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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF
SUNRIDGE HEIGHTS

THIS DECLARATION is made this 30th day of JUNE, 1987, by WESDEV, INC., a Nevada corporation, herein called "Declarant."

ARTICLE I

RECITALS AND DECLARATION

1.1 Ownership of Property.

Declarant is the owner of a certain parcel of real property located in Douglas County, Nevada, described in Exhibit "A" attached hereto.

1.2 Intention of Declarant.

The real property (herein the "Project") more particularly described in Exhibit "A" attached hereto is a project known as SUNRIDGE HEIGHTS. The Project primarily consists of lots upon which single family residences will be constructed. Declarant intends to impose upon the Project mutually beneficial restrictions under a general plan or regimen of improvements for the benefit of the Project and the future owners thereof and intends to create a general plan that can benefit and burden other property in the vicinity of the Project if and when such other property is annexed hereto as described in Article X below.

1.3 Declaration and Property Subject Thereto.

Declarant hereby declares that all of the real property referred to herein as the Project, Exhibit "A" attached hereto, and such other real property as may become annexed and subject hereto as described in Article X of this Declaration is held and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, covenants and conditions, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of some or all of said real property and are established and agreed upon for the purpose of enhancing and perfecting the value, desirability and attractiveness of all of said real property and every part thereof. All of the limitations, covenants, restrictions and conditions shall run with said real property and shall be binding upon and shall inure to the benefit of Declarant, the Association referred to below, and each and every

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

ARTICLE II

DEFINITIONS

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

2.1 Articles. The Articles of Incorporation of the Association that are or shall be filed in the office of the Secretary of State of the State of Nevada, as amended from time to time.

2.2 Association. Sunridge Heights Homeowners' Association, a Nevada nonprofit corporation, described in Article III, including its successors and assigns.

2.3 "Association Property". Any property owned by the Association.

2.4 "Beneficiary". A beneficiary under a deed of trust or a mortgagee under a mortgage, and/or the assignee of such beneficiary or mortgagee.

2.5 Board. The Board of Directors of the Association as provided in the Articles and By-Laws.

2.6 By-Laws. The By-Laws of the Association that are or shall be adopted by the Board and any subsequent properly adopted amendment thereto.

2.7 Commercial Site. Any unit of land, whether or not improved, which is designated for commercial use.

2.8 Common Area. All of the common area within SUNRIDGE HEIGHTS which Members are entitled to use jointly.

2.9 Design Review Committee. The committee created pursuant to Article IX below.

2.10 Design Review Committee Rules. The rules adopted by the Design Review Committee pursuant to Section 9.3 below.

2.11 Improvement. Any building, outbuilding, shed, road, driveway, parking area, walk, fence, wall, stair, arbor, deck, pole, sign, pool, tank, ditch, landscaping, court, gate, statue, marker, bridge, hole, pipe, screening wall, retaining wall, hedge, wind break, planting, planted tree and shrub, and any other structure or landscaping improvement of every type and kind.

2.12 Manager. The person or corporation appointed as such pursuant to Section 3.4.A(c).

2.13 Member. A person who is a member of the Association pursuant to Section 3.2.

2.14 Mortgage. An instrument securing monetary obligations, including a deed of trust as well as a mortgage.

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

2.16 Owner. The record Owner of any Lot subject to this Declaration that is subject hereto and the record owner of any parcel that is annexed. "Owner" shall include a vendee under an Installment Contract of Sale and shall exclude the vendor thereunder and those having an interest in any Property that is subject to this Declaration solely for security for the performance of an obligation.

2.17 Lot. Each lot within the Sunridge Heights Project, as the same may be shown on the Subdivision Map therefor, other than Common Areas. Such lots shall consist of the separate lots within the Project, and after any annexation as described in Article X below, shall include all other property so annexed. Lot shall include commercial lots and single family type lots, whether created by a Subdivision Map or by another mapping procedure provided by the laws of the State of Nevada.

2.18 Purchaser. A purchaser who is unrelated to Declarant or any corporation, partnership, joint venture, or other business entity in which Declarant has no ownership interest or over which Declarant exercises no contractual or other control.

2.19 Residential Unit. The structure or structures situated upon a Lot designed or arranged for use and occupancy as a residence on monthly or annual basis, including any garage, carport and guest house located on such Lot.

2.20 "Rules". Such rules and regulations as the Board from time to time may adopt concerning the use of the Project or of any part thereof.

2.21 Single Family. One or more persons each related to the other by blood, marriage or legal adoption or a group of not more

than four persons not all so related together with their domestic employees and servants who maintain a common household in a Residential Unit and casual guests.

2.22 Visible from Neighboring Property. With respect to any given object, such object is or would be visible to a person six feet tall standing on an assumed floor elevation two feet above the surface of any neighboring property in the area involved, assuming that the property had an elevation equal to the highest elevation of the ground surface of that portion of the area upon which the object is located.

ARTICLE III

SUNRIDGE HEIGHTS HOMEOWNERS' ASSOCIATION

3.1 Organization and Membership:

(a) The Homeowners' Association: Sunridge Heights Homeowners' Association is a non-profit Nevada membership corporation created for the purposes, charged with the duties, and invested with the powers prescribed by law or set forth in its Articles and Bylaws or in this Declaration. Neither the Articles nor Bylaws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

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

3.2 Membership: Each Owner of a Lot, 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 Lot. Ownership of a Lot 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 Lots in the Project ceases, at which time his membership in the Association shall automatically cease. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not to be regarded as Members; however, a contract of sale buyer of a Lot shall be a Member (contract of sale herein is defined to be the "security interest" document and not the "marketing" document). However, no person shall be a Member by reason of ownership of lands used for public schools or governmental or quasi-governmental purposes, or by reason of ownership of any park, public land, road, easement, right of way, mineral interest, mortgage or deed of trust. Each

Owner shall automatically be a Member of the Association without the necessity of any further action on his part, and Association membership shall be appurtenant to and shall run with the property interest, ownership of which qualifies the Owners thereof to membership. Membership may not be severed from, or in any way transferred, pledged, mortgaged, or alienated except together with the title to the property interest, ownership of which qualifies the Owner thereof for membership, and then only to the transferee of title to said property interest. Any attempt to make a prohibited severance, transfer, pledge, mortgage or alienation shall be void.

3.3 Voting Rights:

A. Entitlement: Only Members of the Association shall be entitled to vote. The voting privileges of each class of Members shall be as set forth herein.

(a) Class A Members. Class A Members shall be all Owners excepting Declarant and shall have one vote for each Lot owned.

(b) Class B Member. The Class B Member shall be Declarant. The Class B Member shall be entitled to four votes for each Lot owned. The Class B membership shall be converted to two votes for each Lot owned on the happening of one of the following events, whichever occurs earlier: (a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or (b) seven years from the first sale to an Owner other than Declarant which takes place after the effective date of this Declaration.

(c) Votes Upon Annexation: If and when additional parcels are annexed hereto, Declarant shall become a Class B Member for each Lot within the added premises so annexed and shall be entitled to cast four votes for each Lot that it owns in the added land even though its Class B voting rights for the Lots owned within a previous phase had theretofore ceased pursuant to Section 3.3.A. (b).

B. Joint or Common Ownership: If any property interest, ownership of which entitles the Owner thereof to vote, is held jointly or in common by more than one person, the vote or votes to which such property interest is entitled shall also be held jointly or in common in the same manner. However, the vote or votes for such property interest shall be cast, if at all, as a unit, and neither fractional votes nor split votes shall be allowed. In the event that such joint or common Owners are unable to agree among themselves as to how their vote or votes shall be cast as a unit, they shall lose their right to cast their vote or votes on the matter in question. Any joint or common Owner shall be entitled to cast the vote or votes belonging to the joint or common Owners unless another joint or common Owner shall have delivered to the Secretary of the Association prior to the time to cast such vote or

votes, a written statement to the effect that the Owner wishing to cast the vote or votes has not been authorized to do so by the other joint or common Owner or Owners.

C. Proxy Voting: Any Owner, including Declarant, may give a revocable written proxy to any person authorizing the latter to cast the Owner's votes on any matter. Such written proxy shall be in such form as may be prescribed by the Bylaws of the Association.

D. Cumulative Voting: The cumulative system of voting shall not be used for any purpose.

E. Majority: Except as provided otherwise in this Declaration any action may be taken at any legally convened meeting of the Members upon the affirmative vote of the Members having a majority of the total votes present at such meeting in person or by proxy.

3.4 Duties and Powers of the Association:

A. Powers. The Association shall have all the powers of a nonprofit corporation organized under the laws of the State of Nevada subject only to such limitations on the exercise of such powers as are set forth in the Articles, the Bylaws, 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, or the Bylaws, 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:

(a) Assessments. The Association shall have the power to establish, fix, and levy assessments against the Owners 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.

(b) 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 provision of this Declaration, the Articles, Bylaws, Rules and Regulations, any resolutions of the Board, or to enforce by mandatory injunction, or otherwise all of these provisions. In addition, the Board 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, the Articles, Bylaws, Rules, or Board resolutions. However, any such suspension of use privileges cannot exceed a period of 60 days for any one violation; and any monetary penalty cannot exceed \$500.00 for any one violation. Before

invoking any such suspension or fine, the Board shall give such Owner or other person a hearing upon at least 5 days written notice. 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 approved by a majority of the Board members at a regular or special meeting of the Board at which all Board members are present; provided, however, if the fined or suspended Owner is a Board member, then such Board member need not be present at such hearing or approve of such sanction. The Owner or other person to be fined or suspended can appear, be represented by counsel, and be heard at the meeting. The Board may impose a special assessment against such Owner's Lot to collect any fine which remains unpaid for a period of ten days or more. 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 Lot if the Owner does not comply with provisions of this Declaration, the Articles, Bylaws, or the Rules, except when the loss or forfeiture is the result of a court judgment or 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.

(c) Delegation of Powers; Professional Management; Other Services. The Association acting by and through the Board may delegate its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("Manager"). Any agreement for professional management of the Project shall be terminable by either party with or without cause and without payment of a termination fee on 30 days' written notice. The term of any such agreement shall not exceed one year, although such agreement may be renewed from year to year by the Board. If the Project is professionally maintained or managed, the Board shall not terminate professional management and assume self-management of the Project without the consent of the institutional holders of first deeds of trust on the Project and the Declarant. The Association may obtain and pay for legal, accounting, and other services necessary and desirable in connection with the operation of the Project and the enforcement of this Declaration.

(d) Personal Property. The Association may acquire and hold for the use and benefit of all the Owners tangible and intangible personal property, and may dispose of the same by sale or otherwise.

(e) Rules and Regulations. The Board shall have the power to adopt, amend, and repeal Rules as it deems reasonable. The Rules shall govern the use of the Common Area by all Owners, or their families, guests, invitees, or by any contract purchaser, or tenant, or their respective family members, guests, or invitees. However, the Rules shall not be inconsistent with or materially alter any provisions of this Declaration, the Articles, or the Bylaws. A copy of the Rules as adopted, amended, or repealed, shall

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be mailed or otherwise delivered to each Owner. In case of any conflict between any provision of the Rules and any provisions of this Declaration, the Articles, or Bylaws, then the conflicting provision of the Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles, or the Bylaws.

(f) Other Services and Properties. The Association shall have the power to obtain or pay for, as the case may be, any other property, services, taxes, or assessments which the Association or the Board is required to secure or pay for pursuant to the terms of this Declaration, the Articles, or Bylaws, including security services for the Association Properties or for the Project generally, or which, in its opinion, shall be necessary or proper for the operation of the Association Property.

B. Duties of the Association. In addition to the duties delegated to it by its Articles or the Bylaws, and without limiting their generality, the Association, acting by and through the Board, or persons or entities described in Section 3.4.A(c), has the obligation to conduct all business affairs of common interest to all Owners and to perform each of the following duties:

(a) Operation and Maintenance of Common Area. The Association shall 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. Such operation and management shall be conducted in a first-class manner; and the Association Property shall be maintained 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 year and shall be terminable by either party with or without cause and without payment of a termination fee upon 30 days' written notice.

(b) Taxes and Assessments. The Association shall pay all taxes and assessments levied against property owned by 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.

(c) Utilities. The Association shall acquire, provide, and pay for all necessary utility services for the Common Area. The term of any contract to supply any services shall not exceed one year, or if the supplier is a regulated public utility, the shortest term not to exceed one year for which the supplier will contract at the applicable regulated rate.

(d) Insurance. The Association shall obtain and maintain, from insurance companies rated "A" or better in Best's Ratings, the insurance described in Article VIII.

(e) Enforcement. The Association shall perform such other acts that may be reasonably necessary to enforce any of the provisions of this Declaration, Articles, Bylaws, Rules, or Board resolutions without such acts being expressly authorized.

C. Other. The Association shall carry out the other duties of the Association set forth in this Declaration, the Articles, or Bylaws.

3.5 Limitations on Authority of Board. Except with the vote or written assent of Members holding 51% of the voting rights, the Board shall not take any of the following actions:

A. Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of 5% of the budgeted gross expenses of the Association for that fiscal year; or

B. Sell during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expenses of the Association for that fiscal year; or

C. 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.

3.6 Personal Liability. Except to the extent such liability, damage, or injury is covered by any type of insurance, 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 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.

3.7 Meetings of Members. Meetings of Members shall be noticed and held as provided in the Articles, Bylaws, and this Amended Declaration.

3.8 Inspection of Association Books and Records.

A. Any membership register, accounting records, and minutes of meetings of the Members, the Board, and committees of the Board or the Association, shall be made available for inspection and copying by any Member or his duly appointed representative, or any Mortgagee, at any reasonable time but only for a purpose reasonably

related to his interest as a Member, at such place as the Board reasonably prescribes.

B. Declarant or its designee and 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.

ARTICLE IV

ASSESSMENTS

4.1 Agreement to Pay. Each Owner, by his acceptance of a deed, for each Lot owned, covenants and agrees to pay to the Association such regular and special assessments as are established, made, and collected as provided in this Declaration. For any assessment period in which there is a subsidy agreement between the Association and Declarant, Declarant's obligations to pay regular and special assessments shall be deemed discharged if Declarant is not in default under such agreement.

4.2 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 is the Owner of a Lot, the personal obligation to pay such assessment or installment respecting such Lot shall be both joint and several. Subject to the provisions of Section 4.9, a purchaser of the Lot shall be jointly and severally liable with the seller for all unpaid assessments against the Lot up to the time of the grant or conveyance, without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such assessments. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosure or waiver of the lien securing the same. No Owner may avoid or diminish such personal obligation by waiver of the use and enjoyment of any of the Common Area or by abandonment of such Owner's Lot.

4.3 Purpose and Amount of Assessments. The assessments levied by the Association shall be the amount estimated to be required, and shall be used exclusively to promote the recreation, health, safety, and welfare of the Members, 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.

4.4 Regular Assessments. Not less than 30 days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of preparing the operating statement or budget for the forthcoming fiscal year and establishing the regular annual assessment for the forthcoming fiscal year. The Board shall

establish the regular annual assessment without vote of the Members; provided, however, the Board may not establish a regular assessment for any fiscal year of the Association which is more than 110% of the regular assessment of the prior fiscal year of the Association (except the first such fiscal year of the Association if it should be less than 12 months) without the approval by vote or written consent of Members holding 51% of the voting rights. In addition to all other uses of the regular assessments as herein provided, the Association shall, from each payment of regular monthly assessments, fund a reserve for replacement of Common Area and Association Property.

4.5 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, then 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, prorate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each Lot. Additionally, the Association shall have the power to incur expenses for maintenance and repair of any Lot, provided such maintenance and repair is necessary, in the opinion of the Board, to protect the Common Area or any other portion of the Project, and provided the Owner of such Lot has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of such maintenance or repair has been delivered by the board to such Owner. The Board shall levy a special assessment against the Owner of any such Lot to pay for the cost of such maintenance, repair and any other costs or expenses arising out of or incident to such maintenance and repair, and the assessment therefor. Additionally, the Board may levy a special assessment against an Owner to collect any fine imposed by the board.

4.6 Uniform Rate of Assessment. Except as otherwise specifically provided in this Declaration, regular and special assessments must be fixed at a uniform rate for all Lots; and the amount assessed to each Lot shall be determined by dividing the total amount assessed by the total number of Lots then within the Project and subject to assessment.

4.7. Assessment Period. The regular assessment period shall commence on January 1 of each year and shall terminate on December 31 of each 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 Lot to a Purchaser is closed and recorded after recordation of this Declaration, and shall terminate

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on December 31 of the year in which the regular assessment period commenced. 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 Lot for purposes of levying assessments unless all Owners and all institutional first mortgagees have given their prior written consent.

4.8 Notice of Assessments; Time for Payment. The Association may, in its discretion, give written notice of assessments to each Owner, which notice shall specify the amount of the assessment and the date or dates of payment of the same. No payment shall be due fewer than 15 days after such written notice has been given. Each delinquent assessment shall bear interest at the rate of 12% per annum from the date it becomes due, together with a late charge of FIFTEEN DOLLARS (\$15.00) for each delinquent installment. An assessment payment is delinquent if not paid within 30 days after the due date. Failure of the Association to give notice of the assessment shall not affect the liability of any Owner for such assessment, but the date when payment shall become due in such a case shall be deferred to a date 15 days after such notice shall have been given.

4.9 Statement of Account. Upon payment of a reasonable fee, not to exceed \$15.00, and upon written request of Declarant or any Owner, any Mortgagee, prospective mortgagee, or prospective purchaser of a Lot, the Association shall issue a written statement setting forth the amount of the unpaid assessments, if any, with respect to such Lot, the amount of the current periodic assessment, and the date that such assessment becomes or became due, credit for advanced payments or prepaid items, including, but not limited to, an Owner's share of prepaid insurance premiums, which statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account shall be complied with within 20 days, all unpaid assessments which became due prior to the date of making such request shall be subordinate to the lien of a mortgagee which acquired its interest subsequent to requesting such statement. Where a prospective purchaser makes such request, both the lien for such unpaid assessments and the personal obligation of the purchaser shall be released automatically if the statement is not furnished within the 20 day period provided herein and if, thereafter, an additional written request is made by such purchaser and is not complied with within 10 days, and if the purchaser subsequently acquires the Lot.

4.10 Collection of Assessments. The right to collect and enforce assessments is vested in the Board acting for 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

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of sale pursuant to Section 4.13 to enforce the lien rights created. Suit to recover a money judgment for unpaid assessments together with all other amounts due shall be maintainable without foreclosing or waiving the lien rights.

4.11 Lien for Assessments. All sums assessed to any Lot pursuant to this Article, together with interest thereon as provided herein, shall be secured by a lien on such Lot in favor of the Association upon recordation of a notice of delinquency as herein provided. Such lien shall be superior to all other liens and encumbrances on such Lot except only for: (a) valid tax and special assessment liens on the Lot in favor of any governmental assessing authority; (b) a lien for all sums unpaid on a first mortgage, or on any mortgage under which Declarant is a beneficiary, duly recorded in Douglas County, Nevada, real estate records, including all unpaid obligatory advances to be made pursuant to such mortgage and secured by the lien thereof in accordance with the terms of such instrument; (c) labor or materialmen's liens, to the extent required by law; and (d) a lien for sums secured by any other mortgage recorded prior to the recordation of the notice of delinquency.

4.12 Creation of Lien. To create a lien for sums assessed pursuant to this Article, the Association may prepare a written notice of delinquency setting forth the amount of the assessment, the date due, the amount remaining unpaid, the name of the record owner of the Lot, and a description of the Lot. Such a notice shall be signed by the Association's representative and may be recorded in the office of the County Recorder of Douglas County, Nevada. No notice of delinquency shall be recorded until there is a delinquency in payment of the assessment.

4.13 Enforcement of Lien. Such lien may be enforced by sale by the Association after failure of the Owner to pay such an assessment in accordance with the provisions or covenants numbered 6, 7 and 8 of NRS 107.030, and in accordance with the provisions of NRS 107.080 and 107.090, applicable to the exercise of powers of sale in deeds of trust, or in any other manner permitted by law. After the lien is filed, the Owner shall be required to pay the costs and expenses of such foreclosure proceeding, including reasonable attorneys' fees.

All such costs and expenses shall be secured by the lien being foreclosed. The Owner also shall be required to pay to the Association any assessments against the Lot which shall become due during the period of foreclosure. The Association shall have the right and power to bid at the foreclosure sale or other legal sale and to acquire, hold, convey, lease, rent, encumber, use and otherwise deal with the same as the Owner thereof.

A further notice stating the satisfaction and release of any such lien shall be executed by the Association and recorded in the Douglas County, Nevada, real estate records, upon payment of all sums secured by a lien which has been made the subject of a recorded notice of delinquency.

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Any encumbrancer holding a lien on a Lot may pay, but shall not be required to pay, any amounts secured by the lien created by Section 4.11; and upon such payment, such encumbrancer shall be subrogated to all rights of the Association with respect to such lien, including priority rights.

The Association shall report to any encumbrancer of a Lot any unpaid assessment remaining unpaid for longer than 90 days after the same shall have become due; provided, however, such encumbrancer first shall have furnished to the Association written notice of such encumbrance.

ARTICLE V

WAIVER OF PARTITION

There shall be no judicial partition of the property subject to this Declaration of Covenants, Conditions and Restrictions. Each Owner and the successors of each Owner, whether by deed, gift, devise or operation of law, for their own benefit or for the benefit of their respective Lots and for the benefit of all other Owners specifically waive and abandon all rights, interest and causes of action for a judicial partition of the tenancy in common ownership of the Property and do further promise and covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment until the happening of the conditions set forth in Section 13.1 hereof; provided, however, that if any Lot shall be owned by two or more co-tenants as tenants in common, as joint tenants, or as community property, nothing herein contained shall be deemed to prevent a judicial partition as between such co-owners of a Lot as to their undivided interests therein and thereto.

ARTICLE VI

RIGHTS AND RESTRICTIONS ON

USE OF LOTS

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

6.1 Lot Use: For each and every lot which is the subject of these restriction provisions there is hereby established a square footage for the residential structures to be built on such lots. The minimum square footage for single family structures on non-zero lot line lots shall be a minimum of 1,250 square feet of living area on the ground floor exclusive of the garage area. The zero-lot line lots shall have a restriction of 1,050 square feet of living area on the ground floor exclusive of the garage area.

6.2 Use of Common Areas: There shall be no use or occupancy of any Common Area, except by Owners, their invitees and tenants, as provided in the Rules, and by Declarant. There shall be no obstruction of any part of the Common Area.

6.3 Improvements and Alterations: No improvement, construction, repair, excavation, fill, or other work that alters the exterior appearance of any Lot or the improvements located thereon from its natural or improved state existing on the date such Lot was first conveyed in fee by Declarant to an Owner or on the date of its annexation, shall be made, done or permitted to be done without the prior approval of the Design Review Committee except as specifically authorized herein.

6.4 Maintenance and Repair: The owner of each Lot shall maintain the Lot, the landscaping, all Improvements located on the Lot and the Residential Unit in a clean and orderly manner and in good condition and state of repair and adequately painted and otherwise finished, all at Owner's sole cost and expense. No building, improvement or structure on any Lot shall be permitted to fall into disrepair. Prior written consent of the Design Review Committee shall be obtained before changing the exterior color or appearance of an Improvement. No Owner shall do any act or work that will impair the structural soundness or safety of any Improvement located on a Lot. If any Improvements are damaged or destroyed by fire or other calamity, the insurance proceeds shall be paid to the Owner or the Mortgagees thereof, as their respective interests may appear, and such Owner or Mortgagee shall, within a time period determined to be reasonable by the Board, rebuild or repair the damage or restore the Lot to a state that is approved by the Design Review Committee.

6.5 Animals: No animals, reptiles, rodents, birds, fish, livestock, or poultry, except a reasonable number of household pets, shall be kept on any Lot or elsewhere. The Association may by the Rules prohibit or limit the keeping of household pets on any Lot or on the Common Area or any part thereof, in its absolute discretion.

6.6 Signs: No signs of any kind shall be displayed to the public view on or from any Lot or within the Common Area without the approval of the Design Review Committee.

6.7 Rubbish and Nuisances: No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Lot and no odors shall be permitted to arise therefrom so as to render any Lot or portion thereof unsanitary, unsightly, offensive or detrimental to any of the property in the vicinity thereof or to the occupants thereof. No nuisance or noxious or offensive activity shall be carried on or permitted to exist or operate upon any Lot so as to be offensive or detrimental to any property in the vicinity thereof or to its occupants. Without limitation of any of the foregoing, no exterior speakers, or other sound devices except security

devices used exclusively for security purposes shall be located, used or placed on a Lot or outside a Residential Unit. This restriction shall not prevent the temporary storage of construction materials and waste during the period of construction of Improvements within the Project, provided the same is removed within a period determined by the Board to be reasonable.

6.8 Trash Containers, Waste Materials and Collection: All garbage and trash shall be placed in and kept in covered containers of a type and style approved by the Design Review Committee. Such garbage shall be collected on a regular schedule as approved by the Association and in conjunction with those services supplied by Douglas County, Nevada or its franchisee.

6.9 Temporary Occupancy and Temporary Structures: No temporary building or structure of any kind such as a tent, house trailer, portable living unit, shack, garage or barn, and no incomplete building shall be used at any time for a residence, either temporary or permanent. Temporary buildings and structures used during the construction or improvement of a Residential Unit or Lot shall be removed immediately after the completion of construction.

6.10 Trailers, Boats and Motor Vehicles: No mobile home, trailer of any kind, truck camper larger than a one ton pick-up truck, recreational motor home or boat shall be kept, placed, maintained, constructed, or repaired or permitted to be parked upon any Lot or street within the Project or adjacent streets Visible from Neighboring Property. The foregoing provision however shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during and used exclusively in connection with the construction of any work or improvement. No commercial vehicles of any nature shall be parked or stored on any Lot or on the streets of the Project except for a commercial vehicle providing services to owners of Lots or to the Association and in such event only for the duration necessary to provide such services.

6.11 Antennas: No antenna or satellite dish shall be erected, used or maintained outdoors whether attached to a building or structure or otherwise nor shall any tower type structure be placed, constructed or maintained on any Lot, excepting, however, such antennas that have been approved by the Design Review Committee.

6.12 Utility Service: No lines, wires or devices for transmission of electric current or telephone, television and radio signals shall be constructed, placed or maintained anywhere on any Lot unless the same shall be contained in conduits or cables placed and maintained underground or concealed in or under buildings or approved structures. Nothing herein shall be deemed to forbid the erection and use of temporary power or telephone services incidental to the construction of Improvements and buildings.

6.13 Maintenance of Lawns, Plantings and Landscape: Each Owner shall keep all shrubs, trees, grass and plantings on his Lot neatly trimmed, properly cultivated and free from trash, weeds and other unsightly material. Each Owner shall maintain all trees on his Lot and shall replace any tree that dies or becomes diseased. No Owner shall remove, alter or injure any tree or shrub placed in any area by Declarant or by the Association or any tree in excess of six inches in diameter without the prior written approval of the Design Review Committee. The Association, the Design Review Committee and their respective authorized agents shall have the right (without the duty) to enter upon any Lot at any reasonable time for the purpose of planting, replacing, maintaining or cultivating trees and shrubs.

6.14 Clothes Drying Facilities: No outside clothes lines or other outside clothes drying or airing facilities shall be maintained on any Lot.

6.15 Fences: No fences, hedges or walls shall be erected or maintained on any Lot other than those initially installed by Declarant unless first approved by the Design Review Committee.

6.16 Barbecues: There shall be no exterior fires except barbecue fires contained within receptacles designed for such purpose or outside fireplaces except as approved by the Design Review Committee.

6.17 Roofing Materials: Only non-flammable roofing materials shall be used in the building, replacement or repair of any owner's structure.

6.18 Mailboxes: There shall be no exterior newspaper tubes or free-standing mailboxes except those approved by the Design Review Committee.

6.19 Garages: Each Owner shall maintain his garage area in a neat, orderly condition with all storage areas completely enclosed. Garages shall only be used for the purposes of parking motor vehicles, and other storage and workshop purposes and pursuant to the Rules as they are adopted and changed from time to time.

6.20 Mineral Exploration: No Lot or portion thereof shall be used in any manner to explore for or to remove any oil or other hydrocarbons, minerals of any kind, gravel, or other substance. No drilling, exploration, refining, quarrying or mining operations of any kind shall be conducted or permitted to be conducted thereon, nor shall wells, tanks, tunnels, mineral excavations, shafts, derricks, or pumps used to mine or drill for any such substances be located on any Lot.

6.21 Machinery and Equipment: No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual and customary in connection with the use, maintenance or construction of any Improvement then so used, maintained or constructed on such Lot.

6.22 Diseases and Insects: No owner shall permit any thing or condition to exist upon his Lot that shall induce, breed or harbor infectious plant or tree diseases, noxious insects or killer bees.

6.23 No Further Subdivision: No Lot or Common Area shall be further divided or subdivided, nor may any easement or other interest therein less than the whole be conveyed by the Owner thereof without the prior written approval of the Design Review Committee and Declarant; provided, however, that when Declarant is the Owner thereof, Declarant may further divide and subdivide any Lot or Common Area and convey any easement or other interest less than the whole, all without the approval of the Design Review Committee; and provided, further, that nothing herein shall be deemed to require the approval of the Design Review Committee for the transfer or sale of any Lot, including Improvements thereon, to more than one person to be held by them as tenants in common or joint tenants, or for the granting of any mortgage or deed of trust.

6.24 Right of Entry: Upon reasonable notice and during reasonable hours Declarant and any member of the Design Review Committee or any member of the Board or any authorized representative of any of them shall have the right to enter upon and inspect any Lot and the Improvements located thereon for the purposes of ascertaining whether or not the provisions of this Declaration have been or are being violated and such persons shall not be deemed guilty of trespass by reason of such entry; provided, however, the granting of such right shall not be construed as creating any duty or obligation to determine compliance with this Declaration.

6.25 Exemption of Declarant: Notwithstanding anything in this Declaration to the contrary, neither Declarant nor any of Declarant's activities shall in any way be subject to the control of or under the jurisdiction of the Design Review Committee. Without in any way limiting the generality of the preceding sentence, this Declaration shall not prevent or limit the right of Declarant to excavate and grade, to construct and alter drainage patterns and facilities, to construct any and all other types of Improvements, to maintain model homes and construction, sales and leasing offices and similar facilities, and to post signs incidental to construction, sales and leasing, anywhere on the Project.

6.26 Assignment by Declarant: Any other provision of this Declaration to the contrary notwithstanding, Declarant may assign in whole or in part any of its privileges, exemptions, rights and duties under this Declaration to any other person and may permit the participation in whole or in part by any other person in any of its

privileges, exemptions, rights and duties hereunder. Without in any way limiting the generality of the preceding sentence, Declarant may exempt any person from the control and jurisdiction of the Design Review Committee.

6.27 Easement in Favor of Declarant to Facilitate Sales: The Declarant hereby reserves the right to use any units owned or leased by the Declarant as models, management offices, sales offices, or customer service offices. The Declarant reserves the right to relocate the same from time to time within the property; upon relocation, the furnishings thereof may be removed. The Declarant further reserves the right to maintain on the property such advertising signs as may comply with applicable governmental regulations which may be placed in any location on the property and may be relocated or removed all at the sole discretion of the Declarant. The Declarant shall have the right to restrict the use of certain common element parking spaces for sales purposes and to use such spaces for sales purposes. Further, the Declarant shall have the right to erect temporary offices or certain common elements for models, sales, management, customer service, and similar purposes. The reservation of this easement to facilitate sales also applies to any land annexed to be covered by these Covenants, Conditions, and Restrictions. This easement shall continue until the Declarant has conveyed all of the parcels and lots in the Sunridge project to owners other than the Declarant.

6.28 Declarant's Right to Grant Easements: The Declarant shall have the right prior to the termination of these Covenants, Conditions, and Restrictions to grant and reserve easements and rights of way through, under, over and across the property for construction purposes, and for the insulation, maintenance, and inspection of the lines and appurtenances for public or private water, sewer, drainage, gas, electricity, telephone, and other utilities.

6.29 Reservation of Declarant's Rights Relating to Golf Course: A certain portion of the project may, at Declarant's sole discretion, have constructed thereon a golf course and attendant facilities. Declarant hereby reserves all rights to irrigate the golf course with recycled waste water and to impose all necessary restrictions relating to lot setbacks and access limitations as well as the requisite easements relating thereto.

ARTICLE VII

COMMON AREA

7.1 Common Area Ownership: The Common Area shall be conveyed to and owned by the Association and the Association shall accept the conveyance of the Common Area transferred to it pursuant to this section. Declarant may transfer and convey to the Association and the Association shall accept Declarant's interest in all of the real property on any Subdivision Map recorded or to be recorded with

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respect to the Project designated thereon as "Common Area". Said real property may be transferred to the Association at any time. In the event of such a transfer, said real property shall be transferred by Declarant to Association free and clear of all liens, restrictions and encumbrances except the following:

- A. Those created by the provisions of this Declaration.
- B. The lien of real property taxes and assessments not delinquent.
- C. Such easements and rights of way on, over or under all or any part thereof as may be reserved to the Declarant or granted to any Owner for the use thereof in accordance with this Declaration.
- D. Such easements and rights of way on, over or under all or any part thereof as may be reserved to Declarant or granted to or for the benefit of the United States of America, the State of Nevada, County of Douglas, or any other political subdivision, public organization, or utility for the purpose of constructing, erecting, operating and maintaining thereon, at any time: (1) roads, streets, trails, walks, driveways, parkways and park areas; (2) poles, wires, conduits for transmission of electricity, telephone, communication and cable or master antenna television for the Project and the necessary attachments connected therewith; and (3) public and private sewers, sewage disposal systems, storm water drains, land drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes and any and all equipment connected therewith.
- E. Any easements and rights of way on, over or under all or any part thereof as may be reserved to Declarant or granted to any Owner for access, ingress and egress to and from any Lot.
- F. The obligation imposed, directly or indirectly by virtue of any statute, law, ordinance, resolution or regulation of the United States of America, the State of Nevada, County of Douglas, or any other political subdivision or public organization having jurisdiction over the Property or the sales thereof, or by virtue of any organization or political body created pursuant to any such statute, law, ordinance or regulation.
- G. Any other lien, encumbrance or defect of title of any kind whatsoever (other than of the type that would at any time or from time to time create a lien upon such property to secure an obligation to pay money) that would not materially and actually prejudice Owners in their use and enjoyment of their Lots.

7.2 Common Area: Permitted Uses, Construction and Alteration of Improvements; Owner's Easements: The Common Area shall be held, maintained and used for the common interest of the Members, their tenants and guests as provided in this Declaration:

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A. Limitation on Construction: No person other than the Association and its duly authorized agents, shall construct, repair, refinish, or alter any roadway or improvement upon, or make or create any excavation or fill upon or destroy or remove any tree, shrub or other vegetation upon any portion of the Common Area.

B. Maintenance by Association: The Association shall at any time, and from time to time, as to any portion of the Common Area transferred to it:

(a) Maintain any road improvement, landscaping or surface upon any portion of such area used as a private road, street, walk or parking area;

(b) Keep the roadways, parkways, walkways and pathways within the Common Area reasonably free from debris, snow and ice, to the extent weather and other conditions permit;

(c) Remove injured or diseased trees or other vegetation in such area and plant trees, shrubs and ground cover to the extent the Board deems necessary for the conservation of water and soil or for aesthetic purposes;

(d) Place and maintain upon any such area signs as the Board may deem appropriate for the proper identification, use and regulation thereof; and

(e) Maintain at its expense in a clean and orderly manner and in a good state of repair all Common Areas and all Improvements located thereon.

C. Damage or Destruction of Common Area: In the event of any damage or destruction to Common Area or any of the Improvements or facilities located thereon, the Association shall promptly undertake to repair and reconstruct any such damage or destruction substantially in accordance with the original design or standard of construction of the damaged or destroyed Common Area or Improvement. The Association shall utilize any available insurance proceeds to accomplish such repair or reconstruction. In the event said proceeds are insufficient to cover all of the costs for such repair or reconstruction, the Board may levy a special assessment equally against all Members, as more particularly described in Article IV, to cover the insufficiency between the insurance proceeds and the costs. Said special assessment and any other special assessment imposed pursuant to this Section shall be due and payable by all such Members as the Board shall designate.

7.3 Owners' Easements of Enjoyment in Common Area:

A. Each Owner shall have a right and easement of use and enjoyment in and to the Common Area that shall be appurtenant to and shall pass with title to every Lot, subject to the following provisions:

(a) The Board shall have the right upon thirty (30) days written notice to suspend the voting rights and right to use any facilities within the Common Area by an Owner and by his tenants and guests for any period during which any assessment against his Lot remains unpaid.

(b) If approved by the Declarant, the Association shall have the right to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility or any special district, for such purposes and subject to such conditions consistent with the purposes intended hereby as may be determined by vote of the Board. Except for the property offered for dedication prior to the conveyance thereof to the Association, no such dedication or transfer shall be effective unless an instrument signed by 75% of the Owners entitled to vote agreeing to such dedication or transfer has been recorded.

(c) There shall be no obstruction of any part of the Common Area and nothing shall be stored, kept or parked in the Common Area without the prior consent of the Board. Each Owner shall avoid any damage to the Common Area and shall be responsible to repair or replace any damage or injury to the Common Area and facilities if either caused by him, his tenants or guests.

(d) Nothing shall be done or kept in the Common Area that will increase the rate of insurance on any of the Common Area or facilities, without the prior consent of the Board. No Owner shall permit anything to be done or kept in the Common Area that will result in the cancellation of insurance, if any, on the Common Area or the facilities or either, or which would be in violation of any governmental statute, ordinance, rule or regulation. No waste shall be committed in or on the Common Area.

(e) No automobiles, vehicles, or motorcycles shall be permitted on any part of the Common Area that is not a paved roadway, except as used for safety or maintenance purposes. No snowmobiles shall be operated on any of the Common Area or any roadway within the Project, except as used for safety or maintenance purposes. No Owner nor the Association shall utilize any chemical materials for the removal of ice or snow within the roadways that may cause damage to the surrounding vegetation either within the Common Area or within any Lot.

(f) Each Lot adjacent to the Common Area is hereby declared to have an easement over the adjacent Common Area for the purpose of accommodating any encroachments due to engineering errors, variances made in original construction, any discrepancy in the original construction in the "as-built" location from the location shown on any easement or subdivision map, settlement or shifting of any building or any similar cause and any encroachment due to building overhang or projection. Declarant hereby reserves in each Lot and each Owner shall acquire title subject to or if applicable, by annexation grants to the owners of its adjoining Lots

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and the Common Area a similar easement over its Lot for the purpose of accommodating any encroachments, overhang or projection of the type previously described. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settling or shifting; provided, however, there shall be no valid easement for encroachment created in favor of an Owner if said encroachment occurred due to the willful misconduct of said Owner.

(g) There is hereby reserved to Declarant and the Association, and their duly authorized agents and representatives, such easements as are necessary to perform the duties and obligations or to exercise the rights of the Association as set forth in this Declaration, or in the By-Laws, Articles, or Rules.

(h) Each of the easements provided for in this Declaration shall be deemed to be established upon the recordation of this Declaration and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Lots and the Common Area, as the case may be, superior to all other encumbrances applied against or in favor of any portion of the properties that are subject to this Declaration. In furtherance of the easements provided for in this Declaration the individual grant deeds to the Lots may, but shall not be required to, set forth said easements.

(i) Notwithstanding anything herein expressed or implied to the contrary, this Declaration shall be subject to all easements heretofore or hereafter granted by Declarant for the installation and maintenance of utilities and drainage facilities that are necessary in connection with the development of the Project.

7.4 Delegation of Right to Use: Any Owner may delegate his rights of enjoyment in the Common Area and any facilities that may become part of the Common Area by annexation to contract purchasers from such Owner, and to any of his tenants who reside thereon under a leasehold estate, subject, however, to the provisions of these restrictions and to the Articles, By-Laws, and Rules. The right to delegate use to guests of any of the foregoing shall be subject to the Rules that may require the payment of fees for such use and may limit or prohibit certain uses by guests. The rights and privileges of all of the foregoing persons are subject to suspension for the same reasons and in the same manner as this Declaration provides regarding the suspension of rights and privileges of Owners.

ARTICLE VIII

INSURANCE

8.1 Insurance to be Obtained. The Association shall obtain and maintain in full force and effect at all times insurance coverage, provided by companies rated "A" or better in Best's

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Ratings and duly authorized to do business in Nevada, as set forth in this Article. In order to facilitate the providing and maintaining of adequate and proper insurance, it is contemplated that Declarant may contract for blanket insurance coverage covering the Project as contemplated by this Article prior to or concurrently with the first conveyance of a Lot, in which case, the Association and Declarant shall each pay their proportionate share of the premium.

8.2 Public Liability and Property Damage Insurance. The Association shall purchase broad form comprehensive liability coverage in such amounts and in such forms as it deems advisable to provide adequate protection, but not less than Five Hundred Thousand Dollars (\$500,000) for bodily injuries to or death of any one person whomsoever, and One Million Dollars (\$1,000,000.00) for bodily injuries or death of any two or more persons whomsoever, arising from the same occurrence. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association, and activities in connection with the ownership, operation, maintenance and other use of the Project. The liability insurance shall name as separately protected insureds Declarant, Declarant's project manager, if any, the Association, the Board, and their representatives, members and employees, with respect to any liability arising out of the maintenance or use of any Association Property. Every policy of insurance obtained by the Association shall contain an express waiver, if available, of any and all rights of subrogation against Declarant, Declarant's project manager, if any, the Board, and their representatives, members and employees. After Declarant has no further interest in any portion of the Project, then the above insurance provisions regarding Declarant and Declarant's project manager, if any, shall not apply.

8.3 Workmen's Compensation and Employer's Liability Insurance. The Association shall purchase workmen's compensation and employer's liability insurance and all other similar insurance in respect of employees of the Association in the amounts and in the forms now or hereafter required by law.

8.4 Fidelity Insurance. The Association shall purchase in such amounts and in such forms as it shall deem appropriate coverage against dishonesty of employees, destruction or disappearance of money or securities, and forgery.

8.5 Other Insurance. The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Project, including any personal property of the Association located thereon. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for housing projects established by Federal National Mortgage Association and Government National Mortgage Association, so long as either is a Mortgagee or owner of a Lot within the Project, except to the extent such coverage is not available or has been waived in

writing by Federal National Mortgage Association or Government National Mortgage Association.

8.6. Premiums and Review. Except as provided above, premiums for all of the foregoing insurance carried by the Association shall be a common expense and shall be included in the assessments or charges made by the Association. The Board shall review the limits of all insurance policies of the Association at least once a year and adjust the limits as the Board deems necessary or appropriate.

8.7. Form. Casualty insurance shall be carried in a form or forms naming the Association as the insured as trustee for the Owners, which policy or policies shall specify the interest of each Owner and which policy or policies shall provide a standard loss payable clause providing for payment of insurance proceeds to the Association as trustee of the Owners and for the respective first mortgagees which from time to time shall give notice to the Association of such first mortgages; such proceeds shall be used in accordance with the provisions of this Declaration. Each policy shall also provide that it cannot be cancelled by either the insured or the insurance company until after 30 days' prior written notice if first given to each Owner, Declarant and to each first mortgagee. The Association shall furnish to each Owner who requests it and to Declarant a true copy of such policy, together with a certificate identifying the interest of the Owner. All policies of insurance shall provide for a waiver of subrogation by the insurer as to claims against the Association, the Board, employees and agents, and against each Owner and each Owner's employees, agents and guests, and shall provide that the insurance cannot be cancelled, invalidated or suspended on account of the conduct of the Association, the Board, employees and agents or of any Owner or such Owner's employees, agents or guests, and shall provide that any "no other insurance" clause in the insurance policy shall exclude any policies of insurance maintained by any Owner or Mortgagee and that the insurance policy shall not be brought into contribution with insurance maintained by any Owner or Mortgagee.

8.8. 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 this Declaration. 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.

ARTICLE IX

DESIGN REVIEW COMMITTEE

9.1 Appointment of Design Review Committee. The Design Review Committee shall consist of not less than three (3) nor more than five (5) persons as fixed from time to time by resolution of the Board. The Declarant shall initially appoint the Design Review

Committee. The Declarant shall retain the right to appoint, augment or replace all members of the Design Review Committee until such time as ninety percent (90%) of the Lots within the Project have been conveyed by Declarant. Persons appointed by the Board to the Design Review Committee must be Members; however, persons appointed by Declarant to the Design Review Committee need not be Members, in Declarant's sole discretion.

9.2 Meetings. The Design Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of its members shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by this Declaration. The Committee shall keep and maintain a record of all actions taken by it at such meeting or otherwise. The Committee may charge a filing fee to be used to pay an architect who may or may not be a committee member to review any submitted plans and specifications. The Design Review Committee may reimburse members for reasonable expenses incurred by them in the performance of any Design Review Committee function.

9.3 Design Review Committee Rules: The purpose of the Design Review Committee shall be to insure that all construction within the Project is of good quality construction and has design characteristics which are compatible and comparable to the aesthetic character which the Declarant envisioned for the Project. The Design Review Committee shall from time to time and in its sole discretion adopt, amend and repeal rules and regulations to be known as "Design Review Committee Rules" interpreting and implementing the provisions of this Declaration and setting forth fees to be charged and procedures and design and construction criteria to be followed in submitting proposals to the Committee. A copy of the Design Review Committee Rules as they may from time to time be adopted, amended or repealed, certified by any member of the Design Review Committee, shall be maintained by the Association and shall be available for inspection and copying by any Member at any reasonable time during reasonable business hours.

9.4 General Provisions.

A. The Design Review Committee may assess a fee not to exceed Fifty Dollars (\$50.00) per submission of plans in connection with review of plans and specifications including, without limitation, the number of sets of plans to be submitted; however, the Design Review Committee may delegate its plan review responsibilities to one or more members of such Design Review Committee. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the entire Design Review Committee. Unless any such rules are complied with, such plans and specifications shall be deemed not submitted.

B. The establishment of the Design Review Committee and the systems herein for architectural approval shall not be construed

as changing any rights or restrictions upon Owners to maintain, repair, alter or modify or otherwise have control over the Lots as may otherwise be specified in this Declaration, in the By-Laws or in any Rules.

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

9.5 Nonliability for Approval of Plans. Plans and specifications are not approved for engineering design, and by approval of such plans and specifications neither the Design Review Committee, the members thereof, the Association, the Members, the Board nor Declarant assumes liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications.

9.6 Appeal. After ninety percent (90%) of the lots or parcels have been conveyed, in the event plans and specifications submitted to the Design Review Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request shall be received by the Board not more than thirty (30) days following the final decision of the Design Review Committee. The Board shall submit such request to the Design Review Committee for review, whose written recommendations will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the appellants.

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

9.8 Subterranean Improvements. No Improvement which will extend beneath the surface of the ground for a distance of more than eighteen (18) inches shall be commenced unless plans and specifications therefor have been approved by the Design Review Committee. Without limiting the generality of the foregoing, the Design Review Committee shall not approve plans or specifications for any such subterranean improvement which interferes with drainage unless adequate provision has been made to relocate the drainage flow to the satisfaction of the Design Review Committee. The procedures used by the Design Review Committee shall be adopted by the Board for submitting such plans and specifications, time limitations for completion of improvements in compliance with approved plans and specifications, and determining when such plans and specifications shall be deemed approved.

9.9 Yard Landscaping. The Design Review Committee shall have the right to require the Owner of any Lot to remove, trim, top or prune any tree, shrub, bush or plant which in the reasonable belief of the Design Review Committee impedes or detracts from the view of any Lot.

9.10 Nonapplicability to Declarant. The provisions of this Article shall not apply to property owned by Declarant prior to its first conveyance to a Purchaser.

ARTICLE X

ANNEXATION

10.1 Annexation. Declarant may at any time or from time to time add to the property which is covered by this Declaration. Upon the recording of a Supplementary Declaration affecting the property to be added, the provisions of this Declaration shall apply to the added land in the same manner as if it were originally covered by this Declaration and originally part of the Project. Specifically, with regard to Owners' interests in the Common Area, upon recording of a Supplementary Declaration, each Owner of a Lot on the original land and each Owner of a Lot on the added land shall have an undivided fractional interest as tenants in common of the total amount of Common Area contained in both the original land plus the added land. Such fractional interest shall be defined by a fraction which has a numerator of one and a denominator equal to the sum of the number of Lots in the original land plus the number of Lots in the added land.

10.2 Contents of Supplementary Declaration. Any Supplementary Declaration referred to in Section 10.1 shall contain an exact description of the added land and shall state that it is being made pursuant to the terms of this Declaration for the purpose of annexing the added land to the original land covered by this Declaration and extending the jurisdiction of the Association to cover the added land. The "Project" shall be redefined to include the added land in addition to the original land. A Supplementary Declaration may contain such complementary additions and modifications to this Declaration as may be necessary to reflect the different character, if any, of the added land which may be significantly at variance with the original land.

10.3 Deannexation. Declarant may deannex any Lot within the Project from this Declaration, without the consent of any Owner, at any time prior to the conveyance of a Lot within the Project; provided, however, that any consent or approval required by law to be obtained from any governmental authority having jurisdiction of the Project with respect to such deannexation shall be obtained by Declarant prior to the recordation of a deannexation declaration. Such deannexation shall be effected by recording a deannexation declaration. Upon recordation of the deannexation declaration, the Lot shall be removed and deannexed from this Declaration and, there-

after, shall be free from the obligations, requirements, declarations, limitations, covenants, conditions and restrictions set forth herein.

ARTICLE XI

LIMITATION OF RESTRICTIONS

11.1 Limitations of Restrictions: Declarant is undertaking the work of constructing Residential Units within the Project, and certain Common Areas. In order that said work may be completed and that the Project be established as a fully occupied community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

A. Prevent Declarant or its contractors, or subcontractors from doing on the Project, whatever is reasonably necessary or advisable in connection with the commencement or completion of said work; or

B. Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Project, such structures as may be reasonably necessary for the conduct of its business of completing said work and establishing said Project as a residential community and disposing of the same in parcels by sale, lease or otherwise; or

C. Prevent Declarant from conducting on any part of the Project its business of completing said work and of establishing said Project as a residential community and of disposing of said Lots by sale, lease or otherwise; or

D. Prevent Declarant from maintaining such sign or signs on any of the Project, as may be necessary for the sale, lease or disposition thereof.

E. Require Declarant to go through the Design Review Committee procedure described in Article IX in respect to structures to be constructed by Declarant, provided such structures are consistent with the intent of the Design Review Committee Rules. The provisions of this paragraph (E) shall only be effective for the period in which the Declarant maintains the right to appoint a majority of the Design Review Committee.

Nothing in this Article shall give the Declarant the right to damage any Lot not owned by Declarant, and Declarant's right to so use the property, except for the rights under subparagraph (D) above, shall terminate upon final completion of the subdivision improvements, except as required for maintenance and repair obligations conducted by Declarant which may continue after completion of subdivision improvements.

ARTICLE XII

RIGHTS OF MORTGAGEES AND TRUST DEED BENEFICIARIES

12.1 General: Holders of first mortgages and trust deeds on the Project and Lots made for value and in good faith shall be entitled to the rights and privileges set forth in this Article.

12.2 Notice of Default: The Mortgagee of a mortgage or Beneficiary of a deed of trust, and/or their successors and assigns, of a first mortgage or first deed of trust on a Lot which mortgagee, beneficiary, or successor assignee has made a request in writing to the Association for such a notice, shall be entitled to written notification from the Association of any default by the mortgagor in the performance of such mortgagor's obligations under this Declaration, the Articles, By-Laws or Rules that is not cured within thirty (30) days.

12.3 Non-Liability for Unpaid Assessments: Any first Mortgagee or Beneficiary of a first deed of trust who comes into possession of a Lot pursuant to the remedies provided in the mortgage or deed of trust shall take the property free of any claims for unpaid assessments or charges against the Lot so acquired that accrue after the time such holder is granted a security interest in the Lot.

12.4 Mortgagee's Approval: Unless at least seventy-five percent (75%) of the first mortgagees, based upon one (1) vote for each mortgage owned, of Lots have given their prior written approval, the Association shall not be entitled to:

A. By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association for the benefit of the Lots and the Owners thereof. The granting of easements for public utilities or other public purposes consistent with the intended use of such property by the Association and Owners shall not be deemed a transfer within the meaning of this clause;

B. By act or omission, waive or abandon any scheme or regulations, or enforcement thereof, pertaining to architectural design, or exterior appearance of improvements located on said Lots, the exterior maintenance of Lots, the maintenance of party walls or common fences and driveways or the upkeep of lawns, plantings or other landscaping in the Project.

C. Fail to maintain fire and extended coverage insurance on insurable common property owned by the Association in an amount not less than one hundred percent (100%) of the replacement cost.

D. Use hazard insurance proceeds for losses to any common property and improvements owned by the Association for other than the repair, replacement or reconstruction of such property and improvements.

12.5 Insurance Proceeds and Condemnation Awards: No provision of this Declaration or the Articles shall give an Owner, or any other party, priority over any rights of the first mortgagees of Lots pursuant to their mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of the Common Area or otherwise.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Amendment and Duration:

A. Amendment: Except as otherwise provided herein, the provisions hereof may be amended by an instrument in writing signed and acknowledged by not less than seventy-five percent (75%) of the Owners, which amendment shall be effective upon recordation in the Office of the Recorder of Douglas County, Nevada.

B. Duration: The provisions of this Declaration, including the covenants, conditions and restrictions contained herein, shall continue and be effective for a period of fifty (50) years from the date of recordation and shall be automatically extended for successive periods of ten (10) years until a seventy-five percent (75%) vote of the Owners of all of the Lots within the Project shall determine that they shall terminate and notice thereof is recorded in the Office of the Recorder of Douglas County, Nevada.

13.2 Enforcement and Nonwaiver:

A. Right of Enforcement: Except as otherwise provided herein, Declarant, the Association, the County of Douglas, Nevada, and any Owner shall have the right (but not the duty) to enforce any and all of the covenants, conditions and restrictions now or hereafter imposed by this Declaration upon the Owners or upon any of the Project; provided however, nothing herein shall be construed as creating a third party beneficiary contract in favor of parties who are not Owners of property subject hereto and there shall be no right of enforcement by any adjacent property owner who has not annexed his property as provided in Article X.

B. Violations and Nuisance: Every act or omission whereby a covenant, condition or restriction of this Declaration is violated in whole or in part, is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by Declarant, the Association or any Owner. Any other provision to the contrary notwithstanding, only Declarant, the Board and their duly authorized agents may enforce by self-help any covenant, condition or restriction herein set forth.

C. Violation of Law: Any violation of any state, municipal or local law, ordinance or regulation pertaining to the

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ownership, occupation or use of any portion of the Project is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures herein set forth.

D. Remedies Cumulative: Each remedy provided by this Declaration is cumulative and not exclusive.

E. Nonwaiver: The failure to enforce the provisions of any covenant, condition or restriction contained in this Declaration shall not constitute waiver of any right to enforce any such provisions or any other provisions of this Declaration.

13.3 Condemnation of Common Areas: If at any time all or any portion of the Common Areas, or any interest therein, be taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the entire award in condemnation shall be paid to the holder or holders of the fee title to such area as their interests may appear. Any such award to the Association shall be deposited into the operating fund of the Association. No Owner shall be entitled to any portion of such award, and no Owner shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation, such right of participation being herein reserved exclusively to the Association, or other holders of the fee title which shall, in its name alone, represent the interests of all Owners to the extent such Owners have any interest.

13.4 Obligations of Owners: No Owner may avoid the burdens or obligations imposed on him by this Declaration through nonuse of any Common Areas or the facilities located thereon or by abandonment of his Lot. Upon the conveyance, sale, assignment, or other transfer of a Lot to a new Owner, the transferring Owner shall not be liable for any assessments levied with respect to such Lot after the date of such transfer, and no person, after the termination of his status as an Owner and prior to his again becoming an Owner, shall incur any of the obligations or enjoy any of the benefits of any Owner under this Declaration.

13.5 Construction and Severability; Singular and Plural; Titles:

A. Restrictions Construed Together: All of the covenants, conditions and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the Project, as set forth in the preamble of this Declaration.

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

REQUESTED BY
FIRST NEVADA TITLE COMPANY
IN OFFICIAL RECORDS OF
COUNTY OF CLATSOP, NEVADA

'87 JUN 30 P3:58

SUZANNE BENOIST
RECORDER

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Proposed
Sunridge Unit 1 Phase A

A parcel of land located within a portion of Section 7, Township 14 North, Range 20 East, Mount Diablo Baseline and Meridian, Douglas County, Nevada, described as follows:

Commencing at the Northeast corner of Sunridge Heights Unit 1, Phase A as shown on the Record Plat recorded in Book 1282 on Page 999, Douglas County, Nevada, Recorder's Office, THE POINT OF BEGINNING; thence South $88^{\circ} 54' 16''$ E, 100.00 feet; thence North $79^{\circ} 47' 08''$ East, 50.99 feet; thence South $88^{\circ} 54' 16''$ East, 100.00 feet; thence South $79^{\circ} 15' 45''$ East, 116.52 feet; thence South $22^{\circ} 00' 00''$ West, 50.00 feet; thence South $68^{\circ} 00' 00''$ East, 50.00 feet; thence along the arc of a curve to the left, non-tangent to the preceding curve and having a delta angle of $90^{\circ} 00' 00''$, radius of 20.00 feet and an arc length of 31.42 feet; thence South $22^{\circ} 00' 00''$ West, 50.00 feet; thence South $68^{\circ} 00' 00''$ East, 70.00 feet; thence South $22^{\circ} 00' 00''$ West, 550.00 feet; thence South $39^{\circ} 03' 54''$ West, 139.93 feet; thence along the arc of a curve to the left, non-tangent to the preceding curve and having a delta angle of $9^{\circ} 24' 30''$, radius of 852.50 feet and an arc length of 140.00 feet; thence North $1^{\circ} 05' 44''$ East, 175.44 feet; thence North $88^{\circ} 54' 16''$ West, 30.33 feet; thence North $1^{\circ} 05' 44''$ East, 80.00 feet; thence South $88^{\circ} 54' 16''$ East, 35.33 feet; thence North $16^{\circ} 33' 41''$ East, 77.45 feet; thence North $29^{\circ} 40' 49''$ East, 35.00 feet; thence North $12^{\circ} 50' 59''$ East, 86.43 feet; thence North $1^{\circ} 05' 44''$ East, 90.00 feet; thence North $88^{\circ} 54' 16''$ West, 100.00 feet; thence North $1^{\circ} 05' 44''$ East, 210.00 feet to THE POINT OF BEGINNING.

November 18, 1986

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Legal Description
Sunridge Heights Unit 1 Phase A

A parcel of land located in portions of Section 7, Township 14 North,
Range 20 East, Mount Diablo Baseline and Meridian, Douglas County,
Nevada, described as follows:

Sunridge Heights Unit 1, Phase A and recorded Book 1282 on Page 999 as
Document No. 74054, Douglas County, Nevada, Recorder's Office.

REQUESTED BY
FIRST NEVADA TITLE COMPANY
IN OFFICIAL RECORDS OF
DEPT. OF REVENUE

'87 NOV 10 P1:13

SUZANNE BEAUDREAU
RECORDER

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Revised November 18, 1986

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