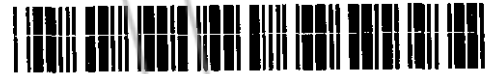


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GEORGE M. KEELE, ESQ.
1692 County Road, #A
Minden, NV 89423

**DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS AND GRANT AND RESERVATION OF EASEMENTS
FOR
KINGSLANE HOMEOWNERS ASSOCIATION, INC.,
AS AMENDED ON FEBRUARY 24, 2007**

Received and Reviewed

by: _____

Signature _____ Date: _____

Signature _____ Date: _____

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**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AND
GRANT AND RESERVATION OF EASEMENTS FOR
KINGSLANE HOMEOWNERS ASSOCIATION, INC.**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AND GRANT AND RESERVATIONS OF EASEMENTS FOR KINGSLANE HOMEOWNERS ASSOCIATION, INC. (the "Declaration") is made as of this ____ day of June, 2008, by KINGSLANE HOMEOWNERS ASSOCIATION, INC. ("Declarant").

RECITALS

WHEREAS, Declarant is or was the owner of that certain real property located in the County of Douglas, State of Nevada described in Exhibit "A" attached hereto (the "Initial Property"); and

WHEREAS, Declarant is the owner of or may hereafter acquire that certain real property located in the County of Douglas, State of Nevada described in Exhibit "B" attached hereto (the "Annexable Property"); and

WHEREAS, it is the desire and intention of Declarant to create a "common-interest community" as defined in Nevada Revised Statutes ("NRS") section 116.021, situated exclusively in Douglas County, Nevada, consisting of a maximum of One Hundred Thirty-Five (135) Lots,¹ as hereinafter defined, and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the Lots in the common-interest community created pursuant to the provisions of the Act, as hereinafter defined. The name of the common-interest community and of the unit-owners' association organized under NRS 116.3101 is Kingslane Homeowners Association, Inc. The maximum number of units the Declarant reserves the right to create is One Hundred Thirty-Five (135) including those already created.

NOW, THEREFORE, Declarant hereby declares that all of the Property 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, maintenance, improvement, and sale of the Property for the purpose of enhancing the value, desirability and attractiveness of the Property. 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, as hereinafter defined, having or acquiring any right, title, or interest in

¹The 135 Lots include 4 Lots owned by the Kingslane Homeowners Association, Inc. (as of June 11, 2008), that are being used as a recreational vehicle storage area and 3 Lots that are adjacent to improved Lots but that are not improved with a residence as of June 11, 2008.



the Property, or any part thereof, and their successors in interest and assigns. The development plan of the Property shall be consistent with the overall development plan, if any, submitted to the VA and/or FHA, as hereinafter defined.

ARTICLE I DEFINITIONS

1.1 **Act:** "Act" shall mean and refer to the State of Nevada's version of the Uniform Common Interest Ownership Act, codified in NRS Chapter 116, as it may be amended from time to time, or any portion thereof.

1.2 **Annexable Property:** "Annexable Property" shall mean that certain real property located in the County of Douglas, State of Nevada described in Exhibit "B" attached hereto.

1.3 **Annexed Property:** "Annexed Property" shall mean the Annexable Property with respect to which a Supplemental Declaration is recorded, causing an annexation of such property into the Property pursuant to the provisions of Article V, Section 5.1 of this Declaration.

1.4 **Architectural Review Committee or ARC:** "Architectural Review Committee" or "ARC" shall mean the committee that is appointed or that may be appointed to review written requests from Owners pertaining to additions, alterations, or Improvements that Owner wishes to construct in the Property.

1.5 **Architectural Review Guidelines:** "Architectural Review Guidelines" shall mean the rules adopted by the Architectural Review Committee and approved by the Board of Directors, pursuant to Article VIII, Section 8.5 of this Declaration.

1.6 **Articles of Incorporation and By-Laws:** Articles of Incorporation or By-laws, or both, as the case may be of the Association, as the same may be amended from time to time.

1.7 **Assessment:** "Assessment" shall mean Capital Improvement Assessments, Common Expense Assessments, and Special Assessments that may be charged against each Owner and Owner's Lot in accordance with the provisions of this Declaration.

1.8 **Assessment, Capital Improvement:** "Capital Improvement Assessment" shall mean a charge against each Owner and the Owner's Lot representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Elements which the Association may from time to time authorize, pursuant to Article XII, Sections 12.5 of this Declaration.

1.9 **Assessment, Common Expense:** "Common Expense Assessment" shall mean the annual charge against each Owner and the Owner's Lot representing a portion of the total, ordinary costs of maintaining, improving, repairing, replacing, managing and operating the Common Elements or any Improvements thereon or other Common Expenses, which are to be paid by each Owner to the Association as provided in Article XII, Section 12.1 of this Declaration, or as otherwise authorized by the Act or this Declaration.

1.10 Assessment, Special: "Special Assessment" shall mean a charge against a particular Owner and the Owner's Unit, directly attributable to or reimbursable by the Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of this Declaration (including, if applicable, the amount of any deductible payable in connection with an insured loss), or levied by the Board as a reasonable fine or penalty for non-compliance with the restrictions contained in this Declaration, plus interest and other charges on such Special Assessment that will be imposed in the manner described in Article XII, Section 12.9 of this Declaration, or as otherwise authorized by the Act or this Declaration.

1.11 Association: "Association" shall mean KINGSLANE HOMEOWNERS ASSOCIATION, INC., a Nevada nonprofit corporation, the members of which shall be all the owners of Lots in Kingslane, and its successors and assigns.

1.12 Board of Directors or Board: "Board of Directors" or "Board" shall mean the board of directors of the Association.

1.13 Budget: "Budget" shall mean the Operating Budget and the Reserve Budget for the Association as defined in Article XII, Section 12.4 of this Declaration.

1.14 Bylaws: "Bylaws" shall mean the Bylaws for KINGSLANE HOMEOWNERS ASSOCIATION, INC., as they may be amended from time to time.

1.15 C.F.R.: "C.F.R." shall mean the Code of Federal Regulations, as may be amended from time to time.

1.16 Commercial Vehicle: "Commercial Vehicle" shall mean any dump truck, cement mixer truck, delivery truck, oil or gas truck, or any other vehicle that meets at least one of the following:

Is designed, maintained or used primarily for the transportation or property or passengers in furtherance of any commercial purpose;

Weights over Eight Thousand Five Hundred (8,500) pounds gross when unloaded;

That bears commercial insignia, names or other common indicia indicating that the vehicle is used for commercial purposes; or

Is larger than a nineteen foot (19') foot van or a three-quarter (3/4) ton pickup truck.

1.17 Common Elements: "Common Elements" shall mean all that portion of the Property described in this paragraph and identified on Exhibit "C" attached hereto. The Common Elements include without limitation the sidewalks, walkways, paths, grass, shrubbery, trees, roadways, drives, landscaping, parking areas, parks, open spaces, and all related facilities located within the Property; and all other parts of the Property designated by Declarant as Common Elements and existing for the use of one or more of the Owners, now existing or hereafter built by Declarant, but specifically excluding any Lot. Common Elements shall also include without limitation all facilities placed on, in, under, or above any earlier-defined Common Element, or common area, and all facilities except water distribution infrastructure, serving more than one

Lot, as well as all sewers, electrical services, water, gas, television and telephone services and fixtures, storage and equipment areas or enclosures, and sprinkling systems, to which Owners of a Lot shall have access.

1.18 Common Expenses: "Common Expenses" shall mean the expenses or financial liabilities for the operation of the Property, together with any allocations to reserves and shall include:

Expenses of administration, insurance, operation, maintenance, repair or replacement of the Common Elements except to the extent such repairs and replacements are the responsibility of a particular Owner pursuant to the terms of this Declaration; and

Expenses declared to be Common Expenses under the Governing Documents or the Act; and

Expenses agreed upon as Common Expenses by the Members of the Association (including without limitation the painting and maintenance of the exterior of the Perimeter Walls); and

Allocation for reserves established by the Association for repair, replacement and restoration of the major components of the Common Elements pursuant to the Act; and

Expenses, fees, and other charges imposed upon the Association by any governmental entity because the Property is a common interest community pursuant to the Act.

1.19 Common Maintenance Easement: "Common Maintenance Easement" shall mean the easement granted to the Association for the repair, replacement, and maintenance of the landscaping located upon the front yard of each Lot, extending from the back edge of the sidewalk in front of the Lot up to the front door of each Residence, or up to the Courtyard Wall of a Lot. The Association's duty to repair, replace, and maintain the landscaping located within the Common Maintenance Easement is described in detail in Article IV, Section 4.2 of this Declaration.

1.20 Courtyard Wall: "Courtyard Wall" shall mean those walls separating the front yard of a Lot from the courtyard space of a Lot.

1.21 Declarant: "Declarant" shall mean KINGSLANE HOMEOWNERS ASSOCIATION, INC., a Nevada nonprofit corporation, and its successors and assigns.

1.22 Declarant Control Period: "Declarant Control Period" shall mean the period of time during which the Declarant is entitled to appoint a majority of the members of the Board of Directors pursuant to Article V of this Declaration.

1.23 Declaration: "Declaration" shall mean the Declaration of Covenants, Conditions, and Restrictions and Grant and Reservation of Easements for Kingslane Homeowners Association, Inc., recorded in the Office of the County Recorder, Douglas County, Nevada, as may be amended from time to time.

1.24 Developmental Rights: "Developmental Rights" shall mean those rights reserved by Declarant in Article V, Section 5.1 of this Declaration.



1.25 **Director:** "Director" shall mean and refer to a member of the Board of Directors.

1.26 **Eligible Insurer:** "Eligible Insurer" shall mean an insurer or guarantor of a first Security Interest in a Lot, which has notified the Association in writing of its name and address and informed the Association that it has insured or guaranteed a first Security Interest in a Lot, has provided the Association with the Lot number and address of the Lot on which it is the insurer or guarantor of a Security Interest, and has requested that the Eligible Insurer be given the notices and other rights described in Article XI of this Declaration.

1.27 **Eligible Mortgagee:** "Eligible Mortgagee" shall mean the holder of a first Security Interest in a Lot, which has notified the Association in writing of its name and address and that it holds a first Security Interest in a Lot, has provided the Association with the Lot number and address of the Lot on which it is the holder of a first Security Interest, and has requested that the Eligible Mortgagee be given the notices and other rights described in Article XI of this Declaration.

1.28 **Fiscal Year:** "Fiscal Year" shall mean the twelve (12) month period used by the Association for preparing its annual financial reports. Unless otherwise specified by the Board of Directors, the Fiscal Year for the Association shall commence on January 1 and end on December 31.

1.29 **FNMA:** "FNMA" shall mean the Federal National Mortgage Association.

1.30 **FHLMC:** "FHLMC" shall mean the Federal Home Loan Mortgage Corporation.

1.31 **Governing Documents:** "Governing Documents" shall mean the Declaration, the Articles, the Bylaws, and any Rules or Architectural Review Guidelines that may be adopted or approved by the Board, as they may be amended from time to time, including any exhibits, schedules or certifications attached thereto.

1.32 **HUD:** "HUD" shall mean the United States Department of Housing and Urban Development.

1.33 **Improvements:** "Improvements" shall mean any construction, structure, fixture or facilities existing or to be constructed on the real property which is included in the Property, including, but not limited to: Residences, buildings, walkways, sprinklers, recreational facilities, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, stairs, decks, landscaping, antennae, hedges, patio covers, railings, planted trees and shrubs, poles, signs, storage areas, exterior air conditioning and water-softening fixtures or equipment.

1.34 **Initial Property:** "Initial Property" shall mean that certain real property located in the County of Douglas, State of Nevada described in Exhibit "A" attached hereto.

1.35 **Invitee:** "Invitee" shall mean a tenant, guest, contractor, occupant, employee, family member, agent, or any other Person on the Property at the request of, with the consent or approval of, or for the benefit of Owner.

1.36 **Liability for Common Expenses:** "Liability for Common Expenses" shall mean the liability for common expenses allocated to each Lot pursuant to Article XII of this Declaration.

1.37 **Lot:** "Lot" shall mean the real property within the Property, excluding the Common Elements, shown on the Plat Map as individual lots, and including any Residence and any other Improvements erected, constructed or located thereon. The boundaries of each Lot created by this Declaration are the lot lines depicted on the Plat Map.

1.38 **Manager:** "Manager" shall mean a person, firm or corporation, if any, possessing all pertinent licenses and certifications required to engage in management work on the Association's behalf, including all permits and/or certifications required by NRS 116.700 and NRS 116.705, as may be amended from time to time.

1.39 **Member:** "Member" shall mean a Person entitled to membership in the Association as provided in the Governing Documents. A "Member in Good Standing" is defined in Article II, Section 2.02(d)(2) of the Bylaws.

1.40 **Membership:** "Membership" shall mean the Members of the Association.

1.41 **NRS:** "NRS" shall mean the Nevada Revised Statutes, as it may be amended from time to time. Any reference to any particular section of the NRS shall be deemed to include that section of the NRS, as well as any amendment thereto from time to time and any successor statute.

1.42 **Operating Budget:** "Operating Budget" is defined in Article XII, Section 12.4(a) of this Declaration.

1.43 **Owner:** "Owner" shall mean the Declarant or other Person who owns a Lot; however, Owner does not include a Person merely having a Security Interest in a Lot.

1.44 **Party Wall:** "Party Wall" shall mean those walls, other than Perimeter Walls, located anywhere in the Project that form Lot boundaries.

1.45 **Perimeter Wall:** "Perimeter Wall" shall mean those walls all or a part of which are located on the Common Elements or denote the boundary between a Lot and the Common Elements.

1.46 **Person:** "Person" shall include an individual, corporation, business trust, estate, trust, partnership, association, joint venture, government, government subdivision or agency or other legal or commercial entity.

1.47 **Plat Map:** "Plat Map" shall mean, but shall not necessarily be limited to, the final map of Kingslane Subdivision, including the subdivision map for Kingslane Unit No. 1 filed on December 26, 1968, at Book 64, page 82; the subdivision map for Kingslane Unit No. 2 filed on December 20, 1971, at Book 94, page 517; the plat of Kingslane Unit No. 3A, filed on November 5, 1976, at Book 1176, page 291; and the plat of Kingslane Unit No. 3B filed on October 26, 1977 at Book 1077, page 1588; all as filed for record in the Official Records of Douglas County, Nevada.



1.48 Property: "Property" shall refer to the Property as a whole, including the Lots and Common Elements, as restricted by and marketed and sold to third parties in accordance with this Declaration.

1.49 Public Offering Statement: "Public Offering Statement" shall mean the public offering document pertaining to the Property prepared pursuant to the Act, as the same may be amended from time to time, and provided to purchasers prior to the time of execution of a binding purchase agreement for the purchase of a Lot.

1.50 Record, Recording, or Recordation: "Record," "Recording" or "Recordation" shall mean to file or have filed with the Office of the County Recorder, Douglas County, Nevada.

1.51 Recreational Vehicle: "Recreational Vehicle" shall mean any motorized scooter, camper unit, house car, motorhome, motor coach, trailer, trailer coach or camp trailer, watercraft, jet ski, canoe, kayak or boat, four-wheel, all terrain vehicle, dune buggy, or aircraft, or any other vehicle that is ordinarily used for purposes other than ordinary commuting.

1.52 Reserve Budget: "Reserve Budget" is defined in Article XII, Section 12.4(c) of this Declaration.

1.53 Residence: "Residence" shall mean a single-family dwelling and related Improvements located upon a Lot.

1.54 Rules: "Rules" shall mean the rules and regulations for the use of Common Elements and the conduct of Persons in connection therewith within the Property as adopted by the Board of Directors pursuant to this Declaration and the Bylaws.

1.55 Security Interest: "Security Interest" shall mean an interest in real estate or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a lien on a Lot created by a mortgage, deed of trust, trust deed, security deed, contract for deed, land sales contract, lease intended as security, assignment of lease or rents intended as security, pledge of an ownership interest in an Association, or any other consensual lien or title retention contract intended as security for any obligation.

1.56 Special Declarant Rights: "Special Declarant Rights" shall mean those rights reserved for the benefit of Declarant specifically described in Article V, Section 5.2 of this Declaration.

1.57 Subsidy Agreement: "Subsidy Agreement" shall mean an agreement between Declarant and the Association of the type described in Article XII, Section 12.14 of this Declaration.

1.58 Supermajority of Owners or Supermajority of Members: "Supermajority of Owners" or "Supermajority of Members" shall mean the Owners (including, as applicable, Declarant) of more than sixty-six percent (66%) of the total number of Lots contained in the Property.

1.59 Supplemental Declaration: "Supplemental Declaration" shall mean any declaration described in Article V, Section 5.1 of this Declaration whereby all or a portion of the Annexable

Property or other property approved for annexation becomes Annexed Property subject to the provisions of the Act and this Declaration.

1.60 U.S.C: "U.S.C." shall mean the United States Code, as it may be amended from time to time. Any reference to any particular section of the U.S.C. shall be deemed to include that section of the U.S.C, as well as any amendment thereto from time to time and any successor statute.

1.61 VA: "VA" shall mean and refer to the United States Department of Veterans Affairs.

ARTICLE II ASSOCIATION

The Association is charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents. None of the Governing Documents shall, for any reason, be amended or otherwise changed so as to be inconsistent with this Declaration. If any ambiguity exists in any provision of the Governing Documents, then such provision shall be construed in such a way that it is consistent with the provisions of this Declaration.

ARTICLE III ASSOCIATION PROPERTY

3.1 Conveyance of Common Elements: Declarant hereby covenants for itself, its successors, and assigns, at the time of the conveyance of the ninety-eighth (98th) Lot in the Property to an Owner not the Declarant, that it will convey title to the Common Elements to the Association free and clear of all encumbrances and liens, except utility easements, covenants, conditions, and reservations then of record, including, without limitation, those set forth in this Declaration. Declarant acknowledges that this condition was satisfied in 1976 and that title to the Common Elements has been owned by the Association since that time.

3.2 Ownership of Common Elements: The Common Elements shall be owned by the Association in fee simple for the use, enjoyment, and convenience of the Owners and shall contain the private roadways, sidewalks, landscaped areas within the Common Elements, parking areas, storage and trash areas, utility easements, all Perimeter Walls, and all other areas of the Property not a part of the Lots. Each Lot and its Owner shall have an easement over all of the Common Elements, and such easement is hereby granted, transferred, and conveyed to all Owners by the Association, as the successor in interest of the original Declarant within the original Declaration of Covenants, Conditions and Restrictions recorded as Document No. 43342 on January 7, 1969, for Kingslane Owner's [sic] Association, for the benefit of the Lots, the Owners, and each of them, and for their respective Invitees.

3.3 Use of Common Elements: Each Owner and Owner's Invitees shall be entitled to use the Common Elements, subject to the following:

The right of the Association to charge reasonable dues, use fees, and other fees for those facilities or amenities for which fees are normally charged or assessed;



The right of the Association to suspend the rights of an Owner and/or an Owner's Invitees to use the Common Elements, excluding any vehicular or pedestrian ingress or egress to or from a Lot, and any area used for parking, for any period during which any Assessment against the Owner's Lot remains past due and unpaid, and after notice and hearing by the Board conducted as prescribed by NRS and by this Declaration;

The right of the Association to require that security deposits be made and deposited with the Association to secure all sums payable to the Association and to guarantee performance of all duties due and owing or to become due and owing to the Association;

Such rights to use the Common Elements as may have been granted by the Association to others;

Such Rules for the use of the Common Elements as may be imposed by the Association from time to time; and

The right of Declarant to use the Common Elements for sales, development, and related activities pertaining to the Property.

ARTICLE IV MAINTENANCE

4.1 Common Elements: The Association shall maintain and repair all of the Common Elements. Such duty to maintain and repair includes, but is not limited to, the following:

Periodic trimming and/or pruning of any trees or shrubbery located on the Common Elements;

Replacement of injured or diseased shrubbery, trees or other vegetation located on the Common Elements to the extent that the Board, in its sole and absolute discretion, deems necessary for the conservation of water and soil, and for esthetic purposes;

Maintenance and repair of any Improvements located on the Common Elements, the streets within the Property, the sidewalks, and any parking areas not located on a Lot;

Removal of all paper, debris, and refuse from the Common Elements;

Repainting of striping, markers, directional signs, and similar devices as necessary; and

Maintenance and repair of the Association fences and Perimeter Walls. Notwithstanding the foregoing, the Owners of Lots bounded by Perimeter Walls shall be responsible for all esthetic maintenance and repair of that side of the Perimeter Wall and Association fences that create boundaries between or among the Owners' respective Lots.

4.2 Lots: Each Owner, at such Owner's sole cost and expense and subject to the limitations set forth in this Declaration, shall maintain, repair, replace, and restore the Residence and any landscaping and Improvements, including Party Walls and Courtyard Walls, located on the Owner's Lot, but excluding the landscaping located upon the Common Maintenance Easements



areas of each Lot, which the Association shall have the duty to repair, replace, and maintain. Each Owner is responsible only for all maintenance and repair of that side of the Party Wall and Association fence that creates a boundary between the Owner's Lot and another Lot. Furthermore, each Owner shall keep the Lot, Residence, and Improvements in a neat, sanitary, and attractive condition and in accordance with all restrictions contained in this Declaration. If any Owner permits the Residence, or any Improvements on the Lot or the Lot itself to fall into disrepair or to become unsafe, unsightly or unattractive, as determined by the Board in its sole and absolute discretion, or permits any Residence, Improvements or Lot to otherwise violate the restrictions contained in this Declaration, the Association shall have the right to seek any remedies at law or in equity it may have.

4.3 Right of Access: In addition to all other easements reserved or granted herein, there is hereby reserved to the Association an easement across each Lot as is necessary to permit a reasonable right of entry onto each Lot for the purpose of performing emergency repairs or to do other work reasonably necessary for the proper maintenance of the Property, or any other work that the Association is authorized to perform pursuant to this Declaration.

4.4 Repairs Resulting From Negligence: Each Owner will reimburse the Association for any damages to any other Lot or to any Common Elements caused intentionally or negligently or by the Owner's or the Owner's Invitee's failure to properly maintain, repair or make replacements to his or her Lot. If such damage is caused by misconduct, it will be imposed as a Special Assessment to the Association account of the Owner deemed to be responsible for such misconduct, following notice and hearing, and may include attorneys' fees and costs.

4.5 Improvements to Common Elements: Notwithstanding any provision of this Declaration to the contrary, until Declarant has sold seventy-five percent (75%) of the Lots, no land within the Common Elements may be improved by any Improvement, used, or occupied except in such manner as shall have been approved by Declarant in its sole and absolute discretion. Declarant may delegate its right to grant such approvals to the Board. No approval shall be granted that would be in contravention of the zoning or other local regulation then in effect for the area in question.

4.6 Professional Management: The Board of Directors, on behalf of the Association, may contract with one or more Managers to conduct certain activities on behalf of the Association, as may be determined by the Board. Each such contract shall provide for the termination of the Manager by the Association without cause and without payment of a termination fee, upon at least ninety (90) days' written notice to the Manager.

ARTICLE V DEVELOPMENTAL RIGHTS AND OTHER SPECIAL DECLARANT RIGHTS

5.1 Reservation of Developmental Rights: Declarant reserves the following Developmental Rights:

The right, but not the obligation, to construct Improvements on the Common Elements.

The right, but not the obligation, to construct underground utility lines, pipes, wires, ducts, conduits and other facilities upon the real property in the Property, for the purpose of furnishing

utility and other services to buildings and Improvements to be constructed in the Property. Declarant also reserves the right to withdraw and grant easements to public utility companies and to convey Improvements within those easements anywhere in the Property not occupied by buildings, for the purposes mentioned above. If Declarant grants any such easements, the Plat Map will be amended to include reference to the recorded easement.

The right, but not the obligation, to unilaterally amend this Declaration at any time prior to the close of the first sale of a Lot and to further amend it thereafter pursuant to this Declaration; provided that such amendment after the sale of a Lot shall not be done in a manner inconsistent with the regulations and rules of FNMA, FHLMC, VA, and HUD, if any Security Interests are held by FNMA, FHLMC, VA, or HUD.

The right, but not the obligation, to add additional property to the Property and create Common Elements as follows:

(i) Property Subject to Annexation: Declarant hereby reserves unto itself for a period of seven (7) years after this Declaration has been Recorded, the right to cause to be annexed to this Declaration as part of the Property from time to time all or a portion of the Annexable Property, provided that, if required by the law, a subdivision map shall have been recorded for the real property to be annexed. No assurances are made by Declarant prior to the annexation of any Annexable Property as to the size or configurations of such portion, or the order in which any such portion may be annexed. If any portion of the Annexable Property is annexed to the Property, there are no assurances that any other portion or all of such Annexable Property will be annexed.

(ii) Manner of Annexation: The Annexable Property shall be annexed by Recording a Supplemental Declaration executed by Declarant describing the real property to be so annexed and declaring that such property shall thereafter be deemed to be Annexed Property as defined in this Declaration and declaring that such Annexed Property shall be held, conveyed, sold, encumbered, leased, rented, used, occupied, improved or otherwise affected in any manner subject to the provisions of this Declaration. Such Supplemental Declaration may set forth any additional restrictions or covenants which may be applicable to such Annexed Property, provided that such additional restrictions shall not be in any manner inconsistent with the provisions of this Declaration. In the event of any inconsistency between the provisions of this Declaration and those of a Supplemental Declaration, the provisions of this Declaration shall control. Annexed Property shall be consistent with the overall development plan, if any, submitted to the VA and/or FHA. Any other real property proposed for annexation to the Property may be annexed upon secret ballot votes or written approvals of the Owners of seventy-five percent (75%) of the Lots declaring that such annexed property shall be held, conveyed, sold, encumbered, leased, rented, used, occupied, improved or otherwise affected in any manner subject to the provisions of this Declaration. Such Supplemental Declaration may set forth any additional restrictions or covenants which may be applicable to such Annexed Property, provided that such additional restrictions shall not be in any manner



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inconsistent with the provisions of this Declaration. In the event of any inconsistency between the provisions of this Declaration and those of a Supplemental Declaration, the provisions of this Declaration shall control. Annexed Property shall be consistent with the overall development plan, if any, submitted to the VA and/or FHA.

(iii) Effect of Annexation: Upon recordation of any Supplemental Declaration, the real property described in the Supplemental Declaration shall become Annexed Property or additional annexed property as defined herein and shall be subject to all of the provisions of this Declaration.

To exercise any other Developmental Rights set forth in NRS 116.039.

5.2 Special Declarant Rights: Declarant reserves the following Special Declarant Rights, to the maximum extent permitted by law, which may be exercised, where applicable, anywhere within the Property:

To complete any Improvements indicated on the Plat Map;

To exercise any Developmental Right reserved in this Declaration or allowed by the Act;

To maintain sales offices, management offices, signs advertising the Property and models which are reasonably necessary to market the Residences or any other real property owned by Declarant regardless of whether such real property is part of the Property;

To use easements through the Common Elements for the purpose of making Improvements within the Property or any other real property owned by Declarant regardless of whether such real property is part of the Property;

Subject to the limitations in the Governing Documents, to appoint or remove any officer of the Association or a Board of Directors member during the Declarant Control Period; and

To exercise any other Special Declarant Rights set forth in NRS 116.089.

5.3 Models, Sales Offices and Management Offices: For so long as Declarant is an Owner, Declarant, its duly authorized agents, representatives and employees reserves the right to use a portion of any Lot for sales offices and/or management offices for Lots in the Property. Declarant further reserves the right to maintain any Lot owned by Declarant or any portion of the Common Elements as a model, sales office, construction or management office.

5.4 Signs and Marketing: For so long as Declarant is an Owner, Declarant reserves the right to post signs and displays in the Common Elements in order to promote sales of Lots. Declarant also reserves the right to conduct general sales activities in a manner which will not unreasonably disturb the rights of Owners.

5.5 Declarant's Personal Property: Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the Property that has not been represented in this Declaration as becoming property of the



Association. Declarant reserves the right to remove from the Property (promptly after the sale and close of escrow of the last Lot) any and all such goods and improvements used in development, marketing and construction, whether or not they have become fixtures.


5.6 Limitations on Special Declarant Rights: Unless terminated earlier by an amendment to this Declaration executed by Declarant, and subject to applicable law, any Special Declarant Right, including any exercise of a Developmental Right, may be exercised by Declarant so long as any of the following conditions are satisfied: Declarant holds a Developmental Right to create additional Lots or Common Elements; Declarant owns any Lot; or Declarant holds any Security Interest in any Lot.

5.7 Interference with Special Declarant Rights: Neither the Association nor any Owner may take any action or adopt any rule that will interfere with or diminish any Special Declarant Right without the prior written consent of Declarant.

5.8 Lender Protection: During the Declarant Control Period, but only after the sale of the first Lot, the following actions will require the prior approval of the FNMA, FHLMC, VA, or HUD, to the extent necessary to meet any FNMA, FHLMC, VA, or HUD requirements which are applicable to the Property: any merger or consolidation of the Association, any Special Assessment, mortgaging of the Common Elements, dedication of the Common Elements, any amendment of the Declaration, any amendment to the Bylaws, and the removal of any portion of the Common Elements.

5.9 Priority of Declarant's Rights and Reservations: Declarant shall have, and hereby retains and reserves, certain rights as set forth in this Declaration with respect to the Association and the Property. The rights and reservations of Declarant set forth in this Declaration shall be deemed excepted and reserved in each recorded Supplemental Declaration or annexation amendment, in each conveyance of property by Declarant in each deed or other instrument by which any property encumbered hereby is conveyed by Declarant, whether or not specifically stated therein. The rights, reservations and easements of Declarant set forth in this Declaration shall be prior and superior to any other provisions of this Declaration and may not, without Declarant's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration, including any amendment of this Section. Declarant's consent to any one such amendment shall not be construed as consent to any other or subsequent amendment.

5.10 Assignment of Declarant's Rights and Duties: Any and all of the rights, powers and reservations of Declarant herein contained may be assigned by Declarant to any Person as defined in this Declaration, who will assume any or all of the duties of Declarant hereunder, and upon any such Person evidencing his consent in writing to accept such assignment, said assignee shall, to the extent of such assignment, assume Declarant's duties hereunder, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by Declarant herein. Upon such assignment, and to the extent thereof, Declarant shall be relieved from all liabilities, obligations, and duties hereunder. The foregoing shall be subject to NRS 116.31043(4).

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**ARTICLE VI
RULES REGARDING**

RESTRICTIONS ON USE, ALIENATION, AND OCCUPANCY

OF UNITS WITHIN THE KINGSLANE SUBDIVISION

6.1 Use Restrictions: Subject to the Special Declarant's Rights reserved under Article V, the following use restrictions apply to all Lots and to the Common Elements:

(a) **Single-Family Residence.** The use of each Lot is restricted to a single-family Residence and accessory uses as permitted herein and as permitted by the Douglas County Code. Any mobile home placed upon said premises will be not more than five (5) years old (since date of original sale). No structures of a temporary nature shall be used, placed, or erected on any Lot without approval pursuant to these Covenants, Conditions and Restrictions. No structure other than a mobile home shall be less than 1,000 square feet of gross floor area. No mobile home having a floor area of less than 450 square feet, exclusive of porches, patios, and terraces, shall be erected or maintained on any Lot, nor shall any motorhome, camper, travel trailer, camping trailer, boat or boat trailer be kept or maintained thereon unless completely enclosed within a garage. All mobile home units shall be fully skirted within 90 days of placement, skirting to match exterior of mobile home in material and finish, as approved by the ARC. No residential unit shall be occupied until it is connected to the Minden-Gardnerville Sanitation District sanitary sewage disposal system and has water service provided by the Gardnerville Town Water Company. Except for those activities conducted as a part of the marketing and development activities of Declarant, no industry, business, trade or commercial activities shall be conducted, maintained or permitted on a Lot, except as expressly authorized by the provisions of the Douglas County Code, and where not in violation of the provisions of any ordinance or law applicable within the Town of Gardnerville. The provisions of this subsection 6.1(a) shall not preclude any of the above-described activities so long as such activities cannot be observed from the Common Elements and provided that all of the following conditions are fulfilled:

- (i) Such activities are conducted in conformance with all applicable laws;
- (ii) The patrons or clientele of such activities do not park automobiles or other vehicles within the Property, except during brief and limited drop-off and pick-up periods provided in this Declaration and within areas specified for that purpose;
- (iii) No such activity increases the liability or casualty insurance obligation or premium of the Association; and
- (iv) Such activities are consistent with the residential character of the Property and conform with the provisions of this Declaration.

(b) **Parking.**

- (i) Owners and Owners' Invitees are permitted to park automotive passenger vehicles for not longer than one hour in any 24-hour period on the far edges of the street during the daytime, but may not leave vehicles parked in the street



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overnight. As used in this subsection, "passenger vehicles" are those vehicles that do not qualify as Commercial Vehicles or Recreational Vehicles as defined in Article I of this Declaration. Commercial Vehicles and Recreational Vehicles may be parked in the street subject to the limitations set forth in subsection ii, below. In addition, Invitees may park in visitor parking areas, if any, as designated from time to time by the Board. Each Owner and each Owner's invitees are also permitted to park automotive passenger vehicles in designated parking spaces in accordance with the Parking Rules adopted and amended by the Board from time to time.

(ii) No Commercial Vehicles may be parked within the Property, except that such vehicles may be parked within the Property for the limited purpose of loading and unloading passengers and personal property for a period not to exceed eight (8) hours per day without prior written approval of the Board. In addition, Recreational Vehicles may be parked within the Property during the weekends for a period not to exceed twenty-four (24) hours. Recreational Vehicles may only be parked within the Property on weekdays if prior written approval is obtained from the Board. No inoperable vehicles or unregistered vehicles of any kind may be parked anywhere within the Property.

(iii) No repairs to any vehicle may be conducted on the Common Elements and then only if such repairs are not major repairs and do not otherwise violate the laws of Nevada or Douglas County or any of the provisions of the Governing Documents. "Major repairs" are those of an estimated fair market value of \$200 or more.

(iv) Parking Within Striped Lines. Any and all motorized vehicles must park within the white, striped lines painted, or imprinted in any manner, on the improved surface of the roadways and their shoulders. Anyone who parks in violation of this provision is subject to the penalties established in the Penalty Policy, which is Exhibit "D" to this Declaration.

(c) Nuisances; Noise; and Related Matters. No noxious, offensive, dangerous or unsafe activity shall be conducted anywhere in the Property, nor shall anything be done, either willfully or negligently, which may be or become an annoyance or nuisance to, or pose a threat to the health, safety, and/or welfare of the other Owners or Invitees of Lots. No Owner or Invitee of a Lot shall make or permit any disturbing loud, or obnoxious noises nor do or permit anything to be done by others that will interfere with the rights, quiet use and enjoyment of other Owners or Invitees. No unlawful use may be made of the Property or any portion thereof. Owners shall comply with and conform to all applicable laws. Any Owner who violates this prohibition shall hold harmless the Association and other Owners from all fines, penalties, costs and prosecutions for any violation or noncompliance. Violations of this rule are punishable by assessment of a penalty of up to \$50 per occurrence.

(d) Pets.

(i) No animals of any kind shall be raised, bred, or kept on any Lot, except that the number of dogs, cats or other pets allowed by Douglas County ordinance as household pets may be kept on a Lot, provided that they are not kept, bred or maintained for commercial purposes or in violation of applicable laws or other provisions of this Declaration. This restriction does not apply to non-dangerous fish. It shall be the absolute duty and responsibility of each Owner or Invitee to remove any solid waste after any animals have used any portion of the Property. All pets shall be leashed when not within an enclosed area of a Lot. Any animal found in the Property without a leash may be placed by the Association or any Owner in the custody of the appropriate governmental agency for animal control, with all costs associated therewith to be paid by the owner of the animal.

(ii) Any pet causing or creating a nuisance or unreasonable disturbance or noise as determined by the Board or any personal injury or death or damage to persons, animals, or property shall be permanently removed from the Property immediately if the pet's owner is not an Owner of a Lot, or, upon three (3) days' written notice to the Owner, if an Owner of a Lot, following notice and hearing before the Board of Directors. Each Owner shall indemnify and hold the Association harmless and indemnify the Association and all Members from any claim resulting from any action of an Owner's pet or pets.

(e) Signs. No signs, window displays or advertising visible from any other Lot, any public street or the Common Elements may be placed on any Lot or the Common Elements without the prior written consent of the Board. Owners may display one (1) sign in the front yard of a Lot advertising the Lot for sale or rent, but may only utilize standard signs that have been pre-approved by the Association. Such "for sale" or "for rent" signs may be purchased from a sign vendor authorized by the Association. The contact information for such sign vendors may be obtained from the Board. All other signs advertising a Lot for sale or rent are prohibited. In addition, one political sign may be placed in the front yard of a Lot but may not exceed twenty-four (24) inches by thirty-six (36) inches. As used herein, "political sign" means a sign that expresses support for or opposition to a candidate, political party or ballot question. No signs shall be displayed anywhere on the Common Elements. Except as expressly allowed by law, no business activities of any kind whatsoever shall be conducted in any building or in any portion of the premises; nevertheless, name plates, painted emblems, and other features incorporated in the construction of a mobile home are permitted.

(f) Flags.

(i) Except as otherwise provided in subsection (ii) below, the Association shall not prohibit an Owner from engaging in the display of the flag of the United States or of the state of Nevada or any other state or any United States military unit within such physical portion of the Association as the Owner has a right to occupy and use exclusively.

(ii) The provisions of subsection (i) do not apply to the display of the flag of the United States for commercial advertising purposes or preclude the Association from adopting Rules that reasonably restrict the placement and manner of the display of the flag of the United States by an Owner.

(iii) As used in this section, "display of the flag of the United States" means a flag of the United States that is made of cloth, fabric, or paper; displayed from a pole or staff or in a window; and displayed in a manner that is consistent with 4 U.S.C. Chapter 1. The term does not include a depiction or emblem of the flag of the United States that is made of balloons, flora, lights, paint, paving materials, roofing, siding, or any other similar building, decorative, or landscaping component. Any such ostensible flags are prohibited.

(g) Antennas and Satellite Dishes. Subject to the Telecommunications Act of 1995, and the provisions of 47 C.F.R. 1.4000, as may be amended from time to time, or any subsequent federal or state law applicable to common-interest communities, no television antennas or satellite dishes, except as set forth herein, may be erected on any part of a Lot or the Common Elements. Satellite dishes that are one (1) meter or less in diameter and that fall under the scope of the Telecommunications Act of 1995 and the provisions of 47 C.F.R. 1.4000, may be installed on a Lot subject to the preferred placement locations adopted by the Board, so long as such placement does not unreasonably delay or prevent the installation, maintenance or use of the satellite dish; does not increase the cost of installation, maintenance or use; and does not preclude reception or transmission of an acceptable quality signal.

(h) Exterior Holiday Decorations. Lights or decorations may be erected on a Lot in commemoration or celebration of publicly observed holidays, provided that such lights or decorations do not unreasonably disturb the peaceful enjoyment of Owners of adjacent Lots by illuminating bedrooms, creating noise or attracting non-Association sightseers. Holiday decorations or lights for any publicly-observed holidays or special occasions may not be displayed before thirty (30) days prior to the commencement of the holiday or special occasion and they must be removed within two (2) weeks thereafter. For other holidays or special occasions, decorations or lights may not be displayed more than two (2) weeks in advance of the holiday, and must be removed no more than two (2) weeks after the holiday. For any persistent violation, the Board shall have the right, upon thirty (30) days' prior written notice and hearing, to impose a fine not to exceed ONE HUNDRED DOLLARS (\$100) per day against the Owner for every day after the hearing or compliance date set by the Board that the Owner fails or refuses to remove the lights.

(i) Laundry. Outside clotheslines or other outside facilities for drying or airing clothes that are visible from any street or from any other Lot or the Common Elements shall not be erected, placed or maintained on any Lot. All allowed clotheslines must be approved in writing by the Board. No washing machine or dryer shall be kept on any Lot, except within a Residence, without the prior written approval of the Board.

(j) Garbage. No rubbish, trash, garbage or other waste shall be kept on any Lot except in sanitary containers. No rubbish, trash, garbage or other waste shall be permitted to accumulate on any Lot in a manner which may permit the spread of fire, odors, seepage or encouragement of vermin. All equipment for the storage or disposal of waste materials shall be kept in a clean and sanitary condition and Owners and tenants shall store all such equipment in a manner that is respectful of the views and the olfactory senses of all neighbors. Waste containers may be placed on the Sidewalks no sooner than twelve (12) hours prior to a scheduled pick-up and must be stored out of sight no later than (12) hours after pickup. Owners and their Invitees including



tenants who are going out of town must make arrangements with neighbors or others to satisfy the requirements of this paragraph.

(k) **Window Coverings.** No aluminum foil, sheets or blankets or any other “unsightly material,” as determined by the Board, may be used as window coverings in any Residence.

(l) **Leasing of Residences:** An Owner is permitted to lease Owner’s Residence subject to the following conditions:

(i) A Lot may not be used for hotel or transient purposes;

(ii) A Lot may not be leased or rented for an initial term of less than one (1) month;

(iii) Owner and tenant must enter into a written lease agreement which provides that the terms of the lease shall be subject in all respects to the provisions of the Association’s Governing Documents, and that failure by the tenant to comply with the terms of the Governing Documents shall be deemed an incident of default of the lease agreement;

(iv) Owner must provide a copy of the written lease agreement or a recordable Memorandum of Lease Agreement to the Board, together with the Owner’s and tenant’s names and telephone numbers; and

(v) Owner must provide the tenant with a copy of the Association’s Governing Documents.

(m) **Additions, Alterations, and Improvements:** No Owner may make any structural addition, alteration or Improvement to his or her Lot or to the Property, including altering any view fence or planting any tree, shrubbery, or any other foliage that exceeds eight (8) feet in height, without obtaining the prior written consent of the Board or the ARC. The procedures for obtaining approval from the Board or ARC are explained in detail in Article VIII of this Declaration.

(n) **Fences:** No fences, hedges or walls, exterior clotheslines or unenclosed garbage receptacles shall be erected or maintained upon residence units, except as installed in accordance with initial construction or architecturally designed remodeling and as approved by the ARC.

(o) **Bicycles, Rollerblades, Skates, and Skateboards:** Because the streets in the Park are very narrow, bicycle, tricycle, unicycle, skateboard (powered or manually operated) and other cycle traffic (hereinafter referred to as “cycle”) must be severely restricted to prevent injury. No person under ten (10) years of age may ride a cycle within the subject property unless accompanied by an adult. Maximum speed for all cycles is 10 miles per hour. The speed limit will be strictly enforced. Cyclists and motorists, including motor scooters, must not ride off pavement, jump speed bumps, or “spin out,” i.e. skid laterally or otherwise. Violations of this rule are punishable by fines of up to \$50 per occurrence. Unpaid fines become a lien against an offending Owner’s unit. There shall be no temporary or permanent jumping ramps allowed in the Park. It is the duty of every Owner and tenant to ensure their guests and invitees understand and follow these restrictions including without limitation these Rules. Any penalty for a violation by an Owner,

guest, or invitee will be imposed against any Owner whose guest or invitee violates the provisions of these restrictions.

(p) Unlicensed Vehicles: No unlicensed vehicles shall be permitted to be parked anywhere within the Park. Violations of this rule are punishable by assessment of a penalty of up to \$50 per occurrence.

(q) Vehicle Repairs: No disabled vehicles shall be allowed to remain on any Lot. Any disabled vehicles must be repaired within 24 hours. Violations of this rule are punishable by assessment of a penalty of up to \$50 per occurrence.

(r) Residence Height Limitations: No new or replacement residence may exceed the height limitations derived from applying the formula to determine maximum residence height that is set forth in the Architectural Review Guidelines then in effect.

6.2 Owners' and Tenants' Duty to Inform Guests of Rules; Owners to Bear Penalties for Themselves, their Guests and Invitees: Each Owner is required to inform his guests of the Rules as defined in Article 1 of this Declaration as well as of the provisions of this Declaration pertaining to the use of the Common Elements and the conduct of Persons in connection therewith within the Property. Each Owner is responsible for penalties imposed under the Penalty Policy and procedure (Exhibit "D" hereto) (1) by reason of his own conduct; (2) by reason of the conduct of any member of his household; (3) by reason of the conduct of any of his guests; (4) by reason of the conduct of his tenants and the members of their respective households and their respective guests; as well as (5) by reason of the conduct of the invitees of all Persons named in this Section 6.2.

6.3 Laws and Insurance Requirements: Nothing shall be done to or kept on any Lot that might increase the rate of, or cause the cancellation of, insurance for the Property, or any portion of the Property, or any Lot, without the prior written consent of the Association. No Owner shall permit anything to be done or kept in that Owner's Lot that violates any of the restrictions contained in this Declaration or any applicable laws or ordinances.

ARTICLE VII EASEMENTS AND LICENSES

7.1 Easements of Record: The Property is presently subject to all easements and licenses of record, including those shown on the Plat Map or otherwise contained herein. In addition, the Property may be subject to other easements or licenses granted by Declarant pursuant to its powers under Article V of this Declaration and liens created under Article XII of this Declaration.

7.2 Encroachment Easement: The Property, and all portions thereof, shall be subject to an easement from the Lot's or Common Element's boundaries for the actual extent of encroachments created by construction as designed or constructed by Declarant and for settling, shifting, and movement of any portion of the Property, except that no such easement is created for an encroachment which is the result of willful conduct on the part of Declarant, an Owner, Owner's Invitee, the Association, or any other Person. A valid easement for said encroachments and for the maintenance thereof shall exist. Such encroachments shall not be considered to be



encumbrances upon any part of the Property. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of Improvements constructed on any Lot, by settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of any Improvements on the Property.

7.3 Association Easement: The Association shall have an easement over the Common Elements for performing its duties and exercising its powers described in this Declaration. In addition, the Association shall have an easement over each Lot for the purpose of maintaining or repairing the Common Elements, including any portion of the Common Elements that may encroach upon a Lot.

7.4 Members', Owners' Easement in Common Elements: Subject to the provisions of this Declaration, every Owner and every Member shall have a non-exclusive easement of access, ingress, egress, use and enjoyment of, in and to the Common Elements.

7.5 Extent of Member's Easements: The rights and easements of use and enjoyment of the Common Elements created by this Declaration shall be subject to the Governing Documents, which include, without limitation, the following:

The right of the Board 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 Owners.

The right of the Association acting through the Board and pursuant to an agreement executed by a Majority of Owners, 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 Security Interest;

The right of the Board to grant easements, leases, licenses and concessions through or over the Common Elements, including easements for water drainage;

The right of the Board to reasonably restrict access to easements for which the Association is responsible for maintenance;

The right of the Board to establish uniform Rules for the use of the Common Elements; and

The rights and reservations of Declarant as set forth in this Declaration.

ARTICLE VIII ADDITIONS, ALTERATIONS, AND IMPROVEMENTS

8.1 Requisite Approvals and Procedures for Owner Alteration: No Owner may make or commence any structural addition, alteration or Improvement on his or her Lot or anywhere in the Property, including without limitation, the alteration or construction of any building, fence, wall or structure, or the planting of any tree, shrubbery, or other foliage, that exceeds eight (8) feet in height, without the prior written consent of the Board of Directors or the ARC.

Any request for approval of anything prohibited under Section 8.1 or Section 8.1(b)(i) or (ii) must be submitted in writing to the Board of Directors or the ARC, as applicable. The Board of Directors or the ARC shall answer any written request for approval within sixty (60) days after the request. Failure to answer the request within this time shall constitute a denial by the Board of Directors or the ARC of the proposed action. Any such request shall be reviewed in accordance with any Architectural Review Guidelines then in effect.

Subject to this Section 8.1, an Owner:

- (i) May make any Improvements or alterations to the interior of such Owner's Residence that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the Property, or materially impair the view of any other Owner. Owner is responsible for submitting any and all applications to any department or governmental authority necessary for obtaining permits to make any addition, alteration or Improvement.
- (ii) May not make any Improvements or alterations to the Common Elements, Common Maintenance Easements or any other portion of the Property, unless at the written direction of the Board of Directors or the ARC.

Any member or authorized consultant of the Board of Directors or the ARC, or any authorized officer, employee or agent of the Association, may enter upon any Lot at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect any structural addition, alteration or Improvement constructed or under construction on the Lot to determine whether the work has been or is being built in compliance with the plans and specifications approved by the Board of Directors or the ARC.

All additions, alterations and Improvements to the Lots and Common Elements shall not, except pursuant to prior approval by the Board of Directors, cause any increase in the premiums of any insurance policies carried by the Association or by the Owners of any Lots other than those affected by such change.

8.2 Members of the Committee: The ARC shall consist of at least three (3) members, all of whom shall be appointed by the Board by majority vote. There shall also be two (2) alternate members of the ARC who shall be designated by the regular members of the ARC to act as substitutes on the ARC in the event of absence or disability of any member of the ARC. Each member of the ARC shall hold office until such time as he or she has resigned, or has been removed, or his or her successor has been appointed, as provided herein. Members of the ARC may be removed at any time without cause. The Board or a majority of the full membership of the Board, shall have the power to appoint and remove all members of the ARC for cause. The Board may also serve as the ARC and any Board member may serve on the ARC. Members of the ARC shall serve two-year terms, subject to reappointment to an unlimited number of additional two-year terms.

8.3 Meetings of the ARC: The ARC shall meet from time to time as necessary to perform its duties hereunder, but such meetings shall be held at least annually. The ARC may from time to time by resolution unanimously adopted in writing designate one of its members to take any

action or perform any duties for and on behalf of the ARC. In the absence of such designation, the vote of a majority of all of the members of the ARC or the written consent of a majority of all of the members of the ARC taken without a meeting shall constitute an act of the ARC.

8.4 Limitation on Liability of Architectural Review Committee: Provided that the ARC or a particular member of the ARC has acted in good faith on the basis of information possessed by the ARC or the member, as the case may be, then neither the ARC nor any member thereof shall be liable to the Association, to any Owner, or to any other Person for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings, and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; or (c) the development of any property subject to this Declaration. Without limiting the generality of the foregoing, the ARC and any member thereof may, with the approval of the Board, consult with knowledgeable third parties with respect to any plans, drawings, specifications, or any other proposal submitted to the ARC; however, the reasonable cost of such consultation shall be paid and borne by the Owner requesting approval.

8.5 Architectural Review Guidelines: The ARC may, upon request of the Board of Directors and subject to the approval of the Board of Directors, prepare and promulgate Architectural Review Guidelines containing guidelines and review procedures on behalf of the Association. The Architectural Review Guidelines shall be those of the Association, and the ARC shall have sole and full authority to prepare and to amend the Architectural Review Guidelines, provided the Architectural Review Guidelines are otherwise in compliance with the Articles, the Bylaws, and this Declaration. The ARC shall make copies of the Architectural Review Guidelines available to Owners upon request.

8.6 Board of Directors and Architectural Review Committee Discretion: Except as may be expressly provided in this Declaration, any consent or approval of the Board of Directors, ARC or Association that is required under the provisions hereof may be granted or withheld in the sole and absolute discretion of the Board of Directors, ARC, or Association, as applicable. In that regard, the granting or withholding of such consent or approval shall not be subject to any objective standards of "reasonableness" or otherwise; provided, however, that the decision of the Board of Directors, ARC, or Association shall be consistent with the Governing Documents, including the Architectural Review Guidelines, as may be in effect at the time of such granting or withholding of consent or approval. Further, the approval of or consent to any matter shall not be deemed to be a waiver of the right to disapprove the same or similar matters in subsequent requests for consents or approvals from the same or other parties.

8.7 No Applicability to Construction by Declarant or its Predecessors: The provisions of this Article VIII shall not apply to construction by Declarant or its predecessors in the Property, and neither the Board of Directors nor any ARC appointed by the Board of Directors shall have any authority or right to approve or disapprove or take any other action in connection with regard to any previous or future construction by Declarant or its predecessors in the Property.

8.8 Additions, Alterations and Improvements to the Common Elements: Subject only to the express limitations in this Declaration or the Act, the Board of Directors may make any



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additions, alterations or improvements to the Common Elements which, in its judgment, it deems necessary.

ARTICLE IX AMENDMENTS TO DECLARATION

9.1 In General: Except in cases of amendments that may be executed: (a) by Declarant under Article XVIII, Section 18.8 of this Declaration and otherwise in the exercise of its Developmental Rights; (b) by Declarant as authorized under any provision of the Act, including, without limitation, NRS 116.1107, NRS 116.2106(4), NRS 116.2112(1), and NRS 116.2113; or (c) by certain Owners under the Act, including, without limitation, NRS 116.2113(2), and NRS 116.2118, and except as limited by Articles IX and XI of this Declaration, this Declaration, including the Plat Map, may be amended only by vote or agreement of a Majority of Owners. The procedure for amendment must follow the procedures set forth in NRS 116.2117.

9.2 Limitation of Challenges: An action to challenge the validity of an amendment adopted by the Association pursuant to this Article may not be brought more than one (1) year after the amendment is recorded.


9.3 Recordation of Amendments: Each amendment to this Declaration must be Recorded in each county in Nevada where any portion of the Property is located, and the amendment is effective only upon being Recorded.

9.4 Unanimous Consent: Except to the extent expressly permitted or required by other provisions of this Declaration or the Act, no amendment may change the boundaries of any Lot, the allocated interests of a Lot or the uses to which any Lot is restricted in the absence of unanimous consent of the Owners affected and consent of a majority of Owners. For purposes of this subsection 9.4, "change in the use to which a Lot is restricted" refers to an amendment that would alter the land use designation or classification of a Lot or would alter the character of the Property (for example, changing a Lot from residential use to commercial use or changing the Property from single-family residential use to commercial use). However, it does not include any amendment to an existing use restriction set forth in Article VI of this Declaration or any new restriction that does not affect the designation or classification of a Lot or the Property.

9.5 Execution of Amendments: An amendment to this Declaration required by the Act to be recorded by the Association, which has been adopted in accordance with this Declaration and the Act, must be prepared, executed, Recorded and certified on behalf of the Association by an officer of the Association designated for that purpose or, in the absence of such designation, by the president of the Association.

9.6 Special Declarant Rights: Provisions in this Declaration creating Special Declarant Rights may not be amended without the consent of Declarant.

9.7 Consent of Holders of Security Interests: Amendments are subject to the consent requirements of Article XI of this Declaration, and, to the extent that any Security Interests are held by or insured by FNMA, FHLMC, VA, or HUD, such amendments shall be adopted in accordance with applicable rules and regulations of FNMA, FHLMC, VA, or HUD.

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9.8 Amendments to Create Lots: Declarant must record an amendment to this Declaration to create additional Lots within the Property. Declarant shall also record a new Plat Map to the extent as necessary to conform to the requirements of NRS 116.2109(1), (2) and (4).

ARTICLE X TERMINATION

Termination of the Property may be accomplished only upon the approval of the Owners of Sixty-seven percent (67%) of the total number of Lots within the Property, and then in accordance with the provisions of the Act.

ARTICLE XI MORTGAGEE PROTECTIONS

11.1 Introduction: This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain Security Interests. This Article is supplemental to, and not a substitution for, any other provisions of the Governing Documents, but in the case of conflict, this Article XI shall control.

11.2 Percentage of Eligible Mortgagees: Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgagees is required, it shall mean the approval or consent of Eligible Mortgagees holding Security Interests in Lots which in the aggregate have allocated to them that specified percentage of votes as compared to the total votes allocated to all Lots in the Association then subject to Security Interests held by all Eligible Mortgagees.

11.3 Notice of Actions: The Association shall give prompt written notice to each Eligible Mortgagee and Eligible Insurer of:

Any condemnation loss or any casualty loss which affects a material portion of the Property or any Lot in which there is a first Security Interest held, insured or guaranteed by that Eligible Mortgagee or Eligible Insurer, as applicable;

Any delinquency in the payment of Common Expense Assessments owed by an Owner which remains uncured for a period of sixty (60) days and whose Lot is subject to a first Security Interest held, insured or guaranteed by that Eligible Mortgagee or Eligible Insurer, as applicable;

Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

Any proposed action which would require the approval of a specified percentage of Eligible Mortgagees as specified in Section 11.4 below.

11.4 Consent and Notice Required:

Document Changes: Notwithstanding any requirement permitted by this Declaration or the Act, no amendment of any material provision of this Declaration by the Association or Owners described in this Section may be effective without notice to all Eligible Mortgagees and Eligible Insurers, as required by Section 11.3 above, without the vote of at least the Supermajority of



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Owners and without approval by at least a majority of the Eligible Mortgagees (or any greater Eligible Mortgagee approval required by this Declaration). The foregoing approval requirements do not apply to amendments effected by the exercise of any Developmental Right. A change to or attempted addition of any of the following would be considered material:

- (i) Any provision of this Declaration pertaining to voting rights;
- (ii) Any provision of this Declaration pertaining to Assessments, assessment liens or priority of assessment liens;
- (iii) Any provision of this Declaration pertaining to reserves for maintenance, repair and replacement of Common Elements;
- (iv) Any provision of this Declaration pertaining to responsibility for maintenance and repairs;
- (v) Any provision of this Declaration pertaining to expansion or contraction of the Property, the addition, annexation or withdrawal of property to or from the Property, or the allocation of interests in the Property;
- (vi) Any provision of this Declaration pertaining to the amount or type of insurance or fidelity bonds to be maintained;
- (vii) Any provision of this Declaration pertaining to leasing of Lots;
- (iv) Any provision of this Declaration conditioning or limiting rights to use the Common Elements;
- (v) Any provision of this Declaration that expressly benefits holders, insurers or guarantors of Security Interests;
- (vi) Any provision of this Declaration pertaining to the convertibility of Lots into Common Elements or Common Elements into Lots;
- (vii) Any provision of this Declaration pertaining to the imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey the Owner's Lot;
- (viii) Any provision of this Declaration pertaining to the establishment of self-management where professional management has previously been required;
- (ix) Any changes to the boundaries of any Lot;
- (x) Any provision of this Declaration pertaining to the restoration or repair of the Property;
- (xi) Any provision regarding the termination of the Property;

- (xii) Any provision requiring a holder of a Security Interest who acquires a Lot through foreclosure to pay more than its proportionate share of any unpaid Assessments accruing after foreclosure;
- (xiii) Any provision which could result in a mortgage being canceled by forfeiture or in a Lot not being assessed separately for tax purposes; or
- (xiv) Any provision which could result in a partition or subdivision in a manner not consistent with this Declaration.

Actions. Notwithstanding any lower requirement permitted by this Declaration or the Act, the Association may not take any of the following actions, other than rights reserved to Declarant as Special Declarant Rights, without notice to all Eligible Mortgagees and Eligible Insurers, as required by Section 11.3 above, and approval of at least a majority (or the indicated percentage, if higher) of the Eligible Mortgagees:

- (i) Any restoration or repair of any part of the Property after partial condemnation or damage due to an insurable hazard in a manner not in substantial compliance with this Declaration and the original Subdivision Map;
- (ii) Any election to terminate the Property after occurrence of substantial destruction or condemnation;
- (iii) Any reallocation of Allocated Interests resulting from partial destruction or condemnation; or
- (iv) The termination of the Property, for which approval of at least Sixty-Seven Percent (67%) of Eligible Mortgagees is required.

FNMA, FHLMC, VA, or HUD Approval. The prior approval of the FNMA, FHLMC, VA and HUD shall be required during the Declarant Control Period for those Association actions set forth in Article V, Section 5.1 of this Declaration to the extent necessary to meet any FNMA, FHLMC, VA, or HUD requirements that are applicable to the Property.

Implied Approval. The failure of an Eligible Mortgagee or Insurer to respond within Thirty (30) days to any written request for approval of an addition or amendment to the Document wherever Eligible Mortgagee or Insurer approval is required, when such request is delivered by certified or registered mail, return receipt requested, shall conclusively constitute an implied approval of the addition or amendment.

11.5 Developmental Rights: No Developmental Rights may be exercised, voluntarily abandoned, or terminated by Declarant unless all Persons holding Security Interests in the Property that would be the subject of exercise of such Developmental Rights consent to the exercise, abandonment, or termination.

11.6 Inspection of Books: The Association must maintain current copies of the Governing Documents, books, records, and financial statements of the Association. The Association shall permit any Eligible Mortgagee or Eligible Insurer or other first mortgagee of Lots to inspect the



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books and records of the Association, upon reasonable advance notice to the Association of at least two (2) business days, during normal business hours, and subject to the provisions of the Act.

11.7 Financial Statements: The Association shall provide any Eligible Mortgagee or Eligible Insurer, or any agency or corporation that has a prospective interest in the Property, with a copy of an audited financial statement, prepared in accordance with the Act. The financial statement shall be for the preceding fiscal year and will be provided within a reasonable amount of time, not to exceed five (5) business days, to any Eligible Mortgagee or Eligible Insurer upon written request to the Association.

11.8 Enforcement: The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law or in equity.

11.9 Appointment of Trustee: In the event of damage or destruction under Article XVI of this Declaration or condemnation of all or a portion of the Property, any Eligible Mortgagee may require that such proceeds be payable to a Trustee established pursuant to this Declaration. This Trustee may be required to be a corporate trustee licensed by the State of Nevada. Proceeds will then be distributed pursuant to Article XVI of this Declaration or pursuant to a condemnation award. Unless otherwise required, the members of the Board of Directors, acting by majority vote through the president, may act as Trustee.

ARTICLE XII

ASSESSMENT AND COLLECTION OF COMMON EXPENSES

12.1 Liability for Common Expenses: The percentage of liability for Common Expenses allocated to each Lot (except as otherwise set forth herein) is a fraction, the numerator being one (1) and the denominator being the total number of Lots within the Property. Nothing contained in this Section shall prohibit certain Common Expenses from being apportioned to particular Lots under this Declaration.

12.2 Common Expenses Attributable to Fewer than all Lots; Exempt Property:

Any Common Expense or portion thereof benefiting fewer than all of the Lots shall be assessed exclusively against the Lots benefited.

The costs of insurance and utilities shall be assessed equally among all Lots.

An Assessment to pay a judgment against the Association may be made only against the Lots in the Property at the time the judgment was entered, in proportion to the respective Liability for Common Expense.

If a Common Expense is caused by the misconduct of an Owner, the Association may assess that expense exclusively against that Owner's Lot.

If the Liability for Common Expenses is reallocated, Common Expenses Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated liabilities.



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12.3 Lien:

The Association has a lien on a Lot for an Assessment levied against the Lot or fines imposed against its Owner from the time the Assessment or fine becomes due. Fees, charges, late charges, fines, attorneys' fees, and interest charged pursuant to the Act and the Governing Documents are enforceable as Assessments under this Section; provided, however, that unless otherwise permitted by law, the Association may not foreclose upon a lien for unpaid Assessments which is comprised solely of fines levied against an Owner for violation of the Governing Documents unless the violation is of a type that poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the Owners or Invitees of the Property. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment becomes due.

Except to the extent permitted under the Act, a lien under this Section is prior to all other liens and encumbrances on a Lot except: (1) liens and encumbrances recorded before the recordation of this Declaration; (2) a first Security Interest on the Lot recorded before the date on which the Assessment sought to be enforced became delinquent, except that a lien under this Section is prior to such Security Interests to the extent of the Assessments for Common Expenses based on the periodic budget adopted by the Association pursuant to the Act which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to enforce the lien; and (3) liens for real estate taxes and other governmental assessments or charges against the Lot. This subsection does not affect the priority of mechanics' or materialmen's liens or the priority of a lien for other Assessments made by the Association.

Recording of the Declaration constitutes record notice and perfection of the lien. Further recording of a claim of lien for Assessment under this Section is not required.

A lien for an unpaid Assessment is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the full amount of the Assessment becomes due, except that if an Owner of a Lot subject to a lien under this section files a petition for relief under the United States Bankruptcy Code ("Bankruptcy Code"), the time period for instituting proceedings to enforce the Association's lien shall be tolled until the later of the time period allowed hereunder or thirty (30) days after the automatic stay of proceedings under Section 362 of the Bankruptcy Code is lifted.

This section does not prohibit an action to recover sums for which subsection (a) of this section creates a lien or prohibit the Association from taking a deed in lieu of foreclosure.

A judgment or decree in any action brought under this Section shall include costs and reasonable attorneys' fees for the prevailing party.

The Association's lien must be foreclosed by the same procedure set forth in NRS 116.31162 through NRS 116.31164.

In any action by the Association to collect Assessments or to foreclose a lien for unpaid Assessments, the court may appoint a receiver for the Owner to collect all sums alleged to be due to that Owner from third parties prior to or during the pendency of the action. The court may



order the receiver to pay any sums held by the receiver to the Association during the pendency of the action to the extent of the Association's Common Expense Assessments, based on a periodic budget adopted by the Association pursuant to Section 12.4 below.

If a holder of a first Security Interest in a Lot forecloses that Security Interest, the purchaser at the foreclosure sale is not liable for any unpaid Assessments against that Lot which became due before the sale, other than the Assessments which are prior to that Security Interest under Subsection (b) of this section of this Declaration and as provided in NRS 116.3116(2)(c). Any unpaid Assessments not satisfied from the proceeds of sale become Common Expenses collectible from all the Owners, including the purchaser.

Any person who has or claims any right, title or interest in, or lien or charge upon a Lot or any other person who is or may be held liable for any debt secured by a lien on the Lot may request a copy of a Notice of Default and Sale. Such request must be recorded in accordance with NRS 107.090 and shall apply to the foreclosure of an Association lien. The request must identify the lien by stating the names of the Owner and the Property.

In accordance with NRS 116.31162 through NRS 116.31164, the Association shall provide notice of its intent to foreclose a lien to each lien holder of the affected Lot known to the Association.

Any payments received by the Association in the discharge of an Owner's obligation may be applied to the oldest balance due; provided, however, that the Association may not apply any Assessment, fee or other charge that is paid by an Owner toward a fine imposed against the Owner by the Association unless otherwise directed by the Owner or as permitted by law.

12.4 Budget Adoption and Ratification:

Prior to the commencement of each Fiscal Year, the Board shall determine the Budget for the Association for such Fiscal Year in the following manner:

The Board shall, not less than thirty (30) days nor more than sixty (60) days before the beginning of each Fiscal Year of the Association, prepare and distribute to each Owner a copy of the budget for the daily operation of the Association (the "Operating Budget"). The Operating Budget must include, without limitation, the estimated annual revenue and expenditures of the Association and any contributions to be made to the reserve fund established by this Article XII. In lieu of distributing copies of the Operating Budget, the Board may distribute summaries of the Operating Budget, accompanied by a written notice that the Operating Budget is available for review at the business office of the Association or other suitable location and that copies of the Operating Budget will be provided upon request.

The Association shall also establish adequate reserves, funded upon a reasonable basis, for the repair, replacement, and restoration of the major components of the Common Elements. The reserve funds may be used only for those purposes and not for daily maintenance. Money in the reserve accounts may not be withdrawn without the signatures of at least two (2) members of the Board or the signatures of at least one (1) member of the Board and one (1) officer of the Association who is not a member of the Board.

The Board shall, not less than thirty (30) days or more than sixty (60) days before the beginning of the Fiscal Year of the Association prepare and distribute to each Owner a copy of the reserve budget (the "Reserve Budget"). In lieu of distributing copies of the Reserve Budget, the Board may distribute summaries of the Reserve Budget, accompanied by a written notice that the Reserve Budget is available for review at the business office of the Association or other suitable location and that copies of the budget will be provided upon request.

The Reserve Budget must include, without limitation: (a) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Common Elements; (b) as of the end of the Fiscal Year for which the Reserve Budget is prepared, the current estimate of the amount of cash reserves that are necessary, and the current amount of accumulated cash reserves that are set aside, to repair, replace, or restore the major components of the Common Elements; (c) a statement as to whether the Board has determined or anticipates that the levy of one or more Assessments will be required to repair, replace, or restore any major component of the Common Elements or to provide adequate reserves for that purpose; and (d) a general statement describing the procedures used for the estimation and accumulation of cash reserves, including, without limitation, the qualifications of the person responsible for the preparation of the reserve study required under this Section.

The Board shall cause to be conducted at least once every five (5) years, a study of the reserves required to be maintained by this Section, review the results of that study at least annually to determine if those reserves are sufficient, and make any adjustments it deems necessary to maintain the required reserves. The reserve study must be conducted by a person licensed to conduct such a study (as determined pursuant to the Act). The study must include, without limitation: (i) a summary of an inspection of the major components of the Common Elements that the Association is obligated to repair, replace, or restore; (ii) an identification of the major components of the Common Elements that the Association is obligated to repair, replace, or restore which have a remaining useful life of less than thirty (30) years; (iii) an estimate of the remaining useful life of each major component so identified; (iv) an estimate of the cost of repair, replacement, or restoration of each major component so identified; (v) an estimate of the total Common Assessments that may be required to cover the cost of repair, replacement, or restoration of the major components so identified after subtracting the reserves of the Association as of the date of the study; and (vi) an estimate of the funding plan that may be necessary to provide adequate funding for the required reserves. As used herein, "major component" shall mean any component of the Common Elements, including, without limitation, any amenity, improvement, furnishing, fixture, finish, system or equipment, that may, within 30 years after its original installation, require repair, replacement or restoration in excess of routine annual maintenance which is included in the annual operating budget of the Association.

In the event a reserve study shows a deficiency in the reserve account for the Association, the Association may establish a funding plan that is designed to allocate the costs for the repair, replacement and restoration of the major components of the Common Elements over a period of years; provided the funding plan is designed in an actuarially sound manner which will ensure that sufficient money is available when the repair, replacement and restoration of the major components of the Common Elements are necessary.

Upon determination of the Budget for a Fiscal Year, the Board shall furnish a copy of the Budget to each Owner as herein provided (which Budget shall separately identify amounts attributable to the Operating Budget and the Reserve Budget) together with a written statement of the amount of the Common Assessment to be assessed against the Owner's Residence for the applicable Fiscal Year. The Board shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after the mailing of the budget. Unless at that meeting a majority of all Owners reject the Budget, the Budget is ratified, whether or not a quorum is present. If the proposed Budget is rejected, the periodic Budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent Budget proposed by the Board.

The amount to be raised by Common Assessments during a Fiscal Year shall be equal to (a) the Operating Budget for such period, plus (b) the Reserve Budget to be set aside for said period, less the amount attributable to the Operating Budget collected but not disbursed in the immediately preceding Fiscal Year or partial Fiscal Year; provided, however, that in lieu of such subtraction the Board may elect to refund said surplus to the Owners or deposit the funds into the reserve account.

If the Board fails to determine or cause to be determined the total amount to be raised by Common Assessments in any Fiscal Year and/or fails to notify the Owners of the amount of such Common Assessments for any Fiscal Year, then the amounts of Common Assessments shall be deemed to be the amounts assessed in the previous Fiscal Year.

Except as emergencies may require, the Association shall make no commitments or expenditures in excess of the funds reasonably expected to be available to the Association.

12.5 Capital Improvement Assessments: If the Board of Directors votes to levy a Capital Improvement Assessment, the Owners shall be provided with written notice of a meeting at which the Capital Improvement Assessment is to be considered or action is to be taken on such Assessment at least twenty-one (21) days before the date of the meeting. The Board of Directors shall submit the Assessment to the Owners for ratification in the same manner as a budget under Section 12.4(d). A Capital Improvement Assessment levied pursuant to this Section 12.5 shall include: (a) an assessment not included in the current Budget, other than one enumerated in Section 12.2 of this Declaration, in an amount greater than fifteen percent (15%) of the current annual operating budget; or (b) an assessment for the cost of construction, reconstruction, repair or replacement of a new capital improvement upon the Common Elements.

12.6 Certificate of Payment of Common Expense Assessments: The Association, upon written request, shall furnish an Owner with a statement, in recordable form, setting out the amount of unpaid Assessments against the Lot. The statement must be furnished within ten (10) business days after receipt of the request and is binding on the Association, the Board of Directors and each Owner.

12.7 Monthly Payment of Common Expenses: Subject to Board decision, all Common Expense Assessments assessed under Sections 12.1 and 12.2 of this Declaration shall be due and payable monthly, at 1/12 of the annual total (in cases where an annual total is applicable).

12.8 Limitations on Maximum Annual Assessment: From and after the first day of the Fiscal Year immediately following the first conveyance of a Lot to an Owner other than Declarant, the maximum annual Common Expense Assessment may not be increased by more than 15% of the annual budget for the previous year unless approved by the vote or written assent of a Majority of Owners.

12.9 Acceleration of Common Expense Assessments and Late Fee: In the event of default in which any Owner does not make the payment of any Common Expense Assessment levied against his or her Lot within ten (10) days after the date due, the Board of Directors shall have the right, after notice and hearing, to declare all unpaid Assessments for the pertinent fiscal year immediately due and payable. A late fee in the amount of Ten Dollars (\$10.00) will be imposed against the Owner's association account if a Common Expense Assessment is not received by 5:00 PM on the tenth (10th) calendar day of the month. In addition, if a Common Expense Assessment is not paid by the 5:00 PM on the last calendar day of a particular month, interest charges in the maximum amount permitted by the Laws will be imposed against the Owner's association account.

12.10 Commencement of Common Expense Assessments: The Common Expense Assessments provided for herein shall begin as to all Lots in the Property and subject to this Declaration (other than unsold Lots owned by Declarant if a Subsidy Agreement is in effect) on the first day of the month following the first conveyance of a Lot to an Owner other than Declarant. The first assessment shall be adjusted according to the number of months remaining in the calendar year. If a Subsidy Agreement is in effect, Common Expense Assessments as to all unsold Lots owned by Declarant shall commence upon the sale of the ninety-eighth (98th) Lot within the Project to an Owner not the Declarant.

12.11 No Waiver of Liability for Common Expenses: No Owner may become exempt from liability for payment of the Common Expense Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Lots against which the Assessments are made.

12.12 Personal Liability of Owners: The Owner of a Lot, at the time a Common Expense Assessment or portion thereof is due and payable, is personally liable for the Common Expense Assessment. Additionally, the Owner of a Lot, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or such other instrument, is deemed to covenant and agree to pay to the Association: (a) annual Common Expense Assessments; (b) Capital Improvement Assessments; and (c) Special Assessments, such assessments to be established and collected as herein provided. All Assessments, together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot against which such Assessment is made.

No Owner may be exempt from the personal liability for any Assessments described in this Declaration, nor release the Lot owned by the Owner from the liens and charges thereof by waiver of the use or enjoyment of any of the Common Elements or by abandonment of the Owner's Lot.

Personal liability for the Assessment shall not pass to a successor in title to the Lot unless the successor agrees to assume the obligation. The successor in title shall be personally liable for any Common Expense Assessments thereafter due.

12.13 Capitalization of Association: A working capital fund is to be established in the amount of two (2) months' regularly budgeted initial Common Expense Assessments for all Lots in proportion to their respective Liabilities for Common Expenses. This amount shall be collected from the Owner of each Lot upon the time of sale of that Lot by Declarant to Owner. Any amounts paid into this fund shall not be considered as advance payment of Assessments. Each Lot's share of the working capital fund may be collected and then contributed to the Association by Declarant at the time the sale of the Lot is closed or at the termination of the Declarant Control Period, if earlier. Until paid to the Association, the contribution to the working capital shall be considered an unpaid Common Expense Assessment, with a lien on Declarant's unsold Lots pursuant to the Act. Until termination of the Declarant Control Period, the working capital fund shall be deposited without interest in a segregated fund. During the Declarant Control Period, Declarant cannot use any of the working capital funds to defray its expenses, reserve contributions, or construction costs or to make up budget deficits.

ARTICLE XIII RIGHT TO ASSIGN FUTURE INCOME

The Association may assign its future income, including its right to receive Common Expense Assessments, only upon the approval of a Majority of Owners, at a meeting called for that purpose, and with Eligible Mortgagees' consent described in Article XI.

ARTICLE XIV PERSONS AND LOTS SUBJECT TO GOVERNING DOCUMENTS

14.1 Compliance with Governing Documents: All Owners and Invitees of Lots shall comply with the Governing Documents. The acceptance of a deed or the exercise of any incident of ownership or the entering into of a lease or the occupancy of a Lot constitutes agreement that the provisions of the Governing Documents are accepted and ratified by that Owner or Invitee. All provisions of the Governing Documents that are Recorded are covenants running with the land and shall bind any Persons having at any time any interest or estate in any Lot.

14.2 Responsibility for Violations: Consistent with the Governing Documents and the Act, an Owner is responsible for the actions and conduct of his or her Invitees.

Upon receipt of a written complaint from an Owner or Invitee or observation by a member of the Board of Directors or management regarding a potential violation of the Governing Documents, the Association's manager or other authorized agent of the Association, acting on behalf of the Board of Directors, shall issue a notice to the Owner of the alleged violation (the "Initial Notice"). The Initial Notice shall be in writing, and must be signed by a representative of the Board, the manager, legal counsel, or some other authorized agent of the Association. A copy of the Initial Notice may also be mailed to an Invitee residing on the Lot.

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If the alleged violation is not remedied within the time period set forth in the Initial Notice, the Board of directors, or any person designated by the Board to act on its behalf may serve a "Notice of Violation" against the Owner for any alleged violation of any provisions of the Governing Documents by the Owner or his or her Invitee. A copy of the Notice of Violation may also be mailed to an Invitee residing on the Lot. The Notice of Violation must contain the following information:

- (i) A description of the violation;
- (ii) The approximate time and place at which the violation was observed;
- (iii) The amount of the fine that may assessed against the Owner for the violation;
- (iv) The name of the person issuing the Notice of Violation;
- (v) A statement advising the Owner of the date, time, and location of a hearing scheduled before the Board of Directors; and
- (vi) Notice that if the violation is not cured within the time period set forth in the Notice of Violation, the Association may record a Notice of Non-Compliance against the Lot.

If the nature of the alleged violation is such that, in the sole discretion of the Board of Directors, it poses an imminent threat to the health, safety or welfare of the Owners or Invitees of the Association, then the Board may immediately send a Notice of Violation, as set forth in subsection (b) above, without first sending the Initial Notice as required by subsection (a) above. A copy of the Notice of Violation may also be mailed to an Invitee residing on the Lot.

Any hearing which discussed a violation of the Governing Documents including, without limitation, the failure to pay an Assessment, shall be conducted in an executive session of the Board of Directors. If the Board concludes, after notice and a hearing, that an Owner has violated a provision of the Governing Documents, then the Board may impose one or all of the following sanctions:

- (i) Fines imposed consistent with the Act and the Rules, if any, adopted by the Board;
- (ii) Suspension of any right to use the Common Elements during the term of the violation;
- (iii) Suspension of the right of the Owner to vote on any matter affecting the Association;
- (iv) A declaration that the Owner is not in good standing;
- (v) Declaratory or injunctive relief against the Owner of the Lot, or against the Invitee residing on the Lot;



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- (vi) Assessments, including any attorneys' fees, due to the misconduct of the Owner or Invitee, which were incurred to bring the Lot into compliance with the Governing Documents; and
- (vii) Any other legal or equitable remedies available to the Association for said violations.

Within two (2) weeks after the hearing, the Board shall issue a letter to the Owner outlining the hearing result, including any penalties imposed by the Board.

Any fines imposed by the Association for a violation of the Governing Documents that does not pose an imminent threat to the health, safety or welfare of the Owners or Invitees of the Association may not exceed One Hundred Dollars (\$100) for each violation.

Any fines imposed by the Association for a violation of the Governing Documents that poses an imminent threat to the health, safety or welfare of the Owners or Invitees of the Association must be commensurate with the severity of the violation as shall be determined by the Board in accordance with the Governing Documents, but is otherwise not subject to the limitation on the amount set forth in subsection (f), above.

A fine may not be imposed unless the person against whom the fine will be imposed has been provided with written notice of the applicable provisions of the Governing Documents that form the basis of the violation and within a reasonable time after discovery of the violation, the person against whom the fine may be imposed has been provided with a Notice of Violation pursuant to subsection (c) and a reasonable opportunity to contest the violation at the hearing.

If a fine is imposed pursuant to subsections (f) or (g) above and the violation is not cured within fourteen (14) days, or within any longer period that 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 every seven (7) days or portion thereof that the violation remains uncured. Any additional fine may be imposed without an additional notice and opportunity to be heard.

Any fine which is not paid within thirty (30) days of the notice of fine shall be considered past due and shall bear interest at the maximum rate permitted by the Act.

If any fine is not paid within thirty (30) days of notice of the fine, then, in addition to any other remedies that may be pursued by the Board, the Association may record a lien against the Lot in the Office of the County Recorder, Douglas County, Nevada.

If the violation giving rise to the fine is determined by the Board to be a violation that poses an imminent threat to the health, safety, or welfare of the Owners or Invitees in the Association, then in addition to recording a lien against the Lot, the Association may initiate foreclosure proceedings against the Lot.

The Board may appoint a committee of not less than three (3) members to conduct hearings on violations and to impose fines and other sanctions pursuant to this Section 14.2. If the hearing is held before a committee appointed by the Board, then the committee must, within seven (7) days

after the conclusion of the hearing, make a written recommendation to the Board on what action the Board should take with respect to the violation. Upon receipt of the recommendation from the committee, the Board must act upon the recommendation.

14.3 Adoption of Rules: The Board of Directors may adopt reasonable Rules regarding the use and occupancy of Lots as they affect the Common Elements and the activities of Owners and Invitees.

ARTICLE XV INSURANCE

15.1 Coverage: To the extent reasonably available, the Board of Directors shall obtain and maintain insurance coverage as set forth in this Article. If such insurance is not reasonably available, and the Board of Directors determines that any insurance described in this Article will not be maintained, the Board of Directors shall promptly cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners and Eligible Mortgagees at their respective last known addresses.

15.2 Property Insurance Coverage:

Coverage. Property insurance will cover:

(xv) The Common Elements, and Improvements thereon, insuring against all risks of direct physical loss commonly insured against. Property insurance coverage specifically excludes the Lots for which an Owner is required to obtain insurance pursuant to Section 15.6 below.

(xvi) All personal property owned by the Association.

Amounts. The insurance will be for an amount (after application of any deductions) equal to one hundred percent (100%) of the actual replacement value of the covered items at the time the insurance is purchased and at each renewal date, excluding the cost of land, foundations, or excavations.

The Board of Directors is authorized to obtain appraisals periodically for the purpose of establishing replacement cost of the insured items, and the cost of such appraisals shall be a Common Expense.

Risks Insured Against. The insurance shall afford protection against "all risks" of direct physical loss commonly insured.

Other Provisions. Insurance policies required by this Section and to the extent available shall provide that:

- (i) 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.
- (ii) The insurer waives the right to subrogation under the policy against an Owner or member of the household of an Owner.
- (iii) An act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will not void the policy or be a condition of recovery under the policy.
- (iv) If, at the time of a loss under the policy, there is other insurance in the name of an Owner which covers the same risk covered by the policy, the Association's policy provides primary insurance.
- (v) Losses must be adjusted with the Association.
- (vi) Insurance proceeds shall be paid to any insurance trustee designated in the policy for that purpose, and otherwise to the Association, but, in any case, it is to be held in trust for each Owner and the Owner's mortgagee.
- (vii) The insurer may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, to each Owner and to each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.
- (viii) The name of the insured shall be substantially as follows:

KINGSLANE HOMEOWNERS ASSOCIATION, INC. for the use and benefit of the individual Owners.

- (ix) Such policy of insurance shall contain a standard mortgage clause, or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in the area in which the Property is located, and which appropriately names FNMA and FHLMC as an insured if FNMA and FHLMC is a holder or insurer of first mortgages on Residences within the Property.
- (x) If FNMA or FHLMC is a holder or insurer of first mortgages on Lots within the Property, such policy of insurance shall be unacceptable where: (a) under the terms of the insurance carrier's charter, by-laws, or policy, contributions or assessments may be made against borrowers, FNMA, FHLMC, or the designee of FNMA or FHLMC; (b) by the terms of the carrier's charter, loss payments are contingent on action by the carrier's board of directors, policy holders, or members; or (c) the policy includes any limiting clauses (other than insurance conditions) that could prevent FNMA, FHLMC or the borrowers from collecting insurance proceeds.

(xi) If FNMA or FHLMC is a holder or insurer of first mortgages on Lots within the Property, such policy of insurance shall include "agreed amount endorsements" and, if available, an "inflation guard endorsement."

(xii) If HUD, VA, FNMA, or FHLMC is a holder or insurer of first mortgages on Lots within the Property, such policy of insurance shall include coverage for losses or perils by fire or other perils covered by the standard extended coverage endorsement.

(xiii) If FNMA or FHLMC is a holder or insurer of first mortgages on Lots within the Property, such policy of insurance shall contain such additional coverage protection customarily covered with respect to condominiums similar in construction, location, and use.

(xiv) If FNMA or FHLMC is a holder or insurer of first mortgages on Lots within the Property, the maximum deductible under any policy of insurance regarding Association property shall be the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the face amount of policy coverage; provided, however, that for individual Lots covered by a blanket policy of insurance, the deductible should be the higher of One Thousand Dollars (\$1,000.00) or one percent (1%) of the replacement cost of the Residence.

15.3 Flood Insurance: If HUD, FNMA, or FHLMC is a holder or insurer of first mortgages on Lots within the Property, and if the Property or portions thereof are identified as being within a flood hazard area and if flood hazard insurance is available under the National Flood Insurance Program, the Association shall be required to acquire such insurance, as a Common Expense, in an amount not less than: (a) the maximum coverage available; or (b) one hundred percent (100%) of the replacement costs of all buildings and other property. The maximum deductible allowed with such policy shall be the lesser of five thousand dollars (\$5,000.00) or one percent (1%) of the face amount of coverage.

15.4 Liability Insurance: Liability insurance, including medical payments insurance, will be maintained as determined by the Board of Directors, but for at least so long as HUD, VA, FHLMC or FNMA is the holder or insurer of a first mortgage on any Residence, the minimum amount of insurance coverage per occurrence shall be One Million Dollars (\$1,000,000.00). This insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements and the activities of the Association.

Insurance policies carried pursuant to this Section shall 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;

The insurer waives the right to subrogation under the policy against an Owner or member of the household of an Owner.

An act or omission by an Owner or the Association will not void the policy or be a condition to recovery under the policy.

If, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the policy of the Association provides primary insurance.

Losses must be adjusted with the Association.

Insurance proceeds shall be paid to any insurance trustee designated in the policy for that purpose, and otherwise to the Association, but, in any case, it is to be held in trust for each Owner and the Owner's mortgagee.

The insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Owner and each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued at their last known addresses.

15.5 Fidelity Bonds: A blanket fidelity bond shall be provided for anyone who either handles or is responsible for funds held or administered by the Association, whether or not they receive compensation for their services. The bond shall name the Association as obligee and shall cover the maximum funds that will be in the custody of the Association or the Manager at any time while the bond is in force. In no event shall the bond be for an amount less than the sum of three months' assessments plus reserve funds. The bond shall include a provision that calls for ten (10) days' written notice to the Association, each holder of a Security Interest in a Lot, each servicer that services an FNMA or FHLMC-owned mortgage on a Lot and the insurance trustee, if any, before the bond can be canceled or substantially modified for any reason. The bond shall be in an amount equal to the maximum amount of funds in the custody and control of the Association when the bond is in effect. When either: (a) separate bank accounts for working funds and reserves are maintained and monthly checks are sent directly to the Association; (b) a management company maintains separate records and bank accounts for each reserve account of the Association; or (c) two Directors must sign any check written on the reserve account, then the fidelity bond may be in an amount equal to three months Common Expense Assessments on all Residences.

15.6 Owner Policies: As Owner is required to obtain a separate insurance policy to provide coverage for the Owner's Lot. The amount of insurance coverage obtained must be sufficient to repair or replace any Residence or Improvements located on the Lot.

15.7 Workers' Compensation Insurance: The Board of Directors shall obtain and maintain Workers' Compensation Insurance to meet the requirements of all federal, state, and local laws.

15.8 Directors' and Officers' Liability Insurance: The Board of Directors shall obtain and maintain directors' and officers' liability insurance, if available, covering all of the directors and officers (including without limitation the members of the ARC) of the Association. This insurance will have limits determined by the Board of Directors.



15.9 Other Insurance: The Association may carry other insurance which the Board of Directors considers appropriate to protect the Association and/or the Owners.

15.10 Premiums: Insurance premiums for insurance carried or to be carried by the Association shall be a Common Expense.

15.11 Insurer Ratings: For so long as FNMA or FHLMC is the holder or guarantor of any Security Instrument, the following insurance ratings shall apply. With regard to any insurance policy for the Common Elements or any master or blanket insurance coverage described hereunder, an insurer shall have a "B" or better general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports, International Edition, an "A" or better rating in Demotech, Inc's Hazard Insurance Stability Ratings, a "BBBq" quality rating in Standard and Poor's Insurer Solvency Review, or a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service.

ARTICLE XVI DAMAGE TO OR DESTRUCTION OF PROPERTY

16.1 Damage and Destruction to the Common Elements: In the case of destruction of or damage to the Common Elements, including any Improvements thereon, by fire or other casualty, the Board shall have the following rights and privileges:

Liberty to Reconstruct. If the cost to repair or replace the Common Elements, including any Improvements thereon, over and above all insurance proceeds, is less than Five Thousand Dollars (\$5,000), the Board may, without the consent of the Members, determine to repair or replace the damaged property with property substantially the same as those that were destroyed or damaged.

Decision to Reconstruct. If the cost to repair or replace the Common Elements, over and above all insurance proceeds, is equal to or greater than Five Thousand Dollars (\$5,000) and the Board determines to rebuild any Common Elements destroyed or damaged in the form substantially the same as those that were destroyed or damaged, it shall prepare plans and obtain bids and shall submit the plans and bids to the Members for approval, which approval shall require the affirmative vote of a Supermajority of Members. The Board will modify the plans until the required vote is obtained or the restoration becomes subject to subsection (c) below. If approved, the Board shall cause the repairs or replacements to be done and assess the Members for the costs as a Special Assessment.

Decision Not to Reconstruct. If the Board determines not to rebuild any Common Elements so destroyed or damaged or to build facilities substantially different from those that were destroyed or damaged, it shall submit its decision to the Members for their approval or disapproval, which approval shall require the consent of eighty percent (80%) of the Members entitled to vote. If the Members elect to approve the decision, the Board shall act accordingly; but if the Members do



not approve the decision, the Board shall proceed to repair or rebuild the damaged or destroyed facility pursuant to subsections (a) or (b) above.

Damage or Destruction by Owner. In the event any portion of the Common Elements is damaged or destroyed by an Owner or by Owner's Invitee(s), the Board may repair said damaged area. In the event the Board determines to repair said damage, the amount necessary for such repairs shall be paid by the Owner or Owner's Invitee, upon demand, to the Board. If said amounts are not immediately paid, they shall be deemed to be Assessments, and the Board may enforce collection of same in the same manner as provided in Article XII hereof for collection and enforcement of Assessments.

16.2 Replacement of Less Than Entire Property: The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Property.

16.3 Insurance Proceeds: The Trustee, or if there is no Trustee, then the Board of Directors of the Association, acting by the President, shall hold any insurance proceeds in trust for the Association, Owners and lien holders as their interests may appear. The proceeds shall be disbursed first for the repair or restoration of the damaged Property. The Association, Owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus after the Property has been completely repaired or restored, or unless the Property is terminated.

16.4 Certificates by Board of Directors: The Trustee, if any, may rely on the following certifications in writing made by the Board of Directors:

Whether or not damaged or destroyed Property is to be repaired or restored; and

The amount or amounts to be paid for repairs or restoration and the names and addresses of the parties to whom such amounts are to be paid.

16.5 Certificates by Title Insurance Companies: If payments are to be made to Owners or mortgagees, then the Board of Directors and the Trustee, if any, shall obtain and may rely on a title insurance company's certificate or a title insurance policy based on a search of the Records in the Office of the County Recorder, Douglas County, Nevada, from the date of the recording of the original Declaration, stating the names of the Owners and the mortgagees.

ARTICLE XVII CONDEMNATION

If part or all of the Property is taken by any Person or entity having the authority of eminent domain, all compensation and damages for and on account of the taking shall be payable in accordance with the Act. The Association shall represent the Owners in any such proceeding or negotiations, settlements and agreements with the condemning authority for acquisition of the Common Elements, or part thereof, by the condemning authority. Each Owner appoints the Association as attorney-in-fact for such purpose. The Association may appoint a trustee to act on behalf of the Association to carry out the Associations functions under this Article XVII. Except as otherwise provided herein, in the event of a taking or acquisition of part or all of the Common



Elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee, to be held in trust for the Owners and their first mortgage holders, as their interests may appear.

ARTICLE XVIII MISCELLANEOUS PROVISIONS

18.1 Enforcement: The Association and any Owner shall have the right to enforce by any proceedings at law or in equity, each covenant, condition, restriction and reservation now or hereafter imposed by the provisions of the Governing Documents. Each Owner shall have a right of action against the Association for any failure by the Association to comply with the provisions of the Governing Documents. Failure by the Association or any Owner to enforce any covenant, condition, restriction or reservation contained herein shall not be deemed a waiver or the right to do so thereafter.

In the event the Association, Declarant, or any Owner shall commence litigation or arbitration to enforce any of the covenants, conditions, restrictions or reservations contained in the Governing Documents, the prevailing party in such litigation or arbitration shall be entitled to costs of suit and such attorney's fees as the Court or arbitrator may adjudge reasonable and proper.

Pursuant to Article XII, Section 12.2(d) of this Declaration and the Act, in the event that the Association does not institute litigation or arbitration proceedings for the enforcement of the Governing Documents but retains counsel to enforce a violation of the Governing Documents, any attorneys' fees incurred by the Association for such enforcement shall be paid for by the Person responsible for the violation of the Governing Documents

18.2 Captions: The captions contained in this Declaration are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Declaration or the intent of any provision thereof.

18.3 Gender: The use of the masculine gender refers to the feminine gender, and vice versa, and the use of the singular includes the plural, and vice versa, whenever the context of this Declaration so requires.

18.4 Waiver: No provision contained in this Declaration is abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

18.5 Invalidity: The invalidity of any provision of this Declaration does not impair or affect in any manner the validity, enforceability or effect of the remainder, and if a provision is invalid, all of the other provisions of this Declaration shall continue in full force and effect.

18.6 Conflict: This Declaration is intended to comply with the requirements of the Act applicable to common-interest communities and the Declaration shall be interpreted, if at all possible, so as to be consistent with the Act. If there is any conflict between this Declaration and the provisions of the Act, the provisions of the Act shall control. In the event of any conflict between this Declaration and any of the Governing Documents, this Declaration shall control.



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18.7 Notices: Any notice permitted or required to be given under the provisions of this Declaration shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered on the third (3rd) day (other than a Sunday or a legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the Person at the address given by such Person to the Association for the purpose of service of notices, or to the residence of such Person if no address has been given to the Association. Such address may be changed from time to time by notice in writing given by such Person to the Association.

18.8 Unilateral Amendment by Declarant: Declarant may unilaterally amend this Declaration if such amendment is: (a) necessary to bring any provision into compliance with any Laws; (b) necessary to enable any reputable title insurance company to issue title insurance coverage on the Lots; (c) required by an institutional or governmental lender or purchaser of mortgage loans, to enable such lender or purchaser to make or purchase mortgage loans on the Lots; (d) necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Lots; or (e) otherwise necessary to satisfy the requirements of any governmental agency. Notwithstanding the foregoing, to the extent that FNMA, FHLMC, HUD, and/or VA are holders or insurers of any mortgage, no unilateral amendment shall be permitted unless it is done in accordance with the rules and regulations of FNMA, FHLMC, HUD and/or VA. No such amendment shall adversely affect the title to any Lot. So long as Declarant still owns any portion of the Property or Annexed Property, it may unilaterally amend this Declaration for any other purpose without meeting the requirements herein, provided the amendment has no material adverse effect upon right of any Owner. Prior to the sale of any Lot, Declarant may unilaterally amend this Declaration.

18.9 Term: This Declaration, including all of the covenants, conditions and restrictions hereof, shall run with and bind the Property for a term of thirty (30) years from the date this Declaration is recorded. After such time, the covenants, conditions and restrictions contained herein, shall be automatically extended for successive periods of ten (10) years, unless an instrument is signed by the Owner(s) of at least eighty percent (80%) of the total number of Residences in the Property and recorded in the Office of the County Recorder, Douglas County, Nevada, within the year preceding the beginning of each successive period of ten (10) years, agreeing to change the terms of this Declaration, in whole or in part, or to terminate the same, in which case this Declaration shall be modified or terminated as specified therein.

ARTICLE XIX PENALTY POLICY AND PROCEDURE

19.1 Penalty Policy and Procedure. The Penalty Policy and Procedure for Kingslane Homeowners Association, as adopted by the Board of Directors for Kingslane Homeowners

Association, and as amended from time to time by the Board, is incorporated by this reference as Exhibit "D" to this Declaration.

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed as of this 24 day of June, 2008.

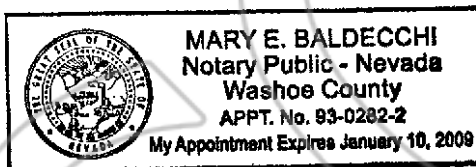
DECLARANT:

KINGSLANE HOMEOWNERS
ASSOCIATION, INC.

By: Joseph L. Delorey
Joseph Delorey, president
By: Richard Towner
Richard Towner, secretary

STATE OF NEVADA)
)ss.
COUNTY OF DOUGLAS)

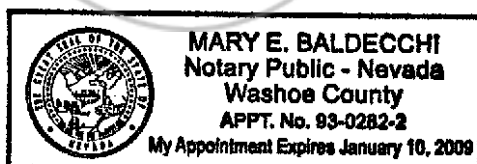
This instrument was acknowledged before me this 24th day of June, 2008, by Joseph L. Delorey, as the president of KINGSLANE HOMEOWNERS ASSOCIATION, INC., a Nevada nonprofit corporation.



Mary E. Baldecchi
NOTARY PUBLIC

STATE OF NEVADA)
)ss.
COUNTY OF DOUGLAS)

This instrument was acknowledged before me this 24th day of June, 2008, by Richard Towner, as the secretary of KINGSLANE HOMEOWNERS ASSOCIATION, INC., a Nevada nonprofit corporation.



Mary E. Baldecchi
NOTARY PUBLIC



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EXHIBIT "A"
Legal Description of the Property

All that real property situate in Section 4, Township 12 North, Range 20 East, M.D.M., County of Douglas, State of Nevada, being the subdivision map for Kingslane Unit No. 1 filed on December 26, 1968, at Book 64, page 82, the subdivision map for Kingslane Unit No. 2 filed on December 20, 1971, at Book 94, page 517, the plat of Kingslane Unit No. 3A, filed on November 5, 1976, at Book 1176, page 291, the plat of Kingslane Unit No. 3B filed on October 26, 1977 at Book 1077, page 1588, as filed for record in the Official Records of Douglas County, Nevada.

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EXHIBIT "B"
Annexable Property

This section is reserved for possible future use.

COPY

EXHIBIT "C"
Common Elements

Assessor's Parcel Numbers 1220-04-111-006
 1220-04-111-022
 1220-04-112-003
 1220-04-112-004
 1220-04-112-005
 1220-04-112-006
 1220-04-112-039

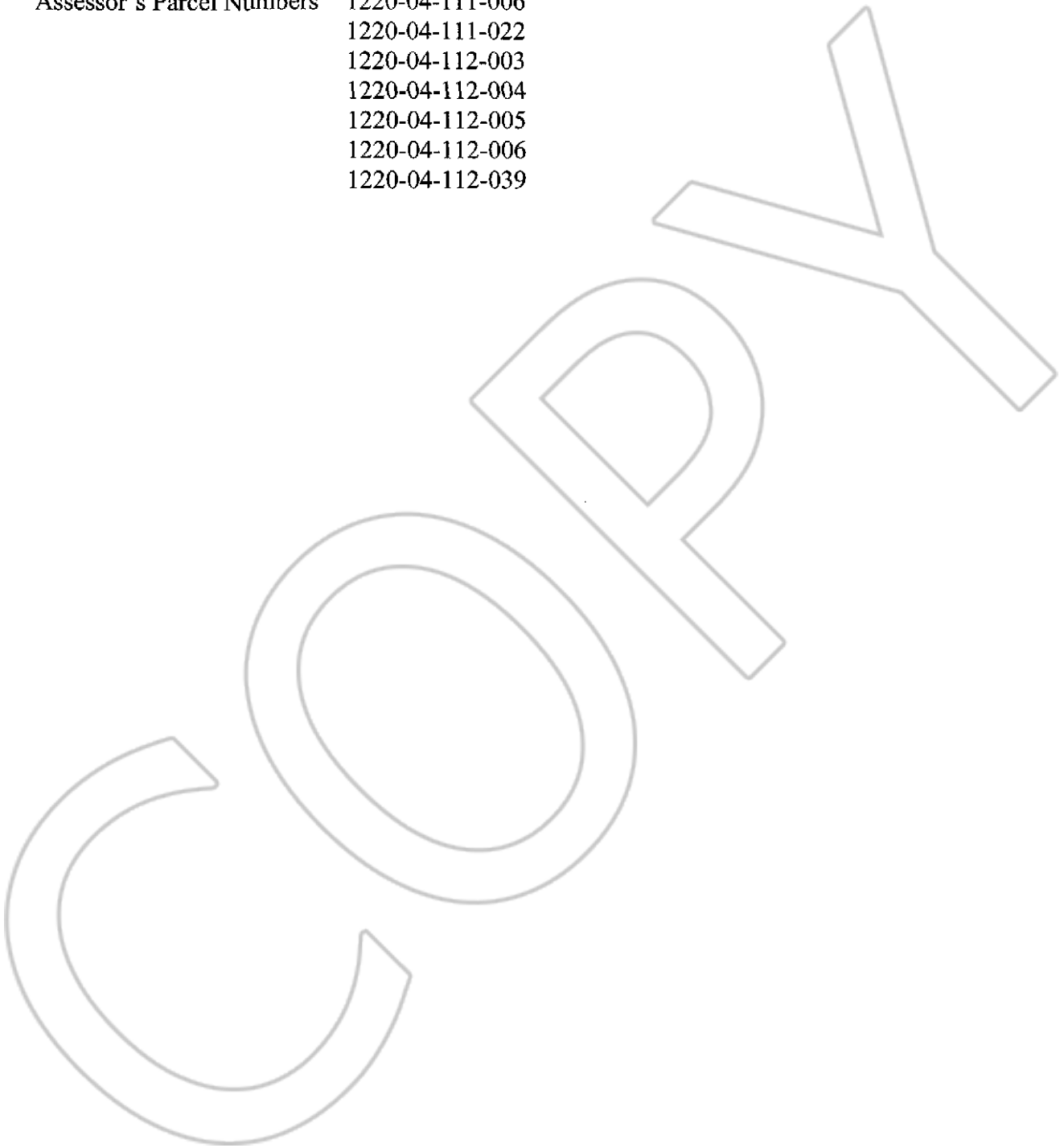


EXHIBIT "D"

Kingslane Homeowners Association

PENALTY POLICY AND PROCEDURE

The Board of Directors of the Kingslane Homeowners Association (the "Board") is responsible for conducting, managing, and controlling the affairs and business of the Kingslane Homeowners Association (the "Association"). In accordance with those responsibilities, the Board may adopt reasonable rules and regulations governing, among other things, the management of the Association. Based on the foregoing, the following policy and procedures for handling violations by Owners are hereby adopted.

I. POLICY

It is the policy of the Board to provide for the proper and fair operation of the Association. In accordance with that policy, the Board adopted amended rules for handling alleged and actual violations of (1) the Declaration of Covenants, Conditions, and Restrictions and Grant and Reservation of Easements for Kingslane Homeowners [known as "Owners" in 1995] Association, Inc., as amended, which was recorded on January 25, 1995 (the "Declaration", as amended), (2) the Articles of Incorporation of the Association, which were recorded with the Nevada Secretary of State on August 23, 1971 (the "Articles"), and amended as of January 13, 2007, to change the name of the Association to conform with state law, (3) the Bylaws of the Association, which were adopted in 1971 (the "Bylaws"), and amended as of January 13, 2007; together with all other documents that govern the operation of the Association (collectively called the "Governing Documents"). This Penalty Policy is being adopted to comply with the requirements of section 116.31031 of the Nevada Revised Statutes.

II. PROCEDURE

Information received by the Association relating to an Owner's non-compliance with the Governing Documents is subject to the following procedures, including the paragraph and section headings, which are an integral part of this document:

- A. ***First Request for Information or Compliance:*** A courtesy notice will be sent by regular mail to the Owner, notifying the Owner of the alleged violation and including a reference to the applicable document and provision at issue. The Courtesy Notice and First Request for Information or Compliance (the "RIC") will be sent without a monetary penalty or sanction being associated therewith.
 1. ***Upon receipt of the Courtesy Notice and First RIC:*** The Owner must participate in the process by:
 - a. Completing the enclosed Homeowner Response Form and returning it to the Association within ten (10) days of the Owner's receipt of the Courtesy Notice. The Owner must include in the Response the following information:

- i. The corrective action taken or to be taken by the Owner or someone hired by the Owner that will bring the Lot and its Owner into compliance; or
- ii. The reasons that the Owner feels that he or she is not in violation; or
- iii. A request for a hearing before the Board or its duly appointed committee, if the Owner desires a hearing.

B. A Second Request for Information and Compliance: If an Owner fails to select one of the above-indicated options or fails to abide by his or her selection, a second RIC will be sent to the Owner. The second RIC will be sent by certified mail, return receipt requested.

1. **Upon Receipt of the Second RIC:** The Owner must take action to communicate with the Board or its duly appointed committee in any one of the ways outlined in Section A.1.a., above.
2. **Hearing:** The Second RIC will include a hearing date at which time the Owner may be heard by the Board or its duly appointed committee.
3. **Failure to Participate:** If an Owner fails to respond to the Second RIC in writing or to appear at the scheduled hearing, sanctions will be imposed in accordance with subsection C.1.e., below. If an Owner participates in the process, sanctions may still be imposed in accordance with subsection C.1.e., below.

C. Hearings:

1. If an Owner is notified of or requests a hearing before the Board or its duly appointed committee, the following rules shall apply to the hearing:
 - a. **Failure to Appear:** If an Owner fails to appear at the scheduled hearing, the Owner will be deemed to have waived all future rights to a hearing for the alleged violation. The Board or its duly appointed committee will proceed in the Owner's absence and make a decision based on the evidence in its possession.
 - b. **Representation:** An Owner requesting a hearing may be represented at the hearing by counsel, by any other individual named on the deed to the Owner's Lot, or by any other individual holding a notarized power of attorney provided by the Owner to the named attorney-in-fact.
 - c. **Evidence:** The Owner may present any relevant and material evidence or make any statement relating to the alleged violation, either in person or through a committee, as provided in subsection C.1.b., above.
 - d. **Time Limit:** The Board, or its duly appointed committee, may limit the time an Owner is allowed to present evidence.
 - e. **Sanctions:** At the hearing, the Board or its duly appointed committee may use its power to levy a violation assessment or other sanctions in accordance with Nevada law.
 - i. **Fines:** If the Board or its duly appointed committee imposes a fine, it will be levied in the amount of \$100 for each violation, or a total



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amount of \$1,000, whichever is less, or in such other amount as is allowable by law. If the violation is not cured within fourteen (14) days, the violation shall be deemed a continuing violation. Thereafter, the Board or its duly appointed committee may impose an additional fine for the violation for each 7-day period or portion thereof that the violation is not cured, all in accordance with Nevada law, including without limitation, section 116.31031 of the Nevada Revised Statutes. Any additional fine may be imposed without notice and without an opportunity for the Owner to be heard. The limitations on the amount of the fine do not apply to any interest, charges, or costs that may be collected by the Association pursuant to section 116.31031 of NRS if the fine becomes past due. Any past due fine bears interest at the rate of 1.5% per month on the outstanding balance, together with the costs of collecting the past-due fine, as set forth in subsection 8 of NRS 116.31031.

(1) If a fine is not paid within thirty (30) days, a lien will be placed on the Owner's property.

ii. **Other Sanctions:** The Board or its duly appointed committee may impose sanctions other than fines or in addition to fines, and either body may take any action allowable under Nevada law, including, but not limited to, removal of voting rights, restriction of use of common areas, institution of legal action, and correction of the violation.

(1) Any fees or costs incurred in correction of the violation will be assessed to the Owner's account.

f. **Hearing Response:** After an Owner presents his or her case, the Board or its duly appointed committee will consider the matter outside the presence of the Owner. Within thirty (30) days of the hearing, the Board or its duly appointed committee will issue a written response to the Owner outlining the decision.

g. **Appeal Process:** In the event that a Committee is appointed to handle hearings and sanctions, an Owner may, within fifteen (15) days of the decision, appeal to the Board by serving a written request on the Board designee. If the violation process is managed by the Board without the involvement of a designee or the Committee, no appeal may be taken.

D. **Notice of Correction:** It is the Owner's responsibility to notify the Board or its duly appointed Committee, in writing, when the violation has been corrected.

E. **Compliance Committee:** The Board may appoint a Committee of members to give notice of violations, hold hearings, and/or recommend to the Board appropriate action and sanctions against Owners who are found after hearing to have failed to abide by the Governing Documents.

F. **NRS Chapter 116 Controls:** The provisions of chapter 116 of NRS, in general, and of sections 116.3101 to 116.3107, inclusive, in particular, are expressly incorporated by reference into and shall constitute an integral part of this Penalty Policy such that



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whenever this Penalty Policy appears silent on a violation or appears to conflict with the requirements of chapter 116 of NRS and the violation does not pose an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of Kingslane, the applicable provisions of chapter 116 of NRS shall control, and the applicable penalty or fine shall be in the maximum amount of \$100 per violation or a total of \$1,000, whichever is less. However, if the violation poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the units' owners or residents of Kingslane, the amount of the fine must be commensurate with the severity of the violation and must be determined by the executive board in accordance with the Governing Documents; the fine may be for between \$100 per day and \$500 per day; and the Board may seek injunctive relief and seek other equitable remedies against the violator.

III. CONFLICT AND SEVERABILITY

In the event that these Procedures are determined by a court of competent jurisdiction to be inconsistent with any provisions of the Governing Documents or Nevada law, the Governing Documents and Nevada law shall control.

If any of these Procedures should be ruled invalid or improper, the validity and enforceability of the Procedures not ruled invalid or unenforceable will remain unaffected, and the Procedure held invalid shall be reformed by the Court so as to give the invalid or unenforceable Procedure the manifest intent for which it was drafted.

THIS PENALTY POLICY AND PROCEDURE IS HEREBY ADOPTED BY THE KINGSLANE HOMEOWNERS ASSOCIATION BOARD OF DIRECTORS ON THIS 24 DAY OF June, 2008.

Joseph Z. Albrecht, President

Robert Tom, Secretary

Robert Tom, Treasurer