

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR BROOKWOOD MANOR

This Declaration, made this fifteenth day of July, 1967, by the undersigned owners, Harold Chisholm and Bonnie R. Chisholm, hereinafter called Declarant.

W I T N E S S E T H:

WHEREAS, Declarant is the owner of certain real property located in the City of Fallon, County of Churchill, State of Nevada, which is more particularly described as follows:

The general legal description is set out on Exhibit "A", attached hereto and by reference made a part hereof and the planned unit development pertinent thereto is set out on Exhibit "B", attached hereto and by reference made a part hereof.

WHEREAS, Declarant desires to subject such property to the covenants, conditions and restrictions for the benefit of such property and its present and subsequent owners as hereinafter specified; and

WHEREAS, the power to enforce certain of such covenants, conditions, restrictions, reservations and charges is to reside in BROOKWOOD MANOR ASSOCIATION, a non-profit corporation organized under the laws of the state of Nevada,

NOW, THEREFORE, the undersigned, who are the present owners of the land subject to said Declaration and who constitute more than a majority of such owners, hereby declare that all properties described in Exhibit "A" shall be held, sold and conveyed subject to following easements, covenants, conditions, restrictions, and charges. Such easements, covenants, conditions and restrictions shall run with such property and shall be binding on all parties having or acquiring any right, title or interest in such property or any part thereof, and shall inure to the benefit of each owner thereof and to the benefit of Association as hereinafter provided.

ARTICLE I
DEFINITIONS

The following words when used in this Declaration or any supplemental declaration unless the context shall prohibit, shall have the following meanings:

Section 1. The "ARTICLES" shall mean the articles of incorporation of the Association, as said articles may be amended from time to time.

Section 2. The "ASSOCIATION" shall mean BROOKWOOD MANOR, a non-profit association organized under the laws of the State of Nevada, its successors and assigns.

Section 3. The "BOARD" shall mean the board of directors of the Association.

Section 4. The "BYLAWS" shall mean the By-laws of the Association, as such By-laws may be amended from time to time.

Section 5. The "COMMON AREAS" shall mean the entire project (as defined in NRS 227.010 (3)) excepting all lots or units granted or reserved thereon.

The common area (other than those portions thereof comprising streets) shall be available for use only by owners and occupants within the properties and their guests and invitees. Nothing herein or in any other instrument shall be construed as a dedication for public use of all or any portion of the common areas.

Section 6. The "DECLARANT" shall mean HAROLD CHISHOLM and BONNIE R. CHISHOLM, their successors or assigns, if such successors or assigns should acquire or hold more than one undeveloped lot for the purpose of development.

Section 7. A "LOT" or "UNIT" (which terms may be used interchangeably herein) shall mean and refer to the numbered plot of land with residential or other improvements thereon, shown upon the recorded planned unit development map of the properties together with any appurtenant use easements.

Section 8. A "MEMBER" shall mean every person or entity who holds membership in the Association by virtue of ownership of a lot or unit.

Section 9. A "MORTGAGE" shall mean a mortgage or deed of trust encumbering a lot or other portion of the properties. A "MORTGAGE" shall also mean an installment sales contract as to a lot or other portion of the properties. The term "MORTGAGE" shall include the beneficiary under a deed of trust and the seller in an installment sales contract.

Section 10. An "OWNER" shall mean each person or entity holding a record ownership interest in a lot, including Declarant. The term "OWNER" shall not include persons or entities who hold an interest in a lot merely as security for the performance of an obligation or a contract purchaser.

Section 11. The "PROPERTIES" shall mean and refer to the real property hereinbefore described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II

EASEMENTS AND PROPERTY RIGHTS

Section 1. Easements of Enjoyment Over Common Area; Limitations. Every owner shall have a right and easement of ingress and egress and of enjoyment in and to the common area which shall be ap-

purtenant to and shall pass with the title to every lot, subject to the following:

(a) following reasonable written notice and an opportunity to be heard before the board, the right of the Association to suspend the voting rights and rights to use of any common area facilities which are constructed on, or a part of, the properties by an owner or occupant of a lot for any period during which any assessments or installments thereof against his lot remains unpaid, and, in addition, for a period of not to exceed thirty (30) days for any infraction of this Declaration or the articles, by-laws, Association rules or board resolutions;

(b) the right of the Association to dedicate or transfer all or any part of the common area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members, provided, however, no such dedication or transfer shall be effective unless an instrument, signed by two-thirds (2/3) of the members, agreeing to such dedication or transfer has been recorded and the prior written consent of the first deed of trust beneficiary or mortgagee has first been obtained;

(c) the right of Declarant or its representatives, agents or designees to enter upon the common area and any of the units for the purposes of construction of the properties and future annexation thereto (including utility installations) and for purposes of making repairs and remedying construction defects;

(d) the right of Declarant and its representatives, agents or designees to use the common area and the improvements constructed thereon during the "sales period" for display, exhibit and sales purposes, including, but not limited to, maintenance of one or more sales offices, and, for purposes of this Declaration, the "sales period" is defined as:

(i) that certain period commencing with the date on which any common area is conveyed to the Association, and ending five (5) years thereafter, or

(ii) that certain period commencing with the date on which any common area is conveyed to the Association and ending when Declarant is no longer owner of any units within the properties; and

(e) the right of the Association to grant easements as described in Section 2 of this Article III.

Section 2. Easement Which May Be Granted By Association Over Common Area. The association shall have the power to grant and convey to any third party easements and rights-of-way in, on, over or under the common area for the purpose of constructing, erecting, operating or maintaining thereof, therein or thereunder overhead or

underground lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements, facilities or utilities, and each owner, in accepting delivery of the deed to his respective unit, expressly consents hereto; provided, however, that no such easements may be granted if same would substantially interfere with the use, occupancy or enjoyment by any owner of his unit or any common area facilities of the properties.

Section 3. Encroachments. If any portion of the common area or improvements thereon encroaches upon any of the lots, or if any portion of any lot or the improvements thereon encroaches upon the common area, a valid easement for such encroachment and for the maintenance of same so long as it remains shall and does exist, and, pursuant to this Declaration, all lots and the common area are made subject to such easements. In addition, each lot is thereby declared to have an appurtenant easement over all adjoining lots and parcels (including the common area) for the purpose of accommodating any encroachment due to or resulting from the settlement or shifting of structures, or due to or resulting from construction, reconstruction or drainage. There shall be valid appurtenant easements for the maintenance of said encroachments, and the rights and obligations of owners shall not be altered in any way by the existence thereof. Notwithstanding the foregoing, except as to the original construction of improvements by Declarant and the reconstruction, repair and maintenance thereof in accordance with plans respecting such original construction, in no event shall a valid easement for encroachment be created in favor of any lot if such encroachment occurred due to the willful conduct of such owner. In addition to the foregoing, in the event a structure on any lot is partially or totally destroyed and then repaired or rebuilt, the owner of each lot agrees that minor encroachments over adjoining lots and parcels resulting from such repair or rebuilding shall be permitted and there shall be valid appurtenant easements for the maintenance of said encroachments so long as they exist.

Additionally, the owners of Lots 18 through 22 inclusive, shall be entitled to the exclusive easement for their respective use and enjoyment of the patio areas abutting their lots to the north of their lots. Such owners shall maintain such easements in a clean and orderly fashion consistent with this declaration.

Section 4. Delegation of use. Any owner may delegate his right of enjoyment to the common area to the members of his family, his tenants, his guests or contract purchasers who reside on the property.

Section 5. Waiver of use. No member may exempt himself from personal liability for assessments duly levied by the Association, nor release the lot owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the common areas and the facilities thereon or by abandonment of his lot.

Section 6. Easements Regarding Maintenance, Upkeep Landscaping and Pest Control of Units in Favor of Declarant and Association. Declarant (during sales period only) and the Association are hereby granted an easement and right (but not an obligation) to enable them to cause their respective representatives, agents and designees to enter upon and gain access to each unit for purposes of inspecting the upkeep, maintenance, landscaping and planting thereof in order to determine whether same is in conformance with the requirements of Article VIII hereof and also in order to determine whether any problems exist in respect to the presence of or control of pests (including insects) or infestations which are or might be damaging to the landscaping and planting on such unit or elsewhere within the properties. If, after notice to the owner or occupancy of such unit by any such representative, agent or designee of a deficiency or problem in respect to the foregoing, such deficiency or problem is not eliminated or such owner or occupant fails to take the necessary measures to commence correction of same, such representative, agent or designee may, on behalf of the Association (and without being guilty of trespass) take such measures as may be appropriate under the circumstances, including, but not limited to, the performing of upkeep or maintenance, the planting of grass, plants, shrubs or trees, or the removal thereof, and/or spraying or chemically treating the landscaping or planting of such unit, and the costs of any such measures so undertaken shall be paid for by the Association, and the Association shall then be entitled to reimbursement from the owner or occupant of such lot therefor. In this regard, the Association may collect such amounts from the owner or occupant of such lot in the same manner as delinquent assessment installments are collected hereunder or in any other manner provided by law.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every record owner of a unit or undivided or joint interest therein shall be a member of the Association. Membership shall be appurtenant to and may not be separated from, ownership of any unit. Ownership of a unit or such interest therein shall be the sole qualification for membership.

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

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

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

- (a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership;
- (b) on August 31, 1989.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Commencement of Assessments. The payment of assessments shall commence upon the first day of the month following conveyance of the first unit to a purchaser thereof.

Section 2. Creation of the Lien and Personal Obligation for Assessments. Declarant, for each unit owned within the properties subject to assessment, hereby covenants, and each owner of any unit by acceptance of a deed therefor whether or not it shall be so expressed in such deed is deemed to covenant and agree to pay to the Association regular assessments, together with late charges, interest, costs and reasonable attorney's fees, shall be a continuing lien upon the unit against which each such assessment is made. Each such assessment, together with late charges, interest, costs and reasonable attorney's fees, shall also be the personal obligation of the owner of such unit at the time the assessment fell due. The personal obligation for delinquent assessments against such unit shall not pass to such owner's successors in title unless expressly assumed by them.

Section 3. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents within the properties and to promote the improvement and maintenance of the units and common area as herein described.

The Association shall provide the exterior maintenance upon each lot and any improvements thereon including: paint, repair, replacement and care for roofs, gutter, exterior surfaces of buildings, walkways and other exterior improvements excepting glass surfaces. The Association shall likewise maintain all common area lateral sanitation lines and sewage lift station components.

Section 4. Maximum Annual Assessment. Until the first day of the fiscal year immediately following the fiscal year in which the payment of assessments commences as hereinabove provided, the maximum annual regular assessment per unit shall not exceed \$_____ per lot.

(a) From and after the first day of the fiscal year immediately following the year in which the payment of assessments commences as hereinabove provided, the maximum annual regular assessment may be increased by the board by not more than 10% above the maximum regular assessment for the previous year without a vote of the membership.

(b) From and after the first day of the fiscal year immediately following the year in which the payment of assessments commences as hereinabove provided, the maximum annual regular assessment may be increased above 10% by a vote of fifty-one percent (51%) of each class of members who are voting in person or by proxy at a meeting duly called for this purpose.

(c) The board may fix the regular assessments at an amount not in excess of the maximum.

Section 5. Special Assessments. In addition to the regular assessments authorized above, the board may levy, in any assessment year, one or more special assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement upon the common area, including fixtures and personal property related thereto, as well as any unanticipated, unpaid or improperly budgeted costs or assessments, provided, however, the board may not levy special assessments in any fiscal year which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year unless same are approved by the owners holding not less than fifty-one percent (51%) of the voting rights. The board may, in its discretion, prorate any special assessment in equal installments over the remaining months of the assessment year in question or collect same in its entirety forthwith.

Section 6. Notice and Quorum for any Action Authorized Under Sections 4 and 5. Any action authorized under Sections 4 or 5 shall be taken at a meeting called for such purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting a quorum shall be constituted if members who are present thereat hold not less than twenty percent (20%) of the total voting rights of the membership. If the required quorum is not present, another meeting may be called subject to the same notice requirements, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. If the proposed action is favored by a majority of the votes cast at any such meeting at which a quorum is present, but such votes are less than the requisite number thereof, as set forth above, members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by a duly elected and acting officer of the Association not later than thirty (30) days from the date of such meeting.

Section 7. Uniform Rate of Assessment. Both regular and special assessments must be fixed at a uniform rate for all units and may be collected monthly.

Section 8. Fixing of Assessment; Due Dates; Certificate. The board shall fix the amount of the regular assessment against each lot at least thirty (30) days in advance of each annual assessment period, and written notice thereof shall be sent to every owner sub-

ject thereto. The due dates for the payment of installments of assessments shall be established by the board. The Association shall, upon demand, and for a reasonable charge furnish a certificate signed by an officer of the Association setting forth whether the assessments or installments thereof on a specified lot or unit have been paid, and a properly executed certificate of the Association as to the status of assessments on such unit shall be binding upon the Association as of the date of its issuance.

Section 9. Effect of Nonpayment of Assessments; Remedies of the Association. Each assessment installment not paid within thirty (30) days after its due date shall bear interest from the due date at the rate of ten percent (10%) per annum. The board, acting by and on behalf of the Association, shall take immediate action to collect all delinquent assessments or installments thereof. In this regard, the board shall either bring an action at law against the owner personally obligated to pay the same, or shall foreclose the lien against such owner's unit by judicial foreclosure or by non-judicial foreclosure (as next provided). No owner may waive or otherwise escape liability for the assessments provided for herein by non-use or abandonment of his unit or the common area.

Section 10. Non-Judicial Foreclosure of Assessment Lien. In the event of a delinquency in the payment of any assessment, or installment thereof, respecting a unit, the board may record a notice of assessment in the office of the County Recorder of Churchill County, Nevada, setting forth the legal description of the unit in question, its owner or reputed owner and such amounts as may be delinquent, together with interest thereon at the rate of ten percent (10%) per annum, and all costs which may be incurred by the board or its authorized representative in the collection of said amounts, including reasonable attorney's fees. The notice of assessment shall not be recorded unless and until the board or its authorized representative has delivered to the delinquent owner or owners of such unit, not less than fifteen (15) days prior to the recordation of said notice of assessment, a written notice of default and a demand for payment, and such delinquency has not been cured within fifteen (15) days after delivery thereof. Within not less than ten (10) days nor more than one (1) year, after the recording of said notice of assessment, the board or its authorized representative may record a Notice of Default and thereafter may cause such lot to be sold in the same manner as a sale is conducted as provided by the appropriate sections of the then current Nevada Revised Statutes; provided, however, that as a condition precedent to the holding of any such sale appropriate publication shall be made; and provided, further, that in connection with any sale pursuant thereto, the board is hereby authorized to appoint its attorney, any officer of or director, or any title insurance company authorized to do business in Nevada, as Trustee for purposes of conducting such sale. If any such delinquency is cured prior to sale, the board or its authorized representative shall cause to be recorded in the office of the County Recorder of Churchill County, Nevada, a certificate setting forth the satisfaction of such claim and release of such lien upon payment of actual expenses incurred, including rea-

sonable attorney's fees not to exceed five hundred dollars (\$500.00) by such delinquent owner.

Section 11. Subordination of the Lien to Mortgages and Deeds of Trust. The lien of the assessment provided for herein shall be subordinate to the lien of any mortgage or Deed of Trust. Sale or transfer of any lot shall not affect the assessment lien. However, the sale or transfer of any lot which is subject to any mortgage or Deed of Trust, pursuant to a Decree of Foreclosure under such mortgage or any proceeding in lieu of foreclosure thereof, including sale under a Deed of Trust, shall extinguish any lien of an assessment which became due prior to such sale or transfer. Such sale or transfer shall not release such lot from liability from any assessments thereafter becoming due or from the lien thereon.

Section 12. Exempt Property. The common area and any portion of the properties owned by any public entity or authority shall be exempt from assessments.

Section 13. Special Trust of Assessments. All assessments, whether annual assessments or special assessments for capital improvements shall be held by the Association in a special trust, with such annual assessments to be held in trust for the uses and purposes set forth in Section 5.3 of this Declaration and special assessments to be held in trust for the purposes set forth in Section 5.5 of this Declaration. It is understood that the purposes set forth in Section 5.3 shall include, without limiting the generality of that section, all expenses relating to the maintenance of the Common Properties, property taxes thereon, liability insurance with respect to the use and operation of the Common Properties, payment of premiums on policies of fire insurance with extended coverage endorsements with respect to all dwelling units and other buildings located on the Properties, a reasonable management fee for managing the affairs of the Association, and the exterior maintenance of the buildings and lots as required by Article VII of the Declaration, including establishing such reserves for such purpose as may be required in the exercise of good business judgment.

The Association, as such Trustee agrees, that it will deposit all sums paid to it under this Declaration in a bank or savings and loan association, and that it will not thereafter withdraw such sums or any portion thereof, except for the uses and purposes herein set forth; provided that the Association may, at its discretion withdraw such sums for the purpose of redeposit in some other bank or savings and loan association. No part of such trust fund shall inure to the benefit of the Declarant except a reasonable management fee pursuant to a formal professional management contract.

ARTICLE VI

ARCHITECTURAL CONTROL

Section 1. Committee. Architectural control of the properties shall be vested in the board who may appoint an architectural committee (hereinafter referred to as the "committee") which shall consist of three (3) persons, none of whom shall be required to be an architect, or to meet any other particular qualifications except as set forth in Section 2, next.

Section 2. Membership. The board shall have sole right to appoint members to, and to fill vacancies on, the committee. Any person, including a member of the board, may be appointed by the board and shall serve for terms of three (3) years; provided, however, said members may be removed from the committee by the board without cause. In case of the death, resignation or removal of any member of the committee appointed by the board, the board shall appoint a successor to serve for the unexpired term of such member.

Section 3. Duties. It shall be the duty of the committee to consider and act upon any and all proposals or plans submitted to it by the board or pursuant to the terms hereof to insure that any improvements constructed on the properties by anyone other than the Declarant conform to plans approved by the committee, to adopt architectural rules and landscaping and planting standards for lots, and to perform other duties imposed upon it by this Declaration. Notwithstanding anything contained in this Declaration expressly or implied to the contrary, no building, fence, wall or other structure or improvement shall be constructed or placed upon the properties by anyone other than Declarant, nor shall any exterior decoration, addition, change or alteration (including changes in drainage patterns) be made in, on or to the properties, or any part thereof, by anyone other than Declarant, until the plans and specifications showing the nature, shape, dimensions, materials, color and location of the same shall have been submitted to and approved in writing as to harmony of design and location in relation to surrounding improvements and topography by, the committee. The committee may, in its own name and on behalf of the Association, exercise all available legal and equitable remedies to prevent or remove any unauthorized and unapproved construction of improvements on the properties or any portion thereof.

Section 4. Meetings. The committee shall meet from time to time as necessary to perform its duties hereunder. The vote or written consent of a majority of the members, at a meeting or otherwise, shall constitute the act of the committee. The committee shall keep and maintain a written record of all actions taken by it at such meetings or otherwise. Members of the committee shall not receive any compensation for services rendered.

Section 5. Architectural Rules. The committee may, from time to time, and in its sole and absolute discretion, adopt, amend and repeal, by unanimous vote or written consent, rules and regula-

tions, to be known as "architectural rules". The architectural rules shall interpret this Declaration by setting forth the standards and procedures for committee review and the guidelines for decoration, design and placement of improvements.

Section 6. Waiver. The approval of the committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the committee, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plans, drawings, specifications or other matters subsequently submitted for approval.

Section 7. Liability. Neither the committee nor any member thereof shall be liable to the Association, any owner, or to any other party, for any damage, loss or prejudice suffered or claimed on account of the approval or disapproval of any plans, drawings, specifications, or other matters, or the construction or performance of any work, whether or not pursuant to approved plans, drawings and specifications; provided that, with respect to the liability of a member, such member has acted in good faith on the basis of actual knowledge possessed by him.

ARTICLE VII

AUTHORITY OF ASSOCIATION

Section 1. General Authority. The Association shall have the rights and duties and authority as provided in Nevada Revised Statutes 117.060 with respect to the common areas and the condominium units within the properties in addition to those rights and duties hereinafter set forth.

Section 2. Specific Authority. The Association, for the benefit of the units and the owners, shall acquire, provide and pay for out of the maintenance fund hereinabove provided for:

(a) Water, gas, electricity, refuse collections, other necessary utility services, maintenance, repair and replacement of landscaping and any facilities of the common area;

(b) Refuse collection for the units (if the Association elects to contract for such service);

(c) A policy or policies of fire insurance, with extended coverage endorsement, for the full insurable replacement value of the improvements of common area, or such other fire and casualty insurance as the Association shall determine which gives substantially equal or greater protection;

(d) A policy or policies (with cross-liability endorsement) insuring the Association, its agents, guests and invitees and the owners against liability to the public or to the owners, their guests and invitees incident to the

owners or use of the common area, in an amount not less than three hundred thousand dollars (\$300,000.00) single limit for each occurrence, and one hundred thousand dollars (\$100,000.00) for property damage for each such occurrence;

(e) Workmen's Compensation insurance to the extent necessary to comply with any applicable law;

(f) Fidelity bonds covering directors, officers and employees of the Association handling Association funds;

(g) As to the common area, any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes (including taxes assessed on the common area), or assessments which, in the opinion of the board, shall be necessary, required or proper; and

(h) Maintenance of certain landscaping, sprinkler systems and other items, if any, more fully described in Exhibit "B" attached hereto and made a part hereof.

Section 3. Periodic Review of Insurance. All insurance and bonds obtained by the Association shall be reviewed at intervals of not less than two (2) years as to adequacy of coverage and amount.

Section 4. Association's Rights of Ingress and Egress. The Association and its designated agents shall have the right of ingress and egress in and to the units for the purposes of this Article VI.

Section 5. Willful or Negligent Upkeep by Owner. In the event that the need for maintenance or repair of the common area is caused through the willful or negligent act of any owner, his family, guests, or invitees, and same is not covered by insurance, then, to the extent permitted by Nevada law, the cost of such maintenance or repair shall be added to and become a part of the assessment to which such owner's lot is subject.

Section 6. Approval of Certain Transactions. Notwithstanding anything to the contrary set forth in this Article VI in the performance of its duties, the board may employ a managing agent, may enter into contract or arrangements for services or materials for the benefit of or improvement of the Association and the common area, or may sell property owned by it provided, however, that (i) the term of any such service contract shall not exceed one (1) year, provided, however, that any management agreement entered into with the Association shall be terminable by the Owner's Association for cause upon thirty (30) days' written notice thereof, (ii) the aggregate expenditures for capital improvements to the common area in any fiscal year shall not exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, and (iii) the Association shall not sell during any fiscal year property owned by it having a

value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year unless such action is approved by vote or written consent of members holding not less than a majority of the total voting rights. Notwithstanding the foregoing, the above described limitation on the term of any contract shall not apply to (i) a contract with a public utility company if the rate charged for the materials or services is regulated by the Public Service Commission so long as the term thereof does not exceed the shortest term for which the supplier will contract at the regulated rate, (ii) a prepaid casualty and/or liability policy not to exceed three (3) years' duration, provided such policy permits short rate cancellation by the insured, and (iii) a management agreement, the terms of which have been approved by FHA or VA.

Section 7. Delegation of Powers. The Association acting by and through the board, shall have the authority to delegate its powers, duties and responsibilities to committees or employees, including a managing agent.

Section 8. Association Rules. The Association, acting by and through the board, shall have the power to adopt, amend and repeal such rules and regulations as it deems reasonable (herein sometimes referred to as the "Association rules"). The Association rules shall govern with respect to the conduct within the properties of, and the use of the common area by, an owner, the family members of an owner, or by any guest, invitee, contract purchaser, lessee or renter of an owner, or their respective family members, guests or invitees; provided, however, that the Association rules shall not be inconsistent with or materially alter any other provisions of this Declaration, the articles or by-laws. A copy of the Association rules as the same may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the properties. In the event of any conflict between any such Association rules and any other provisions of this Declaration, or the articles or by-laws, the provisions of the Association rules shall be deemed to be superseded by the provisions of this Declaration, the articles or the by-laws to the extent of any such inconsistency.

ARTICLE VII

USE RESTRICTIONS

Section 1. Residential Use. Units shall be used for residential purposes only, provided, however, that units owned by Declarant may be used by Declarant or its designees during the sales period as models, sales offices, temporary parking areas and construction offices for the purpose of developing, improving and selling units within the properties and for the purpose of developing, improving and selling any real property or portions thereof owned by Declarant or its designees and situated in the vicinity of the properties. In connection with the maintenance and use of such models, Declarant or its designees shall have the right to remodel, renovate, alter or

otherwise improve same without the consent of any person or entity, any provisions of this Declaration to the contrary notwithstanding. Nothing herein shall prevent an owner from leasing or renting his unit, provided, however, any lessee or renter thereof shall abide by and be subject to all terms and provisions of this Declaration, the articles, by-laws, Association rules and board resolutions, if any.

Section 2. Commercial Use. Excepting as otherwise expressly provided in this Declaration, no part of the properties shall ever be used or caused, allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, vending or other such non-residential purpose.

Section 3. Offensive Conduct; Nuisances. No noxious or offensive activities shall be carried on, upon, or within the properties, nor shall anything be done thereon which may be or become an annoyance or nuisance to the residents of the properties, or which shall in any way interfere with the quiet enjoyment of owners or occupants of units. In connection with the foregoing, no loudspeaker or sound amplification system shall be used so as to produce sounds audible beyond the boundaries of the unit of the owner or occupant using same. Unless otherwise permitted by the board, no owner shall serve food or beverages, cook, barbecue or engage in similar activities within the common area excepting those portions thereof expressly designated by the board therefor, if any.

Section 4. Signs. No sign of any kind shall be displayed to the public view on or from any lot or on or from the common area without the approval of the board, excepting such signs as may be used by the Declarant or its designees during the sales period for the purpose of developing, selling and improving units within the properties and for the purpose of developing, selling and improving real property owned by Declarant or its designees and situated in the vicinity of the properties. Notwithstanding the foregoing, one sign of customary and reasonable dimensions advertising a unit for sale or for rent may be placed within each unit by the owner thereof.

Section 5. Antennae, External Fixtures, Etc. Except as otherwise consented to in writing by Declarant or the Board, no external television poles or television antennae shall be permitted. No external radio poles, radio antennae, flag poles, clotheslines or other external fixtures other than those originally installed by Declarant or approved by the architectural committee, and any replacements thereof, shall be constructed, erected or maintained on or within any unit or the common area. The foregoing shall not be construed as prohibiting the maintenance of television poles or television antennae within enclosed portions of residential structures, including attics. No external wiring, insulation, air-conditioning or other external machinery or equipment other than that originally installed by Declarant or approved by the architectural committee, and any replacements thereof, shall be constructed, erected or maintained on any unit or the common area.

Section 6. Fences, Etc. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be constructed, erected or maintained on any lot or elsewhere within the properties except such as are installed in accordance with the original construction of the properties, and any replacements thereof, or such as are approved by the architectural committee, and any replacements thereof.

Section 7. Animals. No animals, reptiles, rodents, birds, fish, livestock or poultry shall be kept in or on a unit or elsewhere within the properties except that domestic dogs, cats, fish and birds inside bird cages, may be kept as household pets within any unit, provided they are not kept, bred or raised therein for commercial purposes or in unreasonable quantities. As used in this Declaration, "unreasonable quantities" shall be deemed to limit the total number of all dogs, cats and birds to two (2) per unit. The board shall have the right to prohibit maintenance of any animal which constitutes, in the sole and exclusive opinion of the board, a nuisance to any other owner. Each person bringing or keeping a pet upon the properties shall, to the extent permitted under Nevada law, be absolutely liable to each and all other owners, their family members, guests, invitees, lessees, renters and contract purchasers, and their respective family members, guests and invitees for any damage to person or property caused by any pet brought upon or kept upon the properties by such person or by members of his family, his guests or invitees.

Section 8. Restricted Use of Recreational Vehicles, Etc.. No boat, truck, trailer, camper or recreational vehicle shall be used as a living area while parked in the properties.

Section 9. Trash Containers. Trash, garbage or other waste shall be kept only in sanitary containers customarily used therefor. No owner of a unit shall permit or cause any trash or refuse to accumulate or be kept on any portion of the properties other than in such containers.

Section 10. Clotheslines and Storage. No clothesline, refuse containers, or storage or clothes drying areas shall be maintained on any unit in a location visible from adjoining units or the common area, except as may be permitted by the board. No lumber, metals, machinery, equipment or building materials shall be kept, stored, or allowed to accumulate on any unit or the common area except building or other materials to be used in connection with the construction, alteration or improvement undertaken by Declarant during the sales period or elsewhere approved in accordance with the terms of this Declaration. Personal property belonging to the Association may be stored within those portions of the common area designated therefor by the board, if any.

Section 11. Window Coverings. Windows may only be covered by drapes or shades, and may not be painted or covered by foil, cardboard or other similar materials except with the prior approval of the architectural committee.

Section 12. Exterior Alterations and Changes. Excepting as to alterations and modifications made by Declarant, no owner shall at his expense or otherwise make any alterations, modifications or changes (including color and material changes) to the exterior of the buildings, fences, railings, walls or other improvements constructed on his unit, or change the landscaping, planting, grade or drainage pattern of his unit, without the prior approval of the architectural committee.

Section 13. Compliance with Laws, Etc.. Nothing shall be done or kept in any lot or in the common area which might increase the rate of, or cause the cancellation of, any insurance coverage on any of the lots or the common area without the prior consent of the board. No owner shall permit anything to be done or kept on his lot which is in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No owner shall allow furniture, furnishings or other personal belonging to such owner to remain within any portion of any common area except as may be permitted by the board.

Section 14. Drainage. Each owner of a unit in the properties agrees that he will either: (i) refrain from interference with the established drainage pattern over his lot from adjoining or other lots or parcels in the properties, or (ii) subject to approval of the board, make adequate provisions for proper drainage from any such other unit or parcel over his unit. For the purposes of this Declaration, the "established drainage pattern" is defined as the drainage pattern established at the time the overall grading of that portion of the properties in which such owner's unit is situated was completed.

Section 15. Upkeep of Lot. Each owner or occupant is required to keep and maintain all areas and the exterior of all improvements located on his unit in an attractive, clean, sightly and wholesome condition at all times, and to take all necessary steps to prevent erosion from occurring to his unit. Each owner shall carry fire and extended coverage insurance on the improvements constructed upon his unit.

Section 16. Landscaping. All landscaping and plantings on each lot shall be installed, kept and maintained by the owner or occupant thereof in accordance with standards therefor established by the architectural committee.

Section 17. Storage of Materials, Junk, Trash and Manure, Etc.. The storage of or accumulation of junk, trash, manure and other offensive or noxious materials on any unit is specifically prohibited. No burning on any lot shall be permitted in fireplaces or barbecues, if any.

ARTICLE VIII DAMAGE TO, OR DESTRUCTION OF, COMMON AREA

Section 1. Requirement to Rebuild. In the event of total or partial damage or destruction of the improvements in the common

area, the same shall be promptly repaired and rebuilt.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Enforcement. The Association, board, manager or any owner shall have the right to enforce, by any proceeding at law for damages, including costs and fees of counsel, or in equity for injunctive relief or both, all restrictions, conditions, covenants, reservations, liens, easements and charges now or hereafter imposed by the provisions of this Declaration or any amendment hereto as well as all provisions of the articles, by-laws, Association rules or board resolutions. Failure by the Association or by any owner to enforce any such remedy shall, in no event, be deemed a waiver of the right so to do thereafter.

Section 2. Severability. Invalidation of any one of these covenants, conditions or restrictions, by judgment, court order or otherwise, shall in no way affect other provisions hereof which shall remain in full force and effect.

Section 3. Term. This Declaration shall run with and bind the properties, and shall inure to the benefit of and be enforceable by the Association or any of the owners of any lots, their respective heirs, successors and assigns, for a term of twenty (20) years from the date this Declaration is recorded, after which time this Declaration shall automatically be extended for successive periods of ten (10) years unless an instrument, signed by owners of seventy-five percent (75%) of the units, and their respective first mortgagees, has been recorded, agreeing to modify or terminate this Declaration in whole or in part.

Section 4. Amendments. This Declaration may be amended in any respect by members (including Declarant) holding not less than two-thirds (2/3%) of the total voting rights (including any such voting rights held by Declarant) by their execution of an instrument amending same, which instrument shall be acknowledged and recorded in the office of the County Recorder of Churchill County, State of Nevada. The foregoing notwithstanding, the percentage of voting rights necessary to amend any specific provision or clause of this Declaration shall not, in any event, be less than the prescribed percentage of affirmative voting rights required for action to be taken under that specific provision or clause. Wherever in this Section 4 owners of a specified percentage of lots are required to execute an instrument to be recorded in order to effectuate an amendment, then, in lieu thereof, a special meeting of members may be held, and if owners of such specified percent of lots assent by vote to such amendment at such meeting, then, and in that event, the secretary or any other officer of the Association may sign such instrument to be recorded and certify thereon that such assent by vote to such amendment was duly obtained as aforesaid from owners of such specified percentage of lots. Any such instrument bearing such officer's certificate shall have the

same effect as though executed by owners of such specified percentage of lots.

Section 5. First Mortgagee Approval. Any amendment to this Declaration or to the articles or by-laws of the Association shall require the prior written consent of the holders of two-thirds (2/3) of the first mortgages then encumbering the lots or units.

Section 6. Balance Sheet and Operating Statement. The board shall prepare, or cause to be prepared, a balance sheet and an operating (income) statement for the Association as of the accounting dates hereinafter set forth, and copies of each thereof shall be distributed to each member within ninety (90) days after said accounting dates. For purposes hereof, the accounting dates for the preparation of such balance sheets and operating (income) statements are as follows:

(a) First Accounting Date. The first accounting date shall be the last day of the month closest in time to six (6) months from the date of closing of the first sale of a lot within the properties. The balance sheet shall be rendered as of said date, and the operating (income) statement shall be rendered for the period commencing with the date of closing of the first sale of a lot within the properties and ending as of said first accounting date.

(b) Subsequent (Annual) Accounting Dates. The second and subsequent accounting dates shall be the last day of the Association's fiscal year (which fiscal year shall be a calendar year unless a different fiscal year is adopted). The balance sheet shall be rendered as of said date, and the operating (income) statement shall be rendered for the fiscal year in question.

(c) First Operating (Income) Statement. The operating (income) statement for the first six (6) months accounting period shall include a schedule of assessments received or receivable itemized by lot number and by the name of the person or entity assessed.

An external audit by an independent public accounting or certified public accounting shall be required for the preparation of the balance sheets and operating (income) statements referred to in (b) above, for fiscal years in which the gross income of the Association exceeds fifty thousand dollars (\$50,000.00).

Section 7. Headings. The headings used in this Declaration are for convenience only and are not to be used in interpreting the meaning of any of the provisions of this Declaration, or otherwise.

Section 8. Cumulative Remedies. Each remedy provided for in this Declaration shall be cumulative and not exclusive.

Section 9. Violations as Nuisance. Every act or omission in violation of the provisions of this Declaration shall constitute a nuisance, and in addition to all other remedies herein set forth, may be abated or enjoined by any owner, any member of the board, the manager or the Association.

Section 10. Access to Books. Any owner may, at any reasonable time and upon reasonable notice to the board or manager and at his own expense, cause an audit or inspection to be made of the books and financial records of the Association as provided in the by-laws.

Section 11. Number; Gender. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

Section 12. Exhibits. Any and all exhibits attached hereto shall be deemed made a part hereof and incorporated by reference herein.

Section 13. Easements Reserved and Granted. Any and all easements referred to herein shall be deemed reserved or granted, or both reserved and granted, as appropriate, by reference to this Declaration in any conveyance of a lot.

Section 14. Binding Effect. This Declaration shall inure to the benefit of and be binding upon the successors and assigns of the Declarant, and the heirs, personal representatives, grantees, lessees, successors and assigns of the owners.

Section 15. Indemnification of Officers and Directors. Every director and every officer of the Association shall be, and is hereby indemnified by the Association against all expenses and liabilities, including fees of counsel, reasonably incurred by or imposed upon such director or officer in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the Association, or any settlement thereof, whether or not he is a director or officer at the time such expenses are incurred, except in cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, that in the event of a settlement, the indemnification herein shall apply only when the board approves such settlement. The foregoing right of indemnification shall be in addition to, and shall not be exclusive of, all rights to which each such director or each such officer may otherwise be entitled.

Section 16. Attorneys' Fees. Should suit be instituted hereon, hereunder or in connection herewith to enforce any of the terms or provisions hereof, or to obtain any of the remedies provided for herein, the prevailing party shall be entitled to an award of reasonable attorneys' fees from any court of competent jurisdiction.

ARTICLE X

REQUIREMENTS OF THE CITY OF FALLON

Section 1. Compliance with City Ordinances. The owners shall comply with any and all ordinances of the City of Fallon and Churchill County, Nevada, including, but not limited to, those governing signs and pets.

ARTICLE XI

PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as a part of the original construction of improvements upon the properties and placed upon the dividing line between lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article XI, the general rules of law of Nevada respecting party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the other owners thereafter make use of the wall they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provisions of this Article XI, an owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Property. The right of any owner to contribution from any other owner under this Article XI shall be appurtenant to the property and shall pass to such owner's successors in title.

Section 6. Arbitration. In the event of a dispute among the owners, or any thereof, with respect to the provisions of this Article XI or these Declarations, any owner may cause the same to be referred to arbitration in accordance with the provisions of Nevada Revised Statutes 38.010, et seq. In the event of arbitration, notice thereof shall be given to the members of the Board and to all of the owners and their respective mortgagees as promptly thereafter as possible, giving all board members, owners and mortgagees an opportunity

to appear in such arbitration proceedings. The decision of such arbitrator in the matter shall be final and conclusive upon all the parties. The arbitrator may include in his decision an award for costs and/or attorneys' fees against any one or more parties to the arbitration. The award or decision may be confirmed and enforced by any court of competent jurisdiction.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this 16th day of July, 1987.

Harold Chisholm
Harold Chisholm

Bonnie R. Chisholm
Bonnie R. Chisholm

STATE OF NEVADA,
COUNTY OF Churchill }

On this 16th day of July, 1987, personally appeared before me, a Notary Public in and for said Churchill County, Harold Chisholm and Bonnie R. Chisholm

known to me to be the persons described in and who executed the foregoing instrument, who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

WITNESS my hand and official seal.

Betty Anderson
Notary Public in and for said County and State
My commission expires 4-12, 1991

LV-65

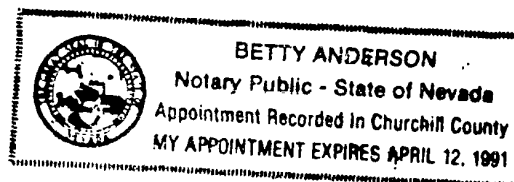


EXHIBIT A

A parcel of land located in the Northeast quarter (NE $\frac{1}{4}$) of Section 36, Township 19 North, Range 28 East, M.D.B. & M., more particularly described as follows:

Parcel One (1) of that Parcel Map of the Church of Jesus Christ of Latter Day Saints, recorded in the office of the Recorder of Churchill County, Nevada on August 29, 1984 as File No. 208217

229891

OFFICIAL RECORDS
CHURCHILL COUNTY, NEVADA
RECORDED BYHarold Chisholm
37 JUL 16 AM 8:43

COUNTY RECORDER

FEE \$6.00 DEP. 1681