269.94 feet to the beginning of a tangent curve to the left;

THENCE along said curve, having a central angle of 15°25'26", a radius of 390.00 feet, through an arc length of 104.99 feet;

THENCE North 13°57'54" East, 80.00 feet;

THENCE North 29°24'40" East, 680.93 feet;

THENCE North 48°01'09" East, 619.70 feet;

THENCE North 00°00'00" East, 1613.75 feet;

THENCE North 11°26'19" East, 871.24 feet;

THENCE South 88°46'56" West, 881.22 feet to the POINT OF BEGINNING.

CONTAINING an area of 191.78 acres of land, more or less.

This description is not intended to convey real property outside the requirements of Chapter 278 of the Nevada Revised Statutes.

BASIS OF BEARINGS:
The Grid Bearing of North 89°10'45" West between G.P.S. Monuments "WW1138" and "R440", based on the North American Datum of 1983/1994 High Accuracy Reference Network (NAD '83/'94-HARN)

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