

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PINE VIEW**

COPY

0423883
BK 1097PG2388

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

PINE VIEW

TABLE OF CONTENTS

		<u>PAGE</u>
RECITALS		1
DECLARATION		1
<u>ARTICLE I</u>	<u>DEFINITIONS</u>	2
1.1	Annexed Property	2
1.2	Architectural Review Board; ARB	2
1.3	Architectural Review Board Rules	2
1.4	Articles; Articles of the Incorporation	2
1.5	Association	2
1.6	Association Property	2
1.7	Beneficiary	2
1.8	Board; Board of Directors	2
1.9	Bylaws	2
1.10	Common Area; Common Elements	2
1.11	Common Expenses	2
1.12	Community Water System	3
1.13	Declarant	3
1.14	Declaration	3
1.15	Deed of Trust	3
1.16	First Deed of Trust	3
1.17	Foreclosure	3
1.18	Front Yard	3
1.19	Improvements	3
1.20	Lessee	3
1.21	Living Unit	3
1.22	Lot	3
1.23	Manager	3
1.24	Member; Association Member	4
1.25	Owner	4
1.26	Project	4
1.27	Property	4
1.28	Record of Survey	4
1.29	Rules and Regulations	4
1.30	Special Declarant's Rights	4
1.31	Successor Declarant	4
1.32	Visible From Neighboring Property	4
<u>ARTICLE II</u>	<u>COMMON AREA</u>	5
2.1	Lease or Ownership of Common Area	5
2.2	Encumbrances Against Common Area	5
2.3	Lessees' and Owners' Easement of Enjoyment	5
2.4	Use of the Common Area	5
2.5	Declarant's Common Area Easement Rights	6
2.5.1	Reservation of Common Area Easements in Favor of Declarant	6

BK1097PG2389

0423883

2.5.2	Reservation of Right to Grant Additional Common Area Easements	6
2.6	Rights of Association to Grant Easements Over Common Area	6
<u>ARTICLE III</u>	<u>USE RESTRICTIONS, MAINTENANCE OBLIGATIONS, AND PRIVATE EASEMENTS</u>	6
3.1	Use Regulations	6
3.1.1	Residential Use	6
3.1.2	Improvements and Alterations, Architectural Control	7
3.1.3	Homes	7
3.1.4	Use of Residential Lots	7
3.1.5	Setback Restrictions	7
3.1.6	Fences	7
3.1.7	Commercial Use	7
3.1.8	Appearance of Unit	8
3.1.9	Parking Restrictions	8
3.1.10	Trailers, Boats, and Motor Vehicles	8
3.1.11	Parking	8
3.1.12	Front Yards	8
3.1.13	Barbecues	8
3.1.14	Animals	8
3.1.15	Garbage and Refuse Disposal	9
3.1.16	Signs	9
3.1.17	Mineral Development	9
3.1.18	Nuisances	9
3.1.19	Compliance With Laws; Prohibition of Certain Activities	9
3.1.20	Rules and Regulations	10
3.2	Maintenance Obligations	10
3.2.1	Common Area	10
3.2.2	Lots and Improvements Thereon	10
3.2.3	Common Fences	11
3.2.4	Performance of Work	11
3.2.5	Maintenance Violations and Association's Right to Correct Maintenance Violations	11
	(a) Maintenance Violation Notice	11
	(b) Lessee's or Owner's Right to File an Objection	11
	(c) Association's Right to Correct Maintenance Violation or Assess Liquidated Damages	12
	(d) Procedure for Filing Lessee Complaints	12
	(e) Procedure for Association's Correction of Maintenance Violation	12
	(i) Bids	12
	(ii) Violation Assessment	13
	(iii) Performance of Corrective Work by Association	13
3.2.6	Association's Right of Entry for Repair, Maintenance and Emergencies	13
3.2.7	Emergencies	13
3.2.8	Entry by Court Order	14
3.3	Easements	14
3.3.1	Utility Easements	14
3.3.2	Drainage Easement	14

0423883

BK1097PG2390

<u>ARTICLE IV</u>	<u>THE ASSOCIATION</u>	15
4.1	Formation	15
4.2	Association Action; Board of Directors and Officers; Members' Approval	15
4.3	Membership	15
4.3.1	Membership Qualifications	15
4.3.2	Members Rights and Duties	15
4.3.3	Voting Rights	16
4.4	Transfer of Membership	16
<u>ARTICLE V</u>	<u>POWER AND DUTIES OF THE ASSOCIATION</u>	16
5.1	Powers	16
5.1.1	Assessments	17
5.1.2	Right of Enforcement	17
	(a) General	17
	(b) Suspension of Voting Rights; Fines	17
5.1.3	Delegation of Powers; Professional Management; Other Services	17
5.1.4	Personal Property	18
5.1.5	Rules and Regulations	18
5.1.6	Other Services and Properties	18
5.2	Duties of the Association	18
5.2.1	Taxes and Assessments	18
5.2.2	Insurance	18
5.2.3	Enforcement of Restrictions and Rules	19
5.2.4	Operation and Maintenance of Association Property	19
5.2.5	Other	19
5.3	Limitations on Authority of Board	19
5.4	Personal Liability	19
5.5	Meetings of Members	19
5.6	Association Books and Records and Association Property	19
5.6.1	Right of Inspection	19
5.6.2	Declarant's Obligation to Deliver Association Property and Records to Board	20
<u>ARTICLE VI</u>	<u>ASSESSMENTS</u>	21
6.1	Agreement to Pay	21
6.2	Personal Obligations	21
6.3	Purpose and Amount of Assessments	21
6.4	Annual Assessments	21
6.4.1	Definitions	21
6.4.2	Allocation of Annual Assessments	22
6.4.3	Initial Budget and Assessments	23
6.4.4	Procedure for Establishing Annual Assessments	23
6.5	Special Assessments	24
6.6	Violation Assessments	24
6.7	Assessment Period	24
6.8	Notices of Assessments; Delinquencies	24
6.9	Statement of Account	25
6.10	Collection of Assessments	25
6.11	Lien For Assessments; Priority	26
6.12	Enforcement of Lien	26
6.12.1	Notice of Delinquent Assessment and Notice of Default	26

0423883

BK1097PG2391

6.12.2	Notice of Sale	27
6.13	Reserve and Surplus Funds	27
<u>ARTICLE VII</u>	<u>INSURANCE</u>	28
7.1	Insurance to be Obtained	28
7.2	Premiums and Reviews	28
<u>ARTICLE VIII</u>	<u>DAMAGE OR DESTRUCTION</u>	28
8.1	Duty and Authority to Rebuild	28
8.2	Estimate of Costs; Architectural Review Board Approval	28
8.3	Funds for Reconstruction	29
8.4	Repair or Reconstruction	29
8.5	Disbursement of Funds for Repair or Reconstruction	29
8.6	Decision Not to Rebuild	29
<u>ARTICLE IX</u>	<u>PROTECTION OF LENDERS</u>	29
9.1	Encumbrance of Lots Permitted	29
9.2	Subordination	29
9.3	Non-Liability for Unpaid Assessments	30
9.4	Breach of Covenants	30
9.5	Appearance at Meetings	30
<u>ARTICLE X</u>	<u>SPECIAL DECLARANT'S AND DEVELOPMENT RIGHTS</u>	30
10.1	General	30
10.2	Special Declarant's Rights	30
10.3	Declarant's Development Rights	31
10.3.1	Property Subject to Annexation	31
10.3.2	Manner of Annexation	31
10.3.3	Effect of Annexation	32
10.4	Rights and Obligations of Lessees or Owners	32
<u>ARTICLE XI</u>	<u>ARCHITECTURAL REVIEW BOARD</u>	32
11.1	Organization	32
11.2	Duties	32
11.3	Meetings	32
11.4	Architectural Review Board Rules	33
11.4.1	Compliance with Laws	33
11.4.2	Building Site	33
11.4.3	Roofs	33
11.4.4	Exterior Walls and Trim	33
11.4.5	Construction Procedures	33
11.5	Application for Approval of Plans and Specifications	34
11.6	Basis for Approval of Improvements	34
11.7	Basis for Disapproval of Improvements	34
11.8	Form of Approval	35
11.9	Proceeding With Work	35
11.10	Failure to Complete Work	35
11.11	Inspection of Work and Noncompliance	35
11.12	Non-Compliance With Article III	36
11.13	Waiver	37
11.14	Estoppel Certificates	37
11.15	Liability	38

0423883

. BK1097PG2392

ARTICLE XII

MISCELLANEOUS PROVISIONS

		38
12.1	Duration	38
12.2	Amendment	38
12.3	Enforcement and Waiver	38
12.3.1	Lessee's or Owner's Right of Enforcement	38
12.3.2	Violations and Nuisance	39
12.3.3	Violation of Law	39
12.3.4	Remedies Cumulative	39
12.3.5	Arbitration	39
12.3.6	Nonwaiver	39
12.4	Termination of Former Lessee's Liability for Assessments	39
12.5	Notices	39
12.6	Approvals	40
12.7	Construction and Severability; Singular and Plural; Titles	40
12.7.1	Restrictions and Easements Construed Together	40
12.7.2	Restrictions and Easements Severable	40
12.7.3	Singular Includes Plural	40
12.7.4	Captions	40

0423883

BK1097PG2393

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PINE VIEW

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PINE VIEW ("Declaration") is made this 8th day of October, 1997, by PTP, INC., ("Declarant"), with reference to the following facts and is as follows:

RECITALS:

A. Declarant is the long term lessee of that certain real property situate in the County of Douglas, State of Nevada, which is described in Exhibit "A" hereto and by this reference incorporated herein ("the Property") under written lease dated Oct 8, 1997 and recorded on Oct 13, 1997 as document no. 423882 of the Land Titles and Records Bureau of Indian Affairs, Albuquerque, New Mexico.

B. Declarant considers it desirable and appropriate to establish Covenants, Conditions and Restrictions upon the Property in order to pursue a specific program for the improvement thereof, which shall benefit the use, occupancy and enjoyment of same, and to enhance and protect the value, desirability and attractiveness of the entire project. The name of the development is "Pine View".

C. Declarant is also the long term lessee of that certain real property situate in the County of Douglas, State of Nevada, which is described in Exhibit "B" hereto and by this reference incorporated herein, all or a portion of which real property may become Annexed Property (as defined below). Declarant reserves the right to create a maximum of 300 lots within the Project.

DECLARATION:

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, conveyed, encumbered, leased, rented, used, occupied, improved, or otherwise affected in any manner, subject to the declarations, limitations, easements, covenants, conditions and restrictions set forth in this Declaration, all of which are hereby declared to be in furtherance of a general plan for the development, improvement, lease and sale of the Property, and are further declared to be for the purpose of enhancing, maintaining and protecting the value and attractiveness thereof. All provisions hereof shall be deemed to run with the land as covenants running with the land or as equitable servitudes, or as liens, as the case may be, and shall constitute benefits and burdens to the Declarant and its successors and assigns and to all parties

hereafter leasing or acquiring any interest in the Property in whatever manner such interest may be obtained.

ARTICLE I

DEFINITIONS

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

1.1 "Annexed Property" means any or all of the property described in Exhibit "B" hereto which is now leased or which may hereafter be leased or acquired by Declarant, with respect to which a Supplemental Declaration is recorded causing an annexation of such property pursuant to the provisions of Article X below.

1.2 "Architectural Review Board" or "ARB" means the three (3) member Board charged with the responsibility of regulating the external design, appearance, use, location and maintenance of the properties as set forth in Article XI.

1.3 "Architectural Review Board Rules" means the rules adopted by the Architectural Review Board.

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

1.5 "Association" means the Pine View Homeowners Association, a Nevada non-profit corporation.

1.6 "Association Property" means all Common Area within the Property and all 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 and which shall include the Community Water System defined below.

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

1.8 "Board" or "Board of Directors" means the Board of Directors of the Association.

1.9 "Bylaws" means the Bylaws of the Association.

1.10 "Common Area" or "Common Elements" means that portion of the Property which is designated as Common Area on the Record of Survey and which is leased to or owned by the Association, together with all improvements constructed or to be constructed thereon, including, but not limited to, the Community Water System.

1.11 "Common Expenses" shall have the meaning set forth in paragraph 6.4.1 hereof.

1.12 "Community Water System" means the water system owned by or leased to the Association which provides water service to the Project and Lots, said system including, but not limited to, well(s), storage tank(s) and transmission lines.

1.13 "Declarant" means PTP, Inc. At such time, if any, as Declarant or any Successor Declarant transfers its Special Declarants Rights to a Successor Declarant pursuant to the provisions hereof, Declarant shall mean such Successor Declarant.

1.14 "Declaration" or "this Declaration" means this instrument entitled "Declaration of Covenants, Conditions and Restrictions for Pine View", and any and all amendments thereto.

1.15 "Deed of Trust" means a deed of trust or a mortgage encumbering any portion or all of the Project.

1.16 "First Deed of Trust" means a Deed of Trust having priority over all other Deeds of Trust encumbering the same portion of the Property.

1.17 "Foreclosure" means a foreclosure under a Deed of Trust by judicial action or exercise of power of sale.

1.18 "Front Yard" means that portion of a Lot that fronts on the street lying between the curb and a line even with a front of the house, including a side yard on corner Lots.

1.19 "Improvements" means all structures and works of improvement of every type and kind, including but not limited to, buildings, outbuildings, garages, carports, roads, driveways, parking area, fences, screening walls, retaining walls, stairs, decks, patios, landscaping, sprinklers, hedges, windbreaks, planting, planted trees, shrubs, poles, signs, free-standing lighting fixtures, exterior air conditioning and water softener fixtures or equipment, which have been or will be constructed on the Project.

1.20 "Lessee" means a person or entity, including Declarant and a sublessee of Declarant, holding a leasehold interest in a Lot.

1.21 "Living Unit" means and refers to any structure situated upon a Lot designed and intended for use and occupancy as a residence by a single family.

1.22 "Lot" means each portion of the Project which is designated as a numbered residential lot or parcel on the Record of Survey (excluding the Common Area) and intended for improvement with a single family residence, whether or not the lot is so improved. The boundaries of each Lot and the number identifying the Lot are set forth on the Record of Survey.

1.23 "Manager" means the person or entity designated by the Board to manage the affairs of the Association and to perform

various other duties assigned by the Board and by the provisions of this Declaration.

1.24 "Member" or "Association Member" means every person or entity including Declarant who holds a membership in the Association pursuant to the provisions of this Declaration, the Articles and Bylaws.

1.25 "Owner" means a person or entity, including Declarant, holding a fee simple interest in a Lot, or a person who is the buyer of a Lot under a recorded contract of sale, in which case the seller under such recorded contract of sale shall cease to be an owner unless and until such contract is terminated.

1.26 "Project" means the Property and Annexed Property.

1.27 "Property" means the property described in Exhibit "A" hereto together with all Improvements now or hereafter located thereon, and together with all easements, rights and appurtenances belonging thereto.

1.28 "Record of Survey" means the Record of Survey for the Property which was recorded on Oct 13, 1997, in the office of the County Recorder of Douglas County, Nevada, under file no. 423880 and by this reference incorporated herein and any other record of survey which may be filed for the Project in the future.

1.29 "Rules and Regulations" means the rules and regulations as the Board from time to time may adopt pursuant to the terms of this Declaration concerning the use of the Project or any part thereof.

1.30 "Special Declarant's Rights" means all rights reserved by Declarant for itself under this Declaration, including but not limited to, those set forth in Article X hereof.

1.31 "Successor Declarant" means any and all successors-in-interest of Declarant who acquire an interest in the Project or any portion thereof and to whom Special Declarant's Rights have been assigned by a written assignment executed by the transferor Declarant and the transferee Successor Declarant which is duly recorded in the office of the County Recorder of Douglas County, Nevada. Declarant and each Successor Declarant shall cease to be Declarant or a Successor Declarant, respectively at such time that it ceases to be a Lessee or Owner of an interest in any portion of the Project and designates a Successor Declarant in the manner provided in this paragraph 1.31.

1.32 The phrase "visible from neighboring property" means, with respect to any given subject, 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 property.

0423883

BK1097PG2397

ARTICLE II

COMMON AREA

2.1 Lease or Ownership of Common Area. All of the Common Area is or will be leased or owned by the Association.

2.2 Encumbrances Against Common Area. Title to the Common Area is or may be subject to the following encumbrances ("Existing Encumbrances"):

(a) 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, County of Douglas, or any other political subdivision or public organization having jurisdiction over the Project, or by virtue of any organization or political body created pursuant to any such statute, law, ordinance or regulation.

(b) Any and all easements and other rights shown on the Record of Survey.

(c) All easements and other rights and obligations created by this Declaration.

(d) Any and all loans for the construction of improvements to the Common Area, which loans shall be paid by Declarant as the same become due and payable.

(e) Any other lien, encumbrance, or defect of title of any kind whatsoever (other than of the type that would at any time or from time to time create a lien upon the common area to secure an obligation to pay money) that would not materially and actually prejudice Lessees and Owners in their use and enjoyment of their Lots and the Common Area.

2.3 Lessees' and Owners' Easements of Enjoyment. Except as otherwise expressly provided elsewhere in this Declaration, each Lessee and Owner shall have, and the Association hereby grants to each Lessee and Owner, a non-exclusive easement of use and enjoyment in, to, and throughout the Common Area and for ingress, egress, and support over and through the Common Area. Each such easement shall be appurtenant to and pass with title to each Lot, subject to the Association's right to adopt, amend, and enforce Rules and Regulations affecting use of the Common Area; provided, however, that any such Rules and Regulations shall not be in conflict with the provisions of this Declaration or any applicable ordinances of Douglas County, or of any other governmental entity.

2.4 Use of the Common Area. Except as otherwise expressly provided in this Declaration, the Common Area shall be used for vehicular and pedestrian access to, from, over and across the Project as designated on the Record of Survey or as otherwise designated by the Association from time to time, for constructing a Community Water System to provide water service to the Project,

and for open space or recreational purposes, and no persons other than the Lessees or Owners, their family members, guests and invitees or the Lessees' or Owners' tenants, their family members, guests and invitees shall be allowed to in any manner use or occupy the Common Area. Any Lessee or Owner may extend his rights of use and enjoyment in the Common Area, including any recreational facilities, to such Lessees' and Owners' family members, guests, and invitees, subject, however, to the provisions of this Declaration and the Rules and Regulations.

2.5 Declarant's Common Area Easement Rights.

2.5.1 Reservation of Common Area Easements in Favor of Declarant. Declarant hereby reserves unto itself such easements over, through and under the Common Area as may be reasonably necessary to discharge Declarant's obligations or exercise any Special Declarant's Rights provided in this Declaration.

2.5.2 Reservation of Right to Grant Additional Common Area Easements. Declarant hereby reserves unto itself the right to grant easements and rights of way on, over, through and under the Common Area for the purposes described below and for the benefit of Lessees, Owners, the Association, or the ARB. Such grants of easement or dedications may be for 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 rights reserved by Declarant in this subparagraph 2.5.2 may be exercised at any time the Declarant remains a Lessee or Owner of any portion of the Project.

2.6 Rights of Association to Grant Easements Over Common Area. At such time as the rights reserved to Declarant under subparagraph 2.5.2 have expired, the Association shall be entitled to exercise the rights reserved to Declarant under subparagraph 2.5.2, provided that at least sixty-seven percent (67%) of the voting power of the Association has approved such action.

ARTICLE III

USE RESTRICTIONS, MAINTENANCE OBLIGATIONS, AND PRIVATE EASEMENTS

3.1 Use Regulations.

3.1.1 Residential Use. No Lot shall be improved or used for any purpose other than single family residential use. There shall be no more than one (1) dwelling unit per Lot. No dwelling unit on a Lot shall be occupied as living quarters until a final

certificate of occupancy for such dwelling unit has been issued by the appropriate authority. No Lot shall be subdivided in any manner.

3.1.2 Improvements and Alterations; Architectural Control. No Improvement, construction, repair, painting, excavation, fill, removal of rocks, shrubs or natural vegetation, or other work that materially alters the land or the exterior appearance of any Improvement upon any Lot shall be made, done, or permitted to be done unless approval therefor is first obtained from the ARB in accordance with the Architectural Board Rules and from the appropriate governmental authority, if required.

3.1.3. Homes. Each numbered Lot shall be occupied by a single family, single story, manufactured or site built home approved by the ARB. No home shall be less than nine hundred (900) square feet, exclusive of garage.

3.1.4 Use of Residential Lots. No temporary house, and no temporary or permanent storage building or other outbuilding shall be erected or placed upon said Lots to be used for residential purposes. No streets, roads, or driveways shall be opened through side lots to serve adjoining property except as might have been previously provided for by plat or survey duly recorded or as might hereinafter be specified except as approved in writing by the ARB.

3.1.5 Setback Restrictions. No single family building shall be located nearer to a street line than fifteen (15) feet on the front or five (5) feet on the side, nor nearer to an interior side lot line than five (5) feet unless waived by the ARB. For the purpose of this paragraph, eaves, steps and open porches not covered by a roof structure shall not be considered as a part of a building; provided, however, that this shall not be construed to permit any portion of the building or construction on any Lot to encroach upon another Lot.

3.1.6. Fences. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street property lines and a line connecting them at points ten (10) feet from the intersection of the street lines. No trees shall be permitted to remain within such triangular area unless the foliage is maintained at sufficient height to prevent obstruction of such sight lines. No front yard perimeter fence may be over four (4) feet high. Front yard perimeter fences must be constructed within two (2) inches of the property line and must be chainlink or block. Privacy fences may be constructed in rear yard at a height of up to six (6) feet and of materials as approved by the ARB.

3.1.7 Commercial Use. Except as otherwise provided in this Declaration or approved by the ARB, no part of the Project shall be used or caused, allotted or authorized to be used in any way, directly or indirectly, for any business, commercial,

0423883

manufacturing, mercantile, storing, vending, or other such non-residential purpose.

The area designated as CM on the Record of Survey may be used for Recreational Vehicle Storage.

3.1.8 Appearance of Unit. Each Lessee or Owner shall keep his Lot and the Improvements thereon in a clean and attractive condition. No plastic or aluminum foil coverings may be placed in or on the windows.

3.1.9 Parking Restrictions. Unless otherwise permitted by the Board, no automobile shall be parked or left within the Project other than in a parking area designated by the Board for the parking and storage of such vehicles. However, parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Rules and Regulations. Parking spaces shall be used for parking automobiles only and shall not be converted for other storage or recreational activities.

3.1.10 Trailers, Boats, and Motor Vehicles. The Board may enact reasonable Rules and Regulations governing the storage and operation of trailers, boats, other recreational vehicles and motor vehicles within the Project, including the exclusion of same from the Project. No boat, truck, trailer, camper, recreational vehicle, or tent shall be used as a living area while located on the Project.

3.1.11 Parking. Each Lessee or Owner shall park only in parking areas or spaces, as designated by the Rules and Regulations from time to time, and in accordance with such Rules and Regulations.

3.1.12 Front Yards. All front yards shall be landscaped in a manner approved by ARB.

3.1.13 Barbecues. There shall be no exterior fires except barbecue fires contained within receptacles designed for such purpose or outside fireplaces approved by the ARB.

3.1.14 Animals. No animals or fowl, including without limitation, horses, cows, sheep, goats, pigs and chickens, except for a reasonable number of recognized house or yard pets, shall be allowed or maintained on or in any Lot. The permitted house or yard pets shall be kept, bred, or raised solely as household pets for private use and not for commercial purposes. No animal or fowl shall be allowed to make an unreasonable amount of noise or shall otherwise be allowed to become a nuisance. No animal shall be permitted outside of the Lot of the Lessee or Owner of such animal unless such animal is under the control of a responsible person by means of a leash or other reasonable restraint and such person shall immediately clean up and remove any feces or other substances left by such animal. Upon request of a Lessee or Owner, the Board, in its sole discretion, shall determine for the purpose of this Section whether a particular animal or fowl shall be considered as

a house or yard pet, whether it is a nuisance, and whether the type or number of animals or fowl on or in any Lot is reasonable. The Rules and Regulations may include other rules and regulations pertaining to animals and fowl as may be adopted from time to time.

3.1.15 Garbage and Refuse Disposal. There shall be no exterior burning of trash, garbage or other refuse upon any portion of the Project, nor shall any Lessee or Owner accumulate on such Lessee's or Owner's Lot any litter, refuse or garbage, except in receptacles provided for such purposes. Every receptacle for ashes, trash, rubbish or garbage shall be so placed and kept as not to be visible from neighboring property or from any road or Common Area within the Project, except at the times when refuse collections are made.

3.1.16 Signs. No sign of any kind shall be displayed so as to be visible from neighboring property or within public view without the approval of the Board. A modest sign advertising that a Lot is for sale may be placed on the Lot without approval of the ARB.

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

3.1.18 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate in the Project; and no odors shall be permitted to arise from the Project so as to render any portion of the Project unsanitary, unsightly, offensive or detrimental to any other portion of the Project in the vicinity thereof or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Project so as to be offensive or detrimental to any other portion of the Project in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells, or other sound devices (other than security systems, used exclusively for security purposes) shall be located, used, or placed on the Project without the prior written approval of the ARB. No noxious or offensive activities, including but not limited to, repair of automobiles or other motorized vehicles, shall be conducted within the Project that may be or may become an annoyance or nuisance to the residents of the project, or that in any way interferes with the quiet enjoyment of occupants of Lots. Unless otherwise permitted by the Rules and Regulations, no Lessee shall serve food or beverages, cook, barbecue, or engage in similar activities, except within such Lessee's Lot, or in Common Areas where such activities are allowed.

3.1.19 Compliance With Laws; Prohibition of Certain Activities. No Lessee shall permit anything to be done or kept in

his Lot that violates any law, ordinance, statute, rule, or regulation of any local, county, state, or federal body having jurisdiction over the Project. No Lessee shall allow furniture, furnishings, or other personal property belonging to such Lessee to remain within any portion of the Common Area except as permitted by the Board. Without prior written consent from the Board, nothing shall be done or kept in any Lot or in the Common Area, or any part thereof, which would result in the cancellation of the insurance on the Project or any part thereof or increase the rate of insurance on the Project or any part thereof over what the Association would pay but for such activity. No Lessee shall permit any thing or condition to exist upon his Lot that shall induce, breed, or harbor infectious plant or tree diseases or noxious insects.

3.1.20 Rules and Regulations. No Lessee shall violate the Rules and Regulations as adopted from time to time by the Board.

3.2 Maintenance Obligations.

3.2.1 Common Area. Maintenance of the Common Area and any and all Improvements thereon, including the Community Water System, shall be the obligation of the Declarant until December 31, 1999 or the sale or lease of 32 Lots, whichever shall occur first. From and after December 31, 1999, or the sale or lease of 32 Lots, whichever occurs first, the obligation to maintain the Common Area and the Improvements thereon, including the Community Water Systems, shall be the obligation of the Association. The Association shall maintain and manage the Common Area and all Improvements thereon in a reasonable manner. The Association shall maintain all utility, water and sewer lines, equipment and other apparatus within the Common Area, unless such item of maintenance is the obligation of a utility company or a governmental entity.

3.2.2 Lots and Improvements Thereon. Each Lessee or Owner shall have the obligation to maintain such Lessee's or Owner's Lot and the Improvements thereon, at such Lessee's or Owner's sole cost, including, but not limited to, the following: all plumbing, electrical equipment and facilities, television cable, and all other utility facilities within such Lessee's or Owner's Lot; all water and sewer lines within such Lessee's or Owner's Lot; the exterior of the dwelling unit, including exterior walls and roofs, and the interior and exterior of all windows and skylights, and all other Improvements on such Lessee's or Owner's Lot. There is no obligation on a Lot Lessee or Owner to repair or maintain common utility facilities which may be under or across any Lot, said obligation to be Declarant's or the Association's pursuant to paragraph 3.2.1 above. Each Lessee or Owner shall keep all shrubs, trees, grass and plantings on such Lessee's or Owner's Lot neatly trimmed, properly cultivated, and free from trash, weeds, debris and other unsightly material. No approval from the ARB shall be necessary for the performance of normal maintenance and repair work.

0423883

As used herein "common utility lines" shall mean sewer, water, electrical, plumbing or other utility lines, equipment or apparatus which are shared by the Lessees or Owners of two (2) or more Lots (herein sometimes referred to as "shared Common Utility Lines") or which provide service to one Lot and are partially or completely within the residence or Lot of another Lessee or Owner.

3.2.3 Common Fences. Any two (2) Lessees or Owners who share a fence which is constructed on the common boundary line between such Lots (a "Common Fence") shall bear equally the cost of repair, upkeep, replacement and maintenance of the Common Fence.

3.2.4 Performance of Work. Any and all work performed pursuant to this paragraph 3.2 other than painting or other cosmetic work or the construction of fences shall be performed in a good and workmanlike manner and in accordance with the provisions of this Declaration and applicable building, health, fire and safety codes.

3.2.5 Maintenance Violations and Association's Right to Correct Maintenance Violations.

(a) Maintenance Violation Notice. If any Lessee or Owner allows, permits or causes any condition to exist on such Lessee's or Owner's Lot which in the sole reasonable discretion of the Board is unsightly, unsanitary, hazardous (including, but not limited to, a condition which causes dust to carry to another Lessee's or Owner's Lot), or fails to perform such Lessee's or Owner's maintenance obligations in accordance with the provisions of this Declaration (herein collectively "Maintenance Violation"), then except as otherwise provided in paragraph 3.2.7 hereof in the case of an emergency, the Association shall give the Lessee or Owner of the Lot on which such condition exists, written notice ("Maintenance Violation Notice") specifying the nature of the Maintenance Violation and a reasonable time period within which the Lessee or Owner must correct such Maintenance Violation, which Maintenance Violation Notice shall specify the time period within which such Lessee or Owner shall correct such Maintenance Violation as the Board determines is reasonably required, which notice period shall be no less than thirty (30) days. The notice shall be mailed by certified mail, return receipt requested.

(b) Lessee's or Owner's Right to File an Objection. The Lessee or Owner of the Lot 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 Lessee or Owner is deemed to have received such Maintenance Violation Notice (as provided in paragraph 3.2.5(a) above). In the event such an objection is filed, within thirty (30) days after the objection is filed, the Board shall appoint a committee of three (3) Board members ("the Arbitration Panel") to hold a hearing regarding such Maintenance Violation. Notice of such hearing and the time and place thereof, shall be given to the Lessee or Owner to whom the Maintenance Violation Notice is given

and any other Lessees or Owners who have filed Complaints (defined below) at least five (5) business days prior to the date set for such hearing. The Arbitration Panel shall give written notice of its decision to the Lessee or Owner against whom the Maintenance Violation Notice was given as to whether or not a Maintenance Violation exists in the nature of such violation. Copies of such decision shall be mailed to all persons who filed a complaint. The decision of the Arbitration panel shall be conclusive as to whether or not a Maintenance Violation in fact exists. The notice period within which a Maintenance Violation must be cured shall be tolled from the date of filing such objection until the date the Arbitration Panel notifies the Lessee or Owner in writing of its decision.

(c) Association's Right to Correct Maintenance Violation or Assess Liquidated Damages. If the Lessee or Owner fails to correct a Maintenance Violation within the period specified in the Maintenance Violation Notice (as such period may have been tolled by the filing of an objection), then the Association, acting through the Board, shall have the right either (i) to levy a Violation Assessment against the defaulting Lessee or Owner in an amount equal to the cost of the corrective work, and, at such time as the Violation Assessment is fully paid, to undertake and perform such work through its agents and employees as the Board may deem necessary or desirable to remedy the Maintenance Violation; or (ii) to assess the defaulting Lessee or Owner liquidated damages in the amount of \$100.00 per day commencing the day after the expiration of the cure period as specified in the Violation Notice, which assessment shall be levied as a Violation Assessment pursuant to this subparagraph (c). The parties bound by this Declaration agree that the damages suffered by the Project, the other Lessees and Owners and the Association in the event of an uncured Maintenance Violation will be difficult or impossible to ascertain and that liquidated damages in the sum of \$100.00 per day is a reasonable estimate of such damages.

(d) Procedure for Filing Lessee Complaints. In the event that the Board fails to give a Maintenance Violation Notice to a Lessee or Owner who has defaulted in his maintenance obligation hereunder, then upon the filing with the Board of a written complaint (herein "Complaint") executed by the Lessees or Owners of any two (2) of the Lots, the Board shall have the obligation to give such Maintenance Violation Notice.

(e) Procedure for Association's Correction of Maintenance Violation.

(i) Bids. In the event the Association elects, or is required by the terms of this Declaration, 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 Lessee or Owner, the Board shall obtain three (3) written bids to perform the required work and shall mail the bids to the Lessee or Owner of the Lot on which a Maintenance Violation exists. Such Lessee or Owner shall have

the right to select the bid by notifying the Board in writing within fourteen (14) days after the bids are mailed by the Board to the Lessee or Owner. In the event the Lessee or Owner fails to select a bid within such time period, the Board shall select the bid.

(ii) Violation Assessment. When the bid has been selected as set forth in subparagraph (i) above, the Board shall levy a Violation Assessment against the Lessee or Owner of the Lot on which a Maintenance Violation exists to pay for the cost of correcting the Maintenance Violation.

(iii) 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 defaulting Lessee or Owner, or elect to postpone the corrective work until after the Violation Assessment has been collected 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.

3.2.6 Association's Right of Entry For Repair, Maintenance and Emergencies. Each of the Lessees or Owners hereby grants to the Association, and its duly authorized agents, representatives, employees and contractors, the right of entry onto such Lessee's or Owner's Lot, and within the Improvements thereon, which right shall be irrevocable, to make such repairs and perform such maintenance work which the Association is required or entitled to do pursuant to the provisions of this Declaration. Except as provided hereinbelow with respect to emergencies, such right of entry shall be exercised only during reasonable hours and after reasonable notice.

3.2.7 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 or within any Improvements thereon, and that immediate repairs are necessary to prevent or mitigate damage to any Lot, including the Improvements thereon, such officer shall have the right to exercise the Association's right of entry without notice. If after gaining entry, any officer of the Association still believes in his or her sole reasonable discretion, that immediate repairs are necessary to prevent or mitigate damages to any Lot or any Improvements thereon, then the Association shall have the right to make such repairs without notice to the Lessee or Owner of the Lot, and hearing as required by paragraph 3.2.5 above, and without obtaining competitive bids as provided in subparagraph 3.2.5(e) above. The Association shall levy a Violation Assessment against the Lessee or Owner of the Lot in which the repairs were made pursuant to subparagraph 3.2.5(c) hereof, in the amount of the cost of the corrective work and all costs and expenses 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.

3.2.8 Entry by Court Order. In the event any Lessee or Owner prevents representatives of the Association accompanied by a member of the Board from gaining access to any portion of such Lessee's or Owner's Lot (including the Improvements thereon) for the purpose of correcting a Maintenance Violation or for the purpose of attending to an emergency situation, a Lessee or Owner of such Lot shall be jointly and severally liable to the Association for attorney's fees and court costs incurred by the Association for the purpose of gaining such entry and all other costs and expenses incident thereto, and such attorneys' fees, court costs and incidental expenses shall be assessed to such Lessee or Owner as a Violation Assessment pursuant to paragraph 3.2.5 hereof. In the event any officer of the Association believes, in his or her sole reasonable discretion, that an emergency situation exists and that immediate repairs are necessary to prevent or mitigate damage to the Common Area, the Common Area Improvements or to the dwelling unit or Lot of another Lessee or Owner, then such officer shall have the right to exercise such right of entry without notice.

3.3 Easements.

3.3.1 Utility Easements. There is hereby created a blanket easement upon, across, over, through, and under the Project for ingress, egress, installation, replacement, repair and maintenance of all utility and service lines and systems, including, but not limited to, the Community Water System, sewers, gas, telephones, electricity, television, cable or communication lines and systems. By virtue of this easement it shall be expressly permissible for the Declarant, Association, or the providing utility or service company to install and maintain facilities and equipment on the Project, to excavate for such purposes and to fix and maintain wires, circuits, and conduits on, in and under the roofs and exterior walls of the residences providing the disturbed areas are restored to the condition in which they were found. Notwithstanding anything to the contrary contained in this paragraph, no sewers, electrical lines, water lines, or other utility service lines or facilities for such utilities may be installed or relocated on the Project except as programmed and approved by the Declarant prior to the conveyance or lease of the first Lot to a Lessee or Owner or by the ARB thereafter. This easement shall in no way affect any other recorded easements on the Project. This easement shall be limited to improvements as originally constructed.

3.3.2 Drainage Easement. There is hereby created a drainage easement upon, across, over, through, and under the Project. By virtue of this easement, it shall be expressly permissible for the Declarant to install and maintain facilities and equipment on the Project necessary to allow for all drainage. Said drainage easement shall be shown on the Record of Survey or upon the Lot at the time the Lot is leased or conveyed.

ARTICLE IV

THE ASSOCIATION

4.1 Formation. The Association is a non-profit corporation formed or to be formed under the laws of the State of Nevada. Prior to the lease or conveyance of the first Lot to a Lessee or 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. This Association is not authorized to have and shall not issue any capital stock.

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 Chapter 81 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, the Articles and the Bylaws. The members of the first Board named in the Articles, need not be composed of Association Members. The members of all subsequent Boards shall be members of the Association. 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 annual meeting of the Members of the Association is called for the purpose of electing their successors. The first annual meeting of the Members of the Association shall be held not later than the earlier of (a) forty-five (45) days after the closing of the sale or lease of the Lot which represents the fifty-first percentile interest in the initial number of Lots in the Project, or (b) by one (1) year after the date of the filing of the Articles of Incorporation with the Secretary of State of the State of Nevada. 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 Chapter 81 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 at any regular or special meeting held in accordance with the Bylaws.

4.3 Membership.

4.3.1 Membership Qualifications. The Members of the Association shall be the Lessees or Owners of the Lots. The Lessee or Owner of each Lot shall have one (1) membership in the Association. The number of memberships in the Association shall be equal to the number to Lots within the Property.

4.3.2 Members Rights and Duties. As used in this Declaration, the term "Member" shall refer to the Lessee, Owner, or collectively to all of the Lessees or Owners of a Lot if there is more than one Lessee or Owner. Each Member shall have the rights,

duties and obligations set forth in this Declaration, the Articles, Bylaws, and Rules and Regulations, as the same may from time to time be amended. Except as otherwise provided in paragraph 4.3.3 below, the respective interests of each of the Members shall be equal.

4.3.3 Voting Rights. The Association shall have two (2) classes of voting membership:

Class A: Class A Members shall be all Lessees or Owners with the exception of the Declarant or Successor Declarant who shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members; however the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any one Lot.

Class B: The Class B Member shall be the Declarant or Successor Declarant, who shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and terminate when the total votes outstanding in the Class A membership shall exceed the votes outstanding in the Class B membership or on January 1, 2007, whichever occurs first.

4.4 Transfer of Membership. The Association membership 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 or lease of 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 Lessee or Owner. Prior to any transfer of title to or lease of a Lot (including the sale of a Lot under a recorded contract of sale), either the transferring Lessee or Owner or the acquiring Lessee or Owner shall give notice to the Board of such transfer, including the name and address of the acquiring Lessee or 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 or lease of the Lot, which transfer fee shall be assessed against the Lot as a Violation Assessment if not paid when due.

ARTICLE V

POWER 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 Chapter 81 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 Articles III and VI hereof (herein collectively "Assessments") and to enforce payment of such Assessments in accordance with the provisions of this Declaration.

5.1.2 Right of Enforcement.

(a) General. The Association in its own name and on its own behalf, or on behalf of the Lessees or Owners of two (2) or more Lots who consent, any Member on its behalf (as provided in paragraph 12.3.1 hereof) and Declarant on its own behalf, shall have the power and authority to commence and maintain actions for damages, or to restrain and enjoin any actual or threatened breach of any provision of this Declaration, the Articles, Bylaws, Rules and Regulations, or any resolutions of the Board, to enforce by mandatory injunction, or otherwise, all of these provisions, to intervene in litigation or administrative proceedings on matters affecting the Project. 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 shall have the power and authority to suspend the voting rights, or can assess monetary penalties against any Lessee or Owner of a Lot or other person entitled to exercise such Lessee's or Owner's rights or privileges, for any violation of this Declaration or the Articles, Bylaws, or Rules and Regulations. However, any such suspension of use privileges cannot exceed a period of thirty (30) days for any one violation; and any monetary penalty cannot exceed \$100.00 for any one violation. Before invoking any such suspension or fine, the Board shall give such Lessee, Owner, or other person notice and opportunity to be heard in the manner provided in paragraph 3.2.5 hereof for Maintenance Violations; and in the event it is determined that such violation exists, the Board may impose a Violation Assessment against such Lessee or Owner in the manner provided in paragraph 6.6 hereof to collect any fine which remains unpaid for a period of ten (10) days or more. The Association does not have the power or authority to cause a forfeiture or abridgment of a Lessee's or Owner's right to the full use and enjoyment of such Lessee's or Owner's Lot if the Lessor or Owner does not comply with provisions of this Declaration or of the Articles, Bylaws, or Rules and Regulations, 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 Lessee or Owner to pay assessments levied by the Association.

5.1.3 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 obtain and pay for legal, accounting, and other services necessary desirable in connection with the operation of the Project and the enforcement of this Declaration.

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

5.1.5 Rules and Regulations. The Board shall have the power to adopt, amend, and repeal the Rules and Regulations regulating the use of the Common Area and for such other purposes as are expressly allowed by this Declaration. However, the Rules and Regulations shall not be inconsistent with or materially alter any provisions of this Declaration, the Articles, or the Bylaws. A copy of the Rules and Regulations 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 Regulations and any provisions of this Declaration, the Articles, or the Bylaws, the conflicting provision of the Rules and Regulations shall be superseded by the provisions of this Declaration, the Articles or the Bylaws.

5.1.6 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 paragraph 5.1.3, 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. 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 Enforcement of Restrictions and Rules. The Association shall perform such other acts, whether or not expressly authorized by this Declaration, that may be reasonably necessary to enforce any of the provisions of this Declaration, the Articles, Bylaws, Rules and Regulations, or Board resolutions. There is hereby reserved to the Association such easements as are necessary to perform its duties and obligations or to exercise its rights as set forth in this Declaration, the Bylaws, Articles, or the Architectural Board Rules.

5.2.4 Operation and Maintenance of Association Property. The Association shall operate, maintain, and otherwise manage or provide for the operation, maintenance, and management of any and all Association Property, including, but not limited to, the Community Water System, any Common Area and all its facilities, improvements, and landscaping, including, but not limited to, any and all private driveways and private streets, and any other property leased or owned by the Association. Such operations and management shall be conducted in a first-class manner, and the Common Property shall be maintained in a good state of repair. In this connection, the Association may enter into contracts for services or materials for the benefit of the Association Property including contracts with Declarant.

5.2.5 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 Members of the Association holding fifty-one percent (51%) of the voting rights, 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 properties 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 at any reasonable time and for a purpose reasonably related to membership in the Association, at the office of the Association or at such other place as the Board prescribes. 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, (b) hours and days of the week when an inspection may be made, and (c) payment of the cost of reproducing copies of documents requested by a Member or by a representative or mortgagee.

5.6.2 Declarant's Obligation to Deliver Association Property and Records to Board. Within thirty (30) days after Class A votes exceed Class B votes, the Declarant shall deliver to the Association all property 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 and Regulations which may have been adopted;

(b) An accounting for money of the Association;

(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 inventories of those properties. Such personal property will be delivered as is without any warranty of any kind, express or implied;

(e) 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;

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

(g) Copies of any certificates of occupancy that may have been issued with respect to any Improvements comprising the Project;

(h) Any other permits and approvals issued by governmental bodies applicable to the Project;

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

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

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

(l) Any contract for service in which the Association is a contracting party or in which the Association has any obligation to pay a fee to the persons performing the services.

ARTICLE VI

ASSESSMENTS

6.1 Agreement to Pay. Each Lessee or Owner for each Lot leased or owned by such Lessee or Owner, hereby covenants and agrees to pay to the Association such Assessments as are made pursuant to paragraphs 6.4 and 6.5 of this Declaration.

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 Lessee or Owner of the Lot at the time such Assessment (or installment) became due and payable. If more than one person or entity is the Lessee or 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 paragraph 9.3 hereof, a purchaser of a Lot shall be jointly and severally liable with the seller for all unpaid Assessments against the Lot at the time of the transfer, 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 Lessee or 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 Common Area and any other Association Property including operation of the Community Water System.

6.4 Annual Assessments.

6.4.1 Definitions. As used herein, "Annual Assessment"

means the amount of the Association budget ("Budget") for each fiscal year to pay the Common Expenses (defined below) as established pursuant to the provisions of this Article. 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 an allocation to reserves and shall include, but are not limited to, expenditures for the following purposes: (i) to operate, manage, maintain and repair the Common Area and other Association Property including the Community Water System, and to administer the operation of the Association; (ii) to provide for reasonable reserves consistent with sound business practice for the repair and replacement of Improvements to the Common Area and any Association Property, and for such other purposes as are consistent with good business practice; (iii) to provide for the possibility that some Assessments may not be paid on a current basis; and (iv) to provide for the payment of the fee of a professional manager. 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 Common 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 Common Area or any fire, accident, or nuisance occurring within the Common Area, the cost of repair, rebuilding and replacement of the Improvements to the Common Area; the cost of all utility services to the Common Area, including water, electricity, refuse removal, landscape maintenance services, and any other similar service attributable to the Common Area; the unpaid share of any Assessment levied during the previous fiscal year against any Lessee 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 Common Area and the Improvements thereon.

6.4.2 Allocation of Annual Assessments. The Annual Assessments shall be allocated according to the following formula:

6.4.2.1 The initial assessment, to be made after December 31, 1999 or after 32 Lots are leased or sold by Declarant, whichever occurs first, is allocated as follows:

(a) Ninety percent (90%) shall be allocated among all of the Lots upon which homes have been completed at the time of the Assessment;

(b) Ten percent (10%) shall be allocated among all of the Lots upon which no home has been completed; 0423883

(c) If a home is constructed upon any Lot after the assessment has been levied, no change in Assessment shall be made against the Lot until it is sold and occupied, at which time the Assessment shall be increased to the same amount as assessed on Lots upon which a home has been constructed.

6.4.2.2 Annual assessments after the first year shall be allocated as above plus the adjustments as follows:

For every fifty (50) Lots sold or occupied after the initial assessment, the proportionate share of the assessment allocated to the occupied Units shall increase by two and one-half percent (2 1/2%) and the proportionate share allocated to the Declarant shall decrease by two and one-half percent (2 1/2%).

The result of the allocation will be that the occupied Units will pay ninety-five percent (95%) of the assessment when the development is three-fourths (3/4) occupied and one hundred percent (100%) of the assessment when the development is one hundred percent (100%) occupied.

In the event that the remaining unoccupied lots are ten (10) or less, then the maximum proportion of assessment for the unoccupied Lots shall not exceed one percent (1%).

6.4.3 Initial Budget and Assessments. The initial Budget and Assessment shall be established by the Board after Declarant has sold or leased 32 Lots or by December 31, 1999, whichever occurs first. The Lessees or Owners of each Lot shall commence monthly payments thirty (30) days after the initial assessment. The initial monthly Assessment shall not exceed \$85.00 as to each Lot and home.

6.4.4 Procedure for Establishing Annual Assessments. Not less than ninety (90) days before the beginning of each fiscal year after imposition of the initial assessment, of the Association, the Board shall meet for the purpose of preparing the Proposed Budget of the Common Expenses (defined below) for the next succeeding fiscal year and establishing the Annual Assessment for such fiscal year. Within thirty (30) days after adoption of the Proposed Budget by the Board for such fiscal year, the Board shall provide a summary of the Budget to all Lessees and Owners, and shall set a date for a meeting of the Lessees and Owners to consider ratification of the Budget, which date shall be not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless at that meeting sixty-six and two-thirds percent (66 2/3%) of all Lessees and Owners vote to reject the Proposed Budget, the Budget shall be deemed ratified by the Lessees and Owners, whether or not a quorum is present at such meeting. If the Proposed Budget is so rejected, the Budget last ratified by the Lessees and Owners shall be continued until such time as the Lessees and Owners ratify a subsequent Budget proposed by the Board.

0423883

6.5 Special Assessments. If the Board determines that the estimated total amount of funds necessary 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 Lessees or Owners with the Board's recommendation for a special assessment ("Special Assessment") to met such shortfall, and shall set a date for a meeting of the Lessees and Owners which is not less than fourteen (14) nor more than thirty (30) days after the mailing of the summary. Unless at that meeting a majority of all Lessees and Owners votes to reject the proposed Special Assessment, the proposed Special Assessment shall be deemed ratified by the Lessees and Owners, whether or not a quorum is present at such meeting, and shall become a Special Assessment against and allocated equally to, the Lessees or 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 Violation Assessments. Subject to the provisions of Paragraph 3.2.5 hereof, the Board shall levy a violation assessment against the Lessees or Owners of a Lot ("Violation Assessment"): (i) to pay for the cost of curing any Maintenance Violation of such Lessees and/or any other work performed by the Association for such Lessees' or Owners' account pursuant to the provisions of this Declaration, and any costs or expenses incident thereto, including but not limited to attorney's fees and court costs, and (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.

6.7 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 each year. Annual Assessments shall be payable in equal quarterly installments payable on the first day of each fiscal quarter unless the Board adopts some other basis for collection. However, the initial Annual Assessment period shall commence on the first day of the calendar month following the sale or lease by Declarant of 32 Lots or December 31, 1999, whichever shall first occur. 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.

6.8 Notices of Assessments; Delinquencies. Any Assessment installment hereunder which is not paid within fifteen (15) days following the date it is due as specified in the notice of such assessment given in the manner specified in this paragraph 6.8 and in paragraph 12.5 of this Declaration shall be deemed delinquent. All delinquent Assessments shall bear interest at the rate of

twelve percent (12%) per annum from the date the Assessment becomes delinquent hereunder until paid, and, in addition, a late charge as determined by the Board shall be due for each delinquent installment. The Association shall give written notice of all Assessments except Violation Assessments to the Lessees of all improvements 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 in paragraph 12.5 hereof. Notice of a Violation Assessment is required to be given only to the Lessees or Owners of the Lot against whom the Violation Assessment is made in the manner provided in paragraph 3.2.5 hereof. Nothing contained herein shall be construed so as to require the Association to give periodic notices of the same Assessment. One notice of an Assessment shall be sufficient to meet the requirements of this paragraph, 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 Lessees or 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.

6.9 Statement of Account. Upon payment of a reasonable fee established by the Board, and upon written request of any Lessee, 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 mortgage which acquired its interest subsequent to requesting such statement.

6.10 Collection of Assessments. The right to collect and enforce Assessments is vested in the Board acting for and on behalf of the Association. The Board or its authorized representative, including any Manager, can enforce the obligations of the Lessees or 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 paragraph 6.12 below to enforce the lien rights created. Suit to recover a money judgment against a Lessor or Owner for unpaid assessments together with all other amounts due hereunder shall be maintainable together with all other amounts due hereunder without

0423883

first foreclosing against the Lot which is subject to the lien or such assessment or waiving the lien rights granted hereby.

6.11 Lien For Assessments; Priority. All sums assessed to any Lot pursuant to this Declaration, and all fines imposed by the Association against the Lessees or 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. 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 the Declaration; and (c) a First Deed of Trust recorded before the date on which the Assessment or fine sought to be enforced became delinquent. The lien created by this Declaration for unpaid Annual Assessments is also prior to a First Deed of Trust to the extent of the amount of such Annual Assessments which would have become due during the six (6) month period immediately preceding institution of an action to enforce the lien.

6.12 Enforcement of Lien:

6.12.1 Notice of Delinquent Assessment and Notice of Default. The Association may foreclose its lien by sale after:

(a) The Association has caused to be recorded with the County Recorder of the County in which the Property or any part thereof is situated ("the County Recorder"), a notice of delinquent assessment (herein "Notice of Delinquent Assessment"), which states the amount of the Assessment or fine which is due together with all interest and late charges thereon in accordance with the provisions of this Declaration, a description of the Lot against which the lien is imposed, and the name of the record Lessee or Owner of the Lot; and

(b) The Association or other person conducting the sale has executed and caused to be recorded with the County Recorder, a notice of default and election to sell the Lot to satisfy the lien ("Notice of Default"), which shall contain the same information as the Notice of Delinquent Assessment, but which shall also describe the deficiency in payment and the name and address of the person authorized by the Association to enforce the lien by sale; and

(c) The Lessees or Owners of the Lot or his successor in interest have failed to pay the amount of the lien, including interest and late charges, and costs and fees and expenses incident to its enforcement for a period of sixty (60) days which commences on the first day following the later of:

0423883

(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 Lessee or Owner of the Lot or their successors in interest at their address if known or otherwise to the address of the Lot.

6.12.2 Notice of Sale. The Association or other person conducting the sale shall, at any time after the expiration of such sixty (60) day period and before selling the Lot, 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 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 Lessee or Owner of the Lot or his successor in interest at his address if known, or otherwise to the address of the Lot. Such sale shall be conducted in any manner permitted by law. Each Lessee or 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 Lessee or Owner 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 Lessee or Owner who is liable for payment of the Assessment shall be required to pay to the Association any and all Assessments against such Lessee or 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, encumber, use, and otherwise deal with the 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 Douglas County, Nevada 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.

6.13 Reserve and Surplus Funds. Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of reserves as determined by the Board must be paid to the Lessees or Owners in proportion to their liabilities for Common Expenses or credited to them to reduce their future assessments for Common Expenses. No funds collected by the

Association for reserves for maintenance, repairs, taxes, or any other item, except when collected specially for attorney's fees, may be used or expended for attorney's fees or costs of litigation.

ARTICLE VII

INSURANCE

7.1 Insurance to be Obtained. The Association shall obtain and maintain in full force and effect at all times such insurance coverage as determined by the Association to be necessary, said insurance coverage to be provided by companies duly authorized to do business in Nevada.

7.2 Premiums and Reviews. Premiums for any 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.

ARTICLE VIII

DAMAGE OR DESTRUCTION

8.1 Duty and Authority to Rebuild. Any portion of the Common Area which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

(a) Repair or replacement would be illegal under any applicable federal, state or local statute or ordinance governing health or safety;

(b) Eighty percent (80%) of the voting power of the Association vote not to rebuild.

(c) There are not sufficient funds or insurance proceeds to make the repairs or replace the Improvements.

The Association shall have the authority and the duty to repair or reconstruct all Improvements to the Common Area which are damaged or destroyed, which authority and duty shall be exercised in accordance with the provisions of this Article.

8.2 Estimate of Costs; Architectural Review Board Approval. As soon as practical after an event causing damage to, or destruction of, any Improvements to the Common Area, the Association shall obtain estimates that it deems reliable and complete of the costs of repair or reconstruction of that part of the property damaged or destroyed. No reconstruction or repair of damaged or destroyed Common Area Improvements shall commence until approval has been obtained from the ARB in accordance with its guidelines.

0423883

8.3 Funds for Reconstruction. The proceeds of any insurance collected shall be available to the Association for the purpose of repair or reconstruction of Association Property. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair or reconstruction, then the Board, pursuant to Article VI hereof, may levy in advance a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair or reconstruction.

8.4 Repair or Reconstruction. Except as otherwise provided herein, as soon as practicable after receiving the estimates, the Board shall diligently pursue to complete the repair or reconstruction of the damaged or destroyed Common Area Improvements. The Association may take all necessary or appropriate action to effect repair or reconstruction. Such repair or reconstruction shall be in accordance with the original plans and specifications; provided, however, with the approval by a vote of fifty-one percent (51%) of the Members and by the ARB, the repair or reconstruction may be in accordance with different plans and specifications.

8.5 Disbursement of Funds for Repair or Reconstruction. The insurance proceeds held by the Association and the amounts received from the Assessments provided for in paragraph 8.3 constitute a fund for the payment of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for costs of repair or reconstruction shall be made from insurance proceeds; if there is a balance after payment of all costs of such repair or reconstruction, such balance shall be distributed to the Lessees or Owners in proportion to the contributions by each Lessee or Owner to the Association.

8.6 Decision Not to Rebuild. In the event of a determination not to rebuild, the damaged or destroyed facilities shall be cleared; and the land shall be landscaped in a manner ensuring the existence of adequate rights-of-way and legal access over and to the area. The cost of removal and landscaping shall be paid for with insurance proceeds; and the remaining proceeds shall be retained by the Association in its general or other funds or allocated or distributed as determined appropriate by the Board, provided that any such distribution of insurance proceeds shall be proportionate to the interests of all Members.

ARTICLE IX

PROTECTION OF LENDERS

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

9.2 Subordination. Except as provided otherwise by 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 Deed of Trust shall take the Lot free of any claims for unpaid assessments or Association charges against the encumbered Lot that accrue prior to the time such beneficiary so acquires the secured interest in the Lot; provided, however, after the foreclosure of any such 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 purchaser thereunder.

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

9.5 Appearance at Meetings. Because of its financial interest in the Project, any beneficiary of a First 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.

ARTICLE X

SPECIAL DECLARANT'S AND DEVELOPMENTAL RIGHTS

10.1 General. Declarant and any Successor Declarant may be undertaking the work of constructing Improvements to and upon the Project and adding real property to 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 community. The covenants contained in this Article X are personal to Declarant and any Successor Declarant, and may only be transferred by a written assignment duly recorded from a Declarant to a Successor Declarant, or from a Successor Declarant to another Successor Declarant.

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 plans or described in this Declaration, specifically including completion of the Community Water System.

0423883

10.2.2 Complete, maintain and sell model homes and inventory homes throughout the Property;

10.2.3 Maintain the sales office;

10.2.4 Maintain signs advertising the Project, which signs may be maintained anywhere on the Project, excluding Lots transferred by Declarant to Lessees or Owners;

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

Nothing in this article shall give the Declarant the right to damage any Lot transferred by Declarant or interfere unreasonably with a Lessee's or Owner's use of the Common Area; and Declarant's right to so sue the Project except those Lots retained by Declarant, shall terminate upon final completion of construction of the Project, whichever first occurs, except as required for maintenance and repair obligations conducted by Declarant which may continue after such date.

10.3 Declarant's Development Rights. Declarant hereby reserves unto itself the right to add real estate to the Project and create common areas within such real estate as follows:

10.3.1 Property Subject to Annexation. Declarant hereby reserves unto itself for a period of ten (10) years following the recordation of this Declaration, the right to cause to be annexed to this Declaration as part of the Project from time to time all or a portion of the real property described in Exhibit "B" to this Declaration, provided that the Record of Survey shall have been recorded for the real property to be so annexed. No assurances are made by Declarant prior to the annexation of any portion of a parcel of such real property as to the size or configuration of such portion, or the order in which any such portion may be annexed. If any portion of a parcel of such real property is annexed to the Project, there are no assurances that any other portion or all of said parcel will be annexed.

10.3.2 Manner of Annexation. Such real property shall be annexed by recording in the real estate records of the County Recorder of Douglas County, Nevada, a supplemental declaration ("Supplemental Declaration") executed by Declarant describing the real property to be so annexed and declaring that such property shall thereafter be deemed to be Annexed Property as defined in this Declaration and declaring that such Annexed Property shall be held, conveyed, sold, encumbered, leased, rented, used, occupied, improved or otherwise affected in any manner subject to the provisions of this Declaration. Such Supplemental Declaration may set forth any additional restrictions or covenants which may be applicable to such Annexed Property, provided that such additional restrictions shall not be in any manner inconsistent with the provisions of this Declaration. In the event of any inconsistency with the provisions of this Declaration and those of a Supplemental Declaration, the provisions of this Declaration shall control.

10.3.3 Effect of Annexation. Upon recordation of the Supplemental Declaration described in paragraph 10.3.2 above, the real property described in the Supplemental Declaration shall become Annexed Property as defined herein and shall be subject to all of the provisions of this Declaration.

10.4 Rights and Obligations of Lessees or Owners. Without limiting the generality and effect of the provisions of Section 10.3.3, after the required annexation procedures are fulfilled, the following shall have been effected thereby:

10.4.1 All Lessees or Owners in the Project shall be entitled to use the Common Area in the Annexed Property, subject to the provisions of the Declaration;

10.4.2 Lessees and Owners of Lots in the Annexed Property shall thereupon become Members of the Association;

10.4.3 All Lessees and Owners of Lots in the Annexed Property shall have the same membership and voting rights as other Lessees or Owners. Votes shall not be cast separately by phase; and

10.4.4 After each annexation, the Association Assessment shall be reassessed with the Annexed Property being assessed for a proportionate share of the total expenses of the Project on the same basis as the other property in the Project; provided, however, that such reassessment shall not alter the amount of any Assessment assessed to a Lot prior to such reassessment.

ARTICLE XI

ARCHITECTURAL REVIEW BOARD

11.1 Organization. There shall be an Architectural Review Board ("ARB") comprised of three (3) people appointed by the Declarant. The first ARB members shall be Robert R. May, Mike Oliver and Robert E. May. Each member shall hold office for a period of three (3) years or until his successor is appointed. Following the Declarant's Control Termination Date, the ARB shall be appointed by the Board and shall have staggered the terms.

11.2 Duties. It shall be the duty of the ARB to consider and act upon such proposals or plans submitted to it pursuant to the terms hereof, to adopt Architectural Review Board Rules, to perform other duties delegated to it by the Association, and to carry out all other duties imposed upon it by this Declaration.

11.3 Meetings. The ARB shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of any two (2) members shall constitute an act by the Board unless the unanimous decision of its members is otherwise required by this Declaration. The ARB may charge a filing fee to be used to pay an architect, who may or may not be a member of the ARB, to review the submitted plans and specifications. The Board

may reimburse members for reasonable expenses incurred by them in the performance of any ARB function.

11.4 Architectural Review Board Rules. The ARB 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 Review Board 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 ARB. A copy of the Architectural Review Board Rules, as they may from time to time be adopted, amended, or repealed, certified by any member of the ARB, shall be maintained by the office of the Association and shall be available for inspection and copying by any Lessee at any reasonable time during the business hours of the Association. The following minimum standards and restrictions shall apply to any construction work performed on the Project:

11.4.1 Compliance with Laws. All Improvements shall be construed in full compliance with all applicable zoning laws, building codes, and other laws, ordinances, and regulations applicable to the construction, use, and occupancy of the Improvements.

11.4.2 Building Site. The placement of Improvements on a Lot, the type of roofs, exterior materials, and building shapes shall be established in such a manner as to be determined reasonable in the sole discretion of the ARB, taking into account the need to maintain a certain level of uniformity within the Project and other aesthetic considerations.

11.4.3 Roofs. Roofing materials and colors must be submitted and approved by the ARB with the construction drawings. All roofing materials must comply with applicable fire codes.

11.4.4 Exterior Walls and Trim. Exterior colors must harmonize with the surrounding landscape; gaudy or bright colors of any color and purples and reds are not acceptable. All colors and trim must be approved by the ARB. All reflecting metal, such as flashings, exhaust vents and pipes must be painted to match or blend with the surrounding materials. Steel window and door frames must be painted to match or blend with surrounding materials. The use of solar panels will be subject to the approval of the ARB.

11.4.5 Construction Procedures. Prior to the commencement of any construction activity on any Project Lot, the Lessee or Owner thereof or such Lessee's or Owner's contractor shall rope off those areas not intended for actual construction to protect the site from unnecessary damage to the existing foliage and to reduce dust and erosion. The building site must be kept clean and in an orderly condition at all times. The contractor must have approved sanitary facilities on the site as well as a garbage dumpster or other suitable device for regular disposal and removal of trash. No construction materials may be dumped or

stored on roadways, pathways, trails, open areas or any portion of the Common Area. Construction work hours are limited and shall be from 7:00 a.m. to 6:00 p.m. Monday through Saturday.

11.5 Application for Approval of Plans and Specifications.

Any Lessee or Owner of a Lot proposing to make any Improvements to a Lot or to perform any work that requires the prior approval of the ARB shall apply to the ARB for approval by notifying the ARB of the nature of the proposed work. Prior to the commencement of construction on a Lot, the Lessee or Owner of the Lot shall submit to the ARB for its review and approval not less than three (3) sets of the following: (a) a plot plan of the Lot showing the location of all existing and proposed Improvements, (b) floor plans, and front, rear and side elevation drawings, (c) plans and specifications showing the color and composition of all exterior materials to be used, (d) the Lessee's or Owner's proposed construction schedule, and (e) any and all other information which the ARB shall reasonably require. All such plans and drawings shall be prepared by a licensed architect or licensed residential building designer, and shall be submitted in a form reasonably satisfactory to the ARB. The ARB may require that the application for approval in connection with any Improvements be accompanied by a reasonable fee to cover the cost of review by a licensed architect of the final plans and specifications of the Improvements to be constructed. The minimum fee for reviewing plans and specifications shall be \$50.00 for reviewing plans and specifications in connection with remodeling. Such fees shall be payable at the time the plans and specifications are submitted to the ARB. No building permit shall be obtained by a Lessee Or Owner without obtaining the prior final approval of the ARB as described herein.

11.6 Basis for Approval of Improvements. The ARB shall grant the required approval only if:

11.6.1 The ARB finds that the plans and specifications conform to this Declaration and to the Architectural Review Board Rules in effect at the time such plans were submitted to the ARB; and

11.6.2 Two (2) of the three (3) members of the ARB in their reasonable discretion determine 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, as to harmony of external design with existing structures.

11.7 Basis for Disapproval of Improvements. The ARB may disapprove any application on aesthetic grounds, and more specifically: (a) because of the reasonable dissatisfaction of the ARB with the Improvement proposed to be erected, because of the materials of which it is to be built, the harmony thereof with its surroundings, and the effect of the building or other structures as planned on the view from the adjacent or neighboring Lots or Common

Area; or (b) because of non-compliance with any of the specific conditions and restrictions contained in this Declaration or with reasonable guidelines that the ARB may from time to time adopt.

11.8 Form of Approval. All approvals or disapprovals given under paragraphs 11.6 or 11.7 shall be in writing; provided, however, any request for approval which has not been rejected within sixty (60) days from the date of submission thereof to the ARB shall be deemed approved. The approval may be conditioned upon the deposit by the Lessee 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.

11.9 Proceeding With Work. Upon receipt of approval from the ARB pursuant to section 11.8, the Lessee or Owner shall, as soon as practical, 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 Lessee or Owner fails to comply with this paragraph, any approval given pursuant to paragraph 11.8 shall be deemed revoked unless the ARB, upon written request of the Lessee or 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 ARB that there has been no change in the circumstances upon which the original approval was granted.

11.10 Failure to Complete Work. The Lessee or 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 Lessee or Owner due to strikes, fires, national emergencies, natural calamities, or other supervening forces beyond the control of the Lessee, Owner or his agents. If the Lessee or Owner fails to comply with this paragraph, the ARB shall notify the Board of such failure; and the Board may proceed in accordance with the provisions of paragraph 11.11 as though the failure to complete the Improvement were a noncompliance with approved plans, or if a bond, deposit, or undertaking was given, may pursue its rights hereunder.

11.11 Inspection of Work and Noncompliance. Inspection of work and correction of defects therein shall proceed as follows:

11.11.1 Upon the completion of any construction or refinishing of any Improvement for which approval of the ARB is required or was obtained, and after all construction debris and materials have been removed from the site, the Lessee or Owner shall give written notice thereof to the ARB.

11.11.2 Within sixty (60) days thereafter, the ARB, or its duly authorized representative, may (but shall not be obligated to) inspect such Improvement to determine whether it was completed according to the approved plans. If the ARB finds that such construction or refinishing was not done in substantial compliance with the approved plans, it shall notify the Lessee or Owner in writing of such noncompliance within such sixty (60) days period, specifying particulars of noncompliance, and shall require the Lessee to remedy such noncompliance.

11.11.3 If upon the expiration of sixty (60) days from the date of such notification, the Lessee or Owner shall have failed to remedy such noncompliance, the ARB shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing date shall be not more than thirty (30) days nor less than fifteen (15) days after notice of the noncompliance is given to the Board by the ARB. Notice of the hearing date shall be given at least ten (10) days in advance thereof by the Board to the Lessee, Owner, the ARB, and, in the discretion of the Board, to any other interested party.

11.11.4 At the hearing, the Lessee, Owner, the ARB and, in the Board's discretion, any other interested person may present information relevant to the question of the alleged noncompliance. After considering all such information, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Board shall require the Lessee or Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Board's ruling. If the Lessee or Owner does not comply with the Board's ruling within such period or within any extension of such period that the Board, in its discretion, may grant, then the Board, at its option, may remove the noncomplying Improvement or remedy the noncompliance, and/or fine the Lessee or Owner pursuant to paragraph 5.1.2(b). Thereafter, the Lessee or Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not promptly repaid by the Lessee or Owner to the Association, the Board shall levy a special reimbursement assessment against such Lessee or Owner pursuant to paragraph 6.5 hereof.

11.11.5 If for any reason the ARB fails to notify the Lessee or Owner of any noncompliance within ninety (90) days after receipt of the notice of completion from the Lessee, then the Improvement shall be deemed to be constructed in accordance with the approved plans.

11.12 Non-Compliance With Article III. In addition to the procedures set forth in paragraph 11.11, if any Lessee or Owner constructs or causes to be constructed an Improvement on any Lot without the approval of the ARB as set forth in this Article, then the ARB may notify in writing such Lessee or Owner of such

noncompliance and demand the Lessee or Owner to remove such Improvement within ten (10) days. If the Lessee or Owner fails to comply with the demand of the ARB, then the Board shall hold a hearing upon notice to the Lessee or Owner of at least five (5) days. At the hearing, the Lessee, Owner, the ARB, and, in the Board's discretion, any other interested person, may present information relevant to the question of the Lessee's or Owner's noncompliance with the procedures set forth in this Article or the noncompliance of the Improvement. After considering all such information, the Board shall determine whether the Lessee or Owner failed to comply with the procedures set forth in this Article and whether the Improvement is in noncompliance with the ARB Rules. If the Board finds that the Lessee or Owner failed to comply, the Board may fine the Lessee or Owner pursuant to paragraph 5.1.2(b) and may require the Lessee or Owner to remove the Improvement. If the Board finds that the Improvement is in noncompliance, then the Board may require the Lessee or Owner to remedy or remove the Improvement within a period of not less than fifteen (15) days of the Board's ruling. If the Lessee or Owner does not comply with the Board ruling within such period or within any extension of such period as the Board, in its discretion, may grant, then the Board, at its option may remove the noncomplying Improvement or remedy the noncompliance, and/or fine the Lessee or Owner pursuant to paragraph 5.1.2(b). Thereafter, the Lessee or Owner shall reimburse the Association for all expenses incurred in connection therewith upon demand. If such expenses are not promptly repaid by the Lessee or Owner to the Association, the Board shall levy a special reimbursement assessment against such Lessee pursuant to paragraph 6.5 hereof.

11.13 Waiver. The approval by the ARB of any plans, drawings, or specifications for any work done or proposed or for any other matter requiring the approval of the ARB under the Declaration or Supplemental 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.

11.14 Estoppel Certificates. Within thirty (30) days after written demand is delivered to the ARB by any Lessee or Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Association), the ARB shall record an estoppel certificate executed by any two of its members or alternates certifying with respect to such Lessee's or Owner's Lot that as of the date thereof either: (a) all Improvements made and other work done upon or within the Project Lot comply with the Declaration; or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Lessee, Owner or from anyone deriving any interest in the Lot through such Lessee or Owner shall be entitled to rely on the certificate with respect to the matters therein set forth, and such matters shall be conclusive as between

the Association, Declarant, any Successor Declarant, and all Lessees, Owners and such persons deriving any interest through them.

11.15 Liability. Provided that the ARB or a particular member of the ARB has acted in good faith on the basis of the information as may be possessed by the ARB or the member, as the case may be, then neither the ARB nor any member thereof shall be liable to the Association, to any Lessee, 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 specification, whether or not defective, with respect to the construction or performance of any work, whether or not such performance complied with approved plans, drawings, and specifications; (b) the development of any property subject to this Declaration; or (c) the execution and filing of an estoppel certificate pursuant to paragraph 11.14, and whether or not the facts therein are correct. Without limiting the generality of the foregoing, the ARB and any member thereof may, but is not required to consult with or hear the views of the Association or any Lessee or Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the ARB.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 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 Lessees or 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 Douglas County, Nevada.

12.2 Amendment. Except as otherwise provided below, this Declaration may be amended by vote or agreement of not less than sixty-seven percent (67%) 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 the President of the Association. Such amendment shall be recorded in the Office of the County Recorder of Douglas County.

Paragraph 12.1 shall be amended only upon the written consent of the Lessees of eighty percent (80%) of the Lots within the Project.

12.3 Enforcement and Waiver.

12.3.1 Lessee's or Owner's Right of Enforcement. In addition to the rights of enforcement granted to the Association

pursuant to the provisions of paragraph 5.1.2 hereof, any Lessee or Owner shall have the rights (but not the duty) to enforce any and all of the covenants, conditions and restrictions now or hereafter imposed by this Declaration upon the Lessees, Owners or upon any of the Property. Nothing herein shall be construed as creating a third party beneficiary contract in favor of parties who are not Lessees, Owners, or Eligible Mortgage Holders.

12.3.2 Violations and Nuisance. Every act or omission whereby a covenant, condition or restriction of the Declaration is violated, in whole or 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.

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

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

12.3.5 Arbitration. Notwithstanding any provision in this Declaration or any Supplemental Declaration, no action at law or equity and no judicial proceeding to enforce, interpret or enjoin any violation by the Declarant may be brought against Declarant unless any such dispute is first submitted to arbitration in accordance with the Rules for Commercial Arbitration of the American Arbitration Association. Failure to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

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

12.4 Termination of Former Lessee's Liability for Assessments. Upon the conveyance, sale, assignment, or other transfer of a Lot to a new Owner or Lessee, the transferring Owner or Lessee shall not be liable for any prospective Assessments levied with respect to such Lot after notification of the Association of such transfer in the manner provided in paragraphs 4.4 and 12.5 hereof and the payment of a transfer fee as provided in paragraph 4.4 hereof. No person, after the termination of his status as a Lessee or Owner and prior to his again becoming a Lessee or Owner, shall incur any of the obligations or enjoy any of the benefits of a Lessee or Owner under this Declaration.

12.5 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 Lessees or Owners of all of the Lots. Until the Lessees or Owners are notified otherwise, all notices to the Association or to the Board shall be addressed as follows:

All notices given by the Association to any Lessee or Owner shall be sent by regular mail, or by registered or certified mail, return receipt requested, to such Lessee's or Owner's Lot address or to such other address as may be designated by such Lessee or 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 paragraph 12.5. 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.

12.6 Approvals. Any consent or approvals by the Board or ARB shall be in writing.

12.7 Construction and Severability; Singular and Plural; Titles.

12.7.1 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.

12.7.2 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.

12.7.3 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 as the context requires.

12.7.4 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 paragraph.

EXHIBIT A

EXHIBIT A TO DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR PINE VIEW

EXHIBIT B

EXHIBIT B TO DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR PINE VIEW

COPY

COPY

REQUESTED BY
Lloyd Dickerson
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

'97 OCT 13 P2:29

0423883
BK1097PG2440

LINDA SLATER
RECORDER
\$59⁰⁰ PAID KG DEPUTY