

Received and Reviewed

by:

Signature

Date:

Signature

Date:

DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
ESTABLISHING A PLAN OF CONDOMINIUM OWNERSHIP

This declaration is made September 20, 1978, by
BILL M. GREEN and ROBERT BANKS ("declarant").

R E C I T A L S:

Declarant is the owner of real property located in Carson City, Nevada, described in Exhibit A ("real property"). Declarant has improved or intends to improve the real property in the manner described in Exhibit B.

D E C L A R A T I O N:

Declarant declares that the real property is, and shall be, held, conveyed, hypothecated, encumbered, lease, rented, used and occupied subject to the following limitations, restrictions, easements, covenants, conditions, liens and charges, all of which are declared and agreed to be in furtherance of a plan of condominium ownership for the subdivision, improvement, protection, maintenance, and sale of condominiums within the real property, and all of which are declared and agreed to be for the purpose of enhancing, maintaining and protecting the value and attractiveness of the real property. All of the limitations, restrictions, easements, covenants, conditions, liens and charges shall run with the land, shall be binding on and inure to the benefit of all parties having or acquiring any right, title or interest in the real property, and shall be binding on and inure to the benefit of the successors in interest of such parties.

1. DEFINITIONS

1.1 The "articles" mean the Association's articles of incorporation and their amendments.

1.2 The "Association" means the CARSON VILLAS CONDOMINIUM ASSOCIATION, a Nevada nonprofit corporation, its successors and assigns.

1.3 The "board" means the board of directors of the Association.

1.4 The "by-laws" mean the Association's by-laws and their amendments.

1.5 The "common area" means the entire development except all units as defined in this declaration or as shown on the condominium plan.

1.6 A "condominium" means an estate in real property consisting of an undivided interest as a tenant-in-common in the common area of the development, together with a fee interest in a unit shown and described on the condominium plan.

1.7 The "condominium plan" means the condominium plan respecting the development and any amendments to the plan.

1.8 The "declarant" means BILL M. GREEN and ROBERT BANKS, their successors and assigns, if such successors and assigns acquire or hold record title to any portion of the development for development purposes.

1.9 A "member" means every person or entity who holds a membership in the Association.

1.10 A "mortgage" means a mortgage or deed of trust encumbering a condominium or other portion of the development. A "mortgagee" shall include the beneficiary under a deed of trust. An "institutional mortgagee" is a mortgagee that is a bank or savings and loan association, or established mortgage company or other entity chartered under federal or state laws, any cor-

poration or insurance company, or any federal or state agency.

1.11 An "owner" means each person or entity holding a record ownership interest in a condominium, including declarant. "Owner" shall not include persons or entities who hold an interest in a condominium merely as security for the performance of an obligation.

1.12 The "development" means the entire parcel of real property, divided or to be divided into condominiums, including all structures and improvements on it.

1.13 A "unit" means the elements of a condominium that are not owned in common with the other owners of condominiums in the development, such units and their respective elements are more particularly described in Exhibit B. The boundaries of a unit are shown and described on the condominium plan. In interpreting deeds and plans the existing physical boundaries of a unit or of a unit reconstructed in substantial accordance with the original plans shall be conclusively presumed to be its boundaries rather than the description expressed in the deed or plans, regardless of minor variance between boundaries shown on the plans or in the deed and those of the building and regardless of settling or lateral movement of the building. Whenever reference is made in this declaration, in the condominium plan, in any deed or elsewhere to a unit it shall be assumed that such reference is made to the unit as a whole, including each of its component elements, and to any and all exclusive easements appurtenant to such unit over common area, if any.

2. DESCRIPTION OF COMMON INTERESTS, PROPERTY RIGHTS, RIGHTS OF ENJOYMENT AND EASEMENTS

2.1 Ownership of Condominium; Easements. Ownership of each condominium within the development shall include a unit, the respective undivided interest in the common area as described in Exhibit B (which undivided interest cannot be altered or changed as long as the prohibition against severability of component interests in a condominium remains in effect as provided in this declaration), a membership in the Association, and any exclusive or nonexclusive easement or easements appurtenant to such unit over the common area as described in this declaration, or the deed to the unit.

2.2 Owners' Non-Exclusive Easements of Enjoyment, etc. Every owner of a condominium shall have a non-exclusive easement of use and enjoyment in, to and throughout the common area of the development and for ingress, egress and support over and through the common area. However, such non-exclusive easements shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to units over the common area, if any. Each such easement shall be appurtenant to and pass with the title to every unit, subject to the following rights and restrictions:

2.2.1 The right of the Association to limit the number of guests, and to adopt Association rules and regulations ("Association rules") regulating the use and enjoyment of the common area.

2.2.2 The right of the Association to charge reasonable admission and other fees for the use of any unassigned parking and storage spaces and any recreational facility situated on the common area

2.2.3 The right of the Association to borrow money to improve the common area.

2.2.4 The right of the Association to assign, rent, license or otherwise designate and control use of unassigned

parking and storage spaces within the common area (other than those portions subject to exclusive easements appurtenant to units, if any).

2.2.5 The right of declarant or its designees to enter on the development to construct the development and to make repairs and remedy construction defects if such entry shall not interfere with the use of any occupied unit unless authorized by the unit owner.

2.2.6 The right of the Association, or its agents, to enter any unit to perform its obligations under this declaration, including obligations with respect to construction, maintenance or repair for the benefit of the common area or the owners in common, or to make necessary repairs that the unit owner has failed to perform. The right shall be immediate in case of an emergency originating in or threatening such unit, and the obligation can be performed whether or not the owner is present.

2.2.7 The right of any owner, or his representatives, to enter the unit of any other owner to perform permissible installations, alterations or repairs to mechanical or electrical services, including installation of television antennae and related cables, if requests for entry are made in advance and such entry is at a time convenient to the owner whose unit is being entered. In case of emergency such right of entry shall be immediate.

2.3 Delegation of Use; Contract Purchasers; Tenants. Any owner may delegate his rights of use and enjoyment in the development, including any recreational facilities, to the members of his family, his guests, and invitees, and to such other persons as may be permitted by the by-laws and the Association rules, subject however, to this declaration, to the by-laws and to the Association rules. However, if an owner of a condominium has

sold his condominium to a contract purchaser or rented it, the owners, members of his family, his guests and invitees shall not be entitled to use and enjoy the recreational facilities of the development while the owner's condominium is occupied by such contract purchaser, or tenant. Instead, the contract purchaser, or tenant, while occupying such condominium, shall be entitled to use and enjoy the recreational facilities of the development and can delegate the rights of use and enjoyment in the same manner as if such contract purchaser, or tenant were the owner of such condominium during the period of his occupancy. Each owner shall notify the secretary of the Association of the names of any contract purchaser or tenant of such owner's condominium. Each owner, contract purchaser or tenant also shall notify the secretary of the Association of the names of all persons to whom such owner, contract purchaser, or tenant has delegated any rights of use and enjoyment in the development and the relationship that each such person bears to the owner, contract purchaser, or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as the rights of owners are.

2.4 Minor Encroachments. If any portion of the common area encroaches on any unit or if any portion of a unit encroaches on the common area, regardless of the cause, a valid easement exists for such encroachment and for the maintenance of it as long as it remains and all units and the common area are made subject to such easements. If any structure containing a unit is partially or totally destroyed and then rebuilt and any encroachment results, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all units and the common area are made subject to such easements.

2.5 Easements Granted by Association. The Association shall have the power to grant and convey to any third party easements

and rights-of-way in, on, over or under the common area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to a condominium, expressly consents to such easement. However, no such easements can be granted if it would interfere with the use, occupancy or enjoyment by any owner of his unit, any exclusive easements over any common area appurtenant to the unit, or the recreational facilities of the development.

3. USE RESTRICTIONS

3.1 Residential Use. Units shall be used for residential purposes only. However, for a period of five (5) years from the date of recordation of this declaration, units owned by declarant may be used by declarant or its designees as models, sales offices and construction offices for the purpose of developing, improving and selling condominiums in the development. Nothing in this declaration shall prevent an owner from leasing or renting his condominium. However, any lease or rental agreement shall be in writing and any tenant shall abide by and be subject to all provisions of this declaration, the articles, the by-laws, and the Association rules and any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Also, except for a mortgagee in possession of a condominium following a default in a first mortgage, a foreclosure proceeding or acceptance of a deed or other arrangement in lieu of foreclosure, no owner shall rent, lease or let his unit for transient or hotel purposes.

3.2 Commercial Use. Except as otherwise provided in this declaration, including paragraph 3.1, no part of the development shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non-residential purpose.

3.3 Maintenance. Each owner of a condominium shall be responsible for maintaining his unit, including the equipment and fixtures in the unit and its interior walls, ceilings, windows and doors, in a clean, sanitary, workable and attractive condition. However, each owner has complete discretion as to the choice of furniture, furnishings, and interior decorating, but windows can be covered only by drapes or shades and cannot be painted or

covered by foil, cardboard, or other similar materials. Each other also shall be responsible for repair, replacement and cleaning of the windows and glass of his unit, both exterior and interior. Unless otherwise provided in this declaration, each owner shall clean and maintain exclusive easements appurtenant to any of the units over the common area.

3.4 Extractive Operations. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted on or in the development, and no oil wells, tanks, tunnels or mineral excavations or shafts shall be permitted on the surface of the development or within five hundred (500) feet below the surface of the development. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted on the development.

3.5 Offensive Conduct; Nuisances. No noxious or offensive activities, including but not limited to, repair of automobiles or other motorized vehicles, shall be carried on within the development. Nothing shall be done on or within the development that may be or may become an annoyance or nuisance to the residents of the development, or that in any way interferes with the quiet enjoyment of occupants of condominiums. Unless otherwise permitted by the Association, no owner shall serve food or beverages, cook, barbecue, or engage in similar activities, except within such owner's unit and except within those portions of the common area subject to exclusive easements appurtenant to such owner's unit.

3.6 Parking Restrictions; Use of Garage. Unless otherwise permitted by the board, no automobile shall be parked or left on any street or on any property subject to this declaration other than on or within a garage, carport, or assigned or appurtenant parking stall or space. No boat, trailer, recreational vehicle,

camper, truck, or commercial vehicle shall be parked or left on any street or any part of the development other than in any parking area designated by the board for the parking and storage of such vehicles. However, parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Association rules. Any garages and carports shall be used for parking automobiles only and shall not be converted for living or recreational activities. Any garage doors shall remain closed at all times except when being used to enter or exit.

3.7 Signs. No sign of any kind shall be displayed to the public view on or from any condominium or the common area without the approval of the board, except such signs as may be used by the declarant or its designees for a period of five (5) years from the date of recordation of this declaration for the purpose of developing, selling and improving condominiums within the development and for the purpose of developing, selling and improving real property owned by declarant or its designees and situated in the vicinity of the development. However, one sign of customary and reasonable dimensions advertising a condominium for sale or for rent may be placed within each unit or within the common area immediately adjacent by the owner, the location and design of it to be subject to approval by the board.

3.8 Antennae, External Fixtures, etc. No television or radio poles, antennae, flag poles, clotheslines, or other external fixtures other than those originally installed by declarant or approved by the board and any replacements shall be constructed, erected or maintained on or within the common area or any structures on it. No wiring, insulation, air-conditioning, or other machinery or equipment other than that originally installed by declarant or approved by the board, and their replacements shall be constructed, erected or maintained on or within the common area, including any structures on it. Each owner shall have the

right to maintain television or radio antennae within completely enclosed portions of his unit. However, if cable television is or becomes available to such owner, his right to maintain television antennae within completely enclosed portions of his unit shall terminate immediately unless the board continues to authorize their maintenance.

3.9 Fences, etc. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or about any portion of any structure or elsewhere within the development except those that are installed in accordance with the original construction of the development, including certain construction by declarant of fences around patio and lawn areas in the common area, and their replacements, or as are authorized and approved by the board.

3.10 Animals. No animals, reptiles, rodents, birds, bish, livestock or poultry shall be kept in any condominium or elsewhere within the development except that domestic dogs, cats, fish and caged birds may be kept as household pets within any unit, if they are not kept, bred or raised for commercial purposes. The board can prohibit maintenance of any animal that constitutes a nuisance to any other owner in the sole and exclusive opinion of the board. Each person bringing or keeping a pet on the development shall be absolutely liable to the other owners, their family members, guests, invitees, tenants, and contract purchasers, and their respective family members, guests, and invitees for any damage to persons or property caused by any pet brought on or kept on the development by such person or by members of his family, his guests or invitees.

3.11 Restricted Use of Recreation Vehicles, etc. No boat, truck, trailer, camper, recreational vehicle or tent shall be used as a living area while located on the development.

3.12 Trash Disposal. Trash, garbage or other waste shall be kept only in sanitary containers. No owner of a condominium

shall permit or cause any trash or refuse to be kept on any portion of the development other than in the receptacles customarily used for it, which shall be located only in places specifically designated for such purpose except on the scheduled day for trash pickup.

3.13 Outside Drying and Laundering. No exterior clothesline shall be erected or maintained and there shall be no exterior drying or laundering of clothes on balconies, patios, porches or other areas.

3.14 Structural Alterations. No structural alterations to the interior of any unit shall be made and no plumbing or electrical work within any bearing or common walls shall be made by any owner without the prior written consent of the board.

3.15 Exterior Alterations. No owner shall at his expense or otherwise make any alterations or modifications to the exterior of the buildings, fences, railings, or walls situated within the development without the prior written consent of the board and the holder of any mortgage or deed of trust then of record whose interest may be affected.

3.16 Compliance With Laws, etc. Nothing shall be done or kept in any unit or in the common area that might increase the rate of, or cause the cancellation of, insurance on the development, or any portion of the development, without the prior written consent of the board. No owner shall permit anything to be done or kept in his unit that violates any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No owner shall allow furniture, furnishings, or other personalty belonging to such owner to remain within any portion of the common area except portions subject to exclusive easements over common area appurtenant to such owner's unit and except as may otherwise be permitted by the board.

3.17 Indemnification. Each owner shall be liable to the remaining owners for any damage to the common area that may be sustained by reason of the negligence of that owner, members of his family, his contract purchasers, tenants, guests or invitees, to the extent that any such damage is not covered by insurance. Each owner, by acceptance of his deed, agrees for himself and for members of his family, his contract purchasers, tenants, the guests or invitees, to indemnify each and every other owner, and to hold him harmless from, and to defend him against, any claim of any person for personal injury or property damage occurring within the unit of that particular owner and any exclusive easements over the common area appurtenant to the unit, unless the injury or damage occurred by reason of the negligence of any other owner or person temporarily visiting in said condominium or portion of the common area subject to an exclusive easement appurtenant to the unit or is fully covered by insurance.

3.18 Owner's Obligation for Taxes. To the extent allowed by law, all units, including their pro rata undivided interest in the common area and the membership of an owner in the Association, shall be separately assessed and taxed so that all taxes, assessments and charges which may become liens prior to first mortgages under local law shall relate only to the individual units and not to the condominium development as a whole. Each owner shall be obligated to pay any taxes or assessments assessed by the county assessor of said County against his condominium and against his personal property.

3.19 Future Construction. Nothing in this declaration shall limit the right of declarant, its successors and assigns, to complete construction of improvements to the common area and to units owned by declarant or to alter them or to construct additional improvements as declarant deems advisable before

completion and sale of the entire development. The rights of declarant in this declaration may be assigned by declarant to any successor (to all or any part of any declarant's interest in the development), as developer, by an express assignment incorporated in a recorded deed that transfers an interest to a successor.

3.20 Enforcement. The failure of any owner to comply with any provision of this declaration or the articles or by-laws shall give rise to a cause of action in the Association and any aggrieved owner for the recovery of damages or for injunctive relief, or both.

4. THE ASSOCIATION

4.1 Formation. The Association is a nonprofit corporation formed under the laws of Nevada. On the close and recording of the first condominium sale to an owner, the Association shall be charged with the duties and invested with the powers set forth in the articles, the by-laws and this declaration, including but not limited to, control and maintenance of the common area and any common area facilities.

4.2 Association Action; Board of Directors and Officers. Except as to matters requiring the approval of members as set forth in this declaration, the articles, or the by-laws, the affairs of the Association shall be conducted by the board and such officers as the board may elect or appoint. Such election or appointment shall be in accordance with this declaration or the by-laws and their amendments. Except as otherwise provided in this declaration, the articles or the by-laws, all matters requiring the approval of members shall be deemed approved if members holding a majority of the total voting rights assent to them by written consent as provided in the by-laws or if approved by a majority vote of a quorum of members at any regular or special meeting held in accordance with the by-laws.

4.3 Powers and Duties of Association.

4.3.1 Powers. The Association shall have all the powers of a nonprofit corporation organized under the General Nonprofit Corporation Law of Nevada subject only to such limitations on the exercise of such powers as are set forth in the articles, the by-laws and this declaration. It shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under this declaration, the articles and the by-laws, and to do and perform any act that

may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association, including, without limitation, the following:

4.3.1.1 Assessments. The Association shall have the power to establish, fix, and levy assessments against the owners of condominiums and to enforce payment of such assessments in accordance with the provisions of this declaration. However, the approval of members shall be required as to the amounts of all regular and special assessments except as otherwise provided in this declaration.

4.3.1.2 Right of Enforcement. The Association in its own name and on its own behalf, or on behalf of any owner who consents can commence and maintain actions for damages or to restrain and enjoin any actual or threatened breach of any provisions of this declaration or of the articles or by-laws, or of the Association rules or any resolutions of the board, and to enforce by mandatory injunction, or otherwise, all of those provisions. In addition, the Association can suspend the voting rights, can suspend use privileges of the common area or can assess monetary penalties against any owner or other person entitled to exercise such rights or privileges for any violation of this declaration or the articles, by-laws, Association's rules, or board resolutions. However, any such suspension of use privileges cannot exceed a period of thirty (30) days for any one violation and cannot exceed Twenty-Five Dollars (\$25.00) for any one violation. Each suspended or fined owner or other person can appeal such action by filing written notice of his intention to appeal with the board. The action imposing the fine or suspension shall then become ineffective until the fine or suspension is unanimously approved by all board members at a regular or special meeting of the board

at which all board members are present. The owner or other person to be fined or suspended can appear, be represented by counsel and be heard at the meeting. Except as provided in this section, the Association does not have the power or authority to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of such owner's condominium if the owner does not comply with provisions of this declaration or of the articles or by-laws, or the Association rules of operation for common areas and facilities except when the loss or forfeiture is the result of the court judgment or an arbitration decision or a foreclosure or sale under a power of sale based on failure of the owner to pay assessments levied by the Association.

4.3.1.3 Delegation of Powers. The Association acting by and through the board can delegate its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("manager"). Any agreement for professional management of the condominium project shall be terminable by either party with or without cause and without payment of a termination fee on thirty (30) days' written notice. The term of any such agreement shall not exceed one (1) year, although such agreement may be renewed from year to year by the board. If the development is professionally maintained or managed, the board shall not terminate professional management and assume self-management of the development without the consent of all first mortgagees.

4.3.1.4 Association Rules. The Association shall have the power to adopt, amend and repeal its rules as it deems reasonable. The Association rules shall govern the use of the common area including but not limited to, any recreational facilities and private streets, by the owner or his family, guests, invitees or by any contract purchaser, or tenant or their res-

pective family members, guests or invitees. However, the Association rules shall not be inconsistent with or materially alter any other provisions of this declaration, the articles or the by-laws. A copy of the Association rules as adopted, amended or repealed, shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the development. In case any conflict between any Association rules and any other provisions of this declaration, the articles, or by-laws, the provisions of the Association rules shall be deemed to be superseded by the provisions of this declaration, the articles or the by-laws to the extent of any such inconsistency.

4.3.2 Duties of the Association. In addition to the powers delegated to it by its articles or the by-laws, and without limiting their generality, the Association, acting by and through the board, or persons or entities described in Section 4.3.1.3, has the obligation to conduct all business affairs of common interest to all owners and to perform each of the following duties:

4.3.2.1 Operation and Maintenance of Common Area. To operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the common area, and all its facilities, improvements, and landscaping, including any private driveways and private streets, and any other property acquired by the Association, including personal property, in a first-class condition and in a good state of repair. In this connection, the Association may enter into contracts for services or materials for the benefit of the Association or the common area, including contracts with declarant. The term of any such service contract shall not exceed one (1) year and shall be terminable by either party with or without cause and without payment of a termination fee upon thirty (30) days' written notice.

4.3.2.2 Taxes and Assessments. To pay all real and personal property taxes and assessments and all other taxes levied against the common area, personal property owned by the Association or against the Association. Such taxes and assessments may be contested or compromised by the Association; provided that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

4.3.2.3 Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the common area and for condominiums when the condominiums are not separately billed. The term of any contract to supply any of the listed services shall not exceed one (1) year or, if the supplier is a regulated public utility, the shortest term not to exceed one (1) year for which the supplier will contract at the applicable regulated rate.

4.3.2.4 Insurance. To obtain, from reputable insurance companies, and maintain the insurance described in section 8.

4.3.2.5 Enforcement of Restrictions and Rules. To perform such other acts, whether or not expressly authorized by this declaration, that may be reasonably necessary to enforce any of the provisions of this declaration, the articles and by-laws, and the Association's rules and board resolutions.

4.3.2.6 When the First Unit is Sold. If any of the common area improvements in the development have not been completed, and if the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the declarant or his successors or assigns to complete

such common area improvements, then the board shall consider and vote on the question of action by the Association to enforce the obligations under the bond with respect to any improvement for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that improvement in the "planned construction statement" appended to the bond. However, if the Association has given an extension in writing for the completion of any common area improvement, the board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed within thirty (30) days after the expiration of the extension. If the board fails to consider and vote on the action to enforce the obligations under the bond, or if the board decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the board signed by members of the Association representing not less than ten percent (10%) of the total voting power of the Association, the board shall call a special meeting of members for the purpose of voting to override the decision of the board not to initiate action or to compel the board to take action to enforce the obligations under the bond. The meeting shall be called by the board by fixing a date not less than fifteen (15) days nor more than thirty (30) days after receipt by the board of said petition and by giving written notice to all owners entitled to vote in the manner provided in this declaration or in the by-laws for notices of special meetings of members of the Association. At the meeting, the vote in person or by proxy of a majority of the owners entitled to vote (other than declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the board shall then implement this

decision by initiating and pursuing appropriate action in the name of the Association.

4.3.3 Limitations on Authority of Board. Except with the vote or written assent of members of the Association holding fifty-one percent (51%) of the voting rights of each class of members, the board shall not take any of the following actions:

4.3.3.1 Incur aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

4.3.3.2 Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

4.3.3.3 Pay compensation to members of the board or to officers of the Association for services performed in the conduct of the Association's business. However, the board may cause a member of the board or an officer to be reimbursed for expenses incurred in carrying on the business of the Association.

4.4 Personal liability. No member of the board, or of any committee of the Association, or any officer of the Association, or any manager or declarant, or any agent of declarant, shall be personally liable to any owner or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct.

4.5 Regular Meeting and Notice. An organizational meeting shall be held as soon as practicable after incorporation of the

Association, and the directors elected then shall hold office until the first annual meeting. All offices of the board of directors shall be filled at the organizational meeting.

The first annual meeting of members of the Association shall be held within forty-five (45) days after the closing of the sale of the condominium that represents the fifty-first (51st) percentile interest authorized for sale, but in no case later than six (6) months after the closing and recording of the sale of the first condominium within the development. Thereafter, regular meetings of members of the Association shall be held at least once in each calendar year at a time and place as prescribed in the by-laws. Special meetings may be called as provided for in the by-laws. Notice of all members' meetings, regular or special, shall be given by regular mail, personal delivery or telegram to all owners and to any mortgagee who has requested in writing that such notice be sent to it and shall be given not less than ten (10) days nor more than thirty (30) days before the time of the meeting and shall set forth the place, date, and hour of the meeting, and the nature of the business to be undertaken. Any mortgagee, through its designated representative, shall be entitled to attend any such meeting but except as provided in Section 14.9 shall not be entitled to vote at the meeting. All such meetings shall be held within the development at a place selected by the board. The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. If any meeting cannot be held because a quorum is not present, members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the date the original meeting was called, at which adjourned meeting the quorum require-

ment shall be at least twenty-five percent (25%) of the total votes. Any meeting of members at which a quorum is present may be adjourned for any reason to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present in person or by proxy. As long as a majority of the voting power of the Association resides in the declarant, or as long as there are two outstanding classes of membership in the Association, the election of twenty percent (20%) of the directors (the "specially elected directors") shall be determined at a special election held immediately before the regular election of directors (except in the case of the election of a specially elected director following removal of his predecessor). At the duly constituted meeting of members, nominations for the specially elected director shall be made from the floor. When nominations have been closed, the special election shall take place. Declarant shall not have the right to participate in or vote in such special election (although declarant or declarant's representative may be present), and the candidates receiving the highest number of votes up to the number of specially elected directors to be elected shall be deemed to be the specially elected directors, and their term shall be the same as that of any other director. Unless members (excluding declarant) holding a majority of all voting rights (excluding any voting rights held by declarant) assent by vote or written consent, such specially elected directors cannot be removed. In case of the death, resignation, or removal of a specially elected director, his successor shall be elected at a special meeting of members, and the provisions set forth in this section respecting the election of a specially elected director shall apply as to the election of a successor. Except as provided in this declaration, the provisions of this declaration and of the articles and by-laws

applicable to directors, including their election and removal, shall apply to a specially elected director.

4.6 Financial Statements of the Association. The Association shall prepare, or cause to be prepared, a balance sheet and an operating statement for the Association as of the accounting dates set forth in this declaration, and copies of each shall be distributed to each member within sixty (60) days after the accounting dates. The account dates for the preparation of the balance sheet and operating statement are as follows:

4.6.1 The first accounting date shall be the last day of the month closest in time to six (6) months from the date of closing of the first sale of a condominium within the development. The balance sheet shall be rendered as of that date, and the operating statement shall be rendered for the period commencing with the date of closing of the first sale of a condominium within the development and ending as of the first accounting date. The operating statement for the first six (6) months accounting period shall include a schedule of assessments received or receivable, itemized by unit number and by the name of the person or entity assessed.

4.6.2 The second and subsequent accounting date shall be last day of the Association's fiscal year (which fiscal year shall be a calendar year unless a different fiscal year is adopted). The balance sheet shall be rendered as of that date, and the operating statement shall be rendered for the fiscal year it covers, and both shall be distributed to the owners within ninety (90) days after the close of the fiscal year.

4.6.3 Not less than sixty (60) days before the beginning of each fiscal year of the Association, the Association shall prepare, or cause to be prepared, a pro forma operating statement (budget) for the coming fiscal year and shall distribute a copy to each owner.

4.6.4 Copies of each such balance sheet, operating statement and pro forma operating statement for the Association shall be mailed to any mortgagee who has requested in writing that such copies be sent to it.

4.7 Inspection of Association Books and Records.

4.7.1 Any membership register, books of account and minutes of meetings of the members, the board and committees of the board of the Association shall be made available for inspection and copying by any member of the Association, or his duly appointed representative, or any mortgagee, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the development as the board prescribes.

4.7.2 The board shall establish by resolution reasonable rules with respect to:

4.7.2.1 Notice to be given to the custodian of the records of the Association by the member, representative or mortgagee desiring to make an inspection.

4.7.2.2 Hours and days of the week when an inspection may be made.

4.7.2.3 Payment of the cost of reproducing copies of documents requested by a member or by a representative or mortgagee.

4.7.3 Every director of the Association shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

5. MEMBERSHIP AND VOTING RIGHTS

5.1 Membership.

5.1.1 Qualifications. Each owner of a condominium, including declarant, shall be a member of the Association. No owner shall hold more than one membership in the Association even though such owner may own, or own an interest in, more than one condominium. Ownership of a condominium or interest in it shall be the sole qualification for membership in the Association. Each owner shall remain a member of the Association until his ownership or ownership interest in all condominiums in the development ceases, at which time his membership in the Association shall automatically cease. Persons or entities who hold an interest in a condominium merely as security for performance of an obligation are not to be regarded as members.

5.1.2 Members' Rights and Duties. Each member shall have the rights, duties, and obligations set forth in this declaration, the articles, the by-laws and the Association rules and all their amendments.

5.1.3 Transfer of Membership. The Association membership of each person or entity who owns, or owns an interest in, one or more condominiums shall be appurtenant to each such condominium, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except on a transfer of title to each such condominium or interest in it and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a condominium or interest in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new owner.

5.2 Voting.

5.2.1 Number of Votes. The Association shall have two (2) classes of voting membership:

Class A: Class A members are all owners, with the exception of declarant. Each class A member shall be entitled to one (1) vote for each condominium in which such class member owns an interest. However, when more than one Class A member owns an interest in a condominium, the vote for such condominium shall be exercised as they themselves determine, but in no case shall more than one (1) vote be cast with respect to any one condominium.

Class B: The Class B member shall be the declarant who shall be entitled to three (3) votes for each condominium owned. The Class B membership shall cease and be converted to Class A membership on the happening of the following events.

5.2.1.1 When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership:

As long as two classes of members in the Association exist, no action by the Association that must have the prior approval of the Association members shall be deemed approved by the members unless approved by the appropriate percentage of both classes of members, except as provided in Section 4.3.2.6 of this declaration.

5.2.2 Joint Owner Votes. The voting rights for each condominium may not be cast on a fractional basis. If the joint owners of a condominium are unable to agree among themselves as to how their voting rights shall be cast, they shall forfeit the vote on the matter in question. If any owner exercises the voting rights of a particular condominium, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other owners of the same condominium. If more than one (1) person or entity exercises the voting rights for a particular condominium, their votes shall not be counted and shall be deemed void.

5.2.3 Cumulative Voting. Election to and removal from the board shall be by cumulative voting. Each member shall be entitled to vote, in person or by proxy, as many votes as such member is entitled to exercise as provided in this declaration multiplied by the number of directors to be elected or removed, and he may cast all of such votes for or against a single candidate or director, or he may distribute them among the number of candidates or directors to be elected or removed, or any two or more of them. The candidates receiving the highest number of votes up to the number of board members to be elected shall be deemed elected.

6. ASSESSMENTS

6.1 Agreement To Pay. The declarant, for each condominium owned by it in the development that is expressly made subject to assessment as set forth in this declaration, covenants and agrees, and each purchaser of a condominium by his acceptance of a deed, covenants and agrees, for each condominium owned, to pay to the Association regular assessments and special assessments, such assessments to be established, made and collected as provided in this declaration.

6.2 Personal Obligations. Each assessment or installment, together with any late charge, interest, collection costs and reasonable attorneys' fees, shall be the personal obligation of the person or entity who was an owner at the time such assessment, or installment, became due and payable. If more than one person or entity was the owner of a condominium, the personal obligation to pay such assessment, or installment, respecting such condominium shall be both joint and several. The personal obligation for delinquent assessments, or delinquent installments, and other such sums, shall not pass to an owner's successors in interest unless expressly assumed by them. No owner of a condominium may exempt himself from payment of assessments, or installments, by waiver of the use or enjoyment of all or any portion of the common area or by waiver of the use or enjoyment of, or by abandonment of, his condominium.

6.3 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the members of the Association, the improvement, replacement, repair, operation and maintenance of the common area and the performance of the duties of the Association as set forth in this declaration.

6.4 Assessments.

6.4.1 Regular Assessments. Not more than sixty (60)

days nor less than thirty (30) days before the beginning of each fiscal year the board shall estimate the total amount of funds necessary to defray the common expenses of the Association for the next fiscal year. If the amount is approved by a majority vote of the board, without a vote of the members of the Association, the estimate shall become the regular assessment for such year. However, the board may not increase the amount of the regular assessment for any fiscal year of the Association by more than twenty percent (20%) above the amount of the prior year's regular assessment (except the first such year if it should be less than twelve (12) months) without approval by vote or the written consent of members holding fifty-one percent (51%) of the voting rights of each class of members. The assessments shall be uniform and shall be determined as provided in Section 6.5. The regular assessments shall be payable in regular installments as provided in this declaration and shall include adequate reserve funds for contingencies and for maintenance, repairs, and replacement of the common area improvements that must be replaced on a periodic basis sufficient to satisfy the requirements of any mortgagee. Unless the Association is exempt from federal or state taxes, all reserves shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service that will prevent such funds from being taxed as income of the Association.

6.4.2 Special Assessments. If the board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become, inadequate to meet expenses for any reason (including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements on the common area) the board shall determine the approximate

amount necessary to defray such expenses, and if the amount is approved by a majority vote of the board it shall become a special assessment. The board may, in its discretion, pro rate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each condominium. Unless exempt from federal or state income taxation, all proceeds from any special assessment shall be segregated and deposited into a special account and shall be used solely for the purpose or purposes for which it was levied or it shall be otherwise handled and used in a manner authorized by law or regulations of the Internal Revenue Service in order to avoid, if possible, its taxation as income of the Association.

6.4.3 Limitation Respecting Special Assessments.

Any special assessment in excess of five percent (5%) of the budgeted gross expense of the Association for the fiscal year in which a special assessment is levied shall require approval by vote or the written consent of fifty-one percent (51%) of the voting rights of each class of members, except in case of a special assessment against an owner as a remedy utilized by the board to reimburse the Association for costs incurred in bringing the member or his condominium into compliance with the provisions of this declaration.

6.5 Uniform Rate of Assessment. Except as provided in this declaration, regular and special assessments must be fixed at a uniform rate for all condominiums. Regular and special assessments shall be determined by dividing the amount by the total number of condominiums then within the development and subject to assessments.

6.6 Assessment Period. The regular assessment period shall commence on January 1 of each year and shall terminate on December 31 of such year, and regular assessments shall be payable in equal monthly installments unless the board adopts some other basis for

collection. However, the initial regular assessment period shall commence on the first day of the calendar month following the date on which the sale of the first condominium to a purchaser is closed and recorded (the "initiation date") and shall terminate on December 31 of the year in which the initial sale is closed and recorded. The first regular assessment and all special assessments shall be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments unless the board adopts some other basis for collection. The Association shall not change the pro rata interest or obligation of any condominium for purposes of levying assessments unless all owners and all mortgagees have given their prior written consent.

6.7 Notice and Assessment Installment Due Dates. A single ten (10) day prior written notice of each annual regular assessment and each special assessment shall be given to any owner of every condominium subject to assessment in which the due dates for the payments of installments shall be specified. The due dates for the payment of installments normally shall be the first day of each month unless some other due date is established by the board. Each installment of regular assessments and special assessments shall become delinquent if not paid within fifteen (15) days after its due date. There shall accrue with each delinquent installment a late charge of Fifteen Dollars (\$15.00) together with interest at the rate of seven percent (7%) per annum calculated from the due date to and including the date full payment is received by the Association.

6.8 Estoppel Certificate. The board or manager, on not less than twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request a statement in writing stating whether or not to the knowledge of

the Association, a particular owner is in default as to his condominium under the provisions of this declaration and further stating the dates to which installments of assessments, regular or special, have been paid as to such condominium. Any such certificate delivered pursuant to this Section 6.8 may be relied on by any prospective purchaser or mortgagee of the condominium, but reliance on such certificate may not extend to any default not involving the payment of assessments of which the signer had no actual knowledge.

7. COLLECTION OF ASSESSMENTS: LIENS.

7.1 Right to Enforce. The right to collect and enforce assessments is vested in the board acting by and on behalf of the Association. The board or its authorized representative, including any manager, can enforce the obligations of the owners to pay assessments provided for in this declaration by commencement and maintenance of a suit at law or in equity, or the board may foreclose by judicial proceedings or through the exercise of the power of sale pursuant to Section 7.2 to enforce the lien rights created. Suit to recover a money judgment for unpaid assessments together with all other amounts described in Section 6.2 shall be maintainable without foreclosing or waiving the lien rights.

7.2 Creation of Lien. If there is a delinquency in the payment of any assessment, or installment on a condominium, as described in Section 6.7, any amounts that are delinquent together with the late charge described in that section, interest at the rate of seven percent (7%) per annum, and all costs that are incurred by the board or its authorized representative in the collection of the amounts, including reasonable attorneys' fees, shall be a lien against such condominium on the recordation in the office of the Recorder of Carson City, Nevada of a notice of assessment as provided by law. The notice of assessment shall not be recorded unless and until the board or its authorized representative has delivered to the delinquent owner or owners of such condominium, not less than fifteen (15) days before the recordation of the notice of assessment, a written notice of default and a demand for payment, and unless such delinquency has not been cured within fifteen (15) days after delivery of notice. The lien shall expire and be void unless, within one (1) year after recordation of the notice of assessment, the board or

its authorized representative records a notice of default as provided in this declaration or institutes judicial foreclosure proceedings.

7.3 Notice of Default; Foreclosure. Not more than one (1) year nor less than ten (10) days after the recording of the notice of assessment, the board or its authorized representative can record a notice of default and can cause the condominium to be sold in the same manner as a sale is conducted under NRS Chapter 107, or through judicial foreclosure. However, as a condition precedent to the holding of any such sale appropriate publication shall be made. In connection with any sale the board is authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in Nevada as trustee for purposes of conducting the sale. If a delinquency is cured before sale, or before completing a judicial foreclosure, the board or its authorized representative shall cause to be recorded in the office of the Recorder of Carson City, Nevada a certificate setting forth the satisfaction of such claim and release of such lien on payment of actual expenses incurred, including reasonable attorneys fees not to exceed One Hundred Fifty Dollars (\$150.00) by any delinquent owner. During the pendency of any foreclosure proceeding, whether judicial or by power of sale, the condominium owner shall be required to pay to the Association reasonable rent for the condominium and the Association shall be entitled to the appointment of a receiver to collect the rent. On becoming delinquent in the payment of any assessments, or installments, each delinquent owner shall be deemed to have absolutely assigned all rent, issues and profits of his condominium to the Association and shall further be deemed to have consented to the appointment of a receiver (which appointment may, at the election of the Association, be enforced

by the Association through specific performance). The Association, acting on behalf of the owners, shall have the power to bid in the condominium at foreclosure sale and to acquire, hold, lease, mortgage and convey the condominium.

7.4 Waiver of Exemptions. Each owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Section 7, the benefit of any homestead or exemption laws of Nevada in effect at the time any assessment, or installment becomes delinquent or any lien is imposed.

8. INSURANCE

8.1 Liability Insurance. The Association shall obtain and maintain comprehensive public liability insurance insuring the Association, any manager, the declarant and the owner and occupants of condominiums, and their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership or use of the common area and including, if deemed necessary, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than \$500,000 covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage for other liability or risk customarily covered with respect to projects similar in construction, location and use.

8.2 Fire and Extended Coverage Insurance. The Association also shall obtain and maintain a master or blanket policy of fire insurance for the full insurable value of all of the improvements within the development. The form, content, and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional mortgagees. If more than one institutional mortgagee has a loan of record against the development, or any part of it, the policy and endorsements shall meet the maximum standards of the various institutional mortgagees represented in the development. The policy shall contain an agreed amount endorsement or its equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement.

and additional policy coverages and amounts shall be determined by the board. The policy shall name as insured the Association, the owners and declarant, as long as declarant is the owner of any condominiums, and all institutional mortgagees as their respective interests may appear, and may contain a loss payable endorsement in favor of the trustee described in this declaration.

8.3 Individual Fire Insurance Limited. Except as provided in this section no owner can separately insure his unit or any part of it against loss by fire or other casualty covered by any insurance carrier under paragraph 8.2. If any owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section 8.4 that result from the existence of such other insurance will be chargeable to the owner who acquired other insurance, and the owner will be liable to the Association to the extent of any such diminution. An owner can insure his personal property against loss. In addition, any improvements made by an owner to the real property within his unit may be separately insured by the owner, but the insurance is to be limited to the type and nature of coverage commonly known as tenant's improvements. All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other owners, the Association and declarant.

8.4 Trustee. All insurance proceeds payable under Section 8.2 and 8.3, and subject to the rights of the mortgagees under Section 8.8, may be paid to a trustee, to be held and expended for the benefit of the owners, mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in Nevada, that agrees in writing to accept such trust. If repair or reconstruction is authorized, the board shall have the

duty to contract for such work as provided for in this declaration.

8.5 Other Insurance. The board may and, if required by any mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, and a blanket policy of flood insurance. The board also shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees of the development. The board also shall purchase and maintain fidelity bonds or insurance (which shall be in an amount not less than 150% of each year's estimated annual operating expenses and reserves and shall contain an endorsement of coverage of any person who may serve without compensation) sufficient to meet the requirements of any mortgagee. The board shall purchase and maintain such insurance on personal property owned by the Association, and any other insurance, that it deems necessary or that is required by any mortgagee.

8.6 Owner's Insurance. An owner may carry whatever personal liability and property damage liability insurance with respect to his condominium that he desires. However, any such policy shall include a waiver of subrogation clause acceptable to the board and to any mortgagee.

8.7 Adjustment of Losses. The board is appointed attorney-in-fact by each owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.1, 8.2 and 8.5. The board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

8.8 Distribution to Mortgagees. Any mortgagee has the option to apply insurance proceeds payable on account of a condominium, in reduction of the obligation secured by the mortgage of such mortgagee.

9. DESTRUCTION OF IMPROVEMENTS

9.1 Destruction; Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of the improvements in the development, and if the available proceeds of the insurance carried pursuant to Section 3 are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the improvements shall be promptly rebuilt unless, within ninety (90) days from the date of destruction, members then holding at least seventy-five percent (75%) of the total voting power of each class of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall not take place. If repair and reconstruction is to take place, the board shall be required to execute, acknowledge and record in the office of the Carson City Recorder, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

9.2 Destruction; Proceeds Less than 85% of Reconstruction Costs. If the proceeds of insurance are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction may nevertheless take place if, within ninety (90) days from the date of destruction, members then holding at least fifty-one percent (51%) of the total voting power of each class of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall take place. If repair and reconstruction is to take place the board shall be required to execute, acknowledge and record in the office of the Carson City Recorder, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

9.3 Rebuilding Procedures. If the members determine to rebuild, pursuant to paragraphs 9.1 or 9.2, the owner of each unit located within a structure that has been totally or partially destroyed shall be obligated to contribute his proportionate share of the cost of reconstruction or restoration of the structure containing his unit over and above the available insurance proceeds. All owners shall contribute their proportionate share of the cost of reconstruction or restoration of any portion of the common area not comprising the structure within which a unit is located, and the proportionate share of each owner shall be equal to a fraction the numerator of which is one (1) and the denominator of which is the number of condominiums then comprising part of the development. If any owner fails or refuses to pay his proportionate share, the board may levy a special assessment against the condominium of such owner which may be enforced under the lien provisions contained in Section 7 or in any other manner provided in this declaration. If any owner disputes the amount of his proportionate liability under this section, such owner may contest the amount of his liability by submitting to the board within ten (10) days after notice to the owner of his share of the liability written objections supported by cost estimates or other information that the owner deems to be material and may request a hearing before the board at which he may be represented by counsel. Following such hearing, the board shall give written notice of its decision to all owners, including any recommendation that adjustments be made with respect to the liability of any owners. If such adjustments are recommended, the notice shall schedule a special meeting of members for the purpose of acting on the board's recommendation, including making further adjustments, if deemed by the members to be necessary or appropriate. All adjustments shall be affirmed or modified by a majority of the total voting power of each class of members. If

no adjustments are recommended by the board, the decision of the board shall be final and binding on all owners, including any owner filing objections.

9.4 Rebuilding Contract. If the members determine to rebuild, the board or its authorized representative shall obtain bids from at least two reputable contractors and shall award the repair and reconstruction work to the lowest bidder. The board shall have the authority to enter into a written contract with the contractor for such repair and reconstruction, and the insurance proceeds held by the trustee shall be disbursed to the contractor according to the terms of the agreement. It shall be the obligation of the board to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

9.5 Rebuilding Not Authorized. If the members determine not to rebuild, then, subject to the rights of mortgagees under Section 8.8, any insurance proceeds then available for such rebuilding shall be distributed to the owner of each condominium in proportion to his respective percentage undivided interest in the common area. The board shall have the duty, within one hundred and twenty (120) days from the date of such destruction, to execute, acknowledge and record in the office of the Carson City Recorder, a certificate declaring the intention of the members not to rebuild.

9.6 Minor Repair and Reconstruction. In any case, the board shall have the duty to repair and reconstruct improvements, without the consent of members and irrespective of the amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed Twenty Thousand Dollars (\$20,000.00). The board is expressly empowered to levy a special assessment for the cost of

repairing and reconstructing improvements to the extent insurance proceeds are unavailable, such assessment to be levied as described in Section 9.3 (but without the consent or approval of members despite any contrary provisions) in this declaration.

9.7 Revival of Right to Partition. On recordation of a certificate described in Section 9.5, the right of any owner to partition through legal action as described in Section 11 shall revive immediately.

10. CONDEMNATION

10.1 Sale by Unanimous Consent. If an action for condemnation of all or a portion of the development is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the owners and after written notice to all mortgagees, the development, or a portion of it may be sold.

10.2 Distribution of Proceeds of Sale. On a sale occurring under Section 10.1, the proceeds shall be distributed to the owner and the mortgagees of each condominium as their respective interests may appear in proportion to his or their respective percentage undivided interest in the common area.

10.3 Distribution of Condemnation Award. If the development, or a portion of it, is not sold but is instead taken, the judgment of condemnation shall by its terms apportion the award among the owners and their respective mortgagees.

10.4 Revival of Right to Partition. On sale or on taking that renders more than fifty percent (50%) of the units in the development uninhabitable, the right of any owner to partition through legal action shall revive immediately.

11. PARTITION

11.1 Suspension. Partition of the development can be had on a showing that the conditions for partition as stated in Section 9.7 or in Section 10.4 have been met. Nothing in this declaration shall prevent partition or division of interest between joint or common owners of one (1) condominium.

Proceeds or property resulting from a partition shall be distributed to and among the respective owners and their mortgagees as their interest appear in proportion to their respective percentage of undivided interests in the common area.

11.2 Power of Attorney. Each owner grants the Association an irrevocable power of attorney to sell the development for the benefit of the owners when partition can be had. Exercise of the power is subject to the approval of members.

12. NON-SEVERABILITY OF COMPONENT INTERESTS IN A CONDOMINIUM

12.1 Prohibition Against Severance. An owner shall not be entitled to sever his unit in any condominium from his membership in the Association, and shall not be entitled to sever his unit and his membership from his undivided interest in the common area shown in Exhibit B for any purpose. None of the component interests can be severally sold, conveyed, encumbered, hypothecated or otherwise dealt with, and any violation or attempted violation of this provision shall be void. Similarly, no owner can sever any exclusive easement appurtenant to his unit over the common area from his condominium, and any attempt so to do shall be void. The suspension of this right of severability will not extend beyond the period set forth in Section 11 respecting the suspension of partition.

12.2 Conveyances. After the initial sales of the condominiums, any conveyance of a unit, or of the component interest in the common area, by the owner of a condominium, shall be presumed to convey the entire condominium. However, nothing contained in this Section shall preclude the owner of any condominium from creating a cotenancy or joint tenancy in the ownership of the condominium with any other person or persons.

13. TERM OF DECLARATION

This declaration shall run with the land, and shall continue in full force and effect for a period of fifty (50) years from the date on which this declaration is executed. After that time this declaration and all covenants, conditions, restrictions and other provisions shall be of no force and effect unless extended by an instrument executed by owners of not less than two-thirds (2/3) of the condominiums in the development and recorded in the office of the Carson City Recorder.

14. PROTECTION OF MORTGAGEES

14.1 Mortgage Permitted. Any owner may encumber his condominium with a mortgage.

14.2 Subordination. Any lien created or claimed under the provisions of this declaration is expressly made subject and subordinate to the rights of any mortgage that encumbers all or a portion of the development, or any condominium, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the mortgagee expressly subordinates his interest, in writing, to such lien.

14.3 Amendment. No amendment to this declaration, the articles or the by-laws shall affect the rights of any mortgagee under any mortgage made in good faith and for value and recorded before the recordation of any such amendment unless the mortgagee either joins in the execution of the amendment or approves it in writing as part of such amendment. The prior written consent of each mortgagee shall be required to any material amendment to this declaration, to the articles or to the by-laws, including, without limitation, any amendment which would change the undivided interest of the owners in the development.

14.4 Restrictions on Certain Changes. Unless all first mortgagees of units have given their prior written approval, neither the Association nor the owners shall be entitled:

14.4.1 by act or omission to seek to abandon or terminate the condominium project, except for abandonment provided by statute in case of substantial loss to the units and common area;

14.4.2 to change the pro rata interest or obligations of any unit for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the pro rata share of ownership of each unit in the common area;

14.4.3 to partition or subdivide any unit;

14.4.4 by act or omission to seek to abandon, partition, subdivide, encumber, sell or transfer the common area, except partition of the common area. The granting of easements for public utilities or for other public purposes consistent with the intended use of the common area by the Association or the owners shall not be deemed a transfer within the meaning of this clause;

14.4.5 to use hazard insurance proceeds for losses to units or common area in the development for other than the repair, replacement or reconstruction of improvements, except as provided by statute in case of substantial loss to the units or common area of the development.

14.5 Right to Examine Books and Records. First mortgagees may examine the books and records of the Association or the condominium project and may require the submission of financial data concerning the Association or the condominium project, including annual audit reports and operating statements as furnished to the owners.

14.6 Distribution of Insurance and Condemnation Proceeds. No unit owner, or any other party, shall have priority over any right of first mortgagees of units pursuant to their mortgages in case of a distribution to unit owners of insurance proceeds or condemnation awards for losses to or a taking of units or common area. Any provision to the contrary in this declaration or in the by-laws or other documents relating to the condominium development is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected mortgagees naming the mortgagees, as their interests may appear.

14.7 Amenities. All amenities (such as parking, recreation

and service area) shall be available for use by owners and all such amenities with respect to which regular or special assessments for maintenance or other uses may be levied shall constitute common area. All such amenities either shall be covered by any mortgage on a unit and owned in fee by the owners in undivided interests free of encumbrances except for any easements granted for public utilities or for other public purposes consistent with the intended use of such property by the Association.

14.8 Notices to Mortgagees of Record. On any loss to any unit covered by a mortgage, if such loss exceeds One Thousand Dollars (\$1,000.00), or on any loss to the common area, if such loss exceeds Ten Thousand Dollars (\$10,000.00), or on any taking of the common area, notice in writing of such loss or taking shall be given to each mortgagee of record. If any owner of a unit is in default under any provision of these covenants, conditions and restrictions, or under any provision of the by-laws or the rules and regulations adopted by the Association, which default is not cured within thirty (30) days after written notice of such owner, the Association shall give to the mortgagee of record of such owner written notice of such default and of the fact that said thirty (30) day period has expired.

14.9 Voting Rights on Default. In case of default by the owner of any condominium in any payment due under the terms of any first mortgage (meaning a mortgage with priority over other mortgages) encumbering such condominium, or the promissory note secured thereby, the mortgagee, or his representative, on giving written notice to such defaulting owner or owners, and placing of record a notice of default, can exercise the voting rights of such defaulting owner attributable to such condominium at any regular or special meeting of the members held during such time as such default may continue.

14.10 Effect of Breach. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any mortgage in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

14.11 Foreclosure. If any condominium is encumbered by a mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this declaration for assessments, or installments of assessments shall not operate to affect or impair the lien of the mortgage. On foreclosure of the mortgage, the lien for assessments, or installments that has accrued up to the time of foreclosure shall be subordinate to the lien of the mortgage, with the foreclosure-purchaser taking title to the condominium free of the lien for assessments, or installments that has accrued up to the time of the foreclosure sale. On taking title to the condominium the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the condominium. The subsequently levied assessments or other charges may include previously unpaid assessments provided all owners, including the foreclosure-purchaser, and his successors and assigns, are required to pay their proportionate share as provided in this Section.

14.12 Non-Curable Breach. Any mortgagee who acquires title to a condominium by foreclosure or by deed-in-lieu of foreclosure or assignment-in-lieu of foreclosure shall not be obligated to cure any breach of this declaration that is non-curable or of a type that is not practical or feasible to cure.

14.13 Loan to Facilitate. Any mortgage given to secure a loan to facilitate the resale of a condominium after acquisition

by foreclosure or by a deed-in-lieu of foreclosure or by assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of Section 14.

14.14 Appearance at Meetings. Because of its financial interest in the development, any mortgagee may appear (but cannot vote except under the circumstances set forth in Section 14.9) at meetings of the members and the board to draw attention to violations of this declaration that have not been corrected or made the subject of remedial proceedings or assessments.

14.15 Right to Furnish Information. Any mortgagee may furnish information to the board concerning the status of any mortgage.

14.16 Inapplicability of Right of First Refusal to Mortgage. No right of first refusal or similar restriction on the right of an owner to sell, transfer or otherwise convey the owner's condominium shall be granted to the Association without the consent of any mortgagee, of the condominium. Any right of first refusal or option to purchase a unit that may be granted to the Association (or other person, firm or entity) shall not apply to any conveyance or transfer of title to such unit, whether voluntary or involuntary, to a mortgagee which acquires title to or ownership of the unit pursuant to the remedies provided in its mortgage or by reason of foreclosure of the mortgage or deed (or assignment) in lieu of foreclosure.

14.17 Contracts with Declarant. Any agreement between the Association and declarant pursuant to which the declarant agrees to provide services shall provide for termination by either party without cause or payment of a termination fee on thirty (30) days' written notice and shall have a maximum contract term of one (1) year; provided that the board can renew any such contract on a year-to-year basis.

15. AMENDMENT

15.1 Amendment Before Close of First Sale. Before the close of the first sale in the development to a purchaser other than declarant, this declaration and any amendments to it may be amended in any respect or revoked by the execution by declarant and any mortgagee of record of an instrument amending or revoking the declaration. The amending or revoking instrument shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the Carson City Recorder.

15.2 Amendment After Close of First Sale. After the close of the first sale of a condominium in the development to a purchaser other than declarant, this declaration may be amended or revoked in any respect by the vote or written consent of the holders of not less than seventy-five percent (75%) of the voting rights of each class of members. However, if any provision of this declaration requires a greater or lesser percentage of the voting rights of any class of members in order to take affirmative or negative action under such provision, the same percentage of such class or classes of members shall be required to amend or revoke such provision. Also, if the consent or approval of any governmental authority, mortgagee or other person, firm, agency or entity is required under this declaration with respect to any amendment or revocation of any provision of this declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation subsequent to the close of such first sale shall be evidenced by an instrument certified by the secretary or other duly authorized officer of the Association and shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the Carson City Recorder.

15.3 Conflict with Section 13 or other Provisions of this Declaration. To the extent any provisions of Section 14 conflict with the provisions of Section 13 or any other provisions of this declaration, except those contained in paragraph 14.4, the provisions of Section 13 or the other provisions shall control.

15.4 Reliance on Amendments. Any amendments made in accordance with the terms of this declaration shall be presumed valid by anyone relying on them in good faith.

15.5 Amendments to Conform with Mortgage Requirements. It is the intent of declarant that this declaration and the articles and by-laws of the Association, and the development in general, meet all requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a unit in the development by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Veterans' Administration. In furtherance of that intent, declarant expressly reserves the right and shall be entitled by unilateral amendment of the declaration as long as declarant owns more than twenty-five percent (25%) of the condominiums in the development to incorporate any provisions that are, in the opinion of any of the cited entities or governmental agencies, required to conform the declaration, the articles, the by-laws or the development to the requirements of any of the entities or governmental agencies including without limitation, the execution on behalf of the Association of a regulatory agreement between the Association and the Federal Housing Commissioner. Each owner of a unit and each mortgagee of a unit by acceptance of a deed or encumbrance of a unit consents to the incorporation in this declaration of any such provisions and to the execution of any such regulatory agreement and agrees to be bound by any such provisions as if it were incorporated in this declaration. The board and each owner

shall take any action or shall adopt any resolutions required by
declarant or any mortgagee to conform this declaration or the
development to the requirements of any of the entities or agencies.

16. GENERAL PROVISIONS

16.1 Headings. The headings used in this declaration are for convenience only and are not to be used to interpret the meaning of any of the provisions of this declaration.

16.2 Severability. The provisions of this declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provisions shall not invalidate any other provisions.

16.3 Cumulative Remedies. Each remedy provided for in this declaration shall be cumulative and not exclusive. Failure to exercise any remedy provided for in this declaration shall not, under any circumstances, be construed as a waiver thereof.

16.4 Violations as Nuisance. Every act or omission in violation of the provisions of this declaration shall constitute a nuisance.

16.5 to 16.8 Reserved.

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

16.10 Exhibits. All exhibits referred to are attached to this declaration and incorporated by reference.

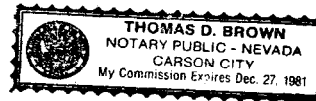
16.11 Easements Reserved and Granted. Any easement referred

BOOK 244 PAGE 115

STATE OF NEVADA)
) ss.
Carson City)

On OCTOBER 12, 1978, personally appeared before me, a
Notary Public, ROBERT BANKS, who acknowledged that he executed
the foregoing instrument.

Thomas D. Brown
Notary Public



FILED FOR RECORD
AT THE REQUEST OF
SIERRA LAND TITLE CORP.
1978 NOV 30 AM 8:28
FILED 04002
PETE SUPERA
CLERK OF CITY & COUNTY
C. H. Mitchell, DEPUTY
6040 GK

APN# N/A

Recording Requested by:

Carson Villas Homeowners Association, Inc.
3246 N. Carson Street, Suite 100
Carson City, NV 89706

RECORDED AT THE
REQUEST OF
Carson Villas
2010 APR -9 AM 10:04
FILE NO. - - 399673
ALAN GLOVER
CARSON CITY RECORDER
FFS \$ *42.00*

WHEN RECORDED MAIL TO:

Carson Villas Homeowners Association, Inc.
3246 N. Carson Street, Suite 100
Carson City, NV 89706

AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF
CARSON VILLA I and CARSON VILLA II

THIS AMENDED AND RESTATED DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR CARSON VILLA I AND CARSON VILLA II is
made this 6th day of November, 2004, by the majority vote of the
members of the CARSON VILLAS HOMEOWNERS ASSOCIATION, INC., a Nevada non-
profit corporation (hereinafter referred to as "ASSOCIATION").

This Amended and Restated Declaration of Covenants, Conditions and Restrictions for
CARSON VILLA I and CARSON VILLA II ("Declaration") shall run with the real property
described in Exhibit "A" and all parts and parcels thereof and shall be binding on all parties
having any right, title or interest in the Exhibit "A" property and their heirs, successors,
successors-in-title, and assigns and the Association and its successors in interest and shall inure
to the benefit of each owner or member thereof. Each, all and every one of the limitations,
easements, uses, obligations, covenants, conditions and restrictions herein imposed shall be
deemed to be and construed as equitable servitude enforceable by any of the owners of any
portion of the real property subject to this Declaration against any other owner, tenant or
occupant of said real property or portion thereof similarly restricted by this Declaration. This
Declaration is intended to amend, supersede and replace the previously recorded Declaration and
amendments thereto including but not limited to the Declaration of Covenants Conditions and
Restrictions Establishing a Plan of Condominium Ownership recorded November 30, 1978, as
Documents No. 84002, in the Official Records of Carson City, Book 244.

1. DEFINITIONS

1.1 The "articles" mean the Association's articles of incorporation and their
amendments.

1.2 The "Association" means the CARSON VILLAS HOMEOWNERS
ASSOCIATION, a Nevada nonprofit corporation, its successors and assigns.

1.3 The "board" means the board of directors of the Association.

1.4 The "by-laws" mean the Association's bylaws and their amendments.

1.5 The "common area" means the entire development except all units as defined in this declaration or as shown on the planned unit development (PUD) plan.

1.6 A "unit" means an estate in real property consisting of an undivided interest as a tenant-in-common in the common area of the development, together with a fee interest in a unit shown and described on the planned unit development (PUD) plan.

1.7 The planned unit development (PUD) plan" means the planned unit development (PUD) plan respecting the development and any amendments to the plan.

1.8 The "declarant" means BILL M. GREEN and ROBERT BANKS, their successors and assigns, if such successors and assigns acquire or hold record title to any portion of the development for development purposes.

1.9 A "member" means every person or entity who holds a membership in the Association.

1.10 A "mortgage" means a mortgage or deed of trust encumbering a unit or other portion of the development. A "mortgagee" shall include the beneficiary under a deed of trust. An "institutional mortgagee" is a mortgagee that is a bank or savings and loan association, or established mortgage company or other entity chartered under federal or state laws, or corporation or insurance company, or any federal or state agency.

1.11 An "owner" means each person or entity holding a record ownership interest in a unit, including declarant. "Owner" shall not include persons or entities that hold an interest in a unit merely as security for the performance of an obligation.

1.12 The "development" means the entire parcel of real property, divided or to be divided into units, including all structures and improvements on it.

1.13 A "unit" means the elements of a unit that are not owned in common with the other owners of units in the development, such units and their respective elements are more particularly described in Exhibit B. The boundaries of a unit are shown and described on the planned unit development (PUD) plan. In interpreting deeds and plans the existing physical boundaries of a unit or of a unit reconstructed in substantial accordance with the original plans shall be conclusively presumed to be its boundaries rather than the description expressed in the deed or plans, regardless of minor variance between boundaries shown on the plans or in the deed and those of the building and regardless of settling or lateral movement of the building. Whenever reference is made in this declaration, in the planned unit development (PUD) plan, in any deed or elsewhere to a unit it shall be assumed that such reference is made to the unit as a whole, including each of its component elements, and to any and all exclusive easements appurtenant to such unit over common area, if any.

2. DESCRIPTION OF COMMON INTERESTS, PROPERTY RIGHTS, RIGHTS OF ENJOYMENT AND EASEMENTS

2.1 Ownership of Unit; Easements. Ownership of each unit within the development shall include a unit, the respective undivided interest in the common area as described in Exhibit B (which undivided interest cannot be altered or changed as long as the prohibition against severability of component interests in a unit remains in effect as provided in this declaration), a membership in the Association, and any exclusive or nonexclusive easement or easements appurtenant to such unit over the common area as described in this declaration, or the deed to the unit.

2.2 Owners' Non-Exclusive Easements of Enjoyment, etc. Every owner of a unit shall

have a non-exclusive easement of use and enjoyment in, to and throughout the common area of the development and for ingress, egress and support over and through the common area. However, such non-exclusive easements shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to units over the common area, if any. Each such easement shall be appurtenant to and pass with the title to every unit, subject to the following rights and restrictions:

2.2.1 The right of the Association to limit the number of guests, and to adopt Association rules and regulations ("Association rules") regulating the use and enjoyment of the common area.

2.2.2 The right of the Association to charge reasonable admission and other fees for the use of any unassigned parking and storage spaces and any recreational facility situated in the common area.

2.2.3 The right of the Association to borrow money to improve the common area.

2.2.4 The right of the Association to assign, rent, license or otherwise designate and control use of unassigned parking and storage spaces within the common area (other than those portions subject to exclusive easements appurtenant to units, if any).

2.2.5 The right of declarant or its designees to enter on the development to construct the development and to make repairs and remedy construction defects if such entry shall not interfere with the use of any occupied unit unless authorized by the unit owner.

2.2.6 The right of the Association, or its agents, to enter any unit to perform its obligations under this declaration, including obligations with respect to construction, maintenance or repair for the benefit of the common area or the owners in common, or to make necessary repairs that the unit owner has failed to perform. The right shall be immediate in case of an emergency originating in or threatening such unit, and the obligation can be performed whether or not the owner is present.

2.2.7 The right of any owner, or his representatives, to enter the unit of any other owner to perform permissible installations, alterations or repairs to mechanical or electrical services, including installation of television antennae and related cables, if requests for entry are made in advance and such entry is at a time convenient to the owner who unit is being entered. If case of emergency, such right of entry shall be immediate.

2.3 Delegation of Use; Contract Purchasers; Tenants. Any owner may delegate his rights of use and enjoyment in the development, including any recreational facilities, to the members of his family, his guests, and invitees, and to such other persons as may be permitted by the by-laws and the Association rules, subject, however, to this declaration, to the by-laws and to the Association rules. However, if an owner of a unit has sold his unit to a contract purchaser or rented it, the owners, members of his family, his guests and invitees shall not be entitled to use and enjoy the recreational facilities of the development while the owner's unit is occupied by such contract purchaser, or tenant. Instead, the contract purchaser, or tenant, while occupying such unit, shall be entitled to use and enjoy the recreational facilities of the development and can delegate the rights of use and enjoyment in the same manner as if such contract purchaser or tenant were the owner of such unit during the period of his occupancy. Each owner shall notify the secretary of the Association of the names of any contract purchaser or tenant of such owner's unit. Each owner, contract purchaser or tenant also shall notify the secretary of the Association of the names of all persons to whom such owner, contract purchaser, or tenant has delegated any rights of use and enjoyment in the development and the relationship that each such person bears

to the owner, contract purchaser, or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as the rights of owners are.

2.4 Minor Encroachments. If any portion of the common area encroaches on any unit or if any portion of a unit encroaches on the common area, regardless of the cause, a valid easement exists for such encroachment and for the maintenance of it's as long as it remains and all units and the common area are made subject to such easements. If any structure containing a unit is partially or totally destroyed and then rebuilt and any encroachment results, a valid exists for such encroachment and for the maintenance of it as long as it remains, and all units and the common area are subject to such easements.

2.5 Easements Granted by Association. The Association shall have the power to grant and convey to any third party easements and rights-of-way, on, over or under the common area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to a unit, expressly consents to such easement. However, no such easements can be granted if it would interfere with the use, occupancy or enjoyment by any owner of his unit, any exclusive easements over any common area appurtenant to the unit, or the recreational facilities of the development.

3. USE RESTRICTIONS

3.1 Residential Use. Units shall be used for residential purposes only. However, for a period of five (5) years from the date of recordation of this declaration, units owned by declarant may be used by declarant or its designees as models, sales offices and construction offices for the purpose of developing, improving and selling units in the development. Nothing in this declaration shall prevent an owner from leasing or renting his unit. However, any lease or rental agreement shall be in writing and any tenant shall abide by and be subject to all provisions of this declaration, the articles, and the by-laws, and the Association rules and any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Also, except for a mortgagee in possession of a unit following a default in a first mortgage, a foreclosure proceeding or acceptance of a deed or other arrangement in lieu of foreclosure, no owner shall rent, lease or let his unit for transient or hotel purposes.

3.2 Commercial Use. Except as otherwise provided in this declaration, including paragraph 3.1, no part of the development shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non-residential purpose.

3.3 Maintenance. Each owner of a unit shall be responsible for maintaining his unit, including the equipment and fixtures in the unit and its interior walls, ceilings, windows and doors, in a clean, sanitary, workable and attractive condition. However, each owner has complete discretion as to the choice of furniture, furnishings, and interior decorating, but the windows can be covered only by drapes or shades and cannot be painted or covered by foil, cardboard, or other similar materials. Each other also shall be responsible for repair, replacement and cleaning of the windows and glass of his unit, both exterior and interior. Unless otherwise provided in this declaration, each owner shall clean and maintain exclusive easements appurtenant to any of the units over the common area.

3.4 Extractive Operations. No oil drilling, oil development operations, oil refining,

quarrying, or mining operations of any kind shall be permitted on or in the development, and no oil wells, tanks, tunnels or mineral excavations or shafts shall be permitted on the surface of the development or within five hundred (500) feet below the surface of the development. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted on the development.

3.5 Offense Conduct; Nuisances. No noxious or offensive activities, including but not limited to, repair of automobiles or other motorized vehicles, shall be carried on within the development. Nothing shall be done on or within the development that may be or may become an annoyance or nuisance to the residents of the development, or that in any way interferes with the quiet enjoyment of occupants of units. Unless otherwise permitted by the Association, no owner shall serve food or beverages, cook, barbecue, or engage in similar activities, except within such owner's unit and except within those portions of the common area subject to exclusive easements appurtenant to such owner's unit.

3.6 Parking Restrictions; Use of Garage. Unless otherwise permitted by the board, no automobile shall be parked or left on any street or on any property subject to this declaration other than on or within a garage, carport, or assigned or appurtenant parking stall or space. No boat, trailer, recreational vehicle, camper, truck, or commercial vehicle shall be parked or left on any street or any part of the development other than in any parking area designated by the board for the parking and storage of such vehicles. However, parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Association rules. Any garages and carports shall be used for parking automobiles only and shall not be converted for living or recreational activities. Any garage doors shall remain closed at all times except when being used to enter or exit.

3.7 Signs. No sign of any kind shall be displayed to the public view on or from any unit or the common area without the approval of the board, except such signs as may be used by the declarant or its designees for a period of five (5) years from the date of recordation of this declaration for the purpose of developing, selling and improving units within the development and for the purposes of developing, selling and improving real property owned by declarant or its designees and situated in the vicinity of the development. However, one sign of customary and reasonable dimensions advertising a unit for sale or for rent may be placed within each unit or within the common area immediately adjacent by the owner, the location and design of it to be subject to approval by the board.

3.8 Antennae, External Fixtures, etc. No television or radio poles, antennae, flag poles, clotheslines, or other external fixtures other than those originally installed by declarant or approved by the board and any replacements shall be constructed, erected or maintained on or within the common area or any structures on it. No wiring, insulation, air-conditioning, or other machinery or equipment other than that originally installed by declarant or approved by the board, and their replacements shall be constructed, erected or maintained on or within the common area, including any structures on it. Each owner shall have the right to maintain television or radio antennae within completely enclosed portions of his unit. However, if cable television is or becomes available to such owner, his right to maintain television antennae within completely enclosed portions of his unit shall terminate immediately unless the board continues to authorize their maintenance.

3.9 Fences, etc. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or about any portion of any structure or elsewhere within the development except that are installed in accordance with the original

construction of the development, patio and lawn areas in the common area, and their replacements, or as are authorized and approved by the board.

3.10 Animals. No animals, reptiles, rodents, birds, fish, livestock or poultry shall be kept in any unit or elsewhere within the development except that domestic dogs, cats, fish and caged birds may be kept as household pets within any unit, if they are not kept, bred or raised for commercial purposes. The board can prohibit maintenance of any animal that constitutes a nuisance to any other owner in the sole and exclusive opinion of the board. Each person bringing or keeping a pet on the development shall be absolutely liable to the other owners, their family members, guests, invitees, tenants, and contract purchasers, and their respective family members, guests, and invitees for any damage to persons or property caused by any pet brought on or kept on the development by such person or by members of his family, his guests or invitees.

3.11 Restricted Use of Recreation Vehicles, etc. No boat, truck, trailer, camper, recreational vehicle or tent shall be used as a living area while located on the development.

3.12 Trash Disposal. Trash, garbage or other waste shall be kept only in sanitary containers. No owner of a unit shall permit or cause any trash or refuse to be kept on any portion of the development other than in the receptacles customarily used for it, which shall be located only in places specifically designated for such purposes except on the scheduled day for trash pickup.

3.13 Outside Drying and Laundering. No exterior clothesline shall be erected or maintained and there shall be no exterior drying or laundering of clothes or balconies, patios, porches or other areas.

3.14 Structural Alterations. No structural alterations to the interior of any unit shall be made and no plumbing or electrical work within any bearing or common walls shall be made by any owner without the prior written consent of the board.

3.15 Exterior Alterations. No owner shall at his expense or otherwise make any alterations or modifications to the exterior of the buildings, fences, railings, or walls situated within the development without the prior written consent of the board and the holder of any mortgage or deed of trust then of record whose interest may be affected.

3.16 Compliance With Laws, etc. Nothing shall be done or kept in any unit or in the common area that might increase the rate of, or cause the cancellation of, insurance on the development, or any portion of the development, without the prior written consent of the board. No owner shall permit anything to be done or kept in his unit that violates any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No owner shall allow furniture, furnishings, or other personal property belonging to such owner to remain within any portion of the common area except portions subject to the exclusive easements over common area appurtenant to such owner's unit and except as may otherwise be permitted by the board.

3.17 Indemnification. Each owner shall be liable to the remaining owners for any damage to the common area that may be sustained by reason of the negligence of that owner, members of his family, his contract purchasers, tenants, guests or invitees, to the extent that any such damage is not covered by insurance. Each owner, by acceptance of his deed, agrees for himself and for members of his family, his contract purchasers, tenants, that guests or invitees, to indemnify each and every other owner, and to hold him harmless from, and to defend him against, any claim of any person for personal injury or property damage occurring within the unit of that particular owner and any exclusive easements over the common area appurtenant to the unit, unless the injury or damage occurred by reason of the negligence of any other owner or

person temporarily visiting in said unit or portion of the common area subject to an exclusive easement appurtenant to the unit or is fully covered by insurance.

3.18 Owner's obligation for Taxes. To the extent allowed by law, all units, including their pro rata undivided interest in the common area and the membership of an owner in the Association, shall be separately assessed and taxed so that all taxes, assessments and charges which may become liens prior to first mortgages under local law shall relate only to the individual units and not to the unit development as a whole. Each owner shall be obligated to pay any taxes or assessments assessed by the county assessor of said County against his unit and against his personal property.

3.19 Future Construction. Nothing in this declaration shall limit the right of declarant, its successors and assigns, to complete construction of improvements to the common area and to units owned by declarant or to alter them or to construct additional improvements as declarant deems advisable before completion and sale of the entire development. The rights of declarant in this declaration may be assigned by declarant to any successor (to all or any part of any declarant interest in the development), as developer, by any express assignment incorporated in a recorded deed that transfers an interest to a successor.

3.20 Enforcement. The failure of any owner to comply with any provision of this declaration or the articles or by-laws shall give rise to a cause of action in the Association and any aggrieved owner for the recovery of damages or for injunctive relief, or both.

4. THE ASSOCIATION

4.1 Formation. The Association is a nonprofit corporation formed under the laws of Nevada. On the close and recording of the first unit sale to an owner, the Association shall be charged with the duties and invested with the powers set forth in the articles, the by-laws and this declaration, including but not limited to, control and maintenance of the common area and any common area facilities.

4.2 Association Action; Board of Directors and Officers. Except as to matters requiring the approval of members as set forth in this declaration, the articles, or the by-laws, the affairs of the Association shall be conducted by the board and such officers as the board may elect or appoint. Such election or appointment shall be in accordance with this declaration or the by-laws and their amendments. Except as otherwise provided in this declaration, the articles or the by-laws, all matters requiring the approval of members shall be deemed approved if members holding a majority of the total voting rights assent to them by written consent as provided in the by-laws or if approved by a majority vote of quorum of members at any regular or special meeting held in accordance with the by-laws.

4.3 Powers and Duties of Association.

4.3.1 Powers. The Association shall have all the powers of a nonprofit corporation organized under the General Nonprofit Corporation Law of Nevada subject only to such limitations on the exercise of such powers as are set forth in the articles, the by-laws and this declaration. It shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under this declaration, the articles and the by-laws, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association, including, without limitation, the following:

4.3.1.1 Assessments. The Association shall have the power to establish, fix, and levy assessments against the owners of the units and to enforce payment of such assessments in accordance with the provisions of this declaration. However, the approval of

members shall be required as to the amounts of all regular and special assessments except as otherwise provided in this declaration.

4.3.1.2 Right of Enforcement. The Association in its own name and on its own behalf, or on behalf of any owner who consents can commence and maintain actions for damages or to restrain and enjoin any actual or threatened breach of any provisions of this declaration or of the articles or by-laws, or of the Association rules or any resolutions of the board, and to enforce by mandatory injunction, or otherwise, all of those provisions. In addition, the Association can suspend the voting rights, can suspend use privileges of the common area or can assess monetary penalties against any owner or other person entitled to exercise such rights or privileges for any violation of this declaration or the articles, by-laws, Association's rules, or board resolutions. However, any such suspension of use privileges cannot exceed a period of thirty (30) days for any one violation and cannot exceed Twenty-Five Dollars (\$25.00) for any one violation. Each suspended or fined owner or other person can appeal such action by filing written notice of his intention to appeal with the board. The action imposing the fine or suspension shall then become ineffective until the fine or suspension is unanimously approved by all the board members at a regular or special meeting of the board at which all board members are present. The owner or other person to be fined or suspended can appear, be represented by counsel and be heard at the meeting. Except as provided in this section, the Association does not have the power or authority to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of such owner's unit if the owner does not comply with provisions of this declaration or of the articles or by-laws, or the Association rules of operation for common areas and facilities except when the loss or forfeiture is the result of the court judgment or an arbitration decision or a foreclosure or sale under a power of sale based on failure of the owner to pay assessments levied by the Association.

4.3.1.3 Delegation of Powers. The Association acting by and through the board can delegate its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("manager"). Any agreement for professional management of the unit project shall be terminable by either party with or without cause and without payment of a termination fee on thirty (30) days written notice. The term of any such agreement shall not exceed one (1) year, although such agreement may be renewed from year to year by the board. If the development is professionally maintained or managed, the board shall not terminate professional management and assume self-management of the development without the consent of all first mortgagees.

4.3.1.4 Association Rules. The Association shall have the power to adopt, amend and repeal its rules as it deems reasonable. The Association rules shall govern the use of the common area including but not limited to, any recreational facilities and private streets, by the owner or his family, guests, invitees or by any contract purchaser, or tenant or their respective family members, guests or invitees. However, the Association rules shall not be inconsistent with or materially alter any other provisions of this declaration, the articles or the by-laws. A copy of the Association rules as adopted, amended or repealed shall be mailed or otherwise delivered to each owner and a copy shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the development. In case any conflict between any Association rules and any other provisions of this declaration, the articles, or by-laws, the provisions of the Association rules shall be deemed to be superseded by the provisions of this declaration, the articles or the by-laws to the extent of any such inconsistency.

4.3.2 Duties of the Association. In addition to the powers delegated to it by its

articles or the by-laws, and without limiting their generality, the Association, acting by and through the board, or persons or entities described in Section 4.3.1.3, has the obligation to conduct all business affairs of common interest to all owners and to perform each of the following duties:

4.3.2.1 Operation and Maintenance of Common Area. To operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the common area, and all its facilities, improvements, and landscaping, including any private driveways and private streets, and any other property acquired by the Association, including personal property, in a first-class condition and in a good state of repair. In this connection, the Association may enter into contracts for services or materials for the benefit of the Associations or the common area, including contracts with declarant. The term of any such service contract shall not exceed one (1) year and shall be terminable by either party with or without cause and without payment of a termination fee upon thirty (30) days written notice.

4.3.2.2 Taxes and Assessments. To pay all real and personal property taxes and assessments and all other taxes levied against the common area, personal property owned by the Association or against the Association. Such taxes and assessments may be contested or compromised by the Association; provided that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

4.3.2.3 Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the common area and for units when the units are not separately billed. The term of any contract to supply any of the listed services shall not exceed one (1) year or, if the supplier is regulated public utility, the shortest term not to exceed one (1) year for which the supplier will contract at the applicable regulated rate.

4.3.2.4 Insurance. To obtain, from reputable insurance companies, and maintain the insurance described in section 8.

4.3.2.5 Enforcement and Restrictions and Rules. To perform such other acts, whether or not expressly authorized by this declaration, that may be reasonably necessary to enforce any of the provisions of this declaration, the articles and by-laws, and the Association's rules and board resolutions.

4.3.2.6 When the First Unit is Sold. If any of the common area improvements in the development have not been completed, and if the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the declarant or his successors or assigns to complete such common area improvements, then the board shall consider and vote on the question of action by the Association to enforce the obligations under the bond with respect to any improvement for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that improvement in the "planned construction statement" appended to the bond. However, if the Association has given an extension in writing for the completion of any common area improvement, the board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed within thirty (30) days after the expiration of the extension. If the board fails to consider and vote on the action to enforce the obligations under the bond, or if the board decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the board signed by members of the Association representing not less than ten percent (10%) of the total voting power of the Association, the board shall call a special meeting

of members for the purpose of voting to override the decision of the board not to initiate action or to compel the board to take action to enforce the obligations under the bond. The meeting shall be called by the board by fixing a date not less fifteen (15) days nor more than thirty (30) days after receipt by the board of said petition and by giving written notice to all owners entitled to vote in the manner provided in this declaration or in the by-laws for notices of special meetings of members of the Association. At the meeting, the vote in person or by proxy of a majority of the owners entitled to vote (other than declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the board shall then implement this decision by initiating and pursuing appropriate action in the name of the Association.

4.3.3 Limitations on Authority of Board. Except with the vote or written assent of members of the Association holding fifty-one percent (51%) of the voting rights of each class of members, the board shall not take any of the following actions:

4.3.3.1 Incur aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

4.3.3.2 Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

4.3.3.3 Pay compensation to members of the board or to officers of the Association for services performed in the conduct of the Association's business. However, the board may cause a member of the board or an officer to be reimbursed for expenses incurred in carrying on the business of the Association.

4.4 Personal liability. No member of the board, or any committee of the Association, or any officer of the Association, or any manager or declarant, or any agent of declarant, shall be personally liable to any owner or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct.

4.5 Regular Meeting and Notice. An organizational meeting shall be held as soon as practicable after incorporation of the Association, and the directors elected then shall hold office until the first annual meeting. All offices of the board of directors shall be filled at the organizational meeting.

The first annual meeting of members of the Association shall be held within forty-five (45) days after the closing of the sale of the unit that represents the fifty-first (51st) percentile interest authorized for sale, but in no case later than six (6) months after the closing and recording of the sale of the first unit with the development. Thereafter, regular meetings of members of the Association shall be held at least once in each calendar year at a time and place as prescribed in the by-laws. Special meetings may be called as provided for in the by-laws. Notice of all members' meetings, regular or special, shall be given by regular mail, personal delivery or telegram to all owners and to any mortgagee who has requested in writing that such notice be sent to it and shall be given not less than ten (10) days nor more than thirty (30) days before the time of the meeting and shall set forth the place, date, and hour of the meeting, and the nature of the business to be undertaken. Any mortgagee, through its designated representative, shall be entitled to attend any such meeting but except as provided in Section 14.9 shall not be entitled to vote at the meeting. All such meetings shall be held within the development at a place

selected by the board. The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. If any meeting cannot be held because a quorum is not present, members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the date the original meeting was called, at which adjourned meeting the quorum requirement shall be at least twenty-five percent (25%) of the total votes. Any meeting of members at which a quorum is present may be adjourned for any reason to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present in person or by proxy. As long as a majority of the voting power of the Association resides in the declarant, or as long as there are two outstanding classes of membership in the Association, the election of twenty percent (20%) of the directors (the "specially elected directors") shall be determined at a special election held immediately before the regular election of directors (except in the case of the election of a specially elected director following removal of his predecessor). At the duly constituted meeting of members, nominations, for the specially elected director shall be made from the floor. When the nominations have been closed, the special election shall take place. Declarant shall not have the right to participate in or vote in such special election (although declarant or declarant's representative may be present), and the candidates receiving the highest number of votes up to the number of specially elected directors to be elected shall be deemed to be the specially elected directors, and their term shall be the same as that of any other director. Unless members (excluding declarant) holding a majority of all voting rights (excluding any voting rights held by declarant) assent by vote or written consent, such specially elected directors cannot be removed. In case of the death, resignation, or removal of a specially elected director, his successor shall be elected at a special meeting of the members, and the provisions set forth in this section respecting the election of a specially elected director shall apply as to the election of a successor. Except as provided in this declaration, the provisions of this declaration and of the articles and by-laws applicable to directors, including their election and removal, shall apply to a specially elected director.

4.6 Financial Statements of the Association. The Association shall prepare, or cause to be prepared, a balance sheet and an operating statement for the Association as of the accounting dates set forth in this declaration, and copies of each shall be distributed to each member within sixty (60) days after the accounting dates. The account dates for the preparation of the balance sheet and operating statement are as follows:

4.6.1 The first accounting date shall be the last day of the month closest in time to six (6) months from the date of closing of the first sale of a unit within the development. The balance sheet shall be rendered as of the that date, and the operating statement shall be rendered for the period commencing with the date of closing of the first sale of a unit within the development and ending as of the first accounting date. The operating statement for the first six (6) months accounting period shall include a schedule of assessments received or receivable, itemized by unit number and by the name of the person or entity assessed.

4.6.2 The second and subsequent accounting date shall be last day of the Association's fiscal year (which fiscal year shall be a calendar year unless a different fiscal year is adopted). The balance sheet shall be rendered as of that date, and the operating statement shall be rendered for the fiscal year it covers, and both shall be distributed to the owners within ninety (90) days after the close of the fiscal year.

4.6.3 Not less than sixty (60) days before the beginning of each fiscal year of the Association, the Association shall prepare, or cause to be prepared, a pro forma operating statement (budget) for the coming fiscal year and shall distribute a copy to each owner.

4.6.4 Copies of each such balance sheet, operating statement and pro forma operating statement for the Association shall be mailed to any mortgagee who has requested in writing that such copies be sent to it.

4.7 Inspection of Association Books and Records.

4.7.1 Any membership register, books of account and minutes of meetings of the members, the board and committees of the board of the Association shall be made available for inspection and copying by any member of the Association, or his duly appointed representative, or any mortgagee, at any reasonable time and for the purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the development as the board prescribes.

4.7.2 The board shall establish by resolution reasonable rules with the respect to:

4.7.2.1 Notice to be given to the custodian of the records of the Association by the member, representative or mortgagee desiring to make an inspection.

4.7.2.2 Hours and days of the week when an inspection may be made.

4.7.2.3 Payment of the cost of reproducing copies of documents requested by a member or by a representative or mortgagee.

4.7.3 Every director of the Association shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

5. MEMBERSHIP AND VOTING RIGHTS

5.1.1 Qualifications. Each owner of a unit, including declarant, shall be a member of the Association. No owner shall hold more than one membership in the association even though such owner may own, or own an interest in, more than one unit. Ownership of a unit or interest in it shall be the sole qualification for membership in the Association. Each owner shall remain a member of the Association until his ownership or ownership interest in all units in the development ceases, at which time his membership in the Association shall automatically cease. Persons or entities who hold an interest in a unit merely as security for performance of an obligation are not to be regarded as members.

5.1.2 Members' Rights and Duties. Each member shall have the rights, duties and obligations set forth in this declaration, the articles, the by-laws and the Association rules and all their amendments.

5.1.3 Transfer of Membership. The Association membership of each person or entity who owns, or owns an interest in, one or more units shall be appurtenant to each such unit, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except on a transfer of title to each such unit or interest in it and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a unit or interest in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new owner.

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5.2 Voting.

5.2.1 Number of Votes. The Association shall have two (2) classes of voting membership:

Class A: Class A members are all owners, with the exception of declarant. Each class A member shall be entitled to one (1) vote for each unit in which such class member owns an interest. However, when more than one Class A member owns an interest in a unit, the vote for such unit shall be exercised as they themselves determine, but in no case shall more than one (1) vote be cast with respect to any one unit.

Class B: The Class B member shall be the declarant who shall be entitled to three (3) votes for each unit owned. The Class B membership shall cease and be converted to Class A membership on the happening of the following events.

5.2.1.1 When the total votes outstanding in the Class A membership equal total votes outstanding in the Class B membership:

As long as two classes of members in the Association exist, no action by the Association that must have the prior approval of the Association members shall be deemed approved by the members unless approved by the appropriate percentage of both classes of members, except as provided in Section 4.3.2.6 of this declaration.

5.2.2 Joint Owner Votes. The voting rights for each unit may not be cast on a fractional basis. If the joint owners of a unit are unable to agree among themselves as to how their voting rights shall be cast, they shall forfeit the vote on the matter in question. If any owner exercises the voting rights of a particular unit, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other owners of the same unit. If more than one (1) person or entity exercises the voting rights for a particular unit, their votes shall not be counted and shall be deemed void.

5.2.3 Cumulative Voting. Election to and removal from the board shall be by cumulative voting. Each member shall be entitled to vote, in person or by proxy, as many votes as such member is entitled to exercise as provided in this declaration multiplied by the number of directors to be elected or removed, and he may cast all of such votes for or against a single candidate or director, or he may distribute them among the number of candidates or directors to be elected or removed, or any two or more of them. The candidates receiving the highest number of votes up to the number of board members to be elected shall be deemed elected.

6. ASSESSMENTS

6.1 Agreement to Pay. The declarant, for each unit owned by it in the development that is expressly made subject to assessment as set forth in this declaration, covenants and agrees, and each purchaser of a unit by his acceptance of a deed, covenants and agrees, for each unit owned, to pay to the Association regular assessments and special assessments, such assessments to be established, made and collected as provided in this declaration.

6.2 Personal Obligations. Each assessment or installment, together with any late charge, interest, collection costs and reasonable attorneys' fees, shall be the personal obligation of the person or entity who was an owner at the time such assessment, or installment, became due and payable. If more than one person or entity was the owner of a unit, the personal obligation to pay such assessment, or installment, respecting such unit shall be both joint and several. The personal obligation to pay such assessment, or installment, respecting such unit shall be both joint and several. The personal obligation for delinquent assessments, or delinquent installments, and other such sums, shall not pass to an owner's successors in interest unless

expressly assumed by them. No owner of a unit may exempt himself from payment of assessments, or installments, by waiver of the use or enjoyment of all or any portion of the common area or by waiver of the use or enjoyment of, or by abandonment of, his unit.

6.3 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the members of the Association, the improvement, replacement, repair, operation and maintenance of the common area and the performance of the duties of the Association as set forth in this declaration.

6.4 Assessments.

6.4.1 Regular Assessments. Not more than sixty (60) days nor less than thirty (30) days before the beginning of each fiscal year the board shall estimate the total amount of funds necessary to defray the common expenses of the Association for the next fiscal year. If the amount is approved by a majority vote of the board, without a vote of the members of the Association, the estimate shall become the regular assessment for such year. However, the board may not increase the amount of the regular assessment for any fiscal year of the Association by more than twenty percent (20%) above the amount of the prior year's regular assessment (except the first such year if it should be less than twelve (12) months) without approval by vote or the written consent of members holding fifty-one percent (51%) of the voting rights of each class of members. The assessments shall be uniformed and shall be determined as provided in Section 6.5. The regular assessments shall be payable in regular installments as provided in this declaration and shall include adequate reserve funds for contingencies and for maintenance, repairs, and replacement of the common area improvements that must be replaced on a periodic basis sufficient to satisfy the requirements of any mortgagee. Unless the Association is exempt from federal or state taxes, all reserves shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service that will prevent such funds from being taxed as income of the Association.

6.4.2 Special Assessments. If the board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become, inadequate to meet expenses for any reason (including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements on the common area) the board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the board it shall become a special assessment. The board may, in its discretion, pro rate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each unit. Unless exempt from federal or state income taxation, all proceeds from any special assessment shall be segregated and deposited into a special account and shall be used solely for the purpose or purposes for which it was levied or it shall be otherwise handled and used in a manner authorized by law or regulations of the Internal Revenue Service in order to avoid, if possible, its taxation as income of the Association.

6.4.3 Limitation Respecting Special Assessments. Any special assessment in excess of five percent (5%) of the budgeted gross expense of the Association for the fiscal year in which a special assessment is levied shall require approval by vote or the written consent of fifty-one percent (51%) of the voting rights of each class of members, except in case of a special assessment against an owner as a remedy utilized by the board to reimburse the Association for costs incurred in bringing the member or his unit into compliance with the provisions of this declaration.

6.5 Uniform Rate of Assessment. Except as provided in the declaration, regular and special assessments must be fixed at a uniform rate for all units. Regular and special assessments shall be determined by dividing the amount by the total number of units then within the development and subject to assessments.

6.6 Assessment Period. The regular assessment period shall commence on January 1 of each year and shall terminate on December 31 of such year, and regular assessments shall be payable in equal monthly installments unless the board adopts some other basis for collection. However, the initial regular assessment period shall commence on the first day of the calendar month following the date on which the sale of the first unit to a purchaser is closed and recorded (the "initiation date") and shall terminate on December 31 of the year in which the initial sale is closed and recorded. The first regular assessment and all special assessments shall be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments unless the board adopts some other basis for collection. The Association shall not change the pro rata interest or obligation of any unit for purposes of levying assessments unless all owners and all mortgagees have given their prior written consent.

6.7 Notice and Assessment Installment Due Dates. A single ten (10) day prior written notice of each annual regular assessment and each special assessment shall be given to any owner of every unit subject to assessment in which the due dates for the payments of installments shall be specified. The due dates for the payment of installments normally shall be the first day of each month unless some other due date is established by the board. Each installment of regular assessments and special assessments shall become delinquent if not paid within fifteen (15) days after its due date. There shall accrue with each delinquent installment a late charge of Fifteen Dollars (\$15.00) together with interest at a rate of seven percent (7%) per annum calculated from the due date to and including the date full payment is received by the Association.

6.8 Estoppel Certificate. The board or manager, on not less than twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request an statement in writing stating whether or not to the knowledge of the Association, a particular owner is in default as to his unit under the provisions of this declaration and further stating the dates to which installments of assessments, regular or special, have been paid as to such unit. Any such certificate delivered pursuant to this Section 6.8 may be relied on by any prospective purchaser or mortgagee of the unit, but reliance on such certificate may not extend to any default not involving the payment of assessments of which the signer had no actual knowledge.

7. COLLECTION OF ASSESSMENTS: LIENS.

7.1 Right to Enforce. The right to collect and enforce assessments is vested in the board acting by and on behalf of the Association. The board or its authorized representative, including any manager, can enforce the obligations of the owners to pay assessments provided for in this declaration by commencement and maintenance of a suit at law or in equity, or the board may foreclose by judicial proceedings or through the exercise of the power of sale pursuant to Section 7.2 to enforce the lien rights created. Suit to recover a money judgment for unpaid assessments together with all other amounts described in Section 6.2 shall be maintainable without foreclosing or waiving the lien rights.

7.2 Creation of Lien. If there is a delinquency in the payment of any assessment, or installment on a unit, as described in Section 6.7, any amounts that are delinquent together with the late charge described in that section, interest at the rate of seven percent (7%) per annum, and

all costs that are incurred by the board or its authorized representative in the collection of the amounts, including reasonable attorney's fees, shall be a lien against such unit on the recordation in the office of the Recorder of Carson City, Nevada of a notice of assessment as provided by law. The notice of assessment shall not be recorded unless and until the board or its authorized representative has delivered to the delinquent owner or owners of such unit, not less than fifteen (15) days before the recordation of the notice of assessment, a written notice of default and a demand for payment, and unless such delinquency has not been cured within fifteen (15) days after deliver of notice. The lien shall expire and be void unless, within one (1) year after recordation of the notice of assessment, the board or its authorized representative records a notice of default as provided in this declaration or institutes judicial foreclosure proceedings.

7.3 Notice of Default; Foreclosure. Not more than one (1) year nor less than ten (10) days after the recording of the notice of assessment, the board or its authorized representative can record a notice of default and can cause the unit to be sold in the same manner as a sale is conducted under NRS Chapter 107, or through judicial foreclosure. However, as a condition precedent to the holding of any such sale appropriate publication shall be made. In connection with any sale the board is authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in Nevada as trustee for purposes of conducting the sale. If a delinquency is cured before sale, or before completing a judicial foreclosures, the board or its authorized representative shall cause to be recorded in the office of the Recorder of Carson City, Nevada a certificate setting forth the satisfaction of such claim and release of such lien on payment of actual expenses incurred, including reasonable attorneys fees not to exceed One Hundred Fifty Dollars (\$150) by any delinquent owner. During the pendency of any foreclosure proceeding, whether judicial or by power of sale, the unit owner shall be required to pay to the Association reasonable rent for the unit and the Association shall be entitled to the appointment of a receiver to collect the rent. On becoming delinquent in the payment of any assessments, or installments, each delinquent in the payment of any assessments, or installments, each delinquent owner shall be deemed to have absolutely assigned all rent, issues and profits of his unit to the Association and shall further be deemed to have consented to the appointment of a receiver (which appointment may, at the election of the Association, be enforced by the Association through specific performance). The Association, acting on behalf of the owners, shall have the power to bid in the unit at foreclosure sale and to acquire, hold, lease, mortgage and convey the unit.

7.4 Waiver of Exemptions. Each owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Section 7, the benefit of any homestead or exemption laws of Nevada in effect at the time any assessment, or installment becomes delinquent or any lien is imposed.

8. INSURANCE

8.1 Liability Insurance. The Association shall obtain and maintain comprehensive public liability insurance insuring the Association, any manager, the declarant and the owner and occupants of unit s, and their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership or use of the common area and including, if deemed necessary, across-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than \$5000,000 covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage for other liability or risk customarily

covered with respect to projects similar in construction, location and use.

8.2 Fire and Extended Coverage Insurance. The Association also shall obtain and maintain a master or blanket policy of fire insurance for the full insurable value of all of the improvements within the common area of the development. The form, content, and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional mortgagees. If more than one institutional mortgagee has a loan of record against the development, or any part of it, the policy and endorsements shall meet the maximum standards of the various institutional mortgagees represented in the development. The policy shall contain an agreed amount endorsement or its equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and additional policy coverage and amounts shall be determined by the board. The policy shall name as insured the Association, the owners and declarant, as long as declarant is the owner of any units, and all institutional mortgagees as their respective interests may appear, and may contain a loss payable endorsement in favor of the trustee described in this declaration. The Homeowner shall obtain and maintain a policy of insurance for the full uninsurable value of all the improvements within each unit owned. The form, content, and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional mortgagees. If more than one institutional mortgagee has a loan of record against the development, or any part of it, the policy and endorsements shall meet the maximum standards of the various institutional mortgagees represented in the development. The policy shall name as insured the owner of the unit and all institutional mortgagees as their respective interests may appear. A record of insurance coverage shall be given by the homeowner to the Association property manager.

8.3 Individual Fire Insurance Limited. Except as provided in this section no owner can separately insure his unit or any part of it against loss by fire or other casualty covered by any insurance carrier under paragraph 8.2. If any owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section 8.4 that result from the existence of such other insurance will be chargeable to the owner who acquired other insurance and the owner will be liable to the Association to the extent of any such diminution. An owner can insure his personal property against loss. In addition, any improvements made by an owner to the real property within his unit may be separately insured by the owner, but the insurance is to be limited to the type and nature of coverage commonly known as tenant's improvements. All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other owners, the Association and declarant.

8.4 Trustee. All insurance proceeds payable under Section 8.2 and 8.3, and subject to the rights of the mortgagees under Section 8.8, may be paid to a trustee, to be held and expended for the benefit of the owners, mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in Nevada that agrees in writing to accept such trust. If repair or reconstruction is authorized, the board shall have the duty to contract for such work as provided for in this declaration.

8.5 Other Insurance. The board may and, if required by any mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, and a blanket policy of flood insurance. The board shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees of the development. The board also shall purchase and maintain fidelity bonds or insurance (which shall be in an amount not less than 150% of each year's estimated annual operating expenses and reserves and shall contain an endorsement of

coverage of any person who may serve without compensation) sufficient to meet the requirements of any mortgagee. The board shall purchase and maintain such insurance on personal property owned by the Association, and any other insurance, that it deems necessary or that is required by any mortgagee.

8.6 Owner's Insurance. An owner may carry whatever personal liability and property damage liability insurance with respect to his unit that he desires. However, any such policy shall include a waiver of subrogation clause acceptable to the board and to any mortgagee.

8.7 Adjustment of Losses. The board is appointed attorney-in-fact by each owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.1, 8.2, and 8.5. The board is granted right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

8.8 Distribution to Mortgagees. Any mortgagee has the option to apply insurance proceeds payable on account of a unit, in reduction of the obligation secured by the mortgage of such mortgagee.

9. DESTRUCTION OF IMPROVEMENTS

9.1 Destruction; Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of the improvements in the development, and if the available proceeds of the insurance carried pursuant to Section 8 are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the improvements shall be promptly rebuilt unless, within ninety (90) days from the date of destruction, members then holding at least seventy-five percent (75%) of the total voting power of each class of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall not take place. If repair and reconstruction is to take place, the board shall be required to execute, acknowledge and record in the office of the Carson City Recorder, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

9.2 Destruction; Proceeds Less than 85% of Reconstruction Costs. If the proceeds of insurance are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction may nevertheless take place if, within ninety (90) days from the date of destruction, members then holding at least fifty-one percent (51%) of the total voting power of each class of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall take place. If repair and reconstruction is to take place the board shall be required to execute, acknowledge and record in the office of the Carson City Recorder, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

9.3 Rebuilding Procedures. If the members determine to rebuild, pursuant to paragraphs 9.1 or 9.2, the owner of each unit located within a structure that has been totally or partially destroyed shall be obligated to contribute his proportionate share of the cost of reconstruction or restoration of the structure containing his unit over and above the available insurance proceeds. All owners shall contribute their proportionate share of the cost of reconstruction or restoration of any portion of the common area not comprising the structure within which a unit is located, and the proportionate share of each owner shall be equal to a fraction the numerator of which is one (1) and the denominator of which is the number of units

then comprising part of the development. If any owner fails or refuses to pay his proportionate share, the board may levy a special assessment against the unit of such owner which may be enforced under the lien provisions contained in Section 7 or in any other manner provided in this declaration. If any owner disputes the amount of his proportionate liability under this section, such owner may contest the amount of his liability by submitting the board within ten (10) days after notice to the owner of his share of the liability written objections supported by cost estimates or other information that the owner deems to be material and may request a hearing before the board at which time he may be represented by counsel. Following such hearing, the board shall give written notice of its decision to all owners, including any recommendation that adjustments be made with respect to the liability of any owners. If such adjustments are recommended, the notice shall schedule a special meeting of members for the purpose of acting on the board's recommendation, including making further adjustments, if deemed by the members to be necessary or appropriate. All adjustments shall be affirmed or modified by a majority of the total voting power of each class of members. If no adjustments are recommended by the board, the decision of the board shall be final and binding on all owners, including any owner filing objections.

9.4 Rebuilding Contract. If the members determine to rebuild, the board or its authorized representative shall obtain bids from at least two reputable contractors and shall award the repair and reconstruction work to the lowest bidder. The board shall have the authority to enter into a written contract with the contractor for such repair and reconstruction, and the insurance proceeds held by the trustee shall be disbursed to the contractor according to the terms of the agreement. It shall be the obligation of the board to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

9.5 Rebuilding Not Authorized. If the members determine not to rebuild, then, subject to the rights of mortgagees under Section 8.8, any insurance proceeds then available for such rebuilding shall be distributed to the owner of each unit in proportion to his respective percentage undivided interest in the common area. The board shall have the duty, within one hundred and twenty (120) days from the date of such destruction, to execute, acknowledge and record in the office of the Carson City Recorder, a certificate declaring the intention of the members not to rebuild.

9.6 Minor Repair and Reconstruction. In any case, the board shall have the duty to repair and reconstruct improvements, without the consent of members and irrespective of the amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed Twenty Thousand Dollars (\$20,000.00). The board is expressly empowered to levy a special assessment for the cost of repairing and reconstructing improvements to the extent insurance proceeds are unavailable, such assessment to be levied as described in Section 9.3 (but without the consent or approval of members despite any contrary provisions) in this declaration.

9.7 Revival of Right to Partition. On recordation of a certificate described in Section 9.5, the right of any owner to partition through legal action as described in Section 11 shall revive immediately.

10. CONDEMNATION

10.1 Sale by Unanimous Consent. If an action for condemnation of all or a portion of the development is proposed or threatened by any governmental agency having the right of

eminent domain, then, on unanimous written consent of all of the owners and after written notice to all mortgagees, the development, or a portion of it may be sold.

10.2 Distribution of Proceeds of Sale. On a sale occurring under Section 10.1, the proceeds shall be distributed to the owner and the mortgagees of each unit as their respective interests may appear in proportion to his or their respective percentage undivided interest in the common area.

10.3 Distribution of Condemnation Award. If the development, or a portion of it, is not sold but is instead taken, the judgment of condemnation shall by its terms apportion the award among the owners and their respective mortgagees.

10.4 Revival of Right to Partition. On sale or on taking that renders more than fifty percent (50%) of the units in the development uninhabitable, the right of any owner to partition through legal action shall revive immediately.

11. PARTITION

11.1 Suspension. Partition of the development can be had on a showing that the conditions for partition as stated in Section 9.7 or in Section 10.4 have been met. Nothing in the declaration shall prevent partition or division of interest between joint or common owners of one (1) unit.

Proceeds or property resulting from a partition shall be distributed to and among the respective owners and their mortgagees as their interest appear in proportion to their respective percentage of undivided interest in the common area.

11.2 Power of Attorney. Each owner grants the Association an irrevocable power of attorney to sell the development for the benefit of the owners when partition can be had. Exercise of the power is subject to the approval of members.

12. NON-SEVERABILITY OF COMPONENT INTEREST IN A UNIT

12.1 Prohibition Against Severance. An owner shall not be entitled to sever his unit in any unit from his membership in the Association, and shall not be entitled to sever his unit and his membership from his undivided interest in the common area shown in Exhibit B for any purpose. None of the component interests can be severally sold, conveyed, encumbered, hypothecated or otherwise dealt with, and any violation or attempted violation of this provision shall be void. Similarly, no owner can sever any exclusive easement appurtenant to his unit over the common area from his unit, and any attempt to do so shall be void. The suspension of this right of severability will not extend beyond the period set forth in Section 11 respecting the suspension of partition.

12.2 Conveyances. After the initial sales of the units, any conveyance of a unit, or of the component interest in the common area, by the owner of a unit, shall be presumed to convey the entire unit. However, nothing contained in this Section shall preclude the owner of any unit from creating a co-tenancy or joint tenancy in the ownership of the unit with any other person or persons.

13. TERM OF DECLARATION

This declaration shall run with the land, and shall continue in full force and effect for a period of fifty (50) years from the date on which this declaration is executed. After that time, this declaration and all covenants, conditions, restrictions and other provisions shall be of no force and effect unless extended by an instrument executed by owners of not less than two-thirds

(2/3) of the units in the development and recorded in the office of the Carson City Recorder.

14. PROTECTION OF MORTGAGEES

14.1 Mortgage Permitted. Any owner may encumber his unit with a mortgage.

14.2 Subordination. Any lien created or claimed under the provisions of this declaration is expressly made subject and subordinate to the rights of any mortgage that encumbers all or a portion of the development, or any unit, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the mortgagee expressly subordinates his interest, in writing, to such lien.

14.3 Amendment. No amendment to this declaration, the articles or the by-laws shall affect the rights of any mortgagee under any mortgage made in good faith and for value and recorded before the recordation of any such amendment unless the mortgagee either joins in the execution of the amendment or approves it in writing as part of such amendment. The prior written consent of each mortgagee shall be required to any material amendment to this declaration, to the articles or to the by-laws, including, without limitation, any amendment which would change the undivided interest of the owners in the development.

14.4 Restrictions on Certain Changes. Unless all first mortgagees of units have given their prior written approval, neither the Association nor the owners shall be entitled:

14.4.1 by act or omission to seek to abandon or terminate the unit project, except for abandonment provided by statute in case of substantial loss to the units and common area;

14.4.2 to change the pro rata interest or obligations of any unit for purposes of levying assessments or changes or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the pro rata share of ownership of each unit in the common area;

14.4.3 to partition or subdivide any unit;

14.4.4 by act or omission to seek to abandon, partition, subdivide, encumber, sell or transfer the common area, except partition of the common area. The granting of easements for public utilities or for other public purposes consistent with the intended use of the common area by the Association or the owners shall not be deemed a transfer within the meaning of this clause;

14.4.5 to use hazard insurance proceeds for losses to units or common area in the development for other than the repair, replacement or reconstruction of improvements, except as provided by statute in case of substantial loss to the units or common area of the development.

14.5 Right to Examine Books and Records. First mortgagees may examine the books and records of the Association or the unit project and may require the submission of financial data concerning the Association or the unit project, including annual audit reports and operating statement as furnished to the owners.

14.6 Distribution of Insurance and Condemnation Proceeds. No unit owner, or any other party, shall have priority over any right of first mortgagees of units pursuant to their mortgages in case of a distribution to unit owners of insurance proceeds or condemnation awards for losses to or a taking of units or common area. Any provision to the contrary in this declaration or in the by-laws or other documents relating to the unit development is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected mortgagees naming the mortgagees, as their interest may appear.

14.7 Amenities. All amenities (such as parking, recreation and service area) shall be

available for use by owners and all such amenities with respect to which regular or special assessments for maintenance or other uses may be levied shall constitute common area. All such amenities both shall be covered by any mortgage on a unit and owned in fee by the owners in undivided interests free of encumbrances except for any easements granted for public utilities or for other public purposes consistent with the intended use of such property by the Association.

14.8 Notices to Mortgagees of Record. On any loss to any unit covered by a mortgage, if such loss exceeds One Thousand Dollars (\$1,000.00), or on any loss to the common area, if such loss exceeds Ten Thousand Dollars (\$10,000.00), or on any taking of the common area, notice in writing of such loss or taking shall be given to each mortgagee of record. If any owner of a unit is in default under any provision of these covenants, conditions and restrictions, or under any provision of these covenants, conditions and restrictions, or under any provision of the by-laws or the rules and regulations adopted by the Association, which default is not cured within thirty (30) days after written notice of such owner, the Association shall give to the mortgagee of record of such owner written notice of such default and of the fact that said thirty (30) day period has expired.

14.9 Voting Rights on default. In case of default by the owner of any unit in any payment due under the terms of any first mortgage (meaning a mortgage with priority over other mortgages) encumbering such unit, or the promissory note secured thereby, the mortgagee, or his representative, on giving written notice to such defaulting owner or owners, and placing of record a notice of default, can exercise the voting rights of such defaulting owner attributable to such unit at any regular or special meeting of the members held during such time as such default may continue.

14.10 Effect of Breach. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any mortgage in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

14.11 Foreclosure. If any unit is encumbered by a mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this declaration for assessments, or installments of assessments shall not operate to affect or impair the lien of the mortgage. On foreclosure of the mortgage, the lien for assessments or installments that has accrued up to the time of foreclosure shall be subordinate to the lien of the mortgage, with the foreclosure-purchaser taking title to the unit free of the lien for assessments, or installments that has accrued up to the time of the foreclosure sale. On taking title to the unit the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the unit. The subsequently levied assessments or other charges may include previously unpaid assessments provided all owners, including the foreclosure-purchaser, and his successors and assigns, are required to pay their proportionate share as provided in this Section.

14.12 Non-Curable Breach. Any mortgagee who acquires title to a unit by foreclosure or by deed-in-lieu of foreclosure or assignment-in-lieu of foreclosure shall not be obligated to cure any breach of this declaration that is non-curable or of a type that is not practical or feasible to cure.

14.13 Loan to Facilitate. Any mortgage given to secure a loan to facilitate the resale of a unit after acquisition by foreclosure or by a deed-in-lieu of foreclosure or by assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of Section 14.

14.14 Appearance at Meetings. Because of its financial interest in the development, any mortgagee may appear (but cannot vote except under the circumstances set forth in Section 14.9) at meetings of the members and the board to draw attention to violations of this declaration that have not been corrected or made the subject of remedial proceedings or assessments.

14.15 Right to Furnish Information. Any mortgagee may furnish information to the board concerning the status of any mortgage.

14.16 Inapplicability of Right of First Refusal to Mortgage. No right of first refusal or similar restriction on the right of an owner to sell, transfer or otherwise convey the owner's unit shall be granted to the Association without the consent of any mortgagee, of the unit. Any right of first refusal or option to purchase a unit that may be granted to the Association (or other person, firm or entity) shall not apply to any conveyance or transfer of title to such unit, whether voluntary or involuntary, to a mortgagee which acquires title to or ownership of the unit pursuant to the remedies provided in its mortgage or by reason of foreclosure of the mortgage or deed (or assignment) in lieu of foreclosure.

14.17 Contracts with Declarant. Any agreement between the Association and declarant pursuant to which the declarant agrees to provide services shall provide for termination by either party without cause or payment of a termination fee on thirty (30) days' written notice and shall have a maximum contract term of one (1) year; provided that the board can renew any such contract on a year-to-year basis.

15. AMENDMENT

15.1 Amendment Before Close of First Sale. Before the close of the first sale in the development to a purchaser other than declarant, this declaration and any amendments to it may be amended in any respect or revoked by the execution by declarant and any mortgagee of record of an instrument amending or revoking the declaration. The amending or revoking instrument shall make declaration. The amending or revoking instrument shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the Carson City recorder.

15.2 Amendment After Close of First Sale. After the close of the first sale of a unit in the development to a purchaser other than declarant, this declaration may be amended or revoked in any respect by the vote or written consent of the holders of not less than seventy-five percent (75%) of the voting rights of each class of members. However, if any provision of this declaration requires a greater or lesser percentage of the voting rights of any class of members in order to take affirmative or negative action under such provision, the same percentage of such class or classes of members shall be required to amend or revoke such provision. Also, if the consent or approval of any governmental authority, mortgagee or other person, firm, agency or entity is required under this declaration with respect to any amendment or revocation of any provision of this declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation subsequent to the close of such first sale shall be evidenced by an instrument certified by the secretary or other duly authorized officer of the Association and shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the Carson City Recorder.

15.3 Conflict with Section 13 or other Provisions of this Declaration. To the extent any provisions of Section 14 conflict with the provisions of Section 13 or any other provisions of this declaration, except those contained in paragraph 14.4, the provisions of Section 13 or the

other provisions shall control.

15.4 Reliance on Amendments. Any amendments made in accordance with the terms of this declaration shall be presumed valid by anyone relying on them in good faith.

15.5 Amendments to Conform with Mortgage Requirements. It is the intent of declarant that this declaration and the articles and by-laws of the Association, and the development in general, meet all requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a unit in the development by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Veterans Administration. In furtherance of that intent, declarant expressly reserves the right and shall be entitled by unilateral amendment of the declaration as long as declarant owns more than twenty-five percent (25%) of the unit in the development to incorporate any provisions that are, in the opinion of any of the cited entities or governmental agencies, required to conform the declaration, the articles, the by-laws or the development to the requirements of any of the entities or governmental agencies including without limitation, the execution on behalf of the Association of a regulatory agreement between the Association and the Federal Housing Commissioner. Each owner of a unit and each mortgagee of a unit by acceptance of a deed or encumbrance of a unit consents to the incorporation in this declaration of any such provisions and to the execution of any such regulatory agreement and agrees to be bound by any such provisions as if it were incorporated in this declaration. The board and each owner shall take any action or shall adopt any resolutions required by declarant or any mortgagee to conform this declaration or the development to the requirements of any of the entities or agencies.

16. GENERAL PROVISIONS

16.1 Headings. The headings used in this declaration are for convenience only and are not be used to interpret the meaning of any of the provisions of this declaration.

16.2 Severability. The provisions of this declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provisions shall not invalidate any other provisions.

16.3 Cumulative Remedies. Each remedy provided for in this declaration shall be cumulative and not exclusive. Failure to exercise any remedy provided for in this declaration shall not, under any circumstances, be construed as a waiver thereof.

16.4 Violations as Nuisance. Every act or omission in violation of the provisions of this declaration shall constitute a nuisance.

16.5 to 16.8 Reserved.

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

16.10 Exhibits. All exhibits referred to are attached to this declaration and incorporated by reference.

16.11 Easements Reserved and Granted. Any easement referred to in this declaration shall be deemed reserved or granted, or both reserved and granted, by reference to this declaration in a deed to any unit.

16.12 Binding Effect. This declaration shall inure to the benefit of and be binding on the successors and assigns of the declarant, and the heirs, personal representatives, grantees, tenants, successors and assigns of the owners.

16.13 Un-segregated Real Estate Taxes. Until such time as real property taxes have been segregated by the Carson City Assessor, they shall be paid by the respective owners of units. The proportionate share of the taxes for a particular unit shall be determined by dividing the initial sales prices or offered initial sales prices and offered initial sales prices of all units within the development (the term "offered initial sales price" means the price at which an unsold unit is then being offered for sale by declarant). If, and to the extent, that taxes are not paid by any owner of a unit and are allowed to become delinquent, they shall be collected from the delinquent owner by the Association.

IN WITNESS WHEREOF, the undersigned President and Secretary of the Board of Directors of the CARSON VILLAS HOMEOWNERS ASSOCIATION, INC., a Nevada nonprofit corporation, have executed this Amended and Restated Declaration of Covenants, Conditions and Restrictions for Carson Villa I and Carson Villa II as of the date first set forth above.

BOARD OF DIRECTORS OF CARSON VILLAS
HOMEOWNERS ASSOCIATION, INC., A
NEVADA NONPROFIT CORPORATION

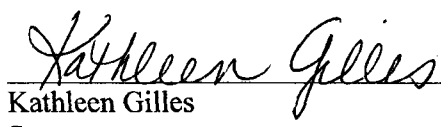
By:


Richard Ewell

Its:

Vice-President

By:

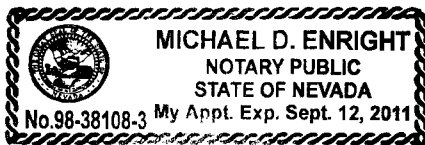

Kathleen Gilles

Its:

Secretary

STATE OF NEVADA)
) ss.
COUNTY OF CARSON CITY)

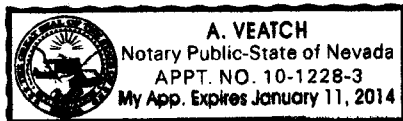
On MARCH 5, 2010, personally appeared before me Richard Ewell, known or proved to me to be the person whose name is subscribed to the above instrument, who acknowledged to me that he is the Vice-President of the Board of Directors of Carson Villas Homeowners Association, and who further acknowledged to me that he executed the foregoing instrument on behalf of said association for the uses and purposes therein mentioned..

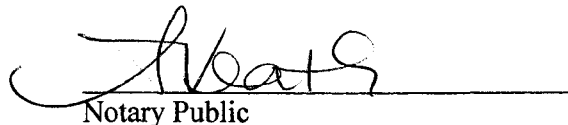



Notary Public

STATE OF NEVADA)
) ss.
COUNTY OF CARSON CITY)

On April 2, 2010, personally appeared before me Kathleen Gilles, known or proved to me to be the person whose name is subscribed to the above instrument, who acknowledged to me that she is the Secretary of the Board of Directors of Carson Villas Homeowners Association, and who further acknowledged to me that she executed the foregoing instrument on behalf of said association for the uses and purposes therein mentioned..




Notary Public

399673

CERTIFICATE OF SECRETARY

I, Kathleen Gilles, being duly elected and acting as Secretary of Carson Villas Homeowners Association, hereby certifies as follows:

1. that not less than fifty percent (50%) of the eligible voting Owners of the Carson Villas Homeowners Association approved the Amended and Restated Declaration of Covenants, Conditions and Restrictions of Carson Villas Homeowners Association; and
2. The affirmative action was taken by those members whose votes are recorded in the official records of the Association; and
3. The total number of eligible voting units in the Association is forty-six (46) and the number of Owners indicating their approval of this Amended and Restated Declaration is twenty-three (23).

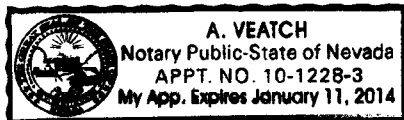
DATED this April 2, 2010

Secretary

Kathleen Gilles
Kathleen Gilles

STATE OF NEVADA)
) ss.
COUNTY OF CARSON CITY)

On April 2, 2010, personally appeared before me Robin Browne, known or proved to me to be the person mentioned in the above and foregoing documents and who acknowledged to me that she executed the same for the uses and purposes therein mentioned..



A. Veatch
Notary Public

399673

