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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
ARBOR VILLAS

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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
ARBOR VILLAS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR Arbor Villas ("Declaration") is made this 17 day of DECEMBER, 2018, by **Arbor Villas LLC, a Nevada limited liability company**, herein referred to as "Declarant", with reference to the following facts and is as follows:

RECITALS:

A. Declarant is the owner of certain real property located in Carson City, Nevada that is more particularly described in **Exhibit "A"** attached hereto and incorporated herein by this reference (the "Property"). Declarant intends to develop the Property as a single family residential subdivision and, in accordance with the applicable terms and provisions of the Act (defined below), as a planned community under the name of "Arbor Villas". The Property and all Improvements, modifications, and amendments thereon and thereto are referred to herein as the "Project".

B. This Declaration is designed to create equitable servitudes and covenants appurtenant to and running with the Project imposing conditions, covenants and restrictions for the development, operation, protection and maintenance of the Project, including, without limitation, the assessment against the Owners for the cost of operation and maintenance of Common Area and each Lot Landscape Area within the Project.

C. This Declaration is intended to secure the development of the Property as a high quality residential community.

D. Declarant reserves the right to create a maximum of One Hundred Forty-seven (147) Lots within the Project.

DECLARATION:

NOW, THEREFORE, Declarant hereby declares that the Project, is and shall be held, conveyed, encumbered, leased, used, occupied, improved, and otherwise affected in any manner subject to the covenants, conditions, restrictions, easements and other provisions of this Declaration, all of which are hereby declared to be in furtherance of a general plan for the development, improvement, and sale of the Project, and are further declared to be for the purpose of enhancing, maintaining, and protecting the value and attractiveness of the Project. All provisions hereof shall be deemed to run with the land as covenants running with the land or as equitable servitudes, as the case may be, and shall constitute benefits and burdens to the Declarant and its assigns and to all persons hereafter acquiring or owning any interest in the Project, however such interest may be obtained.

ARTICLE 1 DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the meanings set forth in this Article.

"Act" shall mean, collectively, the Uniform Common Interest Ownership Act, NRS Chapter 116, and NRS Chapter 116A, as they may be amended from time to time, and all replacements thereof.

"Annual Assessment" is defined in Section 6.4.1

"Architectural Committee" shall mean the committee responsible for implementing and enforcing the requirements and restrictions governing the construction and alteration of all Improvements on Lots, as more particularly set forth in **Article VIII** below.

"Architectural Committee Rules" is defined in Section 8.4 of this Declaration.

"Articles" or "Articles of Incorporation" means the Articles of Incorporation of the Association.

"Assessments" is defined in Section 5.1.1.

"Association" means the Arbor Villas Homeowners Association, a Nevada non-profit, corporation.

"Association Property" means all real and personal property now or hereafter owned by or leased to the Association or in which the Association has a recognizable legal or equitable present or future interest, including, without limitation, Common Area and the Association's rights in each Lot Landscape Area.

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

"Board" or "Board of Directors" means the Board of Directors of the Association and is synonymous with "Executive Board" as defined by the Act.

"Budget" is defined in Section 6.4.1.

"Bylaws" means the Bylaws of the Association.

"Capital Improvement" is defined in Section 6.6.1.

"Capital Improvements Assessment" is defined in Section 6.6.1.

"Common Area" and "Common Elements" means any portion of the Project designated as common area, common elements, or "private" street on a Map, together with all Improvements constructed or to be constructed thereon, including, but not limited to, all roadways, landscaping,

gates, entry monumentation, fencing, paths, trails, retaining walls, street lighting, playground areas, drainage ways and facilities thereon.

"Common Expenses" is defined in Section 6.4.1.

"Construction" is defined in Section 2A.4.

"Cure Period" is defined in Section 3.29.4.

"Declarant" means the undersigned that has made and executed this Declaration, or its successors, assigns, or representatives in the event Declarant assigns its rights and obligations, or in the event Declarant's interest in the Project is sold pursuant to foreclosure or deed in lieu thereof.

"Declarant's Control Termination Date" is defined in Section 4.3.3(b).

"Declaration" means this instrument and any and all amendments and supplements thereto.

"Deed of Trust" means an interest in real estate, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a lien created by a mortgage, deed of trust, trust deed, security deed, and any other consensual lien or title retention contract intended as security for an obligation.

"Eligible Mortgage Holder" is defined in Section 9.5.

"First Deed of Trust" means the most senior Deed of Trust on a particular property.

"Governing Documents" means the Declaration, the Articles, the Maps, the Plans, the Bylaws, the Architectural Committee Rules, and the Rules as each may be amended from time to time. Any exhibit, schedule or certification accompanying any Governing Document shall be deemed a part thereof.

"Hearing Panel" is defined in Section 3.29.3.

"Impacts" is defined in Section 2A.4.

"Improvement" means all structures, and works of improvement and appurtenances thereto, of every type and kind, including but not limited to buildings, outbuildings, garages, carports, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, planting, planted trees, shrubs, poles, signs, exterior air conditioning, water softener, satellite dishes, antennae, fixtures or equipment.

"Lot" or "Parcel" means any portion of the Property designated as a lot or parcel on a Map and intended for improvement with a single family residence, whether or not the Lot or Parcel is so improved. The boundaries of each Lot/Parcel and the number identifying the Lot/Parcel are set forth on the Maps.

"Lot Landscape Area" means any front and rear portions of a Lot, outside the building envelope originally established on such Lot by Declarant, improved with landscaping originally installed by Declarant, and designated as a Lot Landscape Area on the plot plan for such Lot prepared by Declarant, which plot plan may be attached to the deed by which Declarant conveys such Lot to the initial purchaser thereof.

"Lot Wall" is defined in Section 3A.2.

"Maintenance Violation" is defined in Section 3.29.1.

"Maintenance Violation Notice" is defined in Section 3.29.1.

"Manager" means a person, firm, or corporation possessing all licenses and certifications required by the Act, employed or engaged to perform management services for the Project and the Association.

"Map" means each final subdivision map or parcel map approved by the City of Reno, related to the Tentative Map and filed for record against the Project in the Office of the Recorder, Carson City, Nevada, and any and all amendments thereto.

"Member" or "Association Member" means Declarant, until such time as Declarant no longer owns any portion of the Property, and every person or entity including who holds a membership in the Association pursuant to the provisions of this Declaration, the Articles and the Bylaws.

"Notice of Default" is defined in Section 6.14.1(b).

"Notice of Delinquent Assessment" is defined in Section 6.14.1(a).

"Notice of Sale" is defined in Section 6.14.2(a).

"NRS" means the Nevada Revised Statutes.

"Owner" means any person or entity, including Declarant, holding a fee simple interest in a Lot or Parcel, or who is the buyer of a Lot or Parcel under a recorded contract of sale.

"Owner Complaint" is defined in Section 3.29.1.

"Perimeter Wall" is defined in Section 3A.2.

"Plan" means those items set forth in NRS 116.2109, including drawings of Improvements which are filed with agencies which issue permits for the Project, and all number and letter designations set forth thereon identifying Units, all of which are by this reference incorporated herein.

"Private Yard Area" means any portion of the Common Area originally designed and allocated by Declarant for exclusive access and use by a particular Lot, all as shown on the plot plan for such Lot prepared by Declarant, which plot plan may be attached to the deed by which

Declarant conveys such Lot to the initial purchaser thereof. A typical plot plan depicting a Private Yard Area for a Lot is attached hereto, for illustrative purposes only, as Exhibit "B".

"Project" is defined in Recital A.

"Property" is defined in Recital A.

"Residence" means the dwelling constructed upon a Lot.

"Rules" means the rules and regulations for the use of the Common Area and the conduct of persons in connection therewith, as adopted by the Board of Directors pursuant to this Declaration and the Bylaws, together with such other rules and regulations as the Board may adopt under this Declaration and/or the Act.

"Shared Improvement" is defined in Section 3A.3.

"Special Assessment" is defined in Section 6.5.

"Special Declarant's Rights" means all rights reserved by Declarant for itself under this Declaration which are personal to Declarant and may be exercised only by Declarant, including, but not limited to, those set forth in Article X hereof.

"Subsidy Agreement" is defined in Section 6.16.

"Tentative Map" means the tentative subdivision map for filed by Capstone Communities Inc. (Carson City Case No. TSM-16-023) to the extent related to the Property and any and all amendments thereto.

"Violation Assessment" is defined in Section 6.7.

The phrase "visible from neighboring property" means, with respect to any given object, that such object is or would be visible to a person six feet (6') tall standing on an assumed floor elevation two feet (2') above the highest ground surface of any neighboring Lot, Common Area, or street within the Project.

ARTICLE 2 COMMON AREA

2.1 Ownership of Common Area. All of the Common Area is or will be owned by the Association. The Common Area shall remain private property of the Association unless dedicated to a public authority pursuant to the provisions hereof, and nothing contained herein shall be construed as a dedication to the public of the Common Area or any portion thereof.

2.2 Owners' Easements of Enjoyment. Except as otherwise expressly provided elsewhere in this Declaration, and subject to Section 2.3 and Declarant's and the Association's easement rights reserved herein, each Owner shall have, and Declarant and the Association hereby grants to each Owner, a non-exclusive easement of use and enjoyment in, to, and

throughout the Common Area for recreation, ingress, egress, support, and all other appropriate purposes, provided, however, that this easement shall not extend to any portion of the Common Area located on an individual Lot, or any portion of the Common Area constituting a Private Yard Area. Each such easement shall be appurtenant to and pass with title to each Lot.

2.3 Use of the Common Area. Common Area may be used solely for residential subdivision purposes, including landscaping, ingress and egress, and recreation. The Board shall regulate the use of the Common Area (other than any portion constituting a Private Yard Area) through its Rules, as promulgated and amended from time to time. No persons other than the Owners, their family members, guests and invitees or the Owner's tenants, their family members, guests and invitees shall be allowed to in any manner use or occupy the Common Area. Each Owner shall at all times be responsible for any and all activities of his tenants, guests and invitees using the Common Area. Furthermore, each Owner shall reimburse the Association for any damage to the Common Area (other than any portion constituting a Private Yard Area) caused intentionally or negligently by such Owner or his family, tenants, guests, or invitees, and the amount of such reimbursement shall be levied as a Violation Assessment if not paid upon request from the Association. No Improvements within the Common Area shall be altered or removed, except at the express direction of the entity responsible for maintaining such Common Area.

2.4 Declarant's Common Area Easement Rights; Dedication of Common Area.

2.4.1 Reservation of Common Area Easements In Favor of Declarant. Declarant hereby reserves unto itself such easements over, through and under the Common Elements as may be reasonably necessary to (i) discharge Declarant's obligations under this Declaration, or (ii) exercise any Special Declarant's Rights, whether arising under NRS Chapter 116 or reserved in this Declaration, (iii) engage in sales activities or hold special events, or (iv) complete any Improvement or make any repair Declarant deems desirable on the Common Elements or any Lot owned by Declarant, or (v) complete any Improvement or make any repair on the Common Elements necessary for the provision of adequate support and drainage for the Lots and Common Elements in the Project.

2.4.2 Reservation of Right to Grant Additional Common Area Easements and to Dedicate Common Area. Declarant hereby reserves unto itself the right to grant easements and rights of way on, over, through and under the Common Area (other than any portion constituting a Private Yard Area) for the purposes described below and for the benefit of the Owners, the Association, and the right to offer for dedication any portion of the Common Area (other than any portion constituting a Private Yard Area) to any political subdivision, or any public or quasi-public entity or utility. Such grants of easement or dedications may be for the purpose of allocating to Lots exclusive use/access rights over portions of the Common Areas for the purpose of creating Private Yard Areas, and for constructing, erecting, operating, or maintaining on the Common Area, at any time: (i) roads, streets, trails, walks, driveways, vehicle parking areas, parkways, and park areas; (ii) poles, wires, or conduits for transmission of electricity, telephonic communication or cable or master antenna television for the Project and the necessary apparatus incident thereto; and (iii) public and private sewers, sewage disposal systems, storm drains, land drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any and all equipment and other apparatus relating thereto. The Association does hereby agree

to execute and deliver and does hereby irrevocably constitute and appoint Declarant as its lawful attorney in fact to execute and deliver any and all documents, agreements, deeds, instruments or assignments that may be necessary to effectuate any transfer and conveyance described herein, and any and all remuneration, credits or reimbursement that may result or arise from or in connection with any dedication, transfer and conveyance described in this Section shall be paid, credited or reimbursed solely to the Declarant. Upon acceptance by the political subdivision, public or quasi-public entity, or utility to which the relevant Common Element is dedicated, such Common Element shall no longer be a portion of the Common Elements, and all rights and obligations hereunder related to such property in its status as a Common Element shall cease and be of no further force and effect. Declarant may exercise its rights reserved in this Section 2.4.2 at any time Declarant owns any portion of the Project. Furthermore, the rights reserved by Declarant in this Section 2.4.2 shall permanently expire at such time as Declarant no longer owns any portion of the Project.

2.5 Rights of Association to Grant Easements Over Common Area and to Dedicate Portions of Common Area. At such time as the rights reserved by Declarant under Section 2.4.2 have expired, the Association shall be entitled to exercise the rights reserved to Declarant under Section 2.4.2, provided that at least sixty-seven percent (67%) of the voting power of the Association has approved such action.

2.6 Right of Association to Encumber Common Area. The Association may encumber the Common Area (other than any portion constituting a Private Yard Area) in connection with authorized obligations, but only upon the affirmative vote of not less than sixty-seven percent (67%) of the voting power of the Association.

2.7 Declarant's Obligation to Convey. Declarant shall convey fee simple title to the Common Area to the Association free and clear of all encumbrances and liens, except (i) real property taxes and assessments that may be due but are not delinquent; (ii) easements, covenants, conditions and reservations, and other matters then of record or apparent, including those set forth on the relevant Map and in this Declaration (including, without limitation, easements and rights related to any Private Yard Area upon the Common Area); and (iii) the obligations imposed, directly or indirectly, by virtue of any statute, law, ordinance, resolution, or regulation of the United States of America, the State of Nevada, Carson City, or any other political subdivision or public organization having jurisdiction over the Property, or by virtue of any organization or political body created pursuant to any such statute, law, ordinance, or regulation.

2.8 Maintenance of Common Area. Maintenance of any particular Common Elements (other than any portion constituting a Private Yard Area) and any and all Improvements thereon shall be the obligation of the Declarant solely until such Common Elements are conveyed to the Association and such conveyance is recorded in the official records of the County Recorder of Carson City, Nevada (but excluding any Private Yard Area, portion of a Residence extending into the Common Area, or HVAC unit serving the Residence on a Lot, which are to be maintained by the Owner of such Lot pursuant to Section 3A.1 below). From and after the date of such conveyance, the obligation to maintain said Common Elements and the Improvements thereon shall be the obligation of the Association (but excluding any Private Yard Area, portion of a Residence extending into the Common Area, or HVAC unit serving the Residence on a Lot, which are to be maintained by the Owner of such Lot pursuant to Section

3A.1 below), except as to any portion of such Common Elements for which maintenance responsibility is assumed by a special assessment district or any other appropriate governmental entity, and thereafter Declarant shall have no further obligation to maintain the Common Elements. During the period of its maintenance obligation, the Association shall maintain and manage the Common Elements and all Improvements thereon in a first class and workmanlike manner.

2.9 Indemnification. Each Owner shall indemnify, defend and hold harmless Declarant, without limitation, on any claims arising from the negligence or willful misconduct of that Owner, his family, relatives, guests, or invitees, for damages sustained on the Common Area, except to the extent any such claims arise from the negligence or willful misconduct of Declarant. Similarly, each Owner shall indemnify, defend and hold harmless the Association, without limitation, on any claims arising from the negligence or willful misconduct of that Owner, his family, relatives, guests, or invitees, for damages sustained on the Common Area, except to the extent any such claims arise from the negligence or willful misconduct of the Association.

ARTICLE 2A PROPERTY RIGHTS

2A.1 Construction Access Easement. Declarant hereby reserves for itself an easement over the Project for such access, ingress and egress as may be necessary for Declarant to complete any Improvement on the Project, or to repair or replace any Improvement in the Project, or to modify any Improvement so as to make such Improvement conform to Declarant's original plans therefor, provided that, in exercising the rights reserved under this Section, Declarant shall not unreasonably interfere with any non-Declarant Owner's use and enjoyment of his or her Lot. The easement reserved by Declarant in this Section shall permanently expire at such time as Declarant no longer own any portion of the Project. Nothing in this Section shall be deemed to create any obligation on Declarant to complete, replace, repair, or modify any Improvement.

2A.2 Encroachment Easements. Declarant hereby reserves for each Lot, as the dominant tenement, an easement over all adjoining Lots and Common Elements, as the servient tenements, for the purpose of accommodating and maintaining any encroachment which occurs due to engineering errors, errors in original construction, settlement, or shifting of structures, or any other cause as long as the encroachment remains. Furthermore, Declarant hereby reserves for the Common Elements, as the dominant tenement, an easement over adjoining Lots, as the servient tenements, for the purpose of accommodating and maintaining any encroachment due to engineering errors, errors in original construction, settlement or shifting structures, or any other causes. In the event an Improvement on a Lot or Common Area is partially or totally destroyed, and then repaired and rebuilt, minor encroachments over adjoining Lots and Common Elements shall be permitted and there shall be valid easements for the maintenance of the encroachments as long as they shall exist. In no event shall a valid easement exist pursuant to this Section in favor of Declarant, an Owner, or the Association if the encroachment occurred due to the willful misconduct of Declarant, the Owner, or the Association, respectively.

2A.3 Drainage Easements. Declarant hereby reserves over the Common Elements and each Lot, for the Common Elements and each Lot, reciprocal easements for drainage according to the drainage patterns created or required by the grading plans for the Project approved by the City of Reno (including, without limitation, roof drainage systems), as well as the actual, natural, and existing patterns for drainage.

2A.4 Construction Impacts Easement. During Declarant's development of the Project the construction of streets, utilities, homes, structures and other Improvements (generally, the "Construction") will produce substantial dust, noise, light (during nighttime hours) and other adverse impacts ("Impacts") within the Project to Owners and their guests, invitees and licensees which may be alleged in the future to constitute a nuisance or otherwise impair the use and enjoyment of the Common Elements, Lots, and Improvements thereon. The term "Impacts" is intended to be construed liberally to include all adverse consequences of Construction activity which might be an annoyance or nuisance, particularly without limitation dust and noise. An easement is hereby reserved by Declarant, from each Lot and the Common Elements, for itself and its agents to cause Impacts to occur.

2A.5 Maintenance Violation Easement. Declarant hereby reserves over each Lot, for the benefit of the Association, an easement for such access and use as the Association may require in exercising its rights under Section 3.29.

2A.6 Shared Improvement Easement. Declarant hereby reserves over each Lot and Private Yard Area, for the benefit of each adjoining Lot and Private Yard Area, a perpetual, non-exclusive easement for support of Shared Improvements, and for such access and use as the Owner of such Lot may require to maintain, repair, replace, and/or reconstruct any Shared Improvement, or in otherwise exercising the rights granted and meeting the obligations imposed under Sections 3A.3 and 3A.4 below. Absent an emergency, in exercising the rights reserved under this Section, an Owner shall provide at least twenty four (24) hours advance notice to the Owner of the Lot and/or Private Yard Area to be entered upon. Any exercise of rights hereunder shall be undertaken so as to not unreasonably interfere with an Owner's use and enjoyment of his or her Lot and/or Private Yard Area.

2A.7 Utility Facility Easements.

2A.7.1 Lot Easements. Declarant hereby reserves for each Lot, as the dominant tenement, an easement over each other Lot, as the servient tenements, for the placement, use, repair, replacement, and maintenance of such utility lines, pipes, wires, ducts, conduits, and other facilities upon such other Lots that provide utility service to the aforementioned dominant tenement Lot (as originally installed by Declarant). Additionally, Declarant hereby reserves for each Lot, as the dominant tenement, an easement over each other Lot, as the servient tenements, for such access as may be reasonably necessary in the exercise of the rights reserved in this Section. Absent an emergency, an Owner shall provide at least twenty four (24) hours advance notice to the Owner of the Lot to be entered upon prior to making an entry. Any exercise of rights hereunder shall be undertaken so as to not unreasonably interfere with an Owner's use and

enjoyment of his or her Lot. Nothing herein shall be deemed to limit an Owner's maintenance obligations under Section 3A.1 below.

2A.7.2 Declarant and Association Easements. Declarant hereby reserves for itself and the Association, a perpetual, non-exclusive easement over the portion of each Lot located outside the "building envelope" for such Lot (as established on either the improvement plans for such Lot prepared by Declarant and on file with the City of Reno, or the plot plan for such Lot prepared by Declarant, which plot plan may be attached to the deed by which Declarant conveys such Lot to the individual purchaser thereof) for the placement, installation, construction, maintenance, replacement, repair and reading of public or private utility facilities (including, without limitation, water, electrical, sewer, cable and telecommunication lines and conduit, together with an easement for such access as the Declarant and Association, and their respective agents, employees and contractors, may require in the exercise of such rights. Actual costs for utilities servicing the Lot Landscape Area and Common Area shall be assessed as a Common Expense (defined in Section 6.4.1 below).

2A.8 Public Utility Easements. Declarant hereby reserves a non-exclusive, perpetual and irrevocable easement in favor of all public and private utilities companies, political subdivisions and governmental authorities in, on, over, across, under and through those areas on the Common Area and/or any Lot designated as a public utility easement on any Map or any other recorded instrument for access to, use of, and the construction, installation, extension, expansion, relocation, maintenance, repair and replacement of mains, lines, pipes, manholes, hydrants, poles, wires, cables and other equipment and facilities for the purpose of providing utility service to or on the Common Area or any Lot.

2A.9 HVAC Easement. Declarant hereby reserves a non-exclusive, perpetual and irrevocable easement in favor of each Lot over the Common Elements for the installation, placement, repair, maintenance, and replacement of any HVAC unit installed by Declarant and exclusively serving the residence on such Lot.

2A.10 Lot Landscape Area.

2A.10.1 Lot Landscape Area Easement. Declarant hereby reserves for itself and the Association a perpetual easement over each Lot Landscape Area for the placement, installation, construction, maintenance, replacement, and repair of such landscaping and related Improvements as the Association or Declarant may place within such Lot Landscape Area from time to time, together with an easement for such access as the Declarant and/or the Association may require in the exercise of such rights; provided, however, that the Association's rights hereunder shall not come into existence as to a particular Lot Landscape Area until such time as the Lot upon which such Lot Landscape Area is located is conveyed by Declarant to a third-party home buyer.

2A.10.2 Maintenance and Owner's Use of Lot Landscape Area. Each Lot Landscape Area, and all Improvements thereon, shall at all times be maintained in good order and repair, in a good quality condition, in accordance with any conditions for the Project established by the City of Reno, and free of litter, rubbish, debris, weeds, and dead vegetation. Said maintenance shall be the obligation of the Declarant, as to a particular Lot Landscape Area,

until such time as the Lot upon which such Lot Landscape Area is located has been conveyed by Declarant to a third-party home buyer. Thereafter, the maintenance obligation shall be that of the Association and Declarant shall have no further obligation to maintain such Lot Landscape Area. No Owner may alter, maintain, replace, remove, or place any item upon any Lot Landscape Area or any Improvement thereon without the prior written consent of the Architectural Committee. No Owner shall have, solely by virtue of such Owner's membership in the Association or pursuant to the terms hereof, any right to enter upon or otherwise make use of, or remove or place any Improvement upon, any Lot Landscape Area. Furthermore, each Owner shall reimburse the Association for any damage to a Lot Landscape Area caused intentionally or negligently by such Owner or his family, tenants, guests, or invitees, and the amount of such reimbursement shall be levied as a Violation Assessment if not paid upon request from the Association.

2A.11 Indemnification. Each Owner shall indemnify, defend and hold harmless Declarant, without limitation, on any claims arising from the negligence or willful misconduct of that Owner, his family, relatives, guests, or invitees, for damages sustained on a Lot Landscape Area, except to the extent any such claims arise from the negligence or willful misconduct of Declarant. Similarly, each Owner shall indemnify, defend and hold harmless the Association, without limitation, on any claims arising from the negligence or willful misconduct of that Owner, his family, relatives, guests, or invitees, for damages sustained on a Lot Landscape Area, except to the extent any such claims arise from the negligence or willful misconduct of the Association.

2A.12 Irrigation Systems Easement. Declarant hereby reserves over each Lot, for itself and the Association, an easement for the placement, use, repair, replacement, and maintenance of all irrigation systems providing water to the Lot Landscape Area on such Lot. Furthermore, Declarant hereby reserves over each Lot, for itself and the Association, an easement for such access as Declarant and/or the Association may require to enjoy the aforementioned easement. In exercising the rights reserved under this Section, neither Declarant nor the Association shall unreasonably interfere with an Owner's use and enjoyment of his or her Lot. No Owner shall interfere with or alter the irrigation systems serving the Lot Landscape Area on such Owner's Lot. Each Owner shall reimburse the Association for any damage to the irrigation systems serving the Lot Landscape Area on such Owner's Lot to the extent such damage is caused intentionally or negligently by such Owner or his family, tenants, guests, or invitees, and the amount of such reimbursement shall be levied as a Violation Assessment if not paid upon request from the Association.

2A.13 Solid Waste Collection Easement. Declarant hereby reserves over the Common Elements, for each solid waste collection company (e.g. Waste Management) providing service to the Project, a perpetual, non-exclusive easement for such ingress and egress as may be necessary or useful in the ordinary course of its trash collection service to Lots within the Project, as well as a perpetual, non-exclusive easement for such trash collection.

2A.14 Roof Easements. Declarant hereby reserves to the Owner of each Lot an easement, appurtenant to each such Lot, over, upon and across each adjoining Lot for roof overhangs, if any, resulting from modifications to roofs arising from the destruction of the Residence on such adjoining Lot (i.e. the adjoining Residence is not reconstructed and the

portion of the roof on the remaining Residence is modified in accordance with Section 3A.4). This easement shall become effective only when the adjoining Residence is destroyed, such Residence is not to be reconstructed and the Architectural Committee grants a variance to the Owner of the remaining Residence to allow for the new roof and foundation system. This easement shall cease upon the reconstruction of the Destroyed Residence (defined below in Section 3A.4).

2A.15 Overhang and Substructure Easements. Declarant hereby reserves for each Lot, as the dominant tenement, a perpetual easement over and under all adjoining Lots and Common Area, as the servient tenements, for the purpose of accommodating and maintaining any overhang and/or underlying foundation existing in connection with Declarant's initial construction of the Project or in connection with any repair or replacement made to restore an Improvement to its condition as originally constructed by Declarant. Furthermore, Declarant hereby reserves over each Lot, for the benefit of each adjoining Lot, a perpetual, non-exclusive easement for such access and use as the Owner of such Lot may require in meeting the obligations set forth in Section 3A.1. In exercising the rights reserved under this Section or meeting the obligations imposed under Section 3A.1, an Owner shall not unreasonably interfere with another Owner's use and enjoyment of his or her Lot.

2A.16 Perimeter Wall Easement. Declarant hereby reserves a non-exclusive, perpetual and irrevocable easement in favor of each Lot over the Common Elements for access and use as the Owner of such Lot may require meeting the obligations imposed under Section 3A.2.

2A.17 Private Yard Areas

2A.17.1 Private Yard Area Easement. Declarant hereby reserves for each Lot an exclusive, perpetual easement over the Private Yard Area allocated to such Lot by Declarant, as shown on the plot plan for such Lot prepared by Declarant, which plot plan may be attached to the deed by which Declarant conveys such Lot to the initial purchaser thereof. Such easement shall be solely for (i) ingress, egress, and access, (ii) the installation, construction, placement, repair, replacement, and maintenance of residential landscaping improvements (including, without limitation, ornamental landscaping improvements and fencing), whether natural or artificial, and (iii) such recreational use and enjoyment as is typically made of residential landscaping improvements.

2A.17.2 Compliance with Governing Documents and Laws. Each Owner shall fully comply with (and shall cause all persons acting through or on behalf of such Owner to fully comply with) the Governing Documents, as well as all other laws, ordinances, rules and regulations applicable to such Owner's Private Yard Area.

2A.17.3 Property Taxes. No Owner shall have, as a result of the easement reserved under Section 2A.16.1, an obligation to pay any property taxes or assessments charged against the Common Area.

2A.17.4 Indemnification. Each Owner of a Lot to which a Private Yard Area is assigned (the "Indemnifying Owner") shall defend, protect, indemnify and hold harmless

the Association against any and all damages, losses, expenses, assessments, fines, costs and liabilities (including without limitation, all interest, penalties and attorney's fees) based upon or arising out of any claim of personal injury, property damage, violation of the Governing Documents, or other claim resulting from the Indemnifying Owner's maintenance, repair, restoration, or use of his Private Yard Area or any improvement or appurtenance thereon, except to the extent such claim is based upon or arises out of the Association's own negligence or willful misconduct. In the event that the Association receives notice of any claim to which indemnity applies hereunder, the Association shall inform the Indemnifying Owner of the claim as soon as is reasonably possible.

ARTICLE 3 PROHIBITIVE AND MANDATORY USE RESTRICTIONS

3.1 Purpose of Restrictions; Other Restrictions. It is the desire and intention of the Declarant, with this Article III, to impose on the Property mutually beneficial restrictions to insure the best use and the most appropriate development and improvement of each Lot; to protect the Owners against such improper use of surrounding Lots as would depreciate the value of their property or interfere with the peaceful and quiet enjoyment of their Lot; and to preserve the beauty of the Lots and the Improvements constructed thereon.

Additional conditions on the use and development of each Lot may be found in the Nevada Revised Statutes, the City of Reno Municipal Code, and the various approvals for the Project issued by the City of Reno. In the event standards and restrictions are addressed in both this Declaration and any of the preceding, the more restrictive standard shall apply.

3.2 Single Family Residences. Each Lot shall be used as a residence for a single family and for no other purpose, and no part of the Property shall ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license. This restriction is subject to the following exceptions:

(a) Except as otherwise provided by separate agreement between an Owner and Declarant, an Owner may rent his Lot to a single family; provided, however, that any lease or rental agreement shall be in writing and must specify that failure to abide by the provisions of the Governing Documents shall be a default under the lease or rental agreement, and the initial term of each such lease shall not be less than six (6) months. Whether or not the written lease or rental agreement so provides, all tenants of Lots are subject to and are required to abide by the provisions of the Governing Documents.

(b) Declarant may use any portion of the Property for construction offices and facilities, model home sites and displays, and sales offices in accordance with Article X hereof.

(c) The provisions of this Section shall not preclude any commercial activities that are conducted without external evidence thereof provided that all of the following

conditions are fulfilled: (i) such activities are conducted in conformance with all applicable governmental ordinances; (ii) the patrons or clientele of such activities do not routinely or in significant numbers visit the Lot or park automobiles or other vehicles within the Property; (iii) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside of the boundaries of the residence on such Lot; (iv) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (v) such activities are consistent with the residential character of the Property and otherwise conform with the provisions of this Declaration.

Notwithstanding the foregoing, unless prohibited by law, no residence in the Project may be used for a public boarding house, home for a group of unrelated persons operated or financed by a public or private institution, sanitarium, hospital, asylum, rehabilitation facility, or institution of any kindred nature, or any other use not permitted by local law. Moreover, no Owner shall rent or lease his Lot for transient or hotel purposes, nor shall any Lot be time shared.

3.3 Parking and Vehicular Restrictions. There shall be no on-street parking in the Project. Owners shall park their vehicles only in their own garage, provided an Owner may use designated visitor parking to the extent such use for a particular vehicle does not exceed twenty-four (24) consecutive hours (or such other lesser amount of time as may be established by Rule by the Board), provided Owner is not in violation of Section 3.22 below. All guests shall park only in designated visitor parking areas and not on any street in the Project, and designated visitor parking shall not be used by the same visitor for a consecutive period of time longer than seventy-two (72) hours without the prior approval of the Board allowing a longer period of time. No Owner shall park, store or keep within the Project any unregistered, inoperable, or commercial type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck) unless said unregistered, inoperable or commercial vehicle is stored in the garage of such Owner's Lot. No Owner shall park, store or keep within the Project any recreational vehicle (including, but not limited to, any camper unit, house/car or motor home); any bus, trailer, trailer coach, camp trailer, boat, aircraft or mobile home; or any other similar vehicle unless said recreational vehicle is stored in the garage of such Owner's Lot. The above excludes camper trucks and similar vehicles up to and including three-quarter (3/4) ton when used for everyday-type transportation and subject to approval by the Board. In addition, no Owner shall park, store, or keep anywhere within the Project any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. No vehicles of any type shall be parked on any street or Lot within the Project for the purpose of accomplishing repairs thereto or the reconstruction thereof, except for emergency repairs and then only to the extent necessary to enable movement of the vehicle. The Board shall have the power to establish additional Rules regarding parking and vehicle use within the Project (including, without limitation, Rules regarding locations within the Project where vehicles may be washed), and shall have the power to enforce all parking and vehicle use restrictions applicable to the Project, including the power to remove violating vehicles from any part of the Project as provided in Section 5.1.6 and to the extent permitted by applicable law. Nothing herein shall apply to vehicles used by Declarant or Declarant's agents in the course of Declarant's construction of Improvements within the Project. Furthermore, the restrictions set forth in this Section (other than the parking and/or storage restrictions imposed on recreational vehicles, watercraft, trailers, and/or commercial vehicles), shall not apply to any road, street, alley, or other thoroughfare

within the Project the right-of-way of which is accepted by the State of Nevada or Carson City, Nevada.

3.4 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere within the Property, and no odor shall be permitted to arise therefrom so as to render the Property or any portion thereof unsanitary, unsightly, or offensive. No noise or other nuisance shall be permitted to exist or operate upon any portion of a Lot or Private Yard Area so as to be offensive or detrimental to any other Lot in the Property or to its occupants. Without limiting the generality of any of the foregoing provisions, no speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or other items which may unreasonably disturb other Owners or residents or their guests shall be located, used or placed on any portion of the Property without the prior written approval of the Board. Alarm devices used exclusively to protect the security of a Lot and its contents shall be permitted, provided that such devices do not produce annoying sounds or conditions as a result of frequently occurring false alarms. Nothing shall be done to or kept on any Lot or Private Yard Area, or Improvement thereon, that might increase the rate of, or cause the cancellation of, insurance for the Project, or any portion of the Project, without the prior written consent of the Board. The provisions of this Section are subject to Declarant's right to construct and complete Improvements within the Project, as well as Declarant's right to cause Impacts pursuant to Section 2A.4.

3.5 Signs. Other than during construction of a house, no sign, billboards or advertising structures of any kind may be displayed on any Lot or Private Yard Area without the approval of the Architectural Committee. Notwithstanding the foregoing provisions of this Section, the Owner of each Lot shall have the right to place (i) a single political sign (that is, a sign that expresses support for or opposition to a candidate, political party, or ballot question) not larger than 24 inches by 36 inches, and/or (ii) one sign on such Owner's Lot to advertise such Lot for sale or lease, provided that such sign shall not be larger than nine inches (9") by twelve inches (12"), and may be displayed solely in a single window of the residence on the Lot. All residences shall have a designated address number that is easily viewable from the street and of a design that is consistent with the community and approved by the Architectural Committee. No other signs shall be permitted except as specified in this Section. The foregoing provisions of this Section shall not apply to any signs utilized by Declarant in any sales, construction, or marketing program, nor to any street signs or Project monument signs maintained by Declarant or the Association.

3.6 Antennae, Solar Panels. No pole, flagpole, mast, solar panel, satellite dish, receiver, or other outdoor antenna or related device shall be allowed on any Lot or Private Yard Area if such device is visible from a neighboring property or the street, except satellite dishes not exceeding eighteen inches (18") in diameter; provided that any such dish shall be located within the home on the Lot, so as not to be visible from neighboring property, or, if such location is not reasonably practicable, then, subject to Architectural Committee approval, attached to or mounted on the least conspicuous alternative location on the rear of the Lot, where an acceptable quality signal can be obtained; and further provided that any such dish shall be reasonably screened from view from any other portion of the Project, so long as such screening does not unreasonably increase the cost of installation, or unreasonably interfere with use of the dish.

Nothing in this Section shall be deemed to conflict with any federal statutes, rules or regulations promulgated by the Federal Communications Commission pertaining to the use or installations of satellite dishes, or any statutes rules or regulations promulgated by the State of Nevada or the United States Congress pertaining to the display of the flag of the United States of America. In the event of any conflict, federal and/or state law shall control. The operation of any short-wave radio or any other kind of electronic device within the Project that in any way interferes with radio, television, or other electronic signal reception within the Project is prohibited.

3.7 Unightly Articles. No unsightly articles, including clotheslines and/or other drying laundry, shall be permitted to remain on any Lot or Private Yard Area so as to be visible from neighboring property. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in covered, sanitary containers or enclosed areas designed for such purpose. In no event shall such containers be kept where they are visible from any neighboring Lot. Notwithstanding the foregoing, trash may be brought onto the Common Area, provided that (i) it is brought onto the Common Area in covered, sanitary fly-proof containers, (ii) it is placed only in those locations reasonably designated by the solid waste collection company (e.g. Waste Management) providing service to the Project (and subject to regulation by the Board), and (iii) said containers may be brought onto the Common Area no earlier than the day before the next scheduled day for trash pick up, and such containers must be removed from the Common Area by the end of such pick up date. There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles designed therefor, such that they do not create a fire hazard, and except as specifically authorized in writing by the Board (and subject to applicable ordinances and fire regulations). Furthermore, no portion of any Lot (excepting any Lot owned by Declarant) or Private Yard Area shall be used for the storage of building materials or other materials except in connection with construction or installation of Improvements as approved pursuant to the terms of this Declaration.

3.8 Animals. No animals, fowls, reptiles, poultry, fish or insects of any kind ("animals") shall be raised, bred or kept within the Project, except that a reasonable number of dogs, cats or other household pets (which other household pets must weigh less than five pounds and be of a non-hazardous, non-venomous nature) may be kept within a residence, provided that they are not kept, bred or maintained for any commercial purpose, nor in unreasonable quantities nor in violation of any applicable local ordinance or any other provision of this Declaration and such limitations as may be set forth in the Rules. As used in this Declaration "unreasonable quantities" shall ordinarily mean more than two (2) pets per household; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Association, acting through the Board, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to other Owners in the Project. Animals belonging to Owners, residents, or their guests within the Property must be either kept within an enclosure or on a leash or other restraint being held by a person capable of controlling the animal, and who then has in his possession a proper or adequate utensil or other means of cleaning up immediately all feces of such animal. No animal may be tethered and left unattended in any front yard, back yard, or deck area or in any portion of the Common Elements (other than any portion constituting a Private Yard Area) or the Lot Landscape Area. Furthermore, to the extent permitted by law, any Owner shall be liable to each and all remaining Owners, residents, their families and guests, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Project by an Owner or resident or by

members of their family or guests; and it shall be the absolute duty and responsibility of each such Owner to clean up immediately after such animals which have used any portion of the Common Elements (other than any portion constituting a Private Yard Area) or the Lot Landscape Area. The Board shall be authorized to establish additional rules and regulations from time to time further governing or restricting animals or pets.

3.9 Deck Areas and Private Yard Areas. Notwithstanding anything else herein to the contrary, and without limiting the generality of any other provision herein, no bicycles, refrigerators, boxes, refuse or debris or other items which may be deemed storage items may be placed in any Private Yard Area or on decks, balconies or patio areas where they can be seen. Without limiting any other provision herein, no spa, jetted tub or hot tub (whether in-ground or above-ground), and no shed, gazebo, or storage structure, shall be permitted or located in any Private Yard Area or deck/patio/balcony area in the absence of prior written approval of the Architectural Committee, in accordance with Article VIII. Additionally, no item (including, without limitation, planters) may be placed on the railing of any Private Yard Area or deck/patio/balcony area.

3.10 No Further Subdivision. No Lot may be further subdivided without the prior written approval of the Board and the Architectural Committee, which approval may be granted or withheld within the sole and absolute discretion of the Board and the Architectural Committee, respectively; provided, however, that nothing in this Section shall be deemed to prevent an Owner from, or require the approval of the Board for: (a) selling a Lot; or (b) transferring or selling any Lot to more than one (1) person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property; or (c) the leasing or renting by any Owner of all of his Lot, provided that any such lease or rental shall be subject to and in accordance with Section 3.2 of this Declaration. No two or more Lots in the Project may be combined in any manner whether to create a larger Lot or otherwise, and no Owner, without the prior approval of the Architectural Committee, may remove any wall or other intervening partition between the Lots.

3.11 Drainage. **THERE SHALL BE NO INTERFERENCE WITH THE ESTABLISHED DRAINAGE IN THE PROJECT, INCLUDING, WITHOUT LIMITATION, ROOF DRAINAGE SYSTEMS. FOR THE PURPOSE HEREOF, "ESTABLISHED" DRAINAGE IS DEFINED AS THE DRAINAGE PATTERNS ESTABLISHED BY DECLARANT IN CONNECTION WITH ITS INITIAL DEVELOPMENT OF THE PROJECT.**

3.12 View Obstructions. No representations, warranties, covenants or agreements are made by Declarant or the Association or their agents, with respect to the presence or absence of any current or future view, scene or location advantage from any portion of a Lot or Private Yard Area within the Project. Each Owner, by accepting a deed to a Lot, hereby acknowledges that any construction or installation by Declarant or the Association may impair the view of such Owner, and hereby consents to such impairment. Owners are solely responsible for analyzing and determining all risks concerning the current and future value of any view, scene or location advantage and the potential or existing impairment thereof and the risks of preserving the view, scene or location advantage.

3.13 Lot/Residence Alterations. Neither the appearance of the Common Elements nor the exterior appearance of a Lot, Private Yard Area, or any Improvement thereon or any other portion of the Project (including, without limitation, the exterior appearance of any Lot Landscape Area, or any deck/patio/balcony area(s) of the home on a Lot) may be modified without the prior written approval of the Architectural Committee, in accordance with **Article VIII**. The foregoing shall include, without limitation, any modification related to the installation of deck covers, wiring, shutters, awnings, canopies, air conditioning units, water softeners, or other machines or fixtures of any kind to be affixed to the exterior walls of the home on a Lot. No modification may be made that will impair the structural integrity or mechanical systems or lessen the support of any portion of the Project. Notwithstanding the foregoing provisions of this Section 3.13, the Owner of a Lot may modify the exterior appearance of his/her Lot, without obtaining the prior written approval of the Architectural Committee, under the following circumstances:

(a) An Owner shall be permitted to install screen doors in the exterior doors of the home on such Owner's Lot, provided such screen doors conform to any design, style, and quality standards for screen doors that may be adopted by the Architectural Committee from time to time;

(b) An Owner shall be permitted to place deck furniture and house plants within the Private Yard Area and deck/patio/balcony area(s) of the home on such Owner's Lot, provided such plants and furniture conform to any design, style, sizing, numerosity, and quality standards for plants and furniture that may be adopted by the Architectural Committee from time to time; and

(c) An Owner shall be permitted to install holiday decorations anywhere within the interior or upon the exterior of his Private Yard Area or the home on such Owner's Lot, provided that such installation shall be done in such manner as not to compromise or damage the surface or item to which installed or attached, and further provided that no decorations of any kind shall be installed or placed upon any roof of the home on such Lot. All decorations must be installed and removed in a reasonably seasonal manner, and, during the appropriate period of display, shall be maintained in a neat and orderly manner. Without limiting the generality of the foregoing, decorations for the holiday season beginning each year on the day on which Thanksgiving is to be observed pursuant to federal law ("Thanksgiving Day"), and ending on the second day of January of the following year, may be put up no earlier than one week in advance of Thanksgiving Day, and must be taken down no later than January 14th of the following year; provided, however, that the foregoing restriction shall not apply to any holiday decorations which are not readily visible from the exterior of a Lot.

3.14 Utility Service. No lines, wires, or devices for transmission of electric current or telephone, television, or radio signals shall be constructed, placed, or maintained anywhere within any Lot or Private Yard Area 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.

3.15 Window Treatments. Any treatment of windows or glass doors, including, but not limited to, interior shutters, draperies, curtains or blinds, shall be subject to prior written approval of the Architectural Committee, in accordance with **Article VIII**. No plastics, aluminum foil, bedroom sheet or other unsuitable coverings may be placed in or on the windows of any structure on a Lot. Window coverings shall be white or off-white in color. All interior window treatments shall at all times be maintained by the Owner thereof in good order and repair.

3.16 Spas and Water Beds. No spa, jetted tub, hot tub, water bed, or similar item shall be permitted or located within any Private Yard Area or Lot (including, but not limited to, any garage, deck, patio, or balcony area thereon) in the absence of prior written approval of the Architectural Committee, in accordance with **Article VIII** (excepting, however, any bathroom tub installed by Declarant as part of the original construction of the residence on a Lot). In the event such approval is given, the Owner shall be solely responsible for any and all damages caused thereby or arising in connection therewith, and hereby agrees to indemnify, defend and hold harmless Declarant and the Association on any claims arising in connection therewith. The Architectural Committee may require the Owner to produce a reasonable bond or applicable insurance before permitting any such item to be installed on such Owner's Lot.

3.17 Diseases and Insects; Hazardous Activities. No Owner shall permit any thing or condition to exist upon his Lot or Private Yard Area that shall induce, breed, or harbor infectious plant or tree diseases or noxious insects. No activities shall be conducted, nor shall any Improvements be constructed, anywhere in the Project that are or might be unsafe or hazardous to any person, Lot, or Common Elements.

3.18 Mineral Exploration. No portion of the Project shall be used in any manner to explore for or to remove any oil or other hydrocarbons, minerals of any kind, gravel, or earth 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 substances be located on the Project. Notwithstanding the foregoing, excavation may take place on any Lot to the extent necessary for construction of the main dwelling unit and related Improvements thereon.

3.19 [Intentionally Deleted].

3.20 Temporary Structures. No structures of a temporary character, including trailers, shacks, sheds, or other outbuildings, shall be permitted within the Project or used within the Project at any time as a residence, either temporarily or permanently. Notwithstanding the foregoing provisions of this Section, trailers or temporary structures for use incidental to Declarant's construction on the Project or the sales of Lots owned by Declarant may be maintained and used for such purposes, but shall be promptly removed upon completion of all such construction and all such sales.

3.21 Operation of Motor Vehicles. Except as to authorized maintenance vehicles, no motorized vehicles shall be operated in any area within the Project except on a street, Board designated parking area, or driveway. All speed limit and other traffic control signs erected within the Project shall be observed at all times. Motorized vehicles, with the exception of

Declarant and/or Association maintenance vehicles, are specifically prohibited on all paths, trails or walkways, including, without limitation, any emergency vehicle access and all sidewalks. Nothing herein shall apply to vehicles operated by Declarant or Declarant's agents in the course of Declarant's construction of Improvements within the Project.

3.22 Garages. Garages shall be used exclusively for the parking of vehicles. Notwithstanding the foregoing, ordinary household goods may be stored in addition to vehicles, provided that: (a) no flammable, dangerous, hazardous or toxic materials shall be kept, stored, or used in any garage, (b) doors to garages shall be kept fully closed at all times except for reasonable periods during the removal or entry of vehicles or other items therefrom or thereto, and (c) no vehicle shall be parked outside of the garage because or as the result of any such storage. Owners understand and acknowledge that their respective garages are or may be located directly below one or more homes, and, by acquisition of title to a Lot, shall be deemed to covenant not to violate any "quiet hour" restrictions or rules, or any other noise, nuisance or vibration provisions of the Governing Documents. No garage may be used for a permanent or temporary dwelling, and no animal shall be housed or kept in any garage. The foregoing notwithstanding, Declarant may convert a garage owned by Declarant into a sales office or related purposes. Garages are to be used for parking of operable vehicles only, with the exception that one space in a two car garage may be utilized to store an inoperable or unregistered vehicle. Any Owner reasonably requiring "emergency" access to or over another Owner's garage, and who cannot reasonably contact such other Owner, shall contact the Board and/or Manager.

3.23 Additional Vibrations and Noise Restrictions. Except for the garage door opener, no Owner shall attach to the walls or ceilings of any garage any fixtures or equipment, which will cause vibrations or noise to adjacent homes on neighboring Lots. Any garage door opener which is replaced by an Owner shall be insulated with the same or better quality of sound insulation materials as provided by the Declarant at the time of the initial installation or with any improved insulation materials which insulate sound and vibration from such garage door opener. Additionally, "hard surface flooring" (e.g., wood, tile, vinyl, or linoleum, or similar non-carpet flooring) shall not be permitted in the absence of prior written approval of the Architectural Committee, in accordance with **Article VIII**. Without limiting the foregoing, each Owner shall fully comply with all applicable local ordinances.

3.24 Exterior Lighting. All outdoor lighting plans, other than for low voltage decorative holiday lighting as provided in Section 3.13, must be approved by the Architectural Committee, in accordance with **Article VIII**. In the event such approval is obtained, any exterior electrical, gas or other artificial lighting installed shall be positioned, screened, or otherwise directed or situated and of such controlled focus and intensity so as not to unreasonably disturb the residents of any other Lots.

3.25 Post Tension Slabs. The concrete slab for certain homes in the Project may be reinforced with a grid of steel cables which were installed in the concrete and then tightened to create a very high tension. This type of slab is commonly known as a "Post Tension Slab". Cutting into a Post Tension Slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the home and/or personal injury. By accepting a deed to a Lot in the Project, each Owner specifically covenants and agrees that: (a)

such Owner shall not cut into or otherwise tamper with any Post Tension Slab on such Owner's Lot; (b) such Owner shall not knowingly permit or allow any person to cut into or tamper with the Post Tension Slab so long as such Owner owns any interest in the Lot on which such Post Tension Slab is located; (c) such Owner shall disclose the existence of the Post Tension Slab to any tenant, lessee or subsequent purchaser of the Lot; and (d) such Owner shall indemnify and hold Declarant and its respective officers, employees, contractors and agents, free and harmless from and against any and all claims, damages, losses, or other liability (including attorneys' fees) arising from any breach of this Section.

3.26 Construction Procedures. Prior to commencement of any construction activity on any Lot or Private Yard Area, the Owner and/or contractor shall take appropriate precautions to protect the site from unnecessary damage and to reduce erosion and dust problems. The site shall be kept in a clean and orderly fashion at all times and the contractor shall have approved sanitary facilities on site as well as a garbage dumpster or other suitable device for regular disposal of trash. Except as to construction materials belonging to Declarant or its agents, no construction materials shall be dumped or stored on roadways or Common Elements. Except as to construction work performed or caused to be performed by Declarant, construction work hours shall be limited to 7:00 a.m. to 7:00 p.m., or as otherwise limited by applicable law. Under no circumstances shall any Owner, other than Declarant, conduct blasting activities or otherwise detonate any explosive material on any portion of the Project.

3.27 Sports and Play Equipment. Bicycles, toys and children's play equipment, sports apparatus and equipment, motorcycles, ATV's, snowmobiles, and similar vehicles must be garaged or stored in an enclosure or fenced in a manner to be hidden from public view when not in use.

3.28 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot or Private Yard Area except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private residence or appurtenant structures within the property, or is associated with a hobby (but not a business) of a Lot resident, provided that no such machinery or equipment may exceed six (6) feet in height, weigh more than one ton, or be visible from adjacent residences or the Common Elements. Nothing herein shall apply to machinery and equipment used by Declarant or Declarant's agents in the course of Declarant's construction of Improvements within the Project.

3.29 Maintenance Violations.

3.29.1 Maintenance Violation Notice. If any Owner allows, permits, or causes any condition to exist on or within such Owner's Lot (including, without limitation, the Lot Landscape Area), Private Yard Area, or any of the Common Elements, as the case may be, or the Improvements thereon, which violates the provisions of **Article III** or **Article 3A** of this Declaration (including, without limitation, a deemed violation of Section 3.4 pursuant to Section 8.16), or, in the sole reasonable discretion of the Board, is unsightly, unsanitary, or hazardous (including, but not limited to, a condition which causes dust to carry to another Lot) (herein collectively "Maintenance Violation"), then, except as otherwise provided in Section 3.29.6 hereof, (in the case of an emergency), the Association shall give the Owner written notice

("Maintenance Violation Notice"), specifying the nature of the Maintenance Violation and a reasonable time period within which the Owner(s) must correct such Maintenance Violation, as the Board determines is reasonably required, which cure period shall be no less than thirty (30) days. In the event that the Board fails to give a Maintenance Violation Notice to an Owner who has defaulted in its maintenance obligation hereunder, then upon the filing with the Board of a meritorious written complaint (herein "Owner Complaint") executed by the Owners of any two (2) Lots within the Project, the Board shall have the obligation to give such Maintenance Violation Notice.

3.29.2 Owner's Right to File an Objection; Hearing Panel; Arbitration. The Owner to whom a Maintenance Violation Notice is given shall have the right to file a written objection thereto with the Secretary of the Association within ten (10) days after such Owner is deemed to have received such Maintenance Violation Notice (failure by an Owner to file an objection within said period shall be deemed a binding decision by all parties that the alleged Maintenance Violation exists, and shall trigger the Association's rights under Sections 3.29.4 and 3.29.5). In the event such an objection is filed, and within thirty (30) days after the objection is filed, the Board may elect either (i) to convene a Hearing Panel (defined below), or (ii) submit the matter to binding arbitration pursuant to the provisions of Chapter 38 of the Nevada Revised Statutes. By acceptance of his deed or other instrument of conveyance, each Owner shall be deemed to have agreed to binding arbitration pursuant to the provisions of NRS 38.300, et seq., or any successor statute, if such matter goes to arbitration.

3.29.3 Hearing Panel. In the event the Board elects pursuant to Section 3.29.2 above, to convene a Hearing Panel, then the President of the Association shall appoint, within thirty (30) days after receipt of the Owner's objection, a panel of three (3) Board Members or three (3) members of any committee of the Board established by the Board pursuant to the Bylaws (the "Hearing Panel"). The Hearing Panel shall convene no later than fifteen (15) days after its appointment for the purpose of conducting a hearing on the disputed Maintenance Violation. Notice of such hearing, and time and place thereof, shall be given to the Owner to whom the Maintenance Violation Notice is given and any other Owners who have filed Owner Complaints at least five (5) business days prior to the date set for such hearing. The Hearing Panel shall give written notice of its decision to the Owner against whom the Maintenance Violation Notice was given as to whether or not a Maintenance Violation exists and the nature of such violation. Copies of such decision shall be mailed to all persons who filed an Owner Complaint. The decision of the Hearing Panel shall be appealable as set forth in NRS 38.300, et seq., or any successor statute. Appeals must be initiated within fifteen (15) days after the Hearing Panel renders its decision. Except as permitted under Section 3.29.6, no action shall be taken by the Association on the Maintenance Violation until the later of the expiration of the aforementioned fifteen (15) day appeal period, or, if an appeal is filed, the date of disposition of the appeal.

3.29.4 Association's Right to Correct Maintenance Violation. If a binding decision is rendered that a Maintenance Violation exists and the Owner fails to correct a Maintenance Violation within the period specified in such decision, or, if no time is specified, within a reasonable time ("Cure Period"), then the Association, acting through the Board, shall have the right, but not the obligation, to correct the Maintenance Violation in accordance with the procedures set forth below. Said procedures are in addition to, and not in lieu of, any other

rights or mechanisms of enforcement available to the Association under this Declaration, at law, or in equity, including, without limitation, the mechanisms set forth in Section 5.1.3 below.

3.29.5 Procedure for Association's Correction of Maintenance Violation.

(a) Bids. In the event the Association elects to correct a Maintenance Violation, then prior to commencement of work to correct the Maintenance Violation and promptly after the expiration of the Cure Period afforded a defaulting Owner, the Board shall obtain responsible written bids to perform the required work and shall mail the bids to the Owner. The Owner shall have the right to select the bid by notifying the Board in writing within seven (7) days after the bids are mailed by the Board to the Owner. In the event the Owner fails to select a bid within such time period, the Board shall select the bid.

(b) Violation Assessment. When the bid has been selected as set forth in subsection (a), above, the Board shall levy a Violation Assessment pursuant to Section 6.7 hereof against the Owner in the amount of the cost of correcting the Maintenance Violation and the costs and expenses, including attorneys' fees, incurred by the Association incident thereto.

(c) Performance of Corrective Work By Association. The Board may, at its sole option and discretion, elect to cause the corrective work to be commenced promptly after the Violation Assessment has been levied against the Owner, or elect to postpone the corrective work until after the amount of the Violation Assessment has been collected partially or in full. Neither the Association, the Board, nor any of the Association's agents, or employees shall be liable for any damage which may result from any work performed by the Association to cure a Maintenance Violation.

3.29.6 Emergencies. In the event any officer of the Association believes, in his or her sole reasonable discretion, that an emergency situation exists within a Lot (including within any Improvement thereon) or within any Common Element and that immediate repairs are necessary to prevent or mitigate damages, then such officer or the Association's authorized agent shall have the right to exercise the Association's right of entry without notice. If after gaining entry, any officer or agent of the Association still believes in his or her sole reasonable discretion, that immediate repairs are necessary to prevent or mitigate damages, then the Association shall have the right to make such repairs without notice to the Owner and without a hearing or right to cure, and without obtaining competitive bids as provided above. The Association shall levy a Violation Assessment against the Owner in the amount of the cost of the corrective work and all costs and expenses, including attorneys' fees, incurred by the Association incident thereto. Neither the Association, the Board, nor any of the Association's agents or employees, nor any person hired by the Association to perform the corrective work, shall be liable for any damage which may result from any work so performed on behalf of the Association.

3.29.7 Entry by Court Order. In the event an Owner prevents an officer of the Association or authorized agent of the Association from gaining access to such Owner's Lot or Private Yard Area (including within any Improvement thereon) or Common Element for the purpose of correcting a Maintenance Violation or for the purpose of attending to an emergency

situation, then the Owner(s) shall be jointly and severally liable to the Association for attorneys' fees, court costs and incidental expenses incurred by the Association for the purpose of gaining such entry and all other costs and expenses incident thereto, and all such costs and expenses shall be assessed to the Owner as a Violation Assessment pursuant to Section 6.7 hereof.

3.29.8 Remedy Not Exclusive. The Association's rights of enforcement under this Section 3.29 are in addition to, not in lieu of, any other rights or mechanisms of enforcement available to the Association under this Declaration, at law, or in equity.

ARTICLE 3A OWNER MAINTENANCE RESPONSIBILITIES

3A.1 Owner Maintenance Obligations. Except as otherwise expressly provided herein (i.e. the provisions regarding Lot Landscape Area, and Section 3A.3 below), the Owner of each Lot shall be solely responsible for maintaining such Lot and any appurtenant Private Yard Area, and all Improvements thereon (including, without limitation, the Residence), in a clean, orderly, safe, and properly functioning manner, and in a good quality condition and state of repair, adequately painted or otherwise finished, all at such Owner's sole cost and expense. No building, structure, or other Improvement within the Project shall be permitted to fall into disrepair. No Owner shall do any act or work that will impair the structural soundness or safety of any Improvement located in the Project. Without limiting the foregoing, each Owner shall be responsible for the following maintenance items related to such Owner's Lot, Private Yard Area, and the Improvements thereon:

(1) Cleaning, maintenance, repair and/or replacement of any and all plumbing fixtures, electrical fixtures, and/or appliances (whether "built-in" or free-standing, including, by way of example and not of limitation: water heaters (and associated pans), furnaces, plumbing fixtures, lighting fixtures, refrigerators, dishwashers, garbage disposals, microwave ovens, washers, dryers, and ranges), within the Residence on such Owner's Lot;

(2) Cleaning, maintenance, painting and repair of the exterior surfaces of the Residence on such Owner's Lot, and its related Private Yard Area; subject to the requirement that exterior appearances shall not deviate from external appearances as originally constructed by Declarant, except as otherwise approved in writing by the Architectural Committee pursuant to **Article VIII** below;

(3) Cleaning, maintenance, repair, and/or replacement of all windows and window glass within or exclusively associated with Residence on such Owner's Lot, including the metal frames, tracks and exterior screens thereof, subject to the requirement that the exterior appearance of such items shall not deviate from its external appearance as originally installed by Declarant;

(4) Periodic and ongoing pest control, with regard to the Owner's Residence (including, without limitation, the garage and any deck area) and Private Yard Area;

(5) Cleaning, maintenance, repair, and replacement of the HVAC unit exclusively serving the residence on such Owner's Lot, subject to the requirement that the

appearance of such items shall not deviate from their appearance as originally installed by Declarant;

(6) Cleaning, maintenance, repair, and replacement of the door opener and opening mechanism located in the garage on such Owner's Lot (provided that any replacement door opener shall be a "quiet drive" unit, at least as quiet as the unit originally installed by Declarant), so as to reasonably minimize noise related to or caused by an unserviced or improperly functioning garage door opener and/or opening mechanism;

(7) Cleaning, maintenance, repair, and replacement of the roof drainage systems serving such Owner's Residence, including, without limitation, maintenance of and debris removal from all downspouts and rain gutters;

(8) Cleaning, maintenance, repair, and replacement of any portion of the Owner's Residence overhanging into the Common Area or a neighboring Lot, or extending into the Common Area below the surface (e.g. foundation), subject to the requirement that the appearance of such items shall not deviate from their appearance as originally installed by Declarant;

(9) Cleaning, maintenance, repair, and replacement of the roof drainage systems serving such Owner's Residence, including, without limitation, maintenance of and debris removal from all downspouts and rain gutters; and

(10) Each Owner shall be responsible for removing snow, leaves and debris from his Private Yard Area and all patios, decks and balconies which are a portion of the Residence on such Owner's Lot.

3A.2 Perimeter Walls. Walls and/or fences constructed or to be constructed by Declarant along a boundary shared by a Lot or Private Yard Area and any other portion of the Common Elements (herein, "Perimeter Walls") are Improvements, all portions of which are located, or conclusively deemed to be located, within the boundaries of individual Lots and/or Private Yard Areas. By acceptance of a deed to his Lot, each Owner on whose Lot or Private Yard Area a portion of the Perimeter Wall is located, hereby covenants, at the Owner's sole expense, with regard to said portion of the Perimeter Wall ("Lot Wall"): to maintain at all times in effect thereon property and casualty insurance, on a current replacement cost; to maintain and keep the Lot Wall at all times in good repair, and, if and when reasonably necessary, to replace the Lot Wall to its condition and appearance as originally constructed by Declarant. No changes or alterations shall be made to the Perimeter Walls, or any portion thereof, without the prior written approval of the Architectural Committee, in accordance with **Article VIII**. An Owner's failure to insure, failure to maintain, or failure to repair or replace a Lot Wall within sixty (60) days when reasonably necessary, in accordance with this Section, constitutes a nuisance under Section 3.4 that may be corrected pursuant to Section 3.29.

3A.3 Shared Improvements.

3A.3.1 Definitions.

(a) Joint Foundation Systems. The term "Joint Foundation Systems" means a foundation which is built as a joint part of two (2) attached Residences in the original construction of those Residences, if the portion of the foundation underlying each Residence is joined at the boundaries of the two Residences.

(b) Joint Roof Systems. The term "Joint Roof Systems" means a roof which is built as a joint part of two (2) attached Residences in the original construction of those Residences, if the portion of the roof covering each Residence is joined at the boundaries of the two Residences.

(c) Joint Wall Systems. The term "Joint Wall Systems" means (i) the walls built as a joint part of two (2) attached Residences in the original construction of those Residences, and which separate those Residences and contain elements which connect the demising walls between the two (2) Residences, and (ii) the wall built as a common boundary between two (2) Private Yard Areas.

(d) Shared Improvements. The term "Shared Improvements" refers collectively to the Joint Wall Systems, Joint Roof Systems, and Joint Foundation Systems.

3A.3.2 Shared Improvements Generally. Each Owner, by acceptance of a deed, acknowledges that portions of the Owner's Residence and Private Yard Area consist of a Joint Wall System, Joint Roof System, and Joint Foundation System. In the event that any Shared Improvement is not constructed exactly on the property line, the Owners affected shall accept the Shared Improvement as the boundary. To the extent not inconsistent with the provisions of this Section 3A.3, the general rules of law shall apply regarding Shared Improvements and liability for damage due to negligence or willful acts or omissions. To the extent of any inconsistency between the provisions of this Section and any of the other provisions set forth in this Declaration, the provisions set forth in this Section shall control.

3A.3.3 Repair and Maintenance of Shared Improvements.

(a) Individual Maintenance Responsibilities. Each Owner is solely responsible, at such Owner's sole cost and expense, to maintain, repair and replace (i) the interior surfaces of the Shared Improvements within such Owner's Residence (i.e. interior roof portions, interior wall portions, and interior foundation portions) or Private Yard Area, (ii) any plumbing or other utilities which service only the Owner's Residence or Private Yard Area which are located within the Shared Improvements, (iii) any damage caused to the Shared Improvements by such Owner or the Owner's tenants, guests, agents, or invitees (collectively, "Owner's Invitees"), (iv) any damage to the Shared Improvements which clearly affects only that Owner's Residence or Private Yard Area as determined by a licensed contractor, as may be appropriate for the repair or replacement of the roof, joint walls, or foundation ("Licensed Contractor") and (v) any damage to any portions of any Improvements which were added to the Shared Improvements as originally constructed by any Owner ("Additions"). (Herein the separate obligations of the Owners described above are sometimes referred to collectively as the

"Individual Owners Maintenance Obligations"). With respect to the Individual Owners Maintenance Obligations, the individual Owner shall not be required to give the Owner of the adjoining attached Residence or Private Yard Area notice of any routine maintenance but, prior to commencing any repair which requires entry onto the other Owner's Residence or Private Yard Area, or which may affect the use of the adjoining attached Residence or Private Yard Area, such Owner shall provide reasonable advance notice to the other Owner as provided in Section 2A.6 and shall coordinate its repair so as to minimize disruptions to the other Owner's attached Residence or Private Yard Area.

(b) Shared Maintenance Responsibilities. Except for the Individual Owners Maintenance Obligations, the cost of the repair, maintenance and replacement of the Shared Improvements shall be shared by the Owners who have use of such Shared Improvement in accordance with the provisions set forth below. If an Owner determines that it is reasonably necessary to perform repair, maintenance or replacement of a Shared Improvement ("Initiating Owner"), such Owner shall: (a) provide at least fifteen (15) days written notice to the other Owner of such intended maintenance, repair and replacement and the estimated cost thereof as set forth in a bid for the work and (b) provide the other Owner with an opportunity to obtain separate bids for the work to be completed. If the other Owner elects to obtain separate bids, such Owner shall do so promptly but no later than forty- five (45) days after delivery of notice of the intended maintenance or repair by the Initiating Owner. Unless the Owners of both Residences (or Private Yard Areas) agree, the Licensed Contractor with the lowest bid shall be used for the work, and the Shared Improvement shall be repaired rather than replaced when a repair is a feasible alternative as determined by a Licensed Contractor. In the event of any disagreement as to whether or not it is reasonably necessary to perform a particular repair, maintenance or replacement of a Shared Improvement under this subsection (b), the matter shall be submitted to the Architectural Committee, and the decision of the Architectural Committee, made in its sole and absolute discretion, shall be binding.

Notwithstanding the foregoing, in the event of an emergency situation, an Owner may effect the repair or maintenance (but not a replacement) of a Shared Improvement without the notice and bid requirements set forth in this Section. For purposes of this subsection, an emergency situation is defined as a situation when a repair or maintenance is immediately necessary to protect either Residence or Private Yard Area from immediate further damage or to prevent any injury to any person.

3A.3.4 Allocation of Costs. Except as specifically stated otherwise herein, the cost of maintenance, repair, replacement or reconstruction of a Shared Improvement shall be allocated as set forth in this subsection.

(a) Individual Owners Maintenance Obligations. Each individual Owner shall bear its own cost of any Individual Owner Maintenance Obligation. Except for Individual Owner Maintenance Obligations, all other work to the Shared Improvements shall be allocated as set forth in subsections (b) and (c) below.

(b) Entire Shared Improvement. In the event an entire Shared Improvement needs to be maintained, repaired, replaced or reconstructed, the cost thereof shall be allocated between both Owners of the two relevant Residences (or Private Yard Areas) upon

the basis of the ratio of the square footage of the portion of the Shared Improvement (i.e. roof, wall, or foundation) that covers a Residence (or Private Yard Area) to the total square footage of the aggregate of the Shared Improvement covering both Residences (or Private Yard Areas). For the purpose of allocating costs for maintenance, repair, replacement or reconstruction of a Shared Improvement, the total square footage of the aggregate Joint Roof System and Joint Foundation System shall include only the original square footage of the roof and foundation as originally constructed by Declarant.

(c) Portion of Shared Improvement. In the event a portion of a Shared Improvement needs to be maintained, repaired, replaced or reconstructed, the cost thereof shall be allocated between both Owners of the two relevant Residences upon the basis of the ratio of the square footage of the portion of the Shared Improvement (i.e. roof, wall, or foundation) covering a Residence which needs to be maintained, repaired, replaced or reconstructed to the total square footage of the aggregate of the Shared Improvement covering both Residences which needs to be maintained, repaired, replaced or reconstructed (but excluding from such calculations the square footage of any Additions).

3A.3.5 Weatherproofing. Notwithstanding anything else herein to the contrary, an Owner who, by his or her act, causes a Shared Improvement to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

3A.3.6 Casualty to Shared Improvements. If a Shared Improvement is destroyed or damaged by fire or other casualty and the Residence (or Private Yard Area) is being reconstructed pursuant to Section 3A.4 below, the Owners who have the Shared Improvement shall contribute to the costs to restore it in accordance with Section 3A.3.4 above. This provision does not prevent an Owner from requiring a larger contribution from the other Owner pursuant to any rule of law regarding liability for negligent or willful acts or omissions as noted in Section 3A.3.2.

3A.3.7 Dispute Resolution. Except as provided in Section 3A.3.3(b), in the event of a dispute between Owners of adjoining Residences (or Private Yard Areas) arising in connection with a Shared Improvement, will be resolved pursuant to Article 13 hereof.

3A.3.8 Mechanic's Liens. An Owner shall not permit to be placed against the adjoining Owner's Lot or any other portion of the Project, any mechanics', materialmen's, contractors' or subcontractors' liens arising out of the work of any maintenance, repair, replacement, restoration of a Shared Improvement, or any other claim or demand. Each Owner shall pay or cause to be paid all said liens, claims or demands before any action is brought to enforce the same against the adjoining Owner's Lot or other portions of the Project. If any Owner fails to remove such mechanics' lien, the Board may discharge the lien and charge the Owner a Violation Assessment for such cost of discharge. Each Owner agrees to indemnify, protect, defend and hold the other Owner and the other Owner's Lot free and harmless from all liability for any and all such liens, claims and demands together with reasonable attorneys' fees and all reasonable costs and expense incurred.

3A.4 Damage and Destruction of Residences and Private Yard Areas. In the event a Residence and/or Private Yard Area is damaged or destroyed, such Residence and/or Private

Yard Area shall be reconstructed, and the Owner of such Residence and/or Private Yard Area shall cause the reconstruction to be performed diligently from the commencement thereof, and the reconstruction shall be completed within a reasonable time and in full compliance with the terms and provisions of **Article VIII** of this Declaration. In the event a Residence and/or Private Yard Area is destroyed and reconstruction of such Residence and/or Private Yard Area does not commence within sixty (60) days (the "Destroyed Improvement"), the Owner of such Destroyed Improvement shall immediately undertake steps to: (i) abate any unsightly or dangerous conditions on such Owner's Lot and (ii) restore such Owner's Lot to a clean and attractive condition. If the Destroyed Improvement Owner fails to meet the conditions set forth above, the Owner of any adjoining undestroyed Residence and/or Private Yard Area ("Undestroyed Improvement") has the right to undertake steps to restore those portions of the remaining Shared Improvement(s) not restored by the Destroyed Improvement Owner at the sole cost to the Undestroyed Improvement Owner. In such event, subject to any right of the Owner of the Destroyed Improvement to rebuild at a later date as described in the following paragraph, the Architectural Committee shall reasonably grant variances to the Owner of the remaining Residence and/or Private Yard Area to allow such improvements as are necessary to put the remaining Residence and/or Private Yard Area in a safe and attractive condition. However, in no event may the foundation system be saw cut and/or punctured and each Owner shall comply with the requirements of Section 3.25 of this Declaration.

If at a later date the Destroyed Improvement is to be rebuilt, the Owner reconstructing the Destroyed Improvement may, subject to the prior approval of the Architectural Committee, reattach his or her Residence and/or Private Yard Area to the Residence(s) and/or Private Yard Area(s) on or appurtenant to the adjoining Lot(s), provided such Owner makes all necessary modifications to the Residence(s) and/or Private Yard Area(s) on or appurtenant to the adjoining Lot(s) to prevent any damage to such Residence(s) and/or Private Yard Area(s) and the reconstruction is in accordance with all applicable local and governmental codes and regulations. Upon reattachment, the new attached Improvements shall be deemed Shared Improvements hereunder, as applicable. Any restoration and repair of any damage to portions of a Residence and/or Private Yard Area (other than the Shared Improvements, as provided in Section 3A.3.6) shall be made by and at the individual expense of the Owner of such Residence and/or Private Yard Area. This provision does not prevent an Owner from requiring a contribution from the other Owner of the attached Residence and/or Private Yard Area pursuant to any rule of law regarding liability for negligent or willful acts or omissions as provided in Section 3A.3.2.

ARTICLE 4 THE ASSOCIATION

4.1.1 Formation. The Association is a nonprofit corporation formed or to be formed under the laws of the State of Nevada. Prior to the conveyance of the first Lot to an Owner other than Declarant, Declarant shall cause the Articles of Incorporation to be filed with the Secretary of State of the State of Nevada. The Association shall be charged with the duties and invested with the powers set forth in the Articles, Bylaws, and this Declaration. The Association is not authorized to have and shall not issue any capital stock. Neither the Articles nor Bylaws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. In the event of any conflict between the language of this

Declaration and the Articles, Bylaws, or any other Governing Documents, the provisions of this Declaration shall control.

4.2 Association Action; Board of Directors and Officers; Members' Approval. Except as to matters requiring the approval of members as set forth in the Articles, Bylaws, this Declaration, or other appropriate Chapters of the Nevada Revised Statutes, the affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with this Declaration or the Bylaws, or their amendments. Except for the members of the Board appointed by Declarant in accordance with this Declaration, the Articles and the Bylaws, and the members of the first Board named in the Articles, the Board shall be composed of Members only. All members of the Board must be at least eighteen (18) years of age. The members of the first Board of the Association named in the Articles shall serve until the first meeting of the Members of the Association which is called for the purpose of electing their successors. The Association shall meet not less than once in each calendar year, and not more than one (1) full calendar year shall elapse between each annual meeting of the Members of the Association. Such meeting shall be called, noticed and conducted in accordance with the Articles and the Bylaws. Except as otherwise provided in the Articles, Bylaws, this Declaration, or other appropriate Chapters of the Nevada Revised Statutes, all matters requiring the approval of Members shall be deemed approved if Members holding a majority of the total voting power assent to them by written consent as provided in the Bylaws or if approved by a majority vote of a quorum of Members, as determined by the Bylaws, at any regular or special meeting held in accordance with the Bylaws.

4.3 Membership.

4.3.1 Membership Qualifications. All Owners shall be Members of the Association. Each Owner shall automatically be a Member of the Association without the necessity of any further action on his part. Additionally, Declarant shall be a Member of the Association until such time as Declarant no longer owns any portion of the Property.

4.3.2 Members' Rights and Duties. Each Member shall have the rights, duties, and obligations set forth in this Declaration, the Articles, Bylaws, and the Rules, as the same may from time to time be amended.

4.3.3 Voting .

(a) Allocation of Votes.

(i) Allocation. One (1) vote shall be allocated to each Lot. Additionally, as to any portion of the Project not yet subject to a Map, that portion of the Project shall be deemed to contain the number of Lots designated for such portion on the Tentative Map, and shall have one (1) vote for each such deemed Lot. For purposes of voting rights only, the term "Lot" shall include deemed Lots under this subsection.

(ii) Association Lots. No vote allocated to a Lot owned by the Association may be cast.

(iii) Cumulative Voting. Voting shall not be cumulative.

(b) Appointment and Removal of Members of Board and Officers of Association. Subject to the provisions of subsection (c) of this Section 4.3.3, Declarant reserves the right to appoint and remove all of the members of the Board and all of the officers of the Association until the earlier of the following events:

(i) Sixty (60) days after conveyance, to Owners other than a declarant, of seventy-five percent (75%) of the maximum number of Lots that may be created in the Property (as set forth in Recital D);

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

(iii) Five (5) years after any right to add new Lots was last exercised.

Declarant shall have the right to designate a person or persons who are entitled to exercise the rights reserved to Declarant under this subsection (b). The date on which the rights reserved by Declarant under this subsection (b) terminate is herein called "the Declarant's Control Termination Date". From and after the Declarant's Control Termination Date, the Board of Directors and the officers of the Association shall be elected and appointed as provided in the Articles and Bylaws.

(c) Composition of Board of Directors. Notwithstanding anything to the contrary set forth herein, not later than sixty (60) days after Declarant's conveyance, to Owners other than a declarant, of Lots equal to twenty-five percent (25%) of the maximum number of Lots that may be created within the Property, at least one member and not less than twenty-five percent (25%) of the members of the Board shall be elected by Owners other than the Declarant. Not later than sixty (60) days after conveyance, to Owners other than a declarant, of fifty percent (50%) of the maximum number of Lots that may be created within the Property, not less than thirty-three and one-third percent (33-1/3%) of the members of the Board shall be elected by Owners other than the Declarant. Not later than on the Declarant's Control Termination Date, the Owners shall elect a Board of five (5) members, all of whom must be Owners. Following Declarant's Control Termination Date, the election and removal of Board members shall be conducted in accordance with the Bylaws.

(d) Persons Entitled to Serve on the Board. Except for the members of the Board appointed by Declarant in accordance with the Declaration, the Articles and the Bylaws, and the members of the first Board named in the Articles, all members of the Board shall be Members of the Association. Each Board member shall meet the eligibility requirements further set forth in the Bylaws and the Act. In all events where the person serving or offering to serve as an officer of the Association or member of the Board is not the record Owner, such person shall file proof of his or her authority in the records of the Association.

4.3.4 Exercise of Voting Rights. On any Association matter subject to Member voting, a Member (including Declarant), in accordance with the provisions of this Declaration, the Articles and Bylaws, may cast the vote(s) allocated to his Lot(s). In the case of a Lot owned

by two (2) or more persons or entities, the vote allocated to that Lot shall be cast by only one of them in accordance with the Bylaws.

4.4 Transfer of Membership. The Association membership of the Owner(s) of a Lot shall be appurtenant to such Lot, and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except on a transfer of title to such Lot, and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title or interest to a Lot shall operate automatically to transfer the appurtenant membership rights in the Association to the new owner(s). Prior to any transfer of title to a Lot (including the sale of a Lot under a recorded contract of sale), either the transferring owner or the acquiring owner shall give notice to the Board of such transfer, including the name and address of the acquiring owner and the anticipated date of transfer. The Association shall have the right to charge a reasonable transfer fee payable to the Association on the date of transfer of title to the Lot, which transfer fee shall be assessed against the Lot as a Violation Assessment if not paid when due.

ARTICLE 5 POWERS AND DUTIES OF THE ASSOCIATION

5.1 Powers. The Association shall have all the powers of a non-profit corporation organized under the laws of the State of Nevada and the powers conferred upon it pursuant to appropriate Chapters of the Nevada Revised Statutes, 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, and 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:

5.1.1 Assessments. The Association shall have the power to establish, fix, and levy assessments as set forth in Article VI hereof (herein collectively "Assessments") and to enforce payment of such Assessments in accordance with the provisions of this Declaration.

5.1.2 Rules. The Board shall have the power to adopt, amend, and repeal the Rules. The Rules may include, without limitation, rules and regulations regarding the use and operation of the Common Area (other than any portion constituting a Private Yard Area), as well as rules and regulations covering such additional matters as the Board may deem appropriate to protect property values, keep the Owners investments secure, and ensure that residents shall have a pleasant environment in which to live. The Rules may also include, without limitation, rules and regulations relative to the prohibitive and mandatory use restrictions set forth in Article III above in order to protect and enhance the value of the Property and the orderly functioning of the Project, and to adapt and respond to changing circumstances and times; provided, however, that no such rule adopted or enacted by the Board may be less restrictive in its scope or effect without the consent of not less than fifty-one percent (51%) of the voting power of the Association, and no Rule adopted by the Board may impair any right of Declarant hereunder without Declarant's prior written consent. The power of the Board to enact and adopt such rules and regulations shall in no way be limited by the treatment or the specificity of treatment of a subject matter in Article III above. A copy of the Rules as adopted, amended, or repealed, shall be mailed or otherwise delivered to each Member. In case of any conflict between any provision of the Rules and any

provisions of this Declaration, the Articles, or Bylaws, the conflicting provision of the Rules shall be superseded by the provisions of this Declaration, the Articles, or the Bylaws.

5.1.3 Right of Enforcement.

(a) General. The Association in its own name and on its own behalf (or on behalf of the Owners of two (2) or more Lots who consent), any Member on its own behalf, and Declarant on its own behalf, shall have the power and authority to commence and maintain actions for damages for, or to restrain and enjoin, any actual or threatened breach of any provision of the Governing Documents or any approval or construction contract of the Architectural Committee, and to enforce by mandatory injunction, or otherwise, all of these provisions. The Court in any such action may award the successful party reasonable expenses in prosecuting such action, including reasonable attorneys' fees.

(b) Suspension of Voting Rights; Fines. The Association, acting through the Board, shall have the power and authority to suspend the voting rights, suspend an Owner's right to use any recreational amenities comprising the Common Area (other than any portion constituting a Private Yard Area), and can assess monetary penalties and fines as allowed pursuant to the Act, against any Owner of a Lot or other person entitled to exercise such Owner's rights or privileges for any violation of the Governing Documents or an approval or construction contract of the Architectural Committee. Before invoking any such suspension or fine, the Board shall give such Owner or other person notice and opportunity to be heard with respect to such violation, which notice shall provide not less than ten (10) days prior written notice of such hearing and reasonable detail with respect to the matter of which complaint is being made. Said notice and opportunity to be heard may be provided in conjunction with a Maintenance Violation proceeding, if the Board so chooses. The Association does not have the power or authority to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of such Owner's Lot and Private Yard Area if the Owner does not comply with provisions of the Governing Documents, except when the loss or forfeiture is the result of a court judgment, 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. In connection with the Association's adoption of a policy imposing a fine on Owners for violations of the Governing Documents and/or Architectural Committee approvals and contracts, the Secretary or other officer specified in the Bylaws shall prepare and cause to be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Lot's Owner, a schedule of the fines that may be imposed for those violations. No fine may be assessed against an Owner unless at least thirty (30) days prior to the alleged violation, the Owner alleged to have violated the rule was given written notice of the rule and all amendments thereto. The fine for any violation must be commensurate with the severity of the violation, as determined by the Board; provided, however, that if the violation does not pose an imminent threat of causing a substantial adverse effect on the health, safety, or welfare of Owners or residents within the Project, the fine must not exceed \$100.00 for each violation or a total amount of \$1,000.00, whichever is less (which limitation does not apply to interest, charges, and costs that may be collected by the Association if a fine becomes past due). If a fine is imposed and the violation is not cured within fourteen (14) days or a longer period as may be established by the Board, the violation shall be deemed a continuing violation. Thereafter, the Board may impose an additional fine for the violation for each seven (7) day period or portion thereof that

the violation is not cured. Any additional fine may be imposed without notice and an opportunity to be heard. The right of the Association to impose fines pursuant to this Section is in addition to, and shall not limit, the Association's right to levy a Violation Assessment resulting from a Maintenance Violation. Interest on and the collection costs of past due fines shall be governed by the applicable provisions of the Act and this Declaration. The maximum dollar amounts for fines stated herein may be adjusted by the Board, provided that such amounts may not exceed the maximum amounts allowed by the Act.

5.1.4 Delegation of Powers; Professional Management; Other Services. The Association, acting by and through the Board, can delegate its powers, duties, and responsibilities to committees of Members, employees, agents and independent contractors, including a professional managing agent. The Association may engage the services of a professional Manager to manage the Association Property (including, without limitation, the Common Area, but excluding any portion constituting a Private Yard Area), and the Lot Landscape Area. 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.

5.1.5 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.

5.1.6 Removal of Vehicles. The Association shall have the power to direct the removal of vehicles improperly parked on the Common Elements or otherwise parked in violation of the Governing Documents; provided that such removal shall be done in accordance with the requirements of NRS 487.038, and the Association shall post written notice in a conspicuous place on the vehicle or provide oral or written notice to the owner or operator of the vehicle at least 48 hours before the Association may direct the removal of the vehicle, unless the vehicle (i) is blocking a fire hydrant, fire lane or parking space designated for the handicapped, or (ii) poses an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the Owners or residents of the Project, in which case no such prior notice shall be required.

5.1.7 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 Project generally, or which, in its opinion, shall be necessary or proper for the operation of the Association, and to incur liabilities and make contracts respecting the same.

5.2 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 5.1.4, has the obligation to conduct all business affairs of common interest to all Members and to perform each of the following duties:

5.2.1 Taxes and Assessments. Except for those portions of the Common Area and Association Property which are owned in fee by an Owner, or Carson City, the Association

shall pay all taxes and assessments levied against all Association Property 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.

5.2.2 Insurance. The Association shall obtain and maintain, from reputable insurance companies, the insurance described in **Article VII**.

5.2.3 Operation and Maintenance. Subject to the provisions of this Declaration (including, without limitation, Section 5.1.4 above), the Association shall operate, maintain, and otherwise manage or provide for the operation, maintenance, and management of the Lot Landscape Area (together with the irrigation systems on a Lot used to provide water to its Lot Landscape Area) and any and all Association Property, including, but not limited to, any Common Area in which the Association has a vested present interest (excluding any portion constituting a Private Yard Area), and all its facilities, Improvements, utility facilities installed on a Lot pursuant to the rights reserved under Section 2.A.7 above (to the extent such utility facilities serve any Lot other than the one on which they are located and are not otherwise maintained by any public or private utility company), lighting, and landscaping, including personal property. Such operations and management shall be conducted in a first-class manner, and the Association Property (excluding any portion constituting a Private Yard Area) and the Lot Landscape Area shall be maintained in a good state of repair. Additionally, the Association shall keep perimeter walls around the boundary of the Project free of graffiti and maintained in the same style and condition as installed by Declarant, subject to normal wear and tear. In connection with its maintenance obligations, the Association may enter into contracts for services or materials, including contracts with Declarant.

Throughout the term of this Declaration, the Board shall promptly deliver to Declarant information copies of all written inspections and reports rendered pursuant to the Association's maintenance and repair responsibilities hereunder (without any obligation whatsoever of Declarant to review such documents or to take any action in connection therewith).

The Association shall be responsible for accomplishing its maintenance and repair obligations fully and timely from time to time, as set forth in this Declaration. Failure of the Association to fully and timely accomplish such maintenance and repair responsibilities may result in deterioration and/or damage to Improvements, and such damage and/or deterioration shall in no event be deemed to constitute a constructional defect.

5.2.4 Other. The Association shall carry out the other duties of the Association set forth in the Declaration, Articles, and Bylaws.

5.3 Limitations on Authority of Board. Except with the vote or written consent of a majority of the voting power of the Association, the Board shall not 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.

5.4 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 Member, 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.

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

5.6 Association Books and Records and Association Property.

5.6.1 Right of Inspection. All membership registers, accounting records, and minutes of meetings of the Members, the Board, and committees of the Board, and all other books, documents and records of the Association, and the physical property of the Association, shall be made available for inspection by any Member of the Association, or his, her or its duly appointed representative, or any mortgagee, during the regular working hours of the Association, at the office of the Association or at such other place as the Board prescribes. All such records shall be kept for at least ten (10) years, except as otherwise provided in NRS 116.31175. The right of inspection shall include the right to make copies of documents. The Board shall establish by resolution reasonable rules with respect to (a) notice to be given to the custodian of the records of the Association by the Member representative, or mortgagee desiring to make an inspection, and (b) payment of the actual cost (not to exceed .25 cents per page or such higher amount as allowed pursuant to the Act) of reproducing copies of documents requested by a Member or by a representative or mortgagee. The rights of inspection and duplication in this Section do not apply to the personnel records of the Association (except for the records of the hours worked and salaries and benefits of such employees), or the records of the Association relating to another Owner (except for the general record of violations maintained pursuant to NRS 116.31175). In addition to the foregoing, the Board shall maintain and make available for review at the business office of the Association or other suitable location:

- (a) The financial statement of the Association;
- (b) The budgets of the Association; and
- (c) The study of the reserves of the Association required to be conducted pursuant to Section 6.4.2 below.

The Board shall provide a copy of any of the records required to be maintained pursuant to subsections (a), (b) and (c) immediately preceding to an Owner within fourteen (14) days after receiving a written request therefor.

5.6.2 Declarant's Obligation to Deliver Association Property and Records to Board. Within thirty (30) days after the Declarant's Control Termination Date, the Declarant shall deliver to the Association all property of the Owners and of the Association held by or controlled by Declarant, including:

(a) The original or a certified copy of the Declaration, the Articles, the Bylaws, minute books and other books and records of the Association and any Rules that may have been adopted;

(b) An accounting for money of the Association and audited financial statements for each fiscal year and any ancillary period from the date of inception of the Association to the Declarant's Control Termination Date. The financial statements shall fairly and accurately report the Association's financial position;

(c) The Association's money or control thereof;

(d) All of the tangible personal property that has been represented by the Declarant to be Association Property or, all tangible personal property that is necessary for, and has been used exclusively in, the operation and enjoyment of the Common Area and the Lot Landscape Area, and inventories of those properties; unless Declarant has disclosed in a public offering statement that such personal property will remain the property of Declarant;

(e) All insurance policies then in force, in which the Owners, the Association, or its directors or officers are named as insured persons;

(f) Any permits and approvals issued by governmental bodies applicable to the Project which are in force or which were issued within one (1) year before the Declarant's Control Termination Date;

(g) Written warranties of the contractor, subcontractors, suppliers and manufacturers that are still effective;

(h) A roster of Owners and mortgagees of Lots, if known, and their addresses and telephone numbers, if known, as shown on Declarant's records;

(i) Contracts of employment in which the Association is a contracting party;

(j) Any contract for service in which the Association is a contracting party or in which the Association or the Owners have any obligation to pay a fee to the persons performing the services;

(k) A complete study of the reserves of the Association, conducted by a person who holds a permit to conduct such a study issued pursuant to the Act;

(l) A reserve account that contains the Declarant's share of the amounts then due, and control of the account;

(m) A disclosure, in writing, of the amount by which Declarant has subsidized the Annual Assessments on a per Lot basis;

(n) A copy of any plans and specifications used in the construction of any Improvements which were completed within two (2) years before the Declaration was recorded; and

(o) Copies of any certificates of occupancy that may have been issued with respect to any Improvements in and to the Common Area and the Lot Landscape Area.

ARTICLE 6 ASSESSMENTS

6.1 Agreement to Pay. Declarant, for each Lot owned by it, and each Owner for each Lot owned by such Owner, hereby covenants and agrees to pay to the Association such Assessments as are made pursuant to this **Article VI**.

6.2 Personal Obligations. Each Assessment or installment thereof, together with any late charges, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of the person or entity who is the Owner of the Lot at the time such Assessment (or installment) became due and payable. If more than one person or entity is the Owner of the 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 9.3 hereof, a purchaser of a 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 non-use or abandonment of his Lot.

6.3 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 health, safety, and welfare of the Members of the Association, for the performance of the duties of the Association as set forth in this Declaration, and for the repair, maintenance and upkeep of the Lot Landscape Area, the Common Area (excluding any portion constituting a Private Yard Area), and any other Association Property.

6.4 Budget and Reserve Requirements.

6.4.1 Definitions. As used herein, "Annual Assessment" shall mean the amount to be assessed against the Lots, as stated on the Association budget ("Budget") for each fiscal year, to pay the Common Expenses (defined below), as established pursuant to the provisions of this Section. The Budget must include, without limitation, the estimated annual revenue and expenditures of the Association, including the Common Expenses, and any contributions to be made to the reserve account of the Association. As used herein, "Common Expenses" means the expenditures made by the Association in the performance of its obligations hereunder, and the financial liabilities of the Association during the applicable fiscal year, including the costs and expenses of the daily operation of the Association and an allocation for reserves. Common Expenses include, but are not limited to, expenditures for the following purposes: (i) to operate, manage, maintain and repair the Lot Landscape Area, the Common Area (excluding any portion

constituting a Private Yard Area), and other Association Property, and to administer the operation of the Association; (ii) to provide for reasonable reserves consistent with sound business practice for the repair, replacement and restoration of Improvements to the Lot Landscape Area, the Common Area (excluding any portion constituting a Private Yard Area), and any Association Property and for such other purposes as are consistent with good business practice, and otherwise as required by NRS 116.3115(2)(b) and Section 6.4.2 of this Declaration; and (iii) to provide for the possibility that some Assessments may not be paid on a current basis. Without limiting the generality of the foregoing, Common Expenses shall include: all charges, costs, and expenses whatsoever incurred by the Association for or in connection with the Association administration, including, but not limited to, the maintenance of the Lot Landscape Area and the Common Area (excluding any portion constituting a Private Yard Area); any taxes and assessments assessed against Association Property, any taxes assessed against the Association itself, insurance premiums, including fire and other casualty insurance, liability insurance, workman's compensation insurance, and other insurance obtained pursuant to this Declaration; payment of any liability of the Association whatsoever for loss or damage arising out of or in connection with the Lot Landscape Area and/or the Common Area (excluding any portion constituting a Private Yard Area) or any fire, accident, or nuisance occurring within the Lot Landscape Area and/or the Common Area (excluding any portion constituting a Private Yard Area); the cost of repair, rebuilding and replacement of the Improvements to the Lot Landscape Area and the Common Area (excluding any portion constituting a Private Yard Area); the cost of all utility services to the Lot Landscape Area and the Common Area (excluding any portion constituting a Private Yard Area), including water, electricity, refuse removal, landscape maintenance services, and any other similar service attributable to the Lot Landscape Area and the Common Area (excluding any portion constituting a Private Yard Area); the unpaid share of any Assessment levied during the previous fiscal year against any Owner who has defaulted in payment thereof to the extent that the same becomes uncollectible; accounting and legal fees, management fees, and cleaning, janitorial and lawn care fees, and other necessary expenses of upkeep, maintenance, management and operation incurred with respect to the Lot Landscape Area, the Common Area (excluding any portion constituting a Private Yard Area), and the Improvements thereon. **Notwithstanding the foregoing or anything else herein to the contrary, the Association shall not pay as a common expense, and each Owner of a Lot shall pay, any fee and/or charges for utility services used in connection with the maintenance, use, and operation of any Common Area and/or Lot Landscape Area to the extent such utility services are delivered via the same utility lines that provide interior utility service to the dwelling unit upon such Lot.**

6.4.2 Reserve Requirements. That portion of the Budget specific to the provision of adequate funding for the reserves required by NRS 116.3115(2)(b) must include, without limitation:

(a) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component of the Common Area (excluding any portion constituting a Private Yard Area) and the Lot Landscape Area;

(b) As of the end of the fiscal year for which the Budget is prepared, the current estimate of the amount of cash reserves that are necessary and the current amount of accumulated cash reserves that are set aside, to repair, replace or restore the major components

of the Common Area (excluding any portion constituting a Private Yard Area) and the Lot Landscape Area;

(c) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be necessary to repair, replace or restore any major component of the Common Area (excluding any portion constituting a Private Yard Area) and/or the Lot Landscape Area, or to provide adequate funding for the reserves designated for that purpose; and

(d) A general statement describing the procedures used for the estimation and accumulation of cash reserves pursuant to subsection (b) immediately above, including, without limitation, the qualifications of the person responsible for the preparation of the study required below in this Section.

In addition to the foregoing, the Board shall:

(i) At least once every five (5) years, cause to be conducted a study of the reserves required to repair, replace and restore the major components of the Common Area (excluding any portion constituting a Private Yard Area) and the Lot Landscape Area;

(ii) At least annually, review the results of that study to determine whether those reserves are sufficient; and

(iii) At least annually, make any adjustments to the Association's funding plan, if any, that the Board deems necessary to provide adequate funding for the required reserves.

(iv) Submit a summary of the results of the study of the reserves to the Real Estate Division of the State of Nevada Department of Business and Industry not later than forty-five (45) days after the date the results of the study are adopted by the Board.

The study required by subparagraph (i) immediately above must be conducted by a person who holds a permit issued pursuant to the Act. The study must include, without limitation:

(1) A summary of an inspection of the major components of the Common Area and the Lot Landscape Area the Association is obligated to repair, replace or restore;

(2) An identification of the major components of the Common Area and the Lot Landscape Area that the Association is obligated to repair, replace or restore which have a remaining useful life of less than thirty (30) years;

(3) An estimate of the remaining useful life of each major component identified pursuant to item (2) immediately above;

(4) An estimate of the cost of repair, replacement or restoration of each major component identified pursuant to item (3) immediately above during and at the end of its useful life; and

(5) An estimate of the total Annual Assessments that may be necessary to cover the cost of repairing, replacement or restoration the major components identified pursuant to item (2) immediately above, after subtracting the reserves of the Association as of the date of the study.

Money in the reserve account required by this Section may not be withdrawn without the signatures of at least two (2) members of the Board or the signatures of at least one member of the Board and one officer of the Association who is not a member of the Board. The reserve account may be used only for Common Expenses that directly involve repairs, replacement or restoration of the major components of the Common Area (excluding any portion constituting a Private Yard Area) and the Lot Landscape Area, including, without limitation, repairing and replacing roads and sidewalks, and must not be used for daily maintenance or any other purpose.

6.4.3 Procedure for Establishing Annual Assessments. Not less than ninety (90) days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of adopting the proposed Budget for the next succeeding fiscal year and establishing the Annual Assessment for such fiscal year. Within sixty (60) days of this meeting, the Board shall provide a summary of the proposed Budget adopted by the Board to each Owner, and shall set a date for a meeting of the Owners to consider ratification of such proposed Budget, which date shall be not less than fourteen (14) nor more than thirty (30) days after mailing of the summary of the proposed Budget. Unless at that meeting sixty six and two-thirds percent (66-2/3%) of the voting power of the Association votes to reject the proposed Budget, the proposed Budget shall be deemed ratified by the Owners, whether or not a quorum is present at such meeting. If the proposed Budget is so rejected, the Budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent Budget proposed by the Board. Upon ratification of the proposed budget by the Owners, and not less than thirty (30) nor more than sixty (60) days before the beginning of each fiscal year of the Association, the Board shall distribute a copy of the Budget to each Owner or a summary thereof in accordance NRS 116.31151.

6.5 Special Assessments. If the Board determines that the estimated total amount of funds collected to defray the Common Expenses for a given fiscal year is or will become inadequate to meet the Common Expenses for any reason, including, but not limited to, delinquencies in the payment of Assessments, or in the event the Association has insufficient reserves to perform its obligations under this Declaration, then the Board shall determine the approximate amount of such shortfall, shall provide a summary thereof to all of the Owners with the Board's recommendation for a special assessment ("Special Assessment") to meet such shortfall, and shall set a date for a meeting of the Owners which is not less than fifteen (15) nor more than thirty (30) days after the mailing of the summary. Unless at that meeting a majority of the voting power of the Association votes to reject the proposed Special Assessment, the proposed Special Assessment shall be deemed ratified by the Owners, whether or not a quorum is present at such meeting, and shall become a Special Assessment against, and allocated equally to, the Owners of the Lots. The Board may, in its discretion, provide for payment of any Special Assessment in any number of installments or provide that it is payable in one (1) installment within such time period as the Board deems reasonable.

6.6 Capital Improvement Assessments.

6.6.1 Association's Power to Levy; Definition. The Association shall have the power to levy assessments for Capital Improvements ("Capital Improvement Assessments") on the terms and conditions set forth below. As used herein "Capital Improvement" means (i) any Improvement upon the Common Area (excluding any portion constituting a Private Yard Area) or the Lot Landscape Area which is not a repair or replacement of an existing Improvement, or (ii) any expenditure relating to the Common Area (excluding any portion constituting a Private Yard Area) or the Lot Landscape Area which is outside the ordinary course of business of the Association.

6.6.2 Petition; Association Approval.

(a) Owners of not less than twenty-five percent (25%) of the Lots comprising the Project from time to time may petition the Association for the construction, installation, or acquisition of, or expenditure for, a Capital Improvement. Such petition shall be in writing and be in such form and shall contain such information as the Board may reasonably require. The Board may, on its own motion, move for the construction, installation, or acquisition of, or expenditure for, a Capital Improvement, in which case such motion shall be treated as if it were a petition duly submitted by Owners of not less than twenty-five percent (25%) of the Lots comprising the Project.

(b) Upon receipt of a petition for a proposed Capital Improvement or if the Board desires to propose a Capital Improvement, the Board shall obtain three (3) estimates from licensed contractors for the construction of the Capital Improvement.

(c) The Board shall submit the Capital Improvement proposal to the Members at the annual meeting, or a special meeting called for such purpose. Written notice of any meeting during which an assessment for a capital improvement is to be considered shall be delivered to each Owner not less than twenty-one (21) days prior to such meeting and otherwise as required by this Declaration, the Bylaws and the Act. The Capital Improvement Assessment shall be deemed approved upon the affirmative vote of two-thirds (2/3rds) of the voting power of the Association and Declarant, unless Declarant no longer owns any portion of the Property.

6.6.3 Levy of Capital Improvement Assessments. Capital Improvement Assessments shall be levied in equal proportions against all of the Lots. A Capital Improvement Assessment shall be paid in such installments and during such period or periods as shall be voted upon by the Members at the time such Assessment is approved. If no terms of payment are specified by such vote of the Membership, then the Capital Improvement Assessment shall be due and payable upon terms set by the Board.

6.6.4 Expenditure for Capital Improvement. After the levy of the Capital Improvement Assessment and the collection of the entire Capital Improvement Assessment, or a sufficient portion thereof as the Board deems prudent, then the Board shall cause the Capital Improvement to be constructed, installed, or acquired, or shall contract for the extraordinary expenditure constituting the Capital Improvement.

6.6.5 Deficiency in Capital Improvement Assessment. If at any time and from time to time a Capital Improvement Assessment proves or appears likely to be inadequate for

any reason, including nonpayment of any Owner's share thereof, the Board may, subject to the limitations set forth in this Section, levy a further Capital Improvement Assessment in the amount of such actual or estimated inadequacy, which shall be assessed to the Owners of all of the Lots within the Property in the same manner set forth in Section 6.6.3 hereof. If such additional assessment is in excess of five percent (5%) of the original Capital Improvement Assessment, the affirmative vote or written consent of a majority of the voting power of the Association shall be required for any such further assessment.

6.7 Violation Assessments. The Board shall levy a violation assessment against the Owners of a Lot ("Violation Assessment"): (i) to pay for the cost of curing any Maintenance Violation of such Owners and/or any other work performed by the Association for such Owners' account pursuant to the provisions of this Declaration, and any costs or expenses incident thereto, including but not limited to attorneys' fees and court costs, (ii) to collect liquidated damages and fines levied by the Association pursuant to the terms of this Declaration and any and all attorneys' fees and court costs, (iii) to collect reimbursement from an Owner pursuant to any right to reimbursement hereunder, including, without limitation, Section 2.3, (iv) to collect on an unpaid transfer fee imposed pursuant to Section 4.4, and (v) to collect on an unpaid penalty imposed pursuant to a contract entered into under Section 8.8.

6.8 Rate of Assessment. Except as otherwise provided in Section 6.7, all Assessments levied by the Association must be fixed at an equal rate for all Lots within the Project at the time the Assessment is levied (collectively, the "Existing Lots"). Notwithstanding the foregoing, Lots created subsequent to the levy of an Assessment shall pay installments at the same rate as Existing Lots (provided regular installment payments are still being made), provided that such new Lot(s) shall not be responsible for installment payments coming due against Existing Lots prior to the time such Lot was created. Thus, by way of example only, in the event the Annual Assessment for a fiscal year is \$1,200 per Existing Lot, to be paid in installments of \$100 on the first of each month from January through December, and a Lot is created by Declarant on the 20th of July, the Annual Assessment shall commence against that Lot and the Owner shall commence installment payments as of August 1, but shall not be responsible for any prior installment payment for the Annual Assessment for that fiscal year.

6.9 Assessment Period. The Annual Assessment period shall coincide with the fiscal year of the Association, which shall commence on January 1 of each year and shall terminate on December 31 of such year. However, the initial Annual Assessment period for the Lots shown on a particular Map shall commence on the first day of the calendar month following the earlier of (i) the date the Common Area (or any portion thereof) shown on such Map is transferred to the Association or (ii) the date on which the first sale to a non-Declarant Owner of a Lot shown on such Map is closed and recorded, and shall terminate on December 31 of the year in which such transfer or sale is closed and recorded. The first Annual 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.

6.10 Notices of Assessments; Delinquencies. Any Assessment installment hereunder which is not paid within fifteen (15) days following the date it is due shall be deemed delinquent. All delinquent Assessments shall bear interest at the rate of eighteen percent (18%) per annum (or such higher or lower rate as is proscribed by the Act) from the date the Assessment becomes

delinquent hereunder until paid, and, in addition, a late charge of \$25.00 shall be due for each delinquent installment. The Association shall give written notice of all Assessments, except Violation Assessments, to the Owners of the Lots, which notice shall specify the amount of the Assessment and the date or dates payment of the same is due and shall be given in the manner provided for notices in this Declaration. Notice of a Violation Assessment is required to be given only to the Owners of the Lot against whom the Violation Assessment is made. Nothing contained herein shall be construed so as to require the Association to give periodic notices of the same Assessment; and one notice of an Assessment shall be sufficient to meet the requirements of this Section, even though the Assessment may be payable in installments. Failure of the Association to give notice of any Assessment shall not affect the liability of the Owners of the Lot for such Assessment; provided, however, that the date when payment of the first installment of such Assessment shall become due in such a case shall be deferred to a date fifteen (15) days after such notice shall have been given, and the first installment of such Assessment shall not be deemed delinquent until fifteen (15) days after such deferred due date.

6.11 Statement of Account. Upon payment of a reasonable fee, not to exceed \$25.00, and upon written request of any Owner or 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, and if there is any credit for advance payments. Such 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 ten (10) business days following receipt of the written request and fee, 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.

6.12 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 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 enforce by judicial proceedings or, to the extent permitted by applicable law, through the exercise of the power of sale granted to the Board pursuant to applicable statutes and laws, and this Declaration. Suit to recover a money judgment against an Owner for unpaid assessments together with all other amounts due hereunder shall be maintainable without first foreclosing against the Lot which is subject to the lien for such assessment or waiving the lien rights granted hereby. Furthermore, in the event of default in which any Owner does not make payment when due of any Assessment levied against his or her Lot, the Board shall have the right, after granting notice and an opportunity to be heard (in the manner set forth in Section 5.1.3(b)), to declare all unpaid assessments for the pertinent fiscal year immediately due and payable.

6.13 Lien for Assessments; Priority. All sums assessed to any Lot pursuant to this Declaration, and all fines imposed by the Association against the Owners of a Lot, together with interest thereon as provided herein, shall be secured by a lien on such Lot in favor of the Association from the date the Assessment or fine becomes due. If an Assessment or fine is payable in installments, the full amount of the Assessment or fine is a lien from the time the first installment thereof becomes due. Recording of this Declaration constitutes record notice and

perfection of such, and further recording of a claim of lien for Assessments is not required. Such lien shall be prior to all other liens and encumbrances on such Lot, except for: (a) valid tax and special assessment liens in favor of any governmental assessing authority; (b) liens and encumbrances recorded before the recordation of this Declaration; (c) the easements, covenants, and equitable servitudes otherwise set forth in this Declaration; and (d) a First Deed of Trust recorded before the date on which the Assessment or fine sought to be enforced became delinquent, except to the extent the lien is for Annual Assessments for Common Expenses based on the Budget adopted by the Association pursuant to NRS 116.3115 which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to enforce the lien.

6.14 Enforcement of Lien.

6.14.1 Notice of Delinquent Assessment and Notice of Default. Except for liens attributable to an Owner's failure to pay a fine or fines imposed for a violation which does not pose an imminent threat of causing a substantial adverse effect on the health, safety or welfare of the Owners or residents of the Project, which lien must be foreclosed judicially, the Association may foreclose all liens by sale pursuant to NRS Chapter 116 after all of the following occur:

(a) The Association has mailed in accordance with NRS 116.31162, or any successor statute, a notice of delinquent assessment (herein "Notice of Delinquent Assessment"), which states (i) the amount of the Assessments or fines which are due together with all interest and late charges thereon in accordance with the provisions of this Declaration, (ii) a description of the Lot against which the lien is imposed, and (iii) the name of the record Owner of the Lot; and

(b) Not less than thirty (30) days after mailing the Notice of Delinquent Assessment, the Association or other person conducting the sale has executed and caused to be recorded with the Carson City Recorder, a notice of default and election to sell the Lot to satisfy the lien ("Notice of Default"), which must contain the same information as the Notice of Delinquent Assessment, and which must also (i) describe the deficiency in payment, (ii) state the name and address of the person authorized by the Association to enforce the lien by sale, and (iii) contain, in 14-point bold type, the following warning: **WARNING! IF YOU FAIL TO PAY THE AMOUNT SPECIFIED IN THIS NOTICE, YOU COULD LOSE YOUR HOME, EVEN IF THE AMOUNT IS IN DISPUTE!**; and

(c) The Owners of the Lot or their successors in interest have failed to pay the amount of the lien, including interest and late charges, and costs, fees and expenses incident to its enforcement for a period of ninety (90) days which commences on the first day following the later of:

(i) The day on which the Notice of Default is so recorded; and

(ii) The day on which a copy of the Notice of Default is mailed by certified or registered mail, return receipt requested, to the Owners of the Lot or their successors in interest at their address if known, or otherwise to the address of the Lot.

6.14.2 Notice of Sale. The Association or other person conducting the sale shall, at any time after the expiration of such ninety (90) day period and before selling the Lot:

(a) give notice of the time and place of the sale ("Notice of Sale") in the manner and for a time not less than that required by law for the sale of real property upon execution, except that in lieu of following the procedure for service on a judgment debtor pursuant to NRS 21.130, service must be made on the Owner as follows: (i) a copy of the Notice of Sale must be mailed, on or before the date of first publication or posting, by certified or registered mail, return receipt requested, to the Owners of the Lot or their successors in interest at their address if known, or otherwise to the address of the Lot, and (ii) a copy of the Notice of Sale must be served, on or before the date of first publication or posting, by (1) a person who is 18 years of age or older and who is not a party to or interested in the sale by personally delivering a copy of the Notice of Sale to an occupant of the Lot who is of suitable age, or (2) posting a copy of the Notice of Sale in a conspicuous place on the Lot; and

(b) mail, on or before the date of first publication or posting, a copy of the Notice of Sale by first class mail to: (i) each person entitled to receive a copy of the Notice of Default under NRS 116.31163, (ii) the holder of a recorded security interest or the purchaser of the Lot, if either of them has notified the Association, before the mailing of the Notice of Sale, of the existence of the security interest, lease or contract of sale, as applicable; and (iii) the Ombudsman for Owners in Common-Interest Communities.

Any copy of the Notice of Sale required to be served pursuant to this Section must include: (a) the amount necessary to satisfy the line as of the date of the proposed sale, and (b) the following warning in 14-point bold type,: **WARNING! A SALE OF YOUR PROPERTY IS IMMINENT! UNLESS YOU PAY THE AMOUNT SPECIFIED IN THIS NOTICE BEFORE THE SALE DATE, YOU COULD LOSE YOUR HOME, EVEN IF THE AMOUNT IS IN DISPUTE. IF YOU HAVE ANY QUESTIONS, PLEASE CALL (name and telephone number of the contact person for the Association). IF YOU NEED ASSISTANCE, PLEASE CALL THE FORECLOSURE SECTION OF THE OMBUDSMAN'S OFFICE, NEVADA REAL ESTATE DIVISION, AT (toll-free telephone number designated by the Nevada Real Estate Division) IMMEDIATELY.**

Proof of service of the Notice of Sale shall be as provided for in the Act.

The sale shall be conducted in any manner permitted by law. Each Owner who is liable for payment of the Assessment shall be required to pay the costs and expenses of such foreclosure proceeding including, but not limited to, the cost of preparation of all notices (whether or not such notice has been given to the Owners at the time payment is made), reasonable attorneys' fees, and title insurance costs.

All such costs and expenses of the foreclosure shall be secured by the lien being foreclosed. Each Owner who is liable for payment of the Assessment shall be required to pay to the Association any and all Assessments against such Owner 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 improved Lot. The Association shall be entitled to bid on credit up to and including the amount secured by the lien being foreclosed.

A further notice stating the satisfaction and release of any such lien shall be executed by the Association and recorded in Carson City, Nevada, in the real estate records, upon payment of all sums secured by such lien.

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

6.15 Surplus Funds. Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of reserves must be paid to the Owners in proportion to their liabilities for Common Expenses or credited to them to reduce their future assessments for Common Expenses.

6.16 Subsidy Agreements. The Association, through the Board, is specifically authorized and empowered to enter into a subsidy agreement or other similar agreement with the Declarant whereby assessments otherwise payable by the Declarant on Lots owned by the Declarant are deemed satisfied in exchange for the payment by the Declarant of shortfalls in the Association's operating expenses or the provision of maintenance of the Lot Landscape Area, the Common Area (excluding any portion constituting a Private Yard Area) and/or the performance of certain other services which are Common Expenses of the Association ("Subsidy Agreements").

ARTICLE 7 INSURANCE

7.1 Insurance to be Obtained. The Association shall obtain and maintain in full force and effect at all times insurance coverage, provided by companies duly authorized to do business in Nevada, generally as set forth in this Article.

7.2 Casualty Insurance. The Association shall obtain a master policy of insurance equal to full replacement value (i.e., 100% of current "replacement cost" exclusive of land, foundation, excavation, and other items normally excluded from coverage) on all insurable Improvements upon the Lot Landscape Area, the Common Area (excluding any portion constituting a Private Yard Area) and any other Improvements under the control of the Association (including all building service equipment and the like and any fixtures or equipment within such improvements) and all other personal property commonly owned by the Owners. Such insurance shall include fire and extended coverage, vandalism and malicious mischief, and such other risks and hazards against which the Association shall deem it appropriate to provide insurance protection. The Association shall comply with the above requirements by the purchase of a policy containing such coverage with "deductible" provisions as in the Association's opinion are consistent with good business practice, provided that in no event shall such deductible be in an amount greater than the lesser of \$10,000.00 or one percent (1%) of the face amount of such policy.

7.3 Liability 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. Such coverage shall be in an amount generally required by private institutional mortgage investors for projects similar in construction, location, and use, and in no event shall be less than \$2,000,000.00 for bodily injury, including deaths of persons and property damage arising out of a single 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 Lot Landscape Area and the Common Area. The liability insurance shall name as separately protected insureds Declarant, 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 and/or the Lot Landscape Area. Every policy of insurance obtained by the Association shall contain an express waiver, if available, of any and all rights of subrogation against Declarant, 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 shall not apply.

7.4 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.

7.5 Fidelity Insurance. The Association shall purchase insurance covering officers and employees of the Association and employees of any Manager or managing agent, whether or not any such persons are compensated for their services, against dishonest acts on their part, or in lieu thereof, a fidelity bond, naming the Association as obligee, written in an amount equal to at least the estimated maximum of funds, including reserves in the custody of the Association or the management agent at any give time during the term of the fidelity bond. However, the bond shall not be less than a sum equal to three (3) months aggregate assessments on all Lots, plus reserve funds.

7.6 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.

7.7 Premiums and Reviews. 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.

7.8 Form. Casualty insurance shall be carried in a form or forms naming the Association the insured. Each policy shall also provide that it cannot be canceled by either the insured or the insurance company until after ten (10) days written notice is first given to the Association and to each first mortgagee. 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 canceled, 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.

7.9 Owner's Insurance Responsibilities. The following insurance coverages shall be the responsibility of each respective Owner: insurance on items of personal property placed in an Improvement by Owner; insurance for hazard, casualty and public liability coverage within each Lot and Private Yard Area, including, without limitation, all structures located therein; and insurance coverage for activities of the Owner, not acting for the Association, with respect to the Common Area and any other Association Property.

ARTICLE 8 ARCHITECTURAL COMMITTEE

8.1 Organization. There shall be an Architectural Committee comprised of persons appointed by Declarant until such time as Declarant no longer owns a fee interest in any portion of the Property. Thereafter, the Architectural Committee shall be comprised of the Board; provided, however, that the Board may appoint an Architectural Committee of not less than three (3) members, at least one (1) of whom must be a Director, and remainder of whom need not be Members.

8.2 Duties. It shall be the duty of the Architectural Committee to consider and act upon such requests, proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Committee Rules, to perform other duties delegated to it by the Association, and to carry out all other duties imposed upon it by this Declaration. Each Owner understands and acknowledges that Architectural Committee approval of any item (including, but not limited to, Improvements and alterations in drainage patterns) is in addition to, and not in lieu of, any approval that may be required by governmental entities having jurisdiction over the Property; similarly, approval of an Improvement or other modification by a governmental entity is in addition to, and not in lieu of, approval by the Architectural Committee.

8.3 Meetings. The Architectural Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of members shall constitute an act by the Committee unless the unanimous decision of its members is otherwise required by this Declaration. The Architectural Committee may charge a filing fee to be used to pay an architect and/or engineer, who may or may not be a member of the Architectural Committee, to review the submitted plans and specifications. The Board may reimburse members for reasonable expenses incurred by them in the performance of any Architectural Committee function.

8.4 Architectural Committee Rules. The Architectural Committee shall from time to time and in its sole discretion adopt, amend, and repeal by unanimous vote rules and regulations to be known as "Architectural 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 Architectural Committee. A copy of the Architectural Committee Rules, as they may from time to time be adopted, amended, or repealed, certified by any member of the Architectural Committee, shall be maintained by the office of the Association and shall be available for inspection and copying by any Owner at any reasonable time during the business hours of the Association.

8.5 Application for Approval of Plans and Specifications. Any Owner proposing to make any Improvements or to perform any work that requires the prior approval of the Architectural Committee shall apply to the Architectural Committee for approval by notifying the Architectural Committee of the nature of the proposed work. Prior to the commencement of construction, the Owner shall submit to the Architectural Committee for its review and approval such information and materials as the Architectural Committee in the exercise of its reasonable discretion deems necessary for it to be adequately informed with respect to the work to be undertaken by such Owner.

8.6 Basis for Approval of Improvements. Subject to the limitations relating to the approval of drought tolerant landscaping set forth in the Act, the Architectural Committee shall grant the required approval only if:

8.6.1 The Owner shall have strictly complied with the provisions of Section 8.5;
and

8.6.2 The Architectural Committee finds that the plans and specifications conform to this Declaration and to the Architectural Committee Rules in effect at the time such plans were submitted to the Architectural Committee; and

8.6.3 The Architectural Committee in its reasonable discretion determines that the proposed Improvements would be compatible with the other property in the Project and the purposes of the Declaration as to the quality of workmanship and materials, and as to harmony of external design with existing structures.

8.7 Basis for Disapproval of Improvements. Subject to the limitations relating to the approval of drought tolerant landscaping set forth in the Act, the Architectural Committee may disapprove any application on purely aesthetic grounds, and more specifically: (a) because of the reasonable dissatisfaction of the Committee with the Improvement proposed to be erected, because of the materials of which it is to be built, the harmony thereof with its surroundings, or any additional maintenance, repair or replacement burden such matter would impose upon the Association; or (b) because of non-compliance with any of the specific conditions and restrictions contained in this Declaration or with reasonable guidelines that the Architectural Committee may from time to time adopt (including, without limitation, the Architectural Rules); or (c) because the proposed Improvement represents an unreasonable risk to the health, safety, or welfare of the Owners within the Project.

8.8 Form of Approval. All approvals or disapprovals given under Sections 8.6 or 8.7 shall be in writing; provided, however, any request for approval which has not been rejected within ninety (90) days from the date of submission thereof to the Architectural Committee shall be deemed approved. The approval may be conditional, including the condition of a deposit by

the Owner of a performance bond, cash deposit, or other undertaking to assure completion of the approved Improvement in accordance with the terms of the approval once construction thereof is commenced. Furthermore, the approval may be given in the form of a contract between the affected Owner and the Architectural Committee, and such contract may provide for a penalty of a stated maximum amount, following notice and hearing in the manner set forth in Section 5.1.3(b), in the event the Owner fails to complete construction in accordance with the terms of the Architectural Committee's approval. Such penalty shall not be deemed a fine, but may be levied and collected as a Violation Assessment if not paid when due.

8.9 Proceeding with Work. Upon receipt of approval from the Architectural Committee pursuant to Section 8.6, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement and completion of all construction, reconstruction, refinishing, alterations, and excavations pursuant to the approval. Construction of the approved Improvements shall commence, in all cases, within one year from the date of such approval. If the Owner shall fail to comply with this Section, any approval given pursuant to Section 8.6 shall be deemed revoked unless the Architectural Committee, upon written request of the Owner made prior to the expiration of the one year period, extends the time for such commencement. No such extension shall be granted except upon a finding by the Architectural Committee that there has been no change in the circumstances upon which the original approval was granted.

8.10 Failure to Complete Work. The Owner shall in any event complete the construction, reconstruction, refinishing, or alteration of any such Improvement within one year after commencing construction thereof, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner due to strikes, fires, national emergencies, natural calamities, or other supervening forces beyond the control of the Owner or his agents.

8.11 Right to Inspect. Any member or authorized consultant of the Architectural Committee, or any authorized officer, employee or agent of the Association may enter upon any Lot and/or Private Yard Area at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect any structural addition, alteration or Improvement constructed or under construction thereon to determine whether the work has been or is being built in compliance with the plans and specifications approved by the Architectural Committee.

8.12 Waiver. The approval by the Architectural Committee of any plans, drawings, or specifications for any work done or proposed or for any other matter requiring the approval of the Architectural Committee under the Declaration shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification, or matter subsequently submitted for approval.

8.13 Liability. Provided that the Architectural Committee or a particular member of the Architectural Committee has acted in good faith on the basis of the information as may be possessed by the Architectural Committee or the member, as the case may be, then neither the Architectural Committee nor any member thereof shall be liable to the Association, to any Owner, or any other person for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings, and specifications, whether or not

defective; (b) the construction or performance of any work, whether or not such performance complied with approved plans, drawings, and specifications or was rendered in a good and workmanlike manner; or (c) the development of any property subject to this Declaration. Without limiting the generality of the foregoing, the Architectural Committee and any member thereof may, but it is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Architectural Committee.

8.14 Variances. The Architectural Committee may grant reasonable variances or adjustments from the provisions in this Article and the Architectural Committee Rules where literal application thereof results in unnecessary hardship and if the granting thereof in the sole and absolute discretion of the Architectural Committee will not be materially detrimental or injurious to other Owners. Any variance, to be valid, must be in writing, and no variance granted shall constitute a waiver or restrict enforcement of any other provision hereof, or constitute a precedent for granting another variance.

8.15 Enforcement. In the event an Owner fails to abide by the construction timelines set forth herein, or otherwise fails to construct and/or modify an Improvement in accordance with the approval granted by the Committee, or constructs or modifies an Improvement without the necessary approval by the Committee, or otherwise violates the Architectural Committee Rules—without limiting any other remedy that may be available to an Owner, the Association, or Declarant, at law or in equity—the Board may immediately deem the relevant Improvement a nuisance under Section 3.4, and may pursue all remedies available under the Governing Documents, at law, or in equity, including, without limitation, imposition of a fine, and/or a Maintenance Violation proceeding.

ARTICLE 9 PROTECTION OF LENDERS

9.1 Encumbrance of Parcels Permitted. Any Owner may encumber such Owner's Lot with a Deed of Trust.

9.2 Subordination. Except as provided otherwise by the Act or Article VI hereof, any lien created or claimed under Article VI of this Declaration is subject and subordinate to the lien of any First Deed of Trust encumbering any Lot, unless the priority of such First Deed of Trust is expressly subordinated to such assessment lien by a written instrument duly recorded.

9.3 Non-Liability for Unpaid Assessments. Any beneficiary of a First Deed of Trust who acquires title to a Lot pursuant to the judicial or non-judicial foreclosure remedies provided in the First Deed of Trust shall take the Lot free of any claims for unpaid assessments or Association charges against the encumbered Lot that accrue greater than six (6) months prior to the time such beneficiary so acquires ownership of the Lot; provided, however, after the foreclosure of any Deed of Trust, such Lot shall remain subject to the Declaration; and the amount of all regular and special assessments, to the extent they relate to expenses incurred subsequent to such foreclosure sale, shall be assessed hereunder to the grantee or purchaser thereunder.

9.4 Breach of Covenants. A breach by an Owner of any of the provisions of this Declaration, shall not defeat or render invalid the lien of any Deed of Trust made in good faith and for value as to the Project or any portion thereof; provided, however, the provisions of this Declaration shall be binding upon the Owners whose title thereto is acquired under foreclosure, trustee's sale, or otherwise.

9.5 Notice to Eligible Mortgage Holders. The holder of any Deed of Trust shall be entitled to become an "Eligible Mortgage Holder" pursuant to the provisions of this Declaration by notifying the Association of its name, address and the address of the Lot encumbered by the Deed of Trust which it holds in the manner provided in Section 14.5 below. Such notification shall be deemed to be a request with respect to such Lot for written notice from the Association of: (i) any default in the payment of Assessments which remains uncured for a period of sixty (60) days; (ii) any condemnation or casualty loss that affects a material portion of the Project or the Lot; and (iii) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association. The Association shall give written notice to Eligible Mortgage Holders in accordance with the provisions of this Section and in the manner prescribed in Section 14.5 below. Any holder of a Deed of Trust encumbering any Lot or any portion of the Property who does not so request notice, shall not be deemed to be an Eligible Mortgage Holder under the terms of this Declaration. Unless and until notice is given to the Association as provided in this Declaration by a mortgage holder, such mortgage holder shall not be entitled to notice of default, nor to any right, distribution or notice pursuant to this Declaration.

9.6 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 holders of First Deeds of Trust in the case of a distribution to Owners of insurance proceeds or condemnation awards.

9.7 Appearance at Meetings. Because of its financial interest in the Project, any beneficiary of a Deed of Trust may appear (but cannot vote) at meetings of the Members and the Board, and may draw attention to violations of this Declaration that have not been corrected or made the subject of remedial proceedings or Assessments.

9.8 Examination of Records. The holders of Deeds of Trust shall have the right to examine at reasonable times the books and records of the Association and can require the submission of financial data concerning the Association, including annual audit reports and operating statements as and when furnished to the Owners.

ARTICLE 10 DECLARANT'S RIGHTS

10.1 General. Declarant may be undertaking the work of constructing Improvements to and upon the Project in accordance with the terms and provisions of this Article X. The completion of such construction and the sale or other disposition of Lots within the Project is essential to the establishment and welfare of the Project as a planned community.

10.2 Special Declarant's Rights. Declarant hereby reserves unto itself the rights to:

10.2.1 Complete all Improvements within the Project, including, but not limited to, those indicated on a Map or Plans or described in this Declaration;

10.2.2 Maintain model residences within the Property for use in Declarant's sales activities, and maintain at least one (1) sales office and management office within the Property which may be relocated from time to time;

10.2.3 Maintain signs advertising the Project, which signs may be maintained anywhere on the Project, excluding Lots owned by Owners other than Declarant;

10.2.4 Use easements through the Common Area for the purpose of making Improvements within the Project;

10.2.5 Maintain construction offices, storage facilities, and parking facilities within the Property for its materials, equipment, staff, and contractors; and

10.2.6 Appoint or remove any officer of the Association or any member of the Board at any time and from time to time prior to the Declarant's Control Termination Date.

10.3 Declarant's Development Rights. Declarant reserves the following Development Rights:

10.3.1 The right to create Lots and Common Area within the Project.

10.3.2 The right, but not the obligation, to convert any Lot or Lots owned by Declarant into Common Area or limited Common Area (as defined in the Act), and to allocate Common Area as limited Common Area (as defined in the Act).

10.3.3 As to each portion of the Property, the right, but not the obligation, to withdraw such portion of the Property from this Declaration at any time prior to the sale or conveyance of a Lot created by a Map covering that portion of the Property.

10.3.4 The right, but not the obligation, to unilaterally amend this Declaration at any time prior to the close of the first sale of a Lot.

The Development Rights reserved in this Section may be exercised at any time within twenty (20) years after the recording of the initial Declaration (provided such rights shall expire at any earlier time that Declarant no longer owns any portion of the Project), and shall be exercised in accordance with Section 116.211 of the Act. The Development Rights reserved in this Section may be exercised with respect to different parcels of real estate at different times, or not at all, and no assurances are made as to the boundaries of such parcels or the order in which they may be subjected to the exercise of a development right, nor is any representation made that a development right must be exercised as to an entire parcel if such right is exercised as to a portion of that parcel.

10.4 Declarant's Right to Complete. No provision of this Declaration (including, without limitation, any provision of **Article III**) shall be construed to prevent or limit Declarant's rights to complete the development, construction, promotion, marketing, and sale of properties

within the Project; to construct or alter Improvements on any property owned by Declarant or the Association; to maintain construction equipment, model homes, offices for construction, sales or leasing purposes or similar facilities on any property owned by Declarant or owned by the Association; or to post signs incidental to the development, construction, promotion, marketing, sale and leasing of property. Nothing contained in this Declaration shall limit the right of Declarant or require Declarant to obtain approval to: (a) excavate, cut, fill or grade any property owned by Declarant or to construct, alter, remodel, demolish or replace any Improvements on any part of the Project or any property owned by Declarant; (b) use any structure on any part of the Project or any property owned by Declarant as a construction, model home or real estate sales or leasing office in connection with the sale of any property within such boundaries; or (c) require Declarant to seek or obtain the approval of the Board of Directors, the Architectural Committee or the Association for any such activity or Improvement to property by Declarant on any part of the Project or any property owned by Declarant. Nothing in this Section shall limit or impair the reserved rights of Declarant as elsewhere provided in this Declaration.

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

10.6 Assignment of Declarant's Rights. Any and all of the rights, powers and reservations of Declarant herein contained may be assigned by Declarant to any person or entity that will assume any or all of the duties of Declarant hereunder, and upon any such assignee's evidencing consent in writing to accept such assignment, said assignee shall, to the extent of such assignment, assume Declarant's duties hereunder, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by Declarant herein. Upon such assignment, and to the extent thereof, Declarant shall be relieved from all liabilities, obligations and duties hereunder.

10.7 Limitations on Declarant's Rights. Nothing in this Article shall give the Declarant the right to damage any Lot or Improvement not owned by Declarant or interfere unreasonably with the Owners' use of the Common Area; and Declarant's rights hereunder shall terminate at such time as Declarant no longer owns any portion of the Property, or twenty (20) years from the recordation of this Declaration, whichever first occurs, except as required for maintenance and repair obligations conducted by Declarant which may continue after such date. Neither the Association nor any Owner may take any action or adopt any rule that will interfere with or diminish any of Declarant's rights, including Special Declarant's Rights and Development Rights, without the prior written consent of Declarant.

**ARTICLE 11
BOARD'S POWER TO COMMENCE SUIT**

The Board of Directors may not commence a civil suit or arbitration on behalf of the Association, except as otherwise permitted under the Act and this Declaration. In the event the Act permits commencement of a civil suit or arbitration without the assent of a majority of the voting power of the Association (a "Majority of Members"), the Association may not maintain such an action and shall be required to dismiss the action within 120 days after its commencement if the action is not ratified by a Majority of Members within 90 days after the commencement of the action (unless the action is to enforce the payment of an assessment; to enforce the Governing Documents; or to proceed with a counterclaim). Prior to seeking any assent of a Majority of Members under this Section, the Board of Directors shall first comply with the provisions of Article XII.

**ARTICLE 12
ASSOCIATION'S POWER TO BRING SUIT**

To protect the Association and the Owners from being subjected to potentially costly or prolonged controversies without full disclosure, analysis and consent; to protect the Board and individual Directors from any charges of negligence, breach of fiduciary duty, conflict of interest or acting in excess of their authority or in a manner not in the best interests of the Association and the Owners; and to ensure voluntary and well-informed consent and clear and express authorization by the Owners, the Board, in seeking the assent of the Members to commence an action or maintain an action pursuant to the Act, shall take the steps set forth below. Any action that may be commenced or maintained only upon the assent of a Majority of Members is referred to in this Article as a Major Controversy.

12.1 Negotiation. The Board shall first endeavor to resolve any Major Controversy by good faith negotiations with the adverse party or parties.

12.2 Alternative Dispute Resolution. In the event that good faith negotiations fail to reasonably resolve the Major Controversy, the Board shall then endeavor in good faith to resolve such controversy by mediation, provided that the Board shall not incur liability for or spend more than Four Thousand Dollars (\$4,000.00) in connection therewith (provided that, if more than said sum is reasonably required in connection with such mediation, then the Board shall be required first to reasonably seek approval of a Majority of the Members for such additional amount for mediation before proceeding to arbitration or litigation). In the event that the adverse party or parties refuse mediation, or if such good faith mediation still fails to reasonably resolve the Major Controversy, the Board shall not be authorized to commence, institute or maintain any arbitration or litigation of such Major Controversy until the Board has fully complied with the following procedures:

(a) The Board shall first investigate the legal merit, feasibility and expense of prosecuting the Major Controversy, and shall obtain, if reasonably available, the written opinions of each and every one of: (1) a licensed Nevada attorney regularly residing in Washoe County or Carson City, Nevada, with a Martindale-Hubbell rating of "AV", expressly

stating that such attorney has reviewed the underlying facts and data in sufficient, verifiable detail to render the opinion, and expressly opining that the Association has a substantial likelihood of prevailing on the merits with regard to the Major Controversy, without substantial likelihood of incurring any material liability with respect to any counterclaim which may be asserted against the Association ("Legal Opinion"); and (2) a reputable appraiser and/or real estate consultant regularly conducting business in Washoe County or Carson City, Nevada, expressly opining how the marketability and market value of Lots will likely be affected by such Major Controversy ("Appraiser's Opinion"). (The Legal Opinion and Appraiser's Opinion are sometimes collectively referred to herein as the "Opinions"). The Board shall be authorized to spend up to an aggregate of Two Thousand Dollars (\$2,000.00) to obtain such Opinions, including all amounts paid to said attorney therefor, and all amounts paid to any consultants, contractors and/or experts preparing or processing reports and/or information in connection therewith. The Board may increase said \$4,000.00 limit, with the express consent of seventy-five percent (75%) or more of the voting power of the Association, at a special meeting called for such purpose.

(b) The Legal Opinion shall also contain the attorney's best good faith estimate of the aggregate maximum "not-to-exceed" amount of legal fees and costs, including without limitation court costs, costs of investigation and all further reports or studies, costs of court reporters and transcripts, and costs of expert witnesses and forensic specialists (all collectively, "Quoted Litigation Costs") which are reasonably expected to be incurred for prosecution to completion (including appeal) of the Major Controversy. Said Legal Opinion shall also include a draft of any proposed fee agreement with such attorney. If the attorney's proposed fee arrangement is contingent, the Board shall nevertheless obtain the Quoted Litigation Costs with respect to all costs other than legal fees, and shall also obtain a written draft of the attorney's proposed contingent fee agreement. (Such written Legal Opinion, including the Quoted Litigation Costs, and also including any proposed fee agreement, contingent or non-contingent, are collectively referred to herein as the "Attorney Letter").

(c) Upon receipt and review of the Attorney Letter and the Appraiser's Opinion, if two-thirds (2/3) or more of the Board affirmatively vote to proceed with the institution or prosecution of, intervention in, or maintenance of the Major Controversy, the Board thereupon shall duly notice and call a special meeting of the Members. The written notice to each Member of the Association shall include a copy of the Attorney Letter, including the Quoted Litigation Costs and any proposed fee agreement, contingent or non-contingent, and the Appraiser's Opinion together with a written report ("Special Assessment Report") prepared by the Board: (1) itemizing the amount necessary to be assessed to each Member, on a monthly basis, to fund the Quoted Litigation Costs ("Special Litigation Assessment"), and (2) specifying the probable duration and aggregate amount of such Special Litigation Assessment. At said special meeting, following review of the Attorney Letter, Quoted Litigation Costs, the Appraiser's Opinion, and Special Assessment Report, and full and frank discussion thereof, including balancing the desirability of instituting, prosecuting and/or intervening in the Major Controversy against the desirability of accepting any settlement proposals from the adversary party or parties, the Board shall call for a vote of the Members, whereupon: (i) if less than Majority of the Members vote in favor of pursuing such Major Controversy and levying the Special Litigation Assessment, then the Major Controversy shall not be pursued further, but (ii) if a Majority of the Members affirmatively vote in favor of pursuing such Major Controversy,

and in favor of levying a Special Litigation Assessment on the Members in the amounts and for the duration set forth in the Special Assessment Report, then the Board shall be authorized to proceed to institute, prosecute, maintain, and/or intervene in the Major Controversy. In such event, the Board shall engage the attorney who gave the opinion and quote set forth in the Attorney Letter, which engagement shall be expressly subject to the Attorney Letter. The terms of such engagement shall require (x) that said attorney shall be responsible for all attorneys' fees and costs and expenses whatsoever in excess of one hundred ten percent (110%) of the Quoted Litigation Costs, and (y) that said attorney shall provide, and the Board shall distribute to the Members, not less frequently than monthly, a written update of the progress and current status of, and the attorney's considered prognosis for, the Major Controversy, including any offers of settlement and/or settlement prospects, together with an itemized summary of attorneys fees and costs incurred to date in connection therewith.

12.3 Settlement. In the event of any bona fide settlement offer from the adverse party or parties in the Major Controversy, if the Association's attorney advises the Board that acceptance of the settlement offer would be reasonable under the circumstances, or would be in the best interests of the Association, or that said attorney no longer believes that the Association is assured of a substantial likelihood of prevailing on the merits without prospect of material liability on any counterclaim, then the Board shall have the authority to accept such settlement offer. In all other cases, the Board shall submit any settlement offer to the Owners, who shall have the right to accept any such settlement offer upon assent by a Majority of the Members. If any civil action in which the Association is a party is settled (whether or not a Major Controversy), the Board shall disclose the terms and conditions of the settlement at the next regularly scheduled meeting of the Board after the settlement has been reached.

12.4 No Use of Reserves. In no event shall any Association reserves be used as the source of funds to institute, prosecute, maintain and/or intervene in proceeding, including any Major Controversy.

12.5 Failure to Comply. Any provision in this Declaration notwithstanding other than as set forth in this Article, the Association shall have no power whatsoever to institute, prosecute, maintain, or intervene in any Major Controversy Proceeding. Any institution, prosecution, or maintenance of, or intervention in, a Major Controversy by the Board without first strictly complying with, and thereafter continuing to comply with, each of the provisions of this Article, shall be unauthorized and ultra vires as to the Association, and shall subject any Director who voted or acted in any manner to violate or avoid the provisions and/or requirements of this Article to personal liability to the Association for all costs and liabilities incurred by reason of the unauthorized institution, prosecution, or maintenance of, or intervention in, the Major Controversy. This Article may not be amended or deleted at any time without the express prior written approval of both: (1) Members representing not less than seventy-five percent (75%) of the total voting power of Association, and (2) not less than seventy-five percent (75%) of the total voting power of the Board of Directors; and any purported amendment or deletion of this Article, or any portion hereof, without both of such express prior written approvals shall be void.

ARTICLE 13 ARBITRATION

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13.1 Arbitration of Disputes. Except as otherwise expressly provided herein or as otherwise agreed to by the relevant parties, any claim, controversy, cause of action, claim for relief, liability or dispute ("Claims") between an Owner, the Association, and/or Declarant arising out of or relating in any way to the Project, including, without limitation, claims for breach of contract, express or implied, breach of warranty, strict liability, negligence, nuisance, statutory violation, misrepresentation and fraud (including claims in any manner relating to or arising out of a constructional defect as defined in NRS 40.615 which have not been resolved as provided in NRS 40.680(2) (mediation)) shall be resolved by mediation and, if not resolved thereby, binding arbitration pursuant to NRS Chapter 38. If arbitration under such Chapter 38 is unavailable for any reason, the dispute will nevertheless be resolved by binding arbitration.

13.2 Rules for the Arbitration Proceeding. Claims shall be resolved in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association ("AAA"), the AAA's supplementary procedures for consumer/residential construction disputes (collectively, the "Construction Industry Rules") unless the matter in dispute does not involve, as the primary issue, a construction issue, in which event the AAA's Commercial Arbitration Rules will substitute for the Construction Industry Rule, and the terms of this Article. In the event the provisions of this Article are inconsistent with the relevant AAA rules, the relevant AAA rules will control. If the matter proceeds to arbitration, discovery shall be allowed pursuant to the Nevada Rules of Civil Procedure ("NRCPP"). In the event any provision of NRCPP pertaining to discovery is inconsistent with the Construction Industry Rules, such provisions of NRCPP shall prevail. Arbitration of any matter pursuant to this clause shall not be deemed a waiver of the attorney/client or attorney/work product privilege in any manner.

13.3 Right to Repair. Nothing set forth in this Article is intended to affect the rights of Declarant, contractors or subcontractors under NRS Chapter 40 to repair any constructional defect.

13.4 Arbitrator. The dispute constituting a claim shall be heard and determined by a single neutral arbitrator who has expertise in the area of the dispute. The arbitrator shall be appointed within a period of time, which in no event shall be more than sixty (60) days from the administrator's receipt of a written request from a party to arbitrate the claim or dispute. In selecting the arbitrator, the provisions of the Construction Industry Rules shall apply.

13.5 Joinder of Parties. The parties may join other parties as provided in the relevant AAA rules. For example, Declarant may include its contractor and any and all subcontractors and suppliers or other parties in the arbitration.

13.6 Location of Arbitration. The venue of the arbitration shall be Washoe County, Nevada.

13.7 Award. The arbitrator is authorized to provide all recognized remedies available in law or in equity for the claims, with the exception of consequential damages or exemplary or punitive damages, and Declarant, the Association, and each Owner hereby waive any right to such damages. The award of the arbitrator shall be accompanied by detailed written findings of fact and conclusions of law. Any award rendered by the arbitrator may be confirmed, entered and enforced in any court having jurisdiction over the matter.

13.8 Strict Confidentiality. Except as may be required by law or for confirmation of the award, none of the parties nor the arbitrator may disclose the existence, content or results of the arbitration hearing without the prior written consent of all parties and such content and results are strictly confidential.

13.9 Arbitration Costs and Attorneys' Fees. Any costs to initiate arbitration shall be advanced by the party initiating the arbitration, but the costs of arbitration shall ultimately be borne by the losing party and, if there is more than one losing party, in such proportions as the arbitrator may determine. The prevailing party or parties in such arbitration shall be entitled to recover reasonable attorneys' fees from the losing party or parties in such amounts as the arbitrator shall determine.

13.10 Statutes of Limitation. The arbitration must be filed within the statute of limitations applicable to the claim.

13.11 Effect of Article. Nothing in this Article shall be construed so as to waive, alleviate, or otherwise modify the Association's obligations under Articles XI and XII of this Declaration.

13.12 Amendment. This Article may not be amended without Declarant's prior written consent.

ARTICLE 14 MISCELLANEOUS PROVISIONS

14.1 Duration. The provisions of this Declaration shall continue and be effective for a period of fifty (50) years from the date of recordation hereof and shall be automatically extended for successive periods of ten (10) years each until (i) the Owners of at least eighty percent (80%) of the Lots within the Project shall execute a written instrument, which may be executed in counterparts, in recordable form declaring that the provisions of this Declaration shall terminate, and (ii) such written instrument is recorded in the office of the Recorder of Carson City, Nevada.

14.2 Amendment. Except as otherwise provided in NRS Section 116.2117, Section 10.5, Section 12.5, Section 13.12, Section 14.1, and this Section 14.2, this Declaration may be amended by vote or agreement of not less than a majority of the voting power of the Association. All such amendments must be in writing, and prepared, executed, recorded and certified on behalf of the Association by an officer of the Association designated for such purpose or by the President of the Association in the absence of such designation. Such amendment shall be recorded in the office of the Carson City Recorder. An action to challenge the validity of an amendment adopted by the Association under this Section may not be brought more than one year after the amendment is recorded. Nothing herein shall be deemed to limit or expand any of the rights or duties arising under Section 116.21175 of the Act.

Notwithstanding the foregoing, Declarant hereby reserves the right to amend this Declaration unilaterally prior to the close of the first sale of a Lot. Furthermore, notwithstanding anything else herein to the contrary, the provisions of this Declaration directly related to the Private Yard Areas may not be amended without the prior written consent of the Owners of those Lots whose Private Yard Area would be adversely impacted by such an amendment.

14.3 Enforcement and Waiver.

14.3.1 Owner's Right of Enforcement. In addition to the rights of enforcement granted to the Association pursuant to the provisions of Sections 3.29 and 5.1.3 hereof, any Member 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 Property.

14.3.2 Violations and Nuisance. Every act or omission whereby a covenant, condition, or restriction of the 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.

14.3.3 Violation of Law. Any violation of any state, municipal, or local law, ordinance, or regulation pertaining to the ownership, occupation, or use of any portion of the Property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures herein set forth.

14.3.4 Remedies Cumulative. Each remedy provided by the Declaration is cumulative and not exclusive.

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

14.4 Termination of Former Owner's Liability for Assessments. 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 notification of the Association of such transfer in the manner provided in Sections 4.4 and 14.5 hereof and the payment of a transfer fee as provided in Section 4.4 hereof. 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 an Owner under this Declaration.

14.5 Notices. All notices hereunder to the Association or the Board shall be sent by regular mail, or registered or certified mail, return receipt requested, addressed to the Board at the address of the Manager, or to such other place as the Board may designate from time to time by notice in writing to the Owners of all of the Lots. Until the Owners are notified otherwise, all notices to the Association or to the Board shall be addressed as follows:

Arbor Villas Homeowners Association
c/o [Declarant]
9441 Double Diamond Parkway, #14
Reno, NV 89521

All notices given by the Association to any Owner shall be sent by regular mail, or by registered or certified mail, return receipt requested, to such Owner's Lot address or to such other address as may be designated by such Owner from time to time, in writing, to the Board. All notices to

Eligible Mortgage Holders shall be sent by registered or certified mail, return receipt requested, at the address to which such Eligible Mortgage Holder has last requested that notice be sent by notifying the Association in the manner provided in this Section 14.5. All notices shall be deemed to have been received within seventy-two (72) hours after the mailing thereof, except notices of change of address which shall be deemed to have been given when actually received.

14.6 Approvals. Any consent or approvals by the Board or Architectural Committee shall be in writing.

14.7 Construction and Severability; Singular and Plural; Titles.

14.7.1 Restrictions and Easements Construed Together. All of the covenants, conditions, restrictions and easements of this Declaration shall be liberally construed together to promote the purposes of this Declaration as set forth herein.

14.7.2 Restrictions and Easements Severable. The covenants, conditions, restrictions and easements contained in this Declaration shall be deemed independent and severable; and the invalidity or partial invalidity of any provision or portion hereof shall not affect the validity or enforceability of any other provision.

14.7.3 Singular Includes Plural. The singular shall include the plural and the plural the singular unless the context requires the contrary; and the masculine, feminine, or neuter shall each include the masculine, feminine, and neuter.

14.7.4 Captions. All captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions of any Section.

14.7.5 Interpretation. The Association, acting through the Board, shall have sole right and authority to interpret any of the provisions of this Declaration, which interpretation shall, so long as the same is reasonable, be conclusive.

14.8 Security Disclaimer. Neither the Association nor Declarant shall in any way be considered insurers or guarantors of security within the Project, nor shall either of them be held liable for any loss or damage by reason of failure to provide adequate security or of ineffectiveness of security measures undertaken (including, without, limitation, operation of the entry gate). No representation or warranty is made that any fire protection or security system cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and covenants to inform its occupants that the Association, the Board and Declarant, are not insurers or liable to persons living in or visiting the Project for conduct resulting from acts of third parties.

14.9 Grantee's Acceptance. Each grantee or purchaser of any Lot within the Project shall, by acceptance of a deed conveying title thereto, or the execution of a contract for the purchase thereof, whether from Declarant or a subsequent owner of such Lot, accept such deed or contract upon and subject to each and all of the provisions of this Declaration and to the jurisdiction, rights, powers, privileges and immunities of Declarant and of the Association. By

acceptance, such grantee or purchaser shall for himself (his heirs, personal representatives, successors and assigns) covenant, consent and agree to and with Declarant, and to and with the grantees and subsequent owners of each of the other Lots in the Project, to keep, observe, comply with and perform all of the provisions of this Declaration and shall further agree to the continuation to completion of the Project and all parts and projected Lots therein in substantially the manner heretofore approved by the City of Reno.

14.10 School Disclosure. The Carson City School District ("School District") operates schools nearby the Project. The School District is solely responsible for the timing of any new public school construction and whether or not new schools are built. No representation or warranty is given by Declarant that the School District will construct new schools in the future in the vicinity of the Project. Similarly, the School District is solely responsible for and controls attendance zoning for all schools, and the Association and Declarant make no representation, warranty or guaranty that the children living in the Project will be allowed to attend any particular school. Furthermore, Owner hereby acknowledges that students within the Project may not be zoned for the closest elementary, middle, or high school and may be bused to the nearest school with the capacity to accept new students. All potential buyers should contact the School District for the latest attendance zoning information before purchasing a Lot within the Project.

IN WITNESS WHEREOF, the undersigned have executed this Declaration as of the day and year first above written.

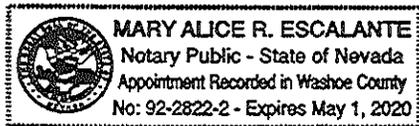
**ARBOR VILLAS LLC,
a Nevada limited liability company**

**By: CAPSTONE COMMUNITIES INC.,
a Nevada corporation
Its: Manager**

By: [Signature]
Printed: DARIN JUDANT
Title CEO

STATE OF NEVADA)
)ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on December 17, 2018, by Darin Judant, as CEO of Capstone Communities Inc., a Nevada corporation company, as Manager of Arbor Villas LLC, a Nevada limited liability company.



[Signature]
Notary Public
My Commission Expires: 5/1/2020

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EXHIBIT "A"

ARBOR VILLAS

DESCRIPTION OF PROPERTY

Parcels of land situate in the South One-Half of the Southeast One-Quarter of Section 17, Township 15 North, Range 20 East, Mount Diablo Meridian, Carson City, Nevada, being more particularly described as follows.

ALL of Lots 1-1-A, 1-2-A, 1-3-A, 1-4-A, Block J, Lots 1-5-A, 1-6-A, 1-7-A, 1-8-A, 1-9-A, 1-10-A, Block I1, Lots 1-11-A, 1-12-A, 1-13-A, 1-14-A, 1-15-A, Block H1, Lots 1-16-A, 1-17-A, 1-18-A, 1-19-A, 1-20-A, Block G1, Lots 1-21-A, 1-22-A, Block F1, Lots 1-23-A, 1-24-A, 1-25-A, 1-26-A, 1-27-A, Block E1, Lots 1-28-A, 1-29-A, 1-30-A, 1-31-A, 1-32-A, Block D1, Lots 1-33-A, 1-34-A, Block C1 Lots 1-35-A, 1-36-A, 1-37-A, 1-38-A, 1-39-A, Block B1, Lots 1-40-A, 1-41-A, 1-42-A, 1-43-A, 1-44-A, Block A1 and Lots 1-45-A, 1-46-A, 1-47-A, 1-48-A, 1-49-A, 1-50-A, Block L1, Common Area 1A-1, Common Area 2A, Common Area 3A, and Common Area 4A , as shown on Record of Survey in Support of a Boundary line adjustment Map No. 2952, File No. 490461 and described on Quit-Claim Deed Document No. 490460 both recorded on December 5, 2018 in the Official Records of Carson City, Nevada;

TOGETHER WITH, Lots 1-51A, 1-52A, 1-53A and 1-54A as shown on Record of Survey in Support of a Boundary line adjustment Map No. 2950, File No. 488808 and described on Quit-Claim Deed Document No. 488807 both recorded on September 25, 2018 in the Official Records of Carson City, Nevada;

TOGETHER WITH, Common Area 5 and Parcel A-1 as shown on the Final Map for Arbor Villas Phase 1 Map No. 2910, recorded on April 25, 2017 as File No. 474263 in the Official Records of Carson City, Nevada.

Gerald D. Juarez
Nevada PLS 12140
For and on behalf of

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