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When Recorded Mail To:
SYNCON HOMES
2221 MERIDIAN BLVD.#A
MINDEN, NV. 89423

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE SUNRIDGE HEIGHTS III, PHASE 1A
PROPERTY OWNERS ASSOCIATION

COOPER

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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
THE SUNRIDGE HEIGHTS III, PHASE 1A
PROPERTY OWNERS ASSOCIATION**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made this 15th day of AUGUST, 2002, by SYNCOR HOMES, a Nevada corporation (hereinafter referred to as "Declarant").

RECITALS:

The Declarant is the owner of all that certain real property located in Douglas County, Nevada and more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference, and which is hereinafter referred to as the "Project" or the "Property".

This Project is a portion of the Sunridge Heights III tentative subdivision map as approved by Douglas County.

The Project is located in the northern portion of Douglas County along the foothills between the Carson River and the Sierra Nevada mountains. The Project contains distinctive geographic and aesthetic features which Declarant desires and intends to enhance, maintain and preserve wherever possible. The residential restrictions and provisions of this Declaration are intended to blend the natural characteristics of the site with a golf course oriented community.

The Declarant intends by this Declaration to impose upon the Project, mutually beneficial conditions and restrictions for the benefit of all owners of Units or Property within the Project and to create a community and environment in which the aesthetic features and beauty of the property and surrounding area will be substantially preserved for the enjoyment and benefit of all persons living within the Project.

In furtherance of such intent, Declarant declares that all of the real property referred to herein as the Project and more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference and such other real property as may become annexed and subject thereto is and hereforth shall be owned, held, conveyed, encumbered, leased, improved, used, occupied and enjoyed subject to the following covenants, conditions and restrictions and equitable servitudes and the same shall constitute a general plan for the division, ownership, improvement, parceling, sale, use and occupancy of the Project located thereon, to enhance the value, desirability and quality of the Property.

This Declaration shall run with the real property described in Exhibit "A" and all parts and parcels thereof and shall be binding on all parties having any right, title or

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interest in the Exhibit "A" property and their heirs, successors, successors-in-title, and assigns and the Association and its successors in interest and shall inure to the benefit of each owner or member thereof. Each, all and every one of the limitations, easements, uses, obligations, covenants, conditions and restrictions herein imposed shall be deemed to be and construed as equitable servitudes enforceable by any of the owners of any portion of the real property subject to this Declaration against any other owner, tenant or occupant of said real property or portion thereof similarly restricted by this Declaration.

A portion of the real property described in Exhibit "A" shall consist of common area which includes private roadways, the entry gate and easements in favor of the Indian Hills General Improvement District for maintenance of drainage facilities on the Property and the Sunridge Golf Club for operation, access and maintenance of the golf course and its facilities as depicted on the tentative map and final maps, with modifications, if any.

ARTICLE I

DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used in this Declaration shall have the meanings hereinafter specified.

1.01 Allocated Interests. "Allocated Interest" means the liability for common expenses and vote in the Association.

1.02 Architectural Review Committee. The committee created pursuant to Article VIII hereof (hereinafter sometimes referred to as "Committee" or "ARC").

1.03 Architectural Design Guidelines. Rules and regulations that may from time to time be adopted by the ARC interpreting the terms of this Declaration, setting fees and design and construction criteria in accordance with Section 8.04 of this Declaration (hereinafter sometimes referred to as Rules and Regulations or "Design Guidelines").

1.04 Area of Common Responsibility. "Area of Common Responsibility" shall mean and refer to the Common Area, together with those areas, if any, which by the terms of this Declaration, are the responsibility of the Association. The office of any property manager employed by or contracting with the Association may be a part of the Area of Common Responsibility.

1.05 Articles. The Articles of Incorporation of the Association which have been or will be filed in the office of the Secretary of State of the State of Nevada, as the same may from time to time be amended.

1.06 Assessments. Assessments of the Association including both regular and special assessments as set forth in Article IX hereof.

1.07 Association. The Sunridge Heights III, Phase 1A Property Owners Association, a Nevada non-profit corporation described in Article II, including its successors and assigns.

1.08 Association Property. All real and personal property now or hereafter owned by or leased to the Association.

1.09 Association Maintenance Fund. The fund created for the receipts and disbursements of the Association, pursuant to Section 9.02 hereof.

1.10 Association Rules. The rules adopted by the board pursuant to Section 2.06 hereof, as they may be amended from time to time.

1.11 Association Restrictions. This Declaration, together with any and all Supplemental Declarations which may be recorded, as this Declaration or said Supplemental Declarations may be amended from time to time, together with Association Rules from time to time in effect, and the Articles and By-laws of the Association from time to time in effect.

1.12 Beneficiary. A mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be.

1.13 Board. The Board of Directors of the Association as provided in the Articles and Bylaws.

1.14 Bylaws. The Bylaws of the Association which may be adopted by the Board, as such Bylaws may be amended from time to time.

1.15 Club Facilities. Any land and facilities adjacent to, within or in the vicinity of the Project which are separate from the common areas of the Association, which are privately owned by Declarant's predecessors-in-title or their assigns, and which may be operated as a recreational facility (including without limitation or mandate, a golf course, driving range, clubhouse, etc.) the use thereof which may be limited by Section 2.03B hereof.

1.16 Common Area. All real and personal property which the Association now or hereafter owns within the Project that is available for the common use and enjoyment of any Member, or their lessees and invitees, including roadways, parking areas, entry improvements, access easements, walkways, plazas, trails, open spaces, planted and landscaped areas, and utility facilities designated on the Subdivision plat therefor as Common Area whether or not the same is owned in fee by the Association or whether by easement or equitable servitude, lease, license or other contractual entitlement.

1.17. Common-Interest Community. "Common-Interest Community" means the Project wherein a person, by virtue of their ownership of a unit, homesite or parcel, is obligated to pay for

obligations on real estate other than their own unit, homesite or parcel.

1.18 Declarant. The owner or owners of the property described in Exhibit "A", and their successors and assigns, if such successors or assigns acquire the majority of the Homesites subject to this Declaration for the purpose of resale to others.

1.19 Declaration. This document, as it may be amended from time to time.

1.20 Deed of Trust. A mortgage or a deed of trust, as the case may be.

1.21 Homesite. Any unit of land which is designated on any recorded parcel map or planned unit development plat, or final subdivision map, whether or not improved, for a single-family residence.

1.22 Improvement. Any structure and all appurtenances thereto of every type and kind, including but not limited to building, outbuilding, patio, pool, garage, shed, doghouse, mailbox, aerial, antenna, road, driveway, parking area, walk, fence, screening wall, retaining wall, stair, deck, landscaping, court, gate, statue, marker, hedge, windbreak, planting, planted tree and shrub, pole, sign, exterior air conditioning, water softener fixture or equipment, pole, pump, well, ditch, tank, reservoir, pipe, line, meter, tower and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

1.23 Major Developer. Any person or persons designated as such by Declarant in an instrument recorded in the real property records of the county wherein the land lies.

1.24 Manager. Manager shall mean the person, firm or corporation if any, employed, by the Association pursuant to Section 2.07 and delegated the duties, powers or functions of the Association pursuant to said section.

1.25 Member. Any person who is designated as a member pursuant to Section 2.03 hereof.

1.26 Mortgage. Any mortgage or deed of trust given to secure the payment of a debt.

1.27 Notice and Hearing. Ten (10) days' written notice given as provided in Section 10.03 and a hearing at which the person to whom the notice is directed shall have the opportunity to be heard in person or by counsel at his expense.

1.28 Owner. The record owner of any Homesite, subject to this Declaration, or any record owner of any Homesite that is annexed hereto pursuant to Article III. "Owner" shall include the vendee under an Installment Contract of Sale and shall exclude the vendor thereunder and those having an interest in any property

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that is subject to this Declaration solely for security for the performance of an obligation.

1.29 Person. A natural individual or any other entity with the legal right to hold title to real property.

1.30 Plans and Specifications. Any and all documents designed to guide or control an Improvement, including but not limited to those indicating size, shape, configuration or materials, all site plans, excavation and grading plans, foundation plans, drainage plans, landscaping and fencing plans, elevation drawings, floor plans, specifications on all building products and construction techniques, samples of exterior colors, plans for utility services, and all other documentation or information relevant to the Improvement.

1.31 Project. All real property and improvements thereto situate in Douglas County and more particularly described as that portion of the SUNRIDGE HEIGHTS III Subdivision described on Exhibit "A" hereto.

1.32 Purchaser. A purchaser who is unrelated to Declarant or any corporation, partnership, joint venture, or other business entity in which Declarant has an ownership interest or over which Declarant exercises contractual or other control relating to the improvement, development or sale of Property.

1.33 Record, Recorded and Recordation. With respect to any document, the recordation of such document in the office of the Clerk and Recorder of Douglas County, Nevada.

1.34 Recreation and Open Space. All areas designated by Declarant and thereafter to be held for recreational purposes for the benefit of all Members not including any portion of the golf course and Club Facility; provided, however, that access to any area or facility except for neighborhood parks, may be subject to fees and other charges, or otherwise conditioned or restricted, and made available to non-Members.

1.35 Single Family. One (1) or more persons each related to the other by blood, marriage or legal adoption or a group of not more than four persons not all so related, together with their domestic employees and servants who maintain a common household in a residential unit and casual guests or as defined under the provisions of the Douglas County Code.

1.36 Single Family Residential Use. The occupancy and use of a residential unit or Homesite by a Single Family in conformity with the covenants, conditions and restrictions hereof, the rules and requirements imposed by applicable zoning laws and other state or local rules and regulations.

1.37 Subdivision. A parcel of land which has been shown on a final and recorded planned unit development map or subdivision plat pursuant to N.R.S. Chapter 278, 278A or Chapter 116, as amended.

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1.38 Supplemental Declaration. Any declaration of covenants, conditions and restrictions which may be hereafter recorded by Declarant or by Declarant and a Major Developer.

1.39 Unit. "Unit" shall mean a portion of the Project, whether developed or undeveloped, intended for development, use, and occupancy as a detached residence for a single family on a separately platted homesite, as well as vacant land intended for development as such, all as may be developed, used, and defined as herein provided or as provided in Supplemental Declarations covering all or a part of the Project.

Notwithstanding the above, the owner of the Sunridge Golf Club shall have voting rights equal to ten percent (10%) of the total number of Units without ownership of any homesite or homesites and without requirement for payment for Unit assessments to the Association.

1.40 Visible from Neighboring Property. With respect to any given object, such object is or would be visible to a person six feet tall standing on an assumed floor elevation two feet (2') above the surface of any neighboring property in the area involved, assuming that the property had an elevation equal to the highest elevation of the ground surface of that portion of the area upon which the object is located.

ARTICLE II

The Sunridge Heights III, Phase 1A Property Owners Association

2.01 Operation.

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

B. Successor Associations. In the event that the Association as a corporate entity is dissolved, a non-profit unincorporated association shall forthwith and without further action or notice be formed to succeed to all the rights and duties of the Association hereunder. The affairs of said unincorporated association shall be governed by the laws of the State of Nevada and, to the extent not inconsistent therewith, by the Articles and By-Laws of the Association as if they were created for the purpose of governing the affairs of an unincorporated association. The Association shall cease to exist at any time this Declaration and any supplemental Declaration are abolished by written consent or vote of a majority of the Owners consistent with Section 2.13.

2.02 Construction Consistent with Law. This Declaration and all subsequent actions by the Association shall be construed whenever possible so as to be consistent with all

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applicable laws, federal, state and local. If a provision of this Declaration cannot be construed as being consistent with the law or the applicable approval, the law and/or the approval shall control.

2.03 Membership Rights.

A. Membership. Only Owners, Declarant and the owner of the Sunridge Golf Club shall be Members of the Association. Each Owner shall automatically be a Member of the Association without the necessity of any further action on his part, and Association membership shall be appurtenant to and shall run with the property interest ownership of which qualifies the Owner thereof to membership. Membership may not be severed from, or in any way transferred, pledged, mortgaged or alienated except together with the title to the property interest, ownership of which qualifies the Owner thereof to membership, and then only to the transferee of title to said property interest. Except with regard to the owner of the Sunridge Golf Club, each Unit is allocated one (1) vote for purposes of organization and operation of the Association. In no event, shall any unit, excluding the Sunridge Golf Club, be allocated a greater interest with regard to the Association than any other Unit. Any attempt to make a prohibited severance, transfer, pledge, mortgage or alienation shall be void.

B. Club Facilities. Declarant and Declarant's predecessors-in-interest or its assigns may from time to time provide Club Facilities within or adjacent to the Project, including without limitation a golf course, fairways, driving range(s), putting green(s), clubhouse(s), on-course bathrooms, food and beverage building (snack shacks), tennis court(s), and swimming pool(s), maintenance and storage areas related to the Club Facilities and all other easements, licenses, equitable, servitudes and improvements reasonably ancillary thereto ("Club Facilities"), which are separate from the Common Areas of the Association, or any neighbor Association. The Club Facilities shall be developed and provided at the sole discretion of the Declarant or Declarant's predecessors-in-title or its assigns for members, invitees, employees and agents so designated by Declarant. Except as otherwise provided herein, whoever owns any of these Club Facilities at any particular time has the exclusive right to determine from time to time, in its sole discretion and without notice or approval of any change, how and by whom the Club Facilities shall be used, if at all. By way of example, but not limitation, the Declarant's predecessors-in-interest or its assigns has the right to approve users and determine eligibility for use, to reserve use rights for future purchasers in the Project, to terminate any or all use rights, to change, eliminate or cease operation of any or all of the Club Facilities, to transfer any or all of the Club Facilities or the operation thereof to anyone (including without limitation a member-owned or equity club) and on any terms, to limit the availability of use privileges, and to require the payment of a purchase price, membership contribution, initiation fee, initiation deposit, dues and other charges for use privileges. Ownership of any portion of

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or all of the Project or membership in the Association does not establish or give any vested right or easement, prescriptive or otherwise, to use the Club Facilities, and does not grant any ownership or membership interest in the Club Facilities.

Notwithstanding the above, the Sunridge Golf Club has agreed to allow each initial Owner of a Homesite to purchase an initial one (1) year annual membership in the Sunridge Golf Club at a forty percent (40%) discount off its price when purchased.

Notwithstanding the exclusion of the Club Facilities from the control or ownership of the Association, the Sunridge Golf Club shall be deemed a Member for purposes of voting with no requirement to pay any assessment.

Solely for purposes of voting only, the Sunridge Golf Club shall be deemed an Owner of ten percent (10%) of the total number of Units and shall have ten percent (10%) of the voting power. Nothing herein contained shall subject the Sunridge Golf Club to the authority of the Board of Directors relating to the use or operation of the Sunridge Golf Club.

2.04 Voting Rights.

A. Notwithstanding any other provision of this Declaration or of the By-Laws of the Association, the Declarant does hereby retain the exclusive right to designate, appoint and remove the officers, directors of the Association and any executive board of the Association to and until the earlier of:

(1) Sixty (60) days after the conveyance of seventy-five percent (75%) of the Units that may be created to Unit Owners other than the Declarant;

(2) Two (2) years after the Declarant has ceased to sell Units to third parties;

(3) Two (2) years after any right to annex new Units was last exercised by Declarant.

Provided, however, that the Declarant may, but is not obligated to, surrender the right to appoint and remove officers and board members as provided herein before the termination period set forth above, provided that the Declarant, if it does surrender the right to appoint and remove, may require that specified actions of the Association or the board of directors may require Declarant approval prior to becoming effective.

B. Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units that may be created to Units' Owners other than Declarant, at least one (1) of the Board must be elected by Units' Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that may be created to Units' Owners other than a Declarant, not less than thirty-three and one-third percent

(33-1/3%) of the members of the Board must be elected by Units' Owners other than the Declarant.

C. Notwithstanding any provision of the Declaration or By-Laws to the contrary, the Units' Owners, by a two-thirds (2/3) vote of all persons present and entitled to vote at any meeting of the Units' Owners at which a quorum is present, may remove any member of the Board with or without cause, other than a member appointed by the Declarant.

D. Joint or Common Ownership. If any property interest, ownership of which entitles the Owner thereof to vote, is held jointly or in common by more than one (1) Person, the vote or votes to which such property interest is entitled shall also be held jointly or in common in the same manner. However, the vote or votes for such property interest shall be cast, if at all, as a unit, and neither fractional votes nor split votes shall be allowed. In the event that such joint or common Owners are unable to agree among themselves as to how their vote or votes shall be cast as a unit, they shall lose the right to cast their vote or votes on the matter in question. Any joint or common Owner shall be entitled to cast the vote or votes belonging to the joint or common Owners unless another joint or common Owner shall have delivered to the Secretary of the Association prior to the time for casting such vote, a written statement to the effect that the Owner wishing to cast the vote or votes has not been authorized to do so by the other joint or common Owner or Owners.

E. Proxy Voting. Any Owner, including Declarant, may give a revocable written proxy to any person authorizing the latter to cast the Owner's votes on any matter. Such written proxy shall be in such form as may be prescribed by the Bylaws of the Association and shall terminate one (1) year after its date, unless it specifies a shorter term.

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

2.05 Meetings of Members. The Association shall hold an annual regular meeting of the Members of the Association on the first Saturday in June of each year at 10:00 o'clock a.m., at the principal office of the Association. Said annual regular meeting may be held at such other reasonable place or time (not more than thirty [30] days before or after the aforesaid date) as may be designated by notice of the Board given to the Members not less than ten (10) days nor more than sixty (60) days prior to the date fixed for said regular meeting. Special meetings of the Members may be called at any reasonable time and place by notice by the Board or by notice by Members having twenty percent (20%) of the total votes, delivered not less than ten (10) or mailed not less than fifteen (15) days prior to the date fixed for said special meeting, to all Members if given by the Board and to all other Members if given by said Members. All notices of meetings shall be addressed to each Member as their address appears on the books of the Association and shall state the time and place of the

meeting, the items on the agenda, any budgeting changes and any proposal to remove an officer or member of the Board.

The presence at any meeting, in person or by proxy, of Members entitled to vote at least twenty percent (20%) of the total votes outstanding shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time set for the original meeting, at which adjourned meeting the quorum requirement shall be the Members entitled to vote fifteen percent (15%) of the total votes.

The Chairman of the Board of Directors, or in his absence the Vice-Chairman, shall call meetings of Members to order and act as chairman of such meetings. In the absence of both of said officers, any Member entitled to vote thereafter or the holder of any proxy of any such Member may call the meeting to order, and a chairman of the meeting shall be elected. The Secretary of the Association, or in his absence the Assistant Secretary, shall act as secretary of the meeting. In the absence of both the Secretary and the Assistant Secretary, a secretary shall be selected in the manner aforesaid for selecting a chairman of the meeting.

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

2.06. Duties of the Association. Subject to and in accordance with this Declaration, the Association shall have and perform each of the following duties for the benefit of the Members of the Association.

(a) Members. The Association shall accept all Owners as Members.

(b) Roadways, Parking Areas, Recreation and Open Space Areas and Common Area. The Association shall accept, own, operate and maintain all roadways, parking areas, Recreation and Open Space areas and other Common Area which may be conveyed, leased, licensed or otherwise enjoyed by it from the Declarant, together with all Improvements of whatever kind and for whatever purpose which may be located in said areas; and to accept, own, operate and maintain all other property easements, or rights of use whether real or personal, for which it, its members or the Project receives any benefits whether aesthetic or tangible, except this power and duty shall in no way extend to operation or maintenance of any portion of the golf course facility, Club Facilities or their ancillary rights.

(c) Title to Property Upon Dissolution. The Association shall pay over or convey, upon dissolution of the Association, the assets of the Association to one or more exempt

organizations of the kind described in Section 501(c) of the Internal Revenue Code, as amended from time to time.

(d) Repair and Maintenance of Association Property. The Association shall maintain in good repair and condition all roadways, parking areas, access easements, lands, Improvements, and other Association Property enjoyed by, owned by, licensed to or leased to the Association.

(e) Payment of Taxes. The Association shall pay all real and personal property taxes and other taxes and assessments levied upon or with respect to any property owned by or leased to the Association, to the extent that such taxes and assessments are not levied directly upon the Members. The Association shall have all rights granted by law to contest the legality and the amount of such taxes and assessments.

(f) Insurance. The Association shall obtain and maintain in effect policies of insurance adequate, in the opinion of the Board, in kind and amount. Without limiting the generality of the preceding sentence, such policies of insurance shall include:

(1) Fire and extended coverage insurance on all Improvements owned by or leased to the Association, the amount of such insurance to be not less than ninety percent (90%) of the aggregate full insurable value, meaning actual replacement cost exclusive of the costs of excavations, foundations and footings. Such insurance shall insure the Association and the mortgagees, as their interests may appear. As to each such policy which will not be thereby voided or impaired, the Association hereby waives and releases all claims against the Board and Declarant, and the officers, agents and employees of each thereof, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss. If the foregoing exculpatory clause is held to be invalid, then the liability of the insurance company shall be primary, and the liability of the Board, Declarant and the Officers, agents and employees of the Board and of Declarant shall be secondary.

(2) Bodily injury liability insurance, with limits in amounts determined by the Board and property damage liability insurance in amounts determined by the Board, insuring against liability for each bodily injury or property damage arising from activities of the Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The liability insurance policies referred to above shall name as separately protected insureds Declarant, the Association, the Board and each of its members, the Architectural Review Committee and each of its members, and the Manager, and such policies may also name some or all of the respective officers, employees and agents of the foregoing.

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(3) Workmen's Compensation Insurance to the extent necessary to comply with all applicable laws.

(4) A fidelity bond in an amount determined by the Board, naming the members of the Board and such other persons as may be designated by the Board as principals and the Association as obligee.

(5) Such other insurance, including indemnity and other bonds, as the Board shall deem necessary or expedient to carrying out the Association's functions.

The Association shall be deemed trustee of the interests of all Members in all insurance proceeds, and shall have full power to receive and to deal with such proceeds.

(g) Association Rules. The Association may make, establish and promulgate, and in its discretion amend or repeal and reenact Association Rules, not in contradiction to this Declaration, as it deems proper covering any and all aspects of its functions, including the use and occupancy of Association Property. Without limiting the generality of the foregoing sentence, such Rules may set dues and fees and prescribe the regulations governing the operation of Association Property. Each Member shall be entitled to examine such Rules at any time during normal working hours at the principal office of the Association.

(h) Architectural Review Committee. The Declarant or the Board shall appoint and remove members of the Architectural Review Committee as provided in Sections 8.01 and 8.02 hereof, and insure that at all reasonable times there is available a duly constituted and appointed Architectural Review Committee.

(i) Enforcement Hereof. The Association shall enforce, in accordance with the sound discretion of the Board, on its own behalf and on behalf of all Owners, all of the covenants, conditions and restrictions set forth in this Declaration, under an irrevocable agency (hereby granted) coupled with an interest, as beneficiary of said covenants, conditions and restrictions, and as assignee of Declarant; and shall perform, in accordance with the sound discretion of the Board, all other acts, whether or not anywhere expressly authorized, as may be reasonably necessary to enforce any of the provisions of the Association Rules or of the ARC.

(j) Long-Term Financing. The Association shall execute mortgages and deeds of trust, both construction and permanent, for construction of facilities, including Improvements, on property owned by or leased to the Association, and shall accept lands in Recreation and Open Space areas and Common Areas, whether or not improved, from Declarant subject to such mortgages and deeds of trust. Such financing may be effected through conventional mortgages or deeds of trust, the issuance and sale of development or other bonds, or in any other form or manner as may be deemed appropriate by the borrower, whether that be Declarant or the Association. The mortgage, deed of trust or other security

interest given to secure repayment of such debt may consist of a first lien or a second or other junior lien, as shall be deemed appropriate by such borrower, whether that be Declarant or the Association, on the Improvement or other facility to be constructed, together with such underlying and surrounding lands as Declarant or the Association, as the case may be, deems appropriate. The debt secured by such mortgage, deed of trust or other security instrument may be retired from revenues generated by dues, use fees, assessment of the Members of the Association, or otherwise, or any combination thereof, as may be deemed appropriate by Declarant or the Association, as the case may be, but subject to the limitations imposed by this Declaration.

(k) Accounting. The Association shall provide an annual accounting by an independent certified public accountant of the accounts of the Association and make a copy of such accounting available to each Member during normal business hours at the principal office of the Association. Any Member may at any time and at their own expense cause an accounting or inspection to be made of the books and records of the Association by a certified public accountant provided that such accounting or inspection is made during normal business hours and without unnecessary interference with the operations of the Association.

(l) Other. The Association shall carry out all duties of the Association set forth in the Association Rules, or the Articles or Bylaws of the Association.

2.07 Powers and Authority of the Association. The Association shall have all of the powers of a non-stock, non-profit cooperative corporation organized under the laws of the State of Nevada in operating for the benefit of its members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, By-Laws and this Declaration. It shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of this Declaration, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. Without in any way limiting the generality of the foregoing, the Association and the Board shall have the following power and authority, without the obligation to exercise such power and authority:

(a) Right of Entry and Enforcement. Upon reasonable notice except in cases of an emergency, the Board and its agents and representatives shall have the power and right to enter upon any Homesite and the Improvements thereon without liability to any Owner, for the purpose of enforcing any of the provisions of this Declaration, or for the purpose of maintaining and repairing the improvements located on said Homesite as provided in this Declaration or, if for any reason whatsoever, the Owner thereof fails to maintain and repair any portion of a Homesite as required by this Declaration to be maintained or repaired by said Owner. The Association shall also have the power

and authority from time to time in its own name, on its own behalf, or on the behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Declaration and to enforce, by mandatory injunction or otherwise, all of the provisions of this Declaration. The costs of any such action or suit, including reasonable attorneys' fees, shall be paid to the prevailing party as part of its judgment.

(b) Easements and Rights-of-Way. The Association shall have the power to grant and convey to any third party, easements, licenses for use and rights-of-way, in, on, over or under any Common Area conveyed or otherwise transferred to the Association or under its jurisdiction, upon the affirmative vote or written consent of the Board of Directors as ratified by the voting members at the next annual meeting.

(c) Employment of Manager. The Board shall have the power to employ by written agreement the services of a manager or other employee, or a professional manager or management company, subject to the direction and control of said Board, to manage and carry out the affairs of the Association and, to the extent consistent with the laws of the State of Nevada and upon such conditions as are otherwise deemed advisable by the Board, to delegate to the manager any of its powers; provided, however, that any contract with such professional manager or management company, and the compensation to be paid, for a term greater than two (2) years must be approved by at least fifty-one percent (51%) of the Members of the Association. In no event shall any management agreement be for a term greater than three (3) years and any such agreement shall provide for termination for cause on a minimum of ninety (90) days written notice.

(d) Services. The Board shall have the power to provide for and engage the services of others for the maintenance, protection and preservation of Association Property and the Common Areas, including grounds keepers, painters, plumbers and any such other maintenance personnel, as the nature and character of such common area may require, and including any such necessary personnel as the nature and character of any roadways or parking areas within such Association Property or Common Area may require; provided, however, that no contract for such services shall be for a duration of more than three (3) years, except with the approval of a majority of the Members of the Association. Said contract shall provide for immediate termination if breached or on a minimum of thirty (30) days written notice otherwise.

(e) Utilities. The Board shall have the power to contract, use and pay for utility services to the Association Property and Common Area and their facilities.

(f) Other Property. The Board shall have the power to acquire and hold, as trustee for the benefit of its Members, tangible and intangible personal property and to dispose of the same by sale or otherwise.

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(g) Mergers. The Association shall have the power, to the extent permitted by law, to participate in mergers and consolidations with other non-profit corporations organized for the same purposes as the Association, provided that any such merger or consolidation shall have the approval by affirmative vote or written consent of the Board of Directors as ratified by a majority of the members at the next succeeding annual meeting.

(h) Dedication. The Association shall have the power to dedicate any of its property to an appropriate public authority for public use, provided that any such dedication shall have the approval either by affirmative vote or written consent of the Board, and such dedication is subject to the existing easements and rights of use of all of the Members of the Association as provided in this Declaration and any Supplemental Declaration.

(i) Delegation. The Board may delegate any of its powers to any such committees, officers or employees as it deems necessary and proper.

(j) Construction on Association Property. The Association shall have the power to construct new Improvements or additions to Association Property, or demolish existing Association Property or Improvements, subject to the approval of the Architectural Review Committee as required in this Declaration.

(k) Conveyances. To grant and convey to any person real property and interests therein, including fee title, leasehold estates, easements, rights of way, mortgages and deeds of trust, out of, in, on, over or under any Association Property for the purpose of constructing, erecting, operating or maintaining thereon, therein, or thereunder:

- (1) Parks, parkways, or other recreational facilities;
- (2) Roads, streets, walks, driveways, trails, and paths;
- (3) Lines, cables, wires, conduits, pipelines or other devices for utility purposes;
- (4) Sewers, water systems, storm water drainage systems, sprinkler systems, and pipelines; and
- (5) Any similar public, quasi-public, or private improvements or facilities.

Nothing above contained, however, shall be construed to permit use or occupancy of land, Improvement or other facility in a way which would violate applicable zoning or use and occupancy restrictions imposed thereon by other provisions of this Declaration.

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(l) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association, the operation and management of its Property, the enforcement of Association Restrictions, or in the performance of any other duty, right, power or authority of the Association.

(m) Association Property Services. To pay for water, sewer, garbage removal, electricity, telephone, gas, snow removal, landscaping, gardening, road maintenance and all other utilities, services and maintenance for property owned by or leased to the Association.

(n) Other Areas. To maintain and repair easements, roads, roadways, rights of way, parks, parkways, median strips, sidewalks, paths, trails, ponds, lakes, entry details, entry houses or other areas of the Project whether owned by or leased to the Association, and to contribute toward the cost of operation and maintenance of private roads and any other Improvements or other facilities owned by the Association.

(o) Recreational Facilities. To own and operate any and all types of facilities for both active and passive recreation, both on and off the Project other than the Club Facilities, including, but not limited to: swimming pools; community clubs; picnic areas; parks and playgrounds; trails for walking and bicycles; and other similar and dissimilar recreational facilities.

It is acknowledged that the Association does not own or claim to own any right, title or interest in and to the Golf Course, Clubhouse, lakes and ponds and ancillary improvements and related uses and buildings specifically defined as Club Facilities in 1.15 above.

(p) Other Services and Properties. To obtain and pay for any other property and services, and to pay any other taxes or assessments which the Association or the Board is required to secure or to pay for pursuant to applicable law, the terms of Association Restrictions, or the Articles or Bylaws of the Association.

(q) Contracts. To enter into contracts with Declarant, Major Developers, and other Persons on such terms and provisions as the Board shall determine, to operate and maintain any Common Area or recreational or other facility or area, or to provide any service or perform any function on behalf of Declarant or Major Developer or other Person.

(r) Wildlife Population. The Association shall, in accordance with the sound discretion of the Board, have the authority to pay for the removal of wildlife from all areas of the Project in a humane manner if it is determined by the Association in conjunction with owner of Club Facilities that the population of a particular species has become so large that it is damaging property, posing a risk to the viability of another species or is

significantly interfering with Owners' use and enjoyment of their property or any of the property or improvements within the Project. Reasonable expenses for removal of overpopulated wildlife shall be borne equitably by The Association and the owner of the Club Facilities.

(s) To acquire and own and to dispose of all manner of real and personal property, whether by grant, lease, gift or otherwise.

2.08 Indemnification.

(a) Third Party Actions. The Association may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or based on the right of the Association) by reason of the fact that he or she is or was a director, officer, employee, servant or agent of the Association against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person did not act in good faith or in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

If a member of the Board of Directors is sued for liability for actions undertaken in their role as a Board member or officer of the Association, the Association shall indemnify said Board member and/or officer for their losses or claims and undertake all costs of defense until and unless it is proved that such member acted with willful or wanton misfeasance or with gross negligence. After such proof, the Association is no longer liable for the cost of defense and may recover costs already expended for the Board member and/or officer.

Board members are not liable to the victims of crimes which may occur on the property. Punitive damages may not be recovered against the Association, but may be recovered only from persons whose intentional activities are proven to have resulted in damages.

(b) Derivative Actions. The Association may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, servant or agent of the Association,

against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action, proceeding or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association unless and only to the extent that the court in which such action, proceeding or suit was brought shall determine upon application that, despite the adjudication of liability and in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) Determination. Any indemnification which the Association has elected to provide under paragraph (a) or (b) of this Section 2.08 (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the officer, director, employee, servant or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraph (a) or (b) of this Section 2.08. Such determination shall be made (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable, or even if obtainable, by independent legal counsel in a written opinion; provided, however, that if a director, officer, employee, servant or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph (a) or (b) of this Section 2.08, or in defense of any claim, issue or matter therein, then, to the extent that the Association has elected to provide indemnification, he shall automatically be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith without the necessity of any such determination that he has met the applicable standard of conduct set forth in paragraph (a) or (b) of this Section 2.08.

(d) Payment in Advance. Expenses incurred in defending a civil or criminal action, suit or proceeding may, in the discretion of the Board, be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board as provided in paragraph (c) of this Section 2.08 upon receipt of an undertaking by or on behalf of the director, officer, employee, servant or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Section 2.08.

(e) Insurance. The Board shall purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, servant, or agent of the Association, against any liability asserted against him or incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability hereunder or otherwise.

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(f) Other Coverage. The indemnification provided by this Section 2.08 shall not be deemed exclusive of any other rights to which anyone seeking indemnification may be entitled under this Declaration, agreement, vote of the Members, vote of disinterested directors, Nevada law, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and may continue as to a person who has ceased to be a director, officer, employee, servant or agent and may inure to the benefit of the heirs and personal representatives of such a person.

(g) Declarant. The Association agrees to pay, defend, indemnify and hold harmless the Declarant from any and all claims or actions relating to damage or claim of damage as a result of the proximity of the golf course and/or other Club Facilities to the residential units comprising the Project. The Association, and each Member of the Association, their guests and invitees, expressly assume the risk for damage or injury occurring from an errant golf ball or other hazard as a result of activity on or around the Club Facilities and the Association agrees to hold harmless the Declarant from any claim or action for such alleged damage initiated by the Association, its Members or their guests, employees, agents or invitees.

2.09 Diseased Trees. Upon reasonable notice, the Association and/or the Declarant may enter upon any part of the Project at any time to inspect for, prevent and control diseased trees and other plant life and insect infestation of trees. If any diseased or insect infested trees or other plant life are found, the Association and/or the Declarant may spray, remove diseased trees and other plant life, and take such other remedial measures as deemed expedient. The cost thereof applicable to privately owned property may be levied by the Association as a specific assessment against such property pursuant to the provisions hereof.

2.10 Rules:

(a) Rulemaking Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations to be known as "The Sunridge Heights III, Phase 1A Property Owners Association Rules". Any rules which relate to the management, operation and control of the Association or the Common Area, common facilities or interests shall become effective and binding on all Owners only after adoption by the Board. Such rules may concern, but need not be limited to: matters pertaining to use of the Common Area and Recreation and Open Space; signs; collection and disposal of refuse; minimum standards of maintenance of property; parking and traffic restrictions; limitations on maintenance of landscaping or other improvements on any property which obstruct the vision of motorists or which create a hazard for vehicular or pedestrian traffic; and any other subject or matter within the jurisdiction of the Association as provided in this Declaration. Said rules may restrict and govern the use of Common Area by any Members, by the family of such Member or by any invitee, guest, licensee or

lessee of such Member. Declarant has retained the right to establish rules relating to the use of any portion of the Common Area and Recreation and Open Space owned by it, and the Association may incorporate such rules in its Rules; the right of an Owner or the Board to enforce Association Rules is limited to those Owners that are subject to this Declaration.

(b) Notification of Rules. A copy of the Association Rules, as they may be from time to time adopted, amended or repealed, shall be mailed or otherwise delivered to each Member and may be recorded. The recordation of said Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration. No Association Rules may be adopted which materially impair the rights, preferences, or privileges of any Owner as specifically set forth herein.

2.11. Breach of Rules or Restrictions. In the event of a breach of any Association Rule or of any of the Association Restrictions contained in this Declaration by an Owner, their family, guests, employees, invitees, licensees or tenants, the Board, for and on behalf of itself and all other Owners, shall enforce the obligations of each Owner to obey such Rules or Restrictions in any manner provided by law or in equity, including, but not limited to, appropriate hiring of legal counsel, the pursuit of legal action, or suspension of the Owner's right to use the facilities of the Common Area or suspension of the Owner's voting rights; provided, however, such suspension may not be for a period in excess of thirty (30) days, without notice and hearing as herein provided, for an infraction of such Rules. In addition to the Other remedies herein set forth, including without limitation, assessing the cost of repair of any damage resulting from an infraction of the Rules, the Board, by majority vote, may levy a fine against such Owner, after appropriate notice and hearing as herein provided, in an amount not to exceed an amount equal to six (6) months of the assessments made under Section 9.03 for each such violation and the payment of such fine may be enforced in the same manner as set forth in Section 9.07 hereof. Prior to imposing any penalty provided herein for breach of any rules enacted hereunder or of the Restrictions contained in this Declaration, the Board shall send written notice to the Owner specifying the nature of the infraction and shall provide an opportunity to the Owner for a hearing before the Board regarding such infraction and the penalty to be imposed. In the event that the Board determines that said infraction has occurred and that a penalty shall be imposed, after a reasonable opportunity for a hearing has been provided, the determination of the Board shall be final. In the event legal counsel is retained or legal action is instituted by the Board pursuant to this paragraph, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court costs, and reasonable attorneys' fees.

2.12 Liability of Members of Board. No member of the Board shall be personally liable to any of the other Board members, to the Members or to any other person, including Declarant, for any error or omission of the Association, its

representatives and employees, or the Architectural Review Committee, provided that such Board member has, upon the basis of such information as may be possessed by him, acted in good faith.

2.13 Amendment. The provisions of Section 2.01, 2.02 and 2.03 shall not be amended without the vote or written consent of a majority of all of the Owners.

ARTICLE III

DEVELOPMENT OF SUNRIDGE: ANNEXATION

3.01 Annexation. Declarant, and other Persons with Declarant's written consent, may at any time and from time to time add to the lands which are subject to this Declaration. Except as provided in paragraph (4) of this Section 3.01, upon the recording of a Notice of Addition of Land containing the provisions set forth below in this Section 3.01 (which Notice may be contained within any Supplemental Declaration affecting such land), the covenants, conditions and restrictions contained in this Declaration shall apply to the added land in the same manner as if it had been originally subject to this Declaration; and thereafter, except as provided in paragraph (4) of this Section 3.01, the rights, privileges, duties and liabilities of the Persons subject to this Declaration shall be the same with respect to the added land as with respect to the lands originally covered by this Declaration.

The Notice of Addition of Land referred to hereinabove shall contain the following provisions:

(1) A reference to this Declaration, which reference shall state the date of recordation hereof and the book and page numbers wherein this Declaration is recorded;

(2) A statement that the provisions of this Declaration shall apply to the added land as set forth herein;

(3) An adequate legal description of the added land; and

(4) Declarant's written consent if the added land is not then owned by Declarant. As part of such written consent Declarant may agree with the Person who owns such land as to the terms and conditions upon which Declarant will exercise its rights and duties, as Declarant under this Declaration, with respect to such added land. Such terms and conditions may provide for joint exercise, as to such added land, of Declarant's said rights and duties.

(5) Such complimentary additions and modifications to this Declaration as may be necessary to reflect the different character, if any, of the added land which may be significantly at variance with the original land.

Such additional land may, at Declarant's sole option, be annexed to the Project not later than ten (10) years after the recordation of this Declaration.

3.02 Deannexation. Declarant may deannex any area of land within the Project from this Declaration, without the consent of any Owner at any time prior to the conveyance of any area of Land or Unit on that portion of land to be withdrawn, to a Purchaser. Such deannexation shall be effected by recording a deannexation declaration. Upon recordation of the deannexation declaration, the land to be deannexed shall be removed and deannexed from the Project and, thereafter, shall be free from the obligations, requirements, declaration, limitations, covenants, conditions and restrictions set forth herein. Any deannexation will be consistent with any and all applicable County requirements.

3.03 Lands Owned by Major Developer. If an area has been sold to a Major Developer, any Supplemental Declaration and Notice of Addition of Land with respect thereto shall be executed by both Declarant and such Major Developer.

3.04 Special Declarant Rights. There are hereby reserved unto the Declarant or its designee(s) the following enumerated rights:

(a) To complete any of the improvements depicted on the plats, plans and maps as set forth in the Declaration.

(b) To exercise the development rights including annexation as set forth in this Declaration.

(c) To maintain, operate and relocate one (1), but not more than three (3) sales offices, management offices, signs, advertising relating to the Community, and additional model homes, together with easements of ingress and egress throughout project, for marketing purposes.

(d) To use and exercise easements through Common Areas for the purposes of making and constructing improvements within the Common-Interest Community.

(e) Appointing or removing any officer or director of the Association during any period of Declarant control as set forth in Section 2.04.

(f) To annex, in accordance with 3.01 by the Declarant, up to but not more than ten percent (10%) additional acreage and appurtenant Unit density to the Sunridge Heights III Project as approved by Douglas County.

3.05. Dust Control Mitigation. Dust mitigation methods on individual lots shall be engaged in by the individual Owners and any contractor engaged in activities on behalf of any Owner. Each lot Owner and their contractor shall make every effort to control and reduce fugitive dust from their lot construction area.

If an individual lot Owner or his contractor damages the seeded area of an adjacent lot or portion of the Club Facilities, the damaged area shall be reseeded at the expense of the Owner or contractor who caused the damage.

ARTICLE IV

GENERAL RESTRICTIONS

All real property within the Project shall be owned, held, conveyed, encumbered, leased, used, occupied and enjoyed subject to the Architectural Review Committee Design Guidelines and the following limitations and restrictions:

4.01 Antennas. Except for any which may, at Declarant's option, be erected by Declarant or Declarant's designated representative, no exterior radio, television antenna, satellite dish, or aerial shall be erected or maintained in the Project without the prior written approval of the Architectural Review Committee.

4.02 Insurance Rates. Nothing shall be done or kept in the Project which will increase the rate of insurance on any Association Property without the approval of the Board, nor shall anything be done or kept in the Project which would result in the cancellation of insurance on any Association Property or which would be in violation of any law.

4.03 No Further Subdividing. No Homesite Area or unit of land which is designated for residential use shall be further divided or subdivided, nor may any easement or other interest therein (less than the whole) be conveyed by the Owner thereof without the prior written approval of the Architectural Review Committee; provided, however, that when Declarant is the Owner thereof, Declarant may further divide and subdivide any Homesite, Common Area, or unit of land which is designated for residential use and convey any easement or other interest less than the whole, all without the approval of the Architectural Review Committee; and provided, further, that nothing herein shall be deemed to require the approval of the Architectural Review Committee for the transfer or sale of any Homesite or Lot, including Improvements thereon, to more than one (1) person to be held by them as tenants in common or joint tenants, or for the granting of any mortgage or deed of trust.

4.04 Signs. No sign of any kind shall be displayed to the public view without the approval of the Architectural Review Committee except such signs as may be required by legal proceedings. No flashing or moving signs shall be permitted on any portion of the Project. All signage shall be of an architectural style in harmony with the overall Project as prescribed by the Design Guidelines and approved in writing by the Architectural Review Committee.

4.05 Fences; Easements Over Certain Homesites. The Declarant hereby reserves an easement in favor of the Association

and the Sunridge Golf Club along the rear property lines of all Homesites in the Project for the construction, maintenance and repair of fences. This easement is reserved regardless of whether the Owner or the Association constructs said fence, and the Owner shall be responsible for the maintenance and repair of all said fences constructed on the Owner's Lot or Homesite. The Declarant and/or the Association, at its sole discretion, may maintain fences anywhere in the Project and assess the Owner of the underlying property for reasonable maintenance expenses.

All rear yard fences which abut Golf Club Facilities inclusive of fairways, lakes, tees and greens shall be designed and constructed in accordance with the Design Guidelines in order to preserve the natural views as from and of the Homesites. All fences must be approved by the Architectural Review Committee, in accordance with the Design Guidelines, and by the owner of Club Facilities. The foregoing may only be varied by a written consent approved by the Architectural Review Committee.

All rear and side yards that are adjacent to the golf course must be fenced prior to the issuance of a Certificate of Occupancy. Fencing on rear and side yards adjacent to the golf course shall be consistent with the existing fencing of the ridge lots overlooking the golf course, consisting of two feet (height) of split-faced tan block wall (facing the golf course) with two feet of wrought iron on top; rear property corners shall have two foot square five foot high split-faced tan pilasters with a cap of river rock.

All rear and side yards adjacent to open space other than the golf course shall be fenced consistent with lots which abut the golf course or with a six foot high split-faced tan block wall.

There shall be no wood or chain link fencing adjacent to open space or the golf course.

4.06 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon any property within the Project and no odors shall be permitted to arise therefrom so as to render any such property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any such property so as to be offensive or detrimental to any other property or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, insect control lights, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on any such property without the prior written approval of the Architectural Review Committee.

4.07 Repair of Building. No Improvement hereafter constructed upon any land within the Project shall be permitted to fall into disrepair, and each such Improvement shall at all times be kept in good condition and repair and adequately painted or

otherwise finished by the Owner thereof. The Association reserves the right to enter onto property in disrepair and make necessary repairs subject to Section 4.09 below.

4.08 Improvements and Alterations. There shall be no construction, excavation or alteration, other than repairs, which in any way alters the exterior appearance of any Improvement, or removal of any Improvement without the prior written approval of the Architectural Review Committee.

4.09 Violation of Association Rules. There shall be no violation of the Association Rules once adopted by the Board and made available to the Persons affected thereby. If any Owner or their family or any guest, licensee, lessee or invitee of such Owner or their family violates the Association Rules, the Board may invoke any one or more of the following remedies: (a) impose a special charge upon such Owner of not more than Fifty Dollars for each violation; (b) suspend the right of such Owner and their family, guests, licensees, lessees and invitees to use Association Property under such conditions as the Board may specify, for a period of not to exceed thirty (30) days for each violation; (c) cause the violation to be cured and charge the cost thereof to such Owner; and (d) obtain injunctive relief against the continuance of such violation. Before invoking any such remedy, the Board shall give such Owner Notice and Hearing except that the Board may suspend the right of any Owner and their family, guests, licensees, lessees and invitees without Notice and Hearing for any period during which any Assessment owed by such Owner is past due and unpaid. Any assessment or charge imposed under this Section 4.09 remains unpaid for a period of ten (10) days or more, shall become a lien upon the Owner's Lot or Unit upon its inclusion in a recorded notice thereof and may be collected as provided in Article IX below for the collection of other Assessments.

4.10 Drainage. There shall be no interference with the established drainage patterns over any property within the Project, except by Declarant, unless adequate provision is made for proper drainage and approved by the Architectural Review Committee.

4.11 No Hazardous Activities. No activities shall be conducted on any property and no Improvements constructed on any property which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any property, and no open fires shall be lighted or permitted on any property except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed exterior fireplace.

4.12 No Temporary Structures. No tent or shack or other temporary building, Improvement or structure shall be placed upon any property, except that temporary structures necessary for storage of tools and equipment and for office space for architects, builders and foremen during actual construction which may be maintained with the prior approval of ARC, such approval to include the nature, size and location of such structure.

4.13 No Mining and Drilling. No property shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, minerals of any kind, rocks, stones, sand, gravel, aggregate or earth, except that Declarant or the Association may, by appropriate written permit, grant, license or easement, allow the drilling of wells and the installation of infiltration galleries for the extraction of water; and except that Declarant or the Association may, by appropriate written permit, grant, license or easement, allow any of the foregoing activities to the extent permitted by applicable zoning and as required for purposes of the Association or the Declarant.

4.14 Vehicles. In addition to the provisions of Section 5.06 hereof, the use of all vehicles, including but not limited to helicopters, gliders, trucks, automobiles, golf carts, graders, boats, tractors, pickups, mobile homes, trailers, buses, campers, recreational vehicles, bicycles, motorcycles, motor scooters, wagons, sleighs and snowmobiles, shall be subject to the Association Rules, which may prohibit or limit the use thereof throughout or within specified parts of the Project, and which may also provide parking regulations and adopt other rules regulating the same. Except as provided in Section 5.06, no recreational vehicle, travel trailer, camp trailer, motor home, camper or other similar recreational vehicle be parked on a Homesite, in front of any residence or anywhere within the Project. Any such prohibited vehicle will be subject to being towed at the owner's expense.

4.15 Construction Activities. This Declaration shall not be construed so as to unreasonably interfere with or prevent normal construction activities during the construction of Improvements by any Owner (including Declarant) upon property within the Project; provided that when completed such Improvements shall in all ways conform to this Declaration and the Design Guidelines. Specifically, no such construction activities shall be deemed to constitute a nuisance or a violation of this Declaration by reason of noise, dust, presence of vehicles or construction machinery, posting of signs or similar activities; provided that such construction is pursued to completion with reasonable diligence, is in compliance with applicable federal, state and local laws and ordinances and any rules and regulations adopted pursuant thereto, and conforms to usual construction practices in the area. In the event of any dispute, a temporary waiver of the applicable provision, including but not limited to any provision prohibiting temporary structures, may be granted by the Architectural Review Committee, provided that such waiver shall be only for the reasonable period of such construction. Such waiver may, but need not, be recorded or in recordable form.

4.16 Exemption of Declarant. Notwithstanding anything in this Declaration to the contrary, neither Declarant nor any of Declarant's activities shall in any way be subject to the control of or under the jurisdiction of the Architectural Review Committee. Without in any way limiting the generality of the preceding sentence, this Declaration shall not prevent or limit the right of Declarant to excavate and grade, to construct and

alter drainage patterns and facilities, to construct any and all other types of Improvements, to maintain model homes and construction, sales and leasing offices and similar facilities, and to post signs incidental to construction, sales and leasing, anywhere on the Project.

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

4.18 Ancillary Structures. No ancillary structures shall be permitted on any Homesite or Lot except as may otherwise be approved by the Architectural Review Committee in accordance with the Douglas County Code and the Design Guidelines. Any patio covers must be an integral part of the roof of the residence.

4.19 Roof Material. Roof material throughout the Project must be consistent consisting of concrete tile only.

4.20 Building Permits. Building permits for any structures on property which is the subject of this Declaration, shall only be issued in accordance with the Douglas County Code and the Design Guidelines.

4.21 Setback Requirements. All lot lines shall be a minimum of twenty feet (20') from all golf course lakes. Additionally, all lots shall have a minimum rear yard setback of fifteen feet (15').

ARTICLE V

PERMITTED USES AND RESTRICTIONS - RESIDENTIAL AREAS

5.01 Residential Areas. All property within any residential area (excluding any Recreation and Open Space in such residential area) shall be improved and used solely for residential use; except that any Common Area in such residential area may be improved and used for active and passive recreational purposes for the primary benefit of the Owners and occupants of Homesites.

5.02 Improvement and Use.

A. No residence on any Lot shall be used for any purpose other than Single-Family Residential Use. All residences shall have a minimum of 1,400 square feet of living space and an attached garage sufficient for parking a minimum of two automobiles. Residences may be two story with a maximum height of 35 feet from the surface of the finished lot to the highest point of the residence.

B. The exterior color of all residences shall consist of earthtones in accordance with the specific requirements set forth in the Design Guidelines adopted by the Declarant and/or the Architectural Review Committee.

5.03 Rentals. Nothing in this Declaration shall prevent the rental of property within a residential area by the Owner thereof for residential purposes, on either a short-term or long-term basis subject to all the provisions of this Declaration. No commune or similar type living arrangement shall be permitted anywhere in the Project.

5.04 Animals. No kennel or other facility for raising or boarding dogs or other animals for commercial purposes shall be kept on any Homesite. No more than three (3) normal household pets shall be raised, or kept on any Homesite and all pets shall be restrained or confined to the Homesite and not allowed to run at large or leave a Homesite except when restrained by a leash. Excessive barking or other noise from household pets is not permitted. Failure to reasonably control household pets, resulting in the disturbance of Owners' quiet enjoyment of their property, is deemed to be a violation of these Restrictions and shall be enforceable by the Association or any Owner.

5.05 Unsightly Articles. No unsightly article shall be permitted to remain on any Homesite so as to be Visible from Neighboring Property or public or private thoroughfares. The following items are PROHIBITED to remain so as to be visible on any Homesite: without limiting the generality of the foregoing, trailers, motor homes, recreational vehicles, graders, trucks (other than pickups), boats, tractors, campers, wagons, buses, sleighs, motorcycles, motor scooters, snowmobiles, snow removal equipment, except as permitted by the terms of Section 5.06 herein. Garden and maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure or screened so as not to be Visible from Neighboring Property. No repair or maintenance work shall be done on any automobile or vehicle or piece of equipment, other than minor emergency repairs, except so as not to be Visible from Neighboring Property. Refuse, garbage and trash shall be kept at all times in a covered container and any such container shall be kept within an area so as not to be visible at all. All owners must subscribe to a garbage collection service. Service areas, storage areas, compost piles and facilities for hanging, drying or airing clothing or household fabrics shall be appropriately screened from view; no lumber, grass, plant waste, shrub or tree clippings, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any property except within an enclosed structure and kept so as not to be Visible from Neighboring Property.

5.06 Parking Restrictions; Use of Garage. Unless otherwise permitted by the Board, no automobile or motorcycle shall be parked or left within the Project other than within a garage, driveway, or assigned parking stall or space. No Owner shall use any area designated as "guest parking" for any purpose

other than for parking of guests' vehicles. No boat, trailer, recreational vehicle, camper, large truck or vehicle shall be parked or left anywhere within the Project for more than twenty-four (24) hours in any seven (7) day period. However, parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Rules and Regulations. Any garages shall be used for parking automobiles including non-commercial pickup trucks only and shall not be converted for living or recreational activities.

5.07 Restricted Use of Recreational Vehicles, Etc. No boat, truck, trailer, camper, recreational vehicle, or tent shall be used as a living area while parked or located within the Project.

5.08 Maintenance of Lawns, Plantings and Landscape. Except on those Homesites where Declarant or the Association has elected to provide for landscaping, and assessments therefore have been levied, each Owner shall complete the landscaping on their Homesite, including planting lawn, shrubs, trees or ground cover no later than thirty (30) days after issuance of a Certificate of Occupancy, weather permitting. Owner agrees to allow Declarant to plant and maintain erosion control grasses or plants on Owner's unimproved property to mitigate and eliminate dust and unsightly areas on unimproved homesites. Each Owner shall keep all shrubs, trees, grass and plantings on his or her Homesite neatly trimmed, properly cultivated and free from trash, weeds and other unsightly material. Each Owner shall maintain all trees on his or her Homesite and shall replace any tree that dies or becomes diseased. The Association, the Architectural Review Committee and their respective authorized agents shall have the right (without the duty) to enter upon any Homesite at any reasonable time for the purpose of planting, replacing, maintaining or cultivating trees and shrubs.

ARTICLE VI

PERMITTED USES AND RESTRICTION - OTHER AREAS

6.01 Common Areas and Open Space Areas. Any other provision of this Declaration to the contrary notwithstanding, no land within Association Common Area and Open Space area may be improved by any Improvement, used or occupied except in such manner as shall have been approved by Declarant in its sole and absolute discretion. Declarant may delegate its right to grant such approvals to the Board. No approval shall be granted which would be in contravention of the zoning or other local regulation then in effect for the area in question.

6.02 Lakes, Water Bodies and Wetlands. ALL WATER AREAS ON THE PROPERTY OR NEAR THE PROPERTY, INCLUDING PONDS, LAKES AND STREAMS ARE TREATED EFFLUENT AND HUMAN CONTACT IS EXPRESSLY PROHIBITED. All lakes, ponds and streams within the Project, if any, shall be for irrigation of the golf course only, and no other use thereof, including, without limitation, swimming, motorized boating, playing or use of personal flotation devices, shall be

permitted. Given the arid nature of the area of the Project and the changing laws relating to use of ponds and other water amenities, there is no guarantee or warranty by the Declarant that the ponds will be maintained or remain during the life of the Project. No piers or docks shall be constructed on any portion of lakes, streams or ponds, nor attached to the shoreline or banks thereof. This Section shall not apply to prohibit use by the Club Facilities of lakes, ponds, or streams within or comprising the Club Facilities. The Declarant or other owner of the Club Facilities shall have exclusive control over the drainage and maintenance of any lake, pond, stream or other water body within the Club Facilities. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, or streams within the Project. No dredging or filling shall be undertaken on any property adjacent to any water body, except by Declarant or the Association with the Declarant's approval.

6.03 Easement Around Bodies of Water. Declarant hereby reserves an easement in favor of the Association, over, under and across the twenty feet (20') abutting the perimeter edges of all bodies of water located within the Project and abutting or adjoining Club Facilities, for purposes of landscaping and maintenance. The Owner of the Club Facilities may maintain the property within this easement area at its expense.

6.04 Easement of Airspace. There is hereby reserved to Declarant all right, title and interest to all airspace rights at or greater than forty-five feet (45') above the ground elevation of the Homesites and Common Area in the Project.

6.05 Golf Carts. Golf carts shall be allowed within any area of the Project provided they are maintained in a safe working manner at all times, however, no golf carts except those owned and maintained by the Sunridge Golf Club shall be permitted on any portion of the Sunridge Golf Club.

6.06 Operation of Golf Carts. All golf carts operated within the Project pursuant to paragraph 6.05, above, may only be operated on designated roads and pathways. Operation of golf carts on any portion of the Sunridge Golf Club or golf cart pathways used by the Sunridge Golf Club by unlicensed drivers or drivers under the age of eighteen (18) is strictly prohibited unless specific written authorization is issued in writing by the General Manager or the Head Professional of the Sunridge Golf Club and the legal guardian of said unlicensed driver. Operation of golf carts within the Project is prohibited before sunrise or after sunset. Operators of golf carts must obey all traffic signs and posted speed limits. Golf cart operators assume all liability for injury, damage to property or claims in any way whatsoever related to their operation of the golf carts allowed by this Declaration.

6.07 Right of Way of Golf Carts; Easements Across Roadways. Drivers of vehicles within the Project shall yield the right of way at all times to drivers of golf carts. The

Association hereby grants an easement in favor of Declarant and the Declarant hereby grants an easement in favor of the Association, its members and their guests, and members and guests of the Club Facility within the Project pursuant to this Declaration to pass over, under and across all golf course paths within the Project for passage of golf carts and vehicles for access to the Club Facilities.

6.08 Storage of Golf Carts. When not in use, all golf carts allowed by this Declaration must be stored in each respective Member's garage. At no time should a golf cart be left parked in the Member's driveway or street front overnight.

6.09 Jogging, Walking, Bicycling, Picnicking on Golf Course Areas Prohibited. The golf course areas are restricted to golf activities only. Other activities, including but not limited to, other walking, jogging, bicycling, picnicking or sunbathing in the golf course areas is strictly prohibited.

6.10 Sales of Golf Balls Prohibited. The sale of golf balls by Owners on their Homesites or in any common area of the Project is strictly prohibited. This section does not prohibit the sale of golf balls by the designated operator of the Club Facility within the Project.

6.11 Utilities Easement. There is hereby granted in favor of Declarant or its successors or assigns an easement for purposes of installing, facilitating, maintaining, repairing, replacing or inspecting sewer, drainage, and underground power lines or other utilities over, under and across the property described in Exhibit "A", attached hereto and incorporated herein by this reference. Any repair or excavation within the Exhibit "A" property shall not be undertaken until all plans and specifications and procedures have been approved by Declarant, its successors and assigns. Any maintenance or repair of any utilities improvements that requires access to or alteration of any portion of the Golf Club facilities, including any portion of the golf course itself shall be engaged only upon giving notice to and in coordination with the golf course superintendent. Upon the conclusion of any such maintenance or repair, the golf course and any effected portion of the Golf Club facilities shall be returned to the same condition it was in prior to the maintenance or repair activity.

6.12 Easement in Favor of Declarant to Facilitate Sales and Resales. There is hereby reserved to Declarant, its agents and employees, the right and exclusive easement to use any units owned or leased by the Declarant as models, management offices, sales and resale offices, or customer service offices. The Declarant reserves the right to relocate the same from time to time within the property; upon relocation, the furnishings thereof may be removed. The Declarant further reserves the right to maintain on the property such advertising signs as may comply with applicable governmental regulations which may be placed in any location on the property and may be relocated or removed all at the sole discretion of the Declarant. The Declarant shall have

the right to restrict the use of certain common element parking spaces for sales purposes and to use such spaces for sales purposes. Further, the Declarant shall have the exclusive right to erect temporary offices or facilities for models, sales, resales, management, customer service, and similar purposes. The reservation of this easement to facilitate sales also applies to any land annexed or to be covered by these Covenants, Conditions and Restrictions. Any such sales and marketing facilities and common areas shall be maintained at the sole cost of the Declarant so long as Declarant is the sole user of such areas.

ARTICLE VII

ASSOCIATION PROPERTY

7.01 Use. Each Member of the Association who resides in the Sunridge Community, and the members of their family who reside with them, and each lessee of a Homesite shall be entitled to use the Property of the Association, subject to:

(a) The provisions of the Association Rules and Regulations, and each person who uses any Property of the Association, in using the same, shall be deemed to have agreed to comply therewith;

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

(c) The right of the Association to suspend the rights to the use of any Property of the Association by any Member or lessee and their respective families, guests and invitees for any period during which any Assessment against the Member's property remains past due and unpaid; and, after Notice and Hearing by the Board, the right of the Association to invoke any remedy set forth in Section 4.09 and Article IX for any other infraction of the Association Restrictions;

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

(e) The right of the Association to allow the general public, or certain segments thereof, to use any Association Property, and in the discretion of the Board, to charge use or other fees therefor subject to subparagraph (b) above provided that the Association may not charge fees for access to public-type parks and sport fields;

(f) Such rights to use Association Property as may have been granted by the Association to others; and

(g) Such covenants, conditions, and restrictions as may have been imposed by the Association or prior owners on Association Property.

7.02 Maintenance of Association Property. The cost of maintenance and general upkeep of all Association property including all common area and entry landscaping shall be borne by the Association. The Association shall be responsible for all of the costs and maintenance of Association property.

7.03 Easement of Enjoyment. Every Member of the Association shall have a right and easement of enjoyment in and to the Common Area, subject to this Declaration as it may be amended from time to time and to any restrictions or limitations contained in any deed conveying such property to the Association. Any Owner may delegate his or her right of enjoyment to the members of his or her family, tenants, members and social invitees, as applicable, subject to reasonable regulation by the Board and in accordance with procedures it may adopt. An Owner who leases his or her Unit shall be deemed to have delegated all such rights to the Unit's lessee.

Access to the Golf Course within, near or adjacent to the Property is strictly subject to the rules and procedures established by the respective owners of the Golf Course and/or Club Facilities. No Owner or occupant gains any right to enter or to use the Golf Course or Club Facilities solely by virtue of ownership or occupancy of a Homesite or Unit.

7.04 Easement for Golf Balls. Every Homesite and Common Area is burdened with an easement permitting golf balls unintentionally to come upon the Common Area and Homesites immediately adjacent to or near the Golf Course and for golfers at reasonable times and in a reasonable manner to come upon the Common Area or the exterior portions of a Homesite or Unit to retrieve errant golf balls; provided, however, if any Homesite or Unit is fenced or walled, the golfer is required to seek the Owner's permission before entry. Homesite or Unit owners should undertake all necessary measures to protect their residence, property, guests, family members and invitees from errant golf balls. THE ACQUISITION OF A HOMESITE WITHIN THE PROPERTY ACKNOWLEDGES THAT THE OWNERS ARE EXPRESSLY ASSUMING THE RISK FOR ANY DAMAGES OCCURRING BY VIRTUE OF AN ERRANT GOLF BALL BY VIRTUE OF SUCH OWNER'S ACQUISITION OF A HOMESITE OR UNIT IN A GOLF COURSE COMMUNITY. THE ASSOCIATION AGREES TO INDEMNIFY DECLARANT AND/OR THE OWNER OF THE CLUB FACILITIES AGAINST ANY ACTION BY THE OWNERS AGAINST DECLARANT AND/OR THE OWNER OF THE CLUB FACILITIES FOR DAMAGE CAUSED BY AN ERRANT GOLF BALL.

7.05 Easement in Favor of Club Facility. The Declarant hereby reserves a perpetual easement in favor of the Declarant and all of its successors and assigns, including the Golf Club and its owner, members, guests, invitees, licensees or employees, over, under and across any Association property for purposes of use, maintenance, ingress, egress, sales and marketing, at no fee or cost whatsoever to the Declarant, its successors or assigns, including the Golf Club and its owner, members, guests, invitees, licensees or employees. Additionally, said easement shall include, but not be limited to, access for the purposes of providing utility service and the construction and maintenance of

facilities and/or other improvements necessary for the operation and maintenance of the Golf Club.

7.06 Damages. Each Member and lessee described above in Section 7.01 shall be liable to the Association for any damage to Property of the Association which may be sustained by reason of the negligent or intentional misconduct of such person or of his family, guests or invitees. If the property, the ownership or leasing of which entitles the Owner or lessee thereof to use Association Property, is owned or leased jointly or in common, the liability of all such joint or common Owners or lessees shall be joint and several. The amount of such damage may be assessed against such person's real and personal property on or within the Project, including the leasehold estate of any lessee, and may be collected as provided in Article IX, below, for the collection of Assessments.

7.07 Damage and Destruction. In the case of destruction of or damage to Association Property by fire or other casualty:

A. Decision to Reconstruct. If the Board determines to rebuild any improvement destroyed or damaged in a manner substantially the same as that which was destroyed or damaged, it shall prepare plans and obtain bids for said plans. The Board will call a special meeting where Members may, by two-thirds (2/3) of the vote cast at such meeting, elect to accept or reject the Board's plan and bids. The Board will modify its reconstruction plans until the required Membership vote is obtained.

Reconstruction of damaged or destroyed property where the winning bid to perform necessary repairs is less than \$20,000.00 may be performed on behalf of The Association without a vote of the Membership, provided such a decision is reached by a unanimous decision of the Board.

B. Decision Not to Reconstruct. If the Board determines not to rebuild any improvement so destroyed or damaged, or to build facilities substantially different from those which were destroyed or damaged, it shall call a special meeting of the Members to consider such decision. If the Members, by a vote of two-thirds (2/3) of the Unit Owners, elect to ratify such decision, the Board shall act accordingly; but if the Members do not by such percentage elect to ratify such decision, the Board shall proceed to repair or rebuild the damaged or destroyed facility pursuant to paragraph A of this Section 7.07. Should the entry landscaping and/or entry gatehouse become destroyed or damaged, the Association agrees to rebuild said entry improvements in a manner consistent with their original condition as constructed by the Declarant. This pledge to reconstruct the entry improvements is intended to preserve the Declarant's creation of an upscale image for the Association and the Sunridge Golf Club.

7.08 Relocation of Golf Facility Improvements. The Declarant and its successors and assigns, including the Owner of the Golf Facility shall retain the right to relocate golf club improvements such as tee boxes, greens, cart paths and lakes, so long as such relocation does not materially interfere with a then existing use of the Association property.

ARTICLE VIII

ARCHITECTURAL REVIEW COMMITTEE

8.01 Architectural Review Committee. There shall be an Architectural Review Committee (ARC) which shall consist of three (3) members or five (5) members, all of which shall be designated by Declarant. There may also be two (2) alternate members, either of whom may be designated by the Committee to act as substitute on the Committee in the event of absence or disability of any member. Each member of the Committee shall hold office until such time as he has resigned or has been removed or his successor has been appointed, as provided herein. Members of the Committee may be removed by the Declarant at any time without cause.

8.02 Declarant's Right of Appointment. The Declarant shall have the right to appoint and remove all members of the ARC, including alternates. Upon sale of the final Unit or Homesite by the Declarant or its successor, the right to appoint and remove all members of ARC shall be automatically transferred to the Board who shall then have the authority to appoint and/or remove members of the ARC upon a majority vote.

8.03 Review of Proposed Construction. Whenever in this Declaration or in any Supplemental Declaration the approval of the Architectural Review Committee is required, the ARC shall have the right to consider all of the Plans and Specifications for the Improvement or proposal in question and all other facts which in its sole discretion are relevant. Except as provided in Sections 4.15 and 4.16 above, prior to commencement of any construction of any Improvement in the Project, the Plans and Specifications therefor shall be submitted to the Architectural Review Committee, and construction thereof may not commence unless and until the Committee has approved such Plans and Specifications in writing. The Committee shall consider and act upon any and all Plans and Specifications submitted for its approval pursuant to this Declaration, and perform such other duties assigned to it by this Declaration, or as from time to time shall be assigned to it by the Declarant or the Board, including the inspection of construction in progress to assure its conformance with Plans and Specifications approved by the Committee. The Committee shall approve Plans and Specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the surrounding area or the Project as a whole, and that the appearance of any structure affected thereby will be in harmony with the surrounding structures. The Committee may condition its approval of Plans and Specifications on such changes therein as it deems appropriate, and may require submission of

additional Plans and Specifications or other information prior to approving or disapproving the material submitted. The Committee may also issue rules or guidelines regarding anything relevant to its functions, including but not limited to minimum standards and procedures for the submission of Plans and Specifications for approval. Such rules shall be known as the Architectural Design Guidelines. The ARC, at its sole discretion, may require a reasonable fee to accompany each application for approval. Said fee, payable in advance by Applicant, shall be used to cover the ARC and its members' reasonable costs. The Committee may require such detail in Plans and Specifications submitted for its review and such other information as it deems proper, including without limitation, environmental impact statements. Until receipt by the Committee of all required Plans and Specifications and other information, the Committee may postpone review of anything submitted for approval.

8.04 Architectural Design Guidelines. The Architectural Review Committee shall from time to time, and in its sole discretion, adopt, amend and repeal by unanimous vote rules and regulations to be known as "Architectural Design Guidelines" interpreting and implementing the provisions of this Declaration and setting forth fees to be charged and procedures and design and construction criteria to be followed in submitting proposals to the Committee. A copy of the Architectural Design Guidelines as they may from time to time be adopted, amended or repealed, certified by any member of the Architectural Review Committee, shall be maintained at the office of the Association and shall be available for inspection and copying by any Member 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 Property:

(a) No more than one (1) residential unit shall be constructed on any Homesite. Further, provided that one (1) residential unit may be constructed on more than one (1) Homesite in which event the Owner shall be required to pay assessments on the number of Homesites owned and constructed upon absent approval of an alternative plan by the Board.

(b) All improvements shall be constructed in full compliance with all applicable zoning laws, building codes and other laws, ordinances and regulations applicable to the construction, use and occupancy of improvements, except as varied by the Declarant which was approved by Douglas County.

(c) The placement of the improvements on a Homesite, the type of roofs, exterior materials and building shapes shall be established in such manner as to be in compliance with the Architectural Design Guidelines and determined to be reasonable in the sole discretion of the Architectural Review Committee. Although the Architectural Review Committee shall not proscribe specific building "envelopes" for each site, the Committee shall have the authority to establish standards in the Architectural Design Guidelines for the setback of buildings from the borders of home sites.

8.05 Meetings of the Committee. The Committee shall meet from time to time as necessary to perform its duties hereunder, but such meetings shall be held at least annually or as otherwise required by law. The Committee may from time to time by resolution, unanimously adopted in writing, designate one of its members to take any action or perform any duties for and on behalf of the Committee, except the granting of variances pursuant to Section 8.10. In the absence of such designation, the vote of a majority of all of the members of the Committee, or the written consent of a majority of all of the members of the Committee taken without a meeting, shall constitute an act of the Committee.

8.06 No Waiver of Future Approvals. The approval or consent of the Committee to any Plans or Specifications for any work done or proposed or in connection with any other matter requiring the approval or consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any Plans or Specifications or other matter whatsoever subsequently or additionally submitted for approval or consent by the same or a different Person.

8.07 Compensation of Members. The members of the Committee shall be entitled to reimbursement for expenses incurred by them in the performance of their duties hereunder.

8.08 Nonliability of Committee Members. Neither the Committee nor any member thereof nor the Board nor any member thereof shall be liable to the Association or to any Owner or to any other Person for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's or the Board's respective duties under this Declaration unless due to the willful misconduct or bad faith of the Committee or its members or the Board of its members, as the case may be. Except insofar as its duties may be extended with respect to a particular area by a Supplemental Declaration filed by Declarant or by Declarant or a Major Developer, as the case may be, the Committee shall review and approve or disapprove all Plans and Specifications submitted to it for any proposed Improvement, including the construction, alteration or addition thereof or thereto, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the surrounding area and the Association generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features, but shall not be responsible for reviewing, nor shall its approval of any Plans or Specifications be deemed approval thereof from the standpoint of structural safety, engineering soundness, or conformance with building or other codes which may be applicable to the planned construction.

8.09 Variances. The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, any Supplemental Declaration or the Architectural Design Guidelines, including restrictions upon height, bulk, size, shape, floor area, land area, placement of structures, set-backs,

building envelopes, colors, materials, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations may, in its sole and absolute discretion, warrant. Such variances must be consistent with any and all applicable law. Such variances must be evidenced in writing and must be signed by at least a majority of all of the members of the Committee. If such a variance is granted, no violation of the covenants, conditions or restrictions contained in this Declaration, Supplemental Declaration or the Architectural Design Guidelines shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration, the Architectural Design Guidelines or any Supplemental Declaration for any purpose except as to the particular property and particular provision and in the particular instance covered by the variance.

8.10 Obligations with Respect to Zoning and Subdivisions.

A. The Architectural Review Committee shall require all Persons to comply fully with the zoning and master plan designations and the variances approved for the Sunridge Heights III project by the Douglas County Board of County Commissioners, and with all applicable federal, state and local laws, regulations and ordinances, insofar as the same is applicable and as the same may hereafter be amended from time to time.

ARTICLE IX

FUNDS AND ASSESSMENTS

9.01 Agreement to Pay. Each Owner, by his acceptance of a deed, for each Homesite, Unit, or Commercial Site owned, covenants and agrees to pay to the Association such regular and special assessments as are established, made and collected, as provided in this Declaration. Until such time as each Homesite within the Project has a residence constructed thereon and such Homesite is owned by Declarant, Declarant's assessments under this Article IX shall be limited to five dollars (\$5.00) per year, per homesite. Provided, however, that until the Association makes an assessment for common expenses, the Declarant shall pay all common expenses which may, at Declarant's sole discretion, be necessary.

9.02 The Association Maintenance Fund. The Board shall establish a fund (the "The Sunridge Heights III, Phase 1A Property Owners Association Maintenance Fund") into which shall be deposited all monies paid to the Association and from which disbursements shall be made in performing the functions of the Association under the Association Restrictions. The funds of the Association must be used solely for purposes related to the areas and Improvements owned by or leased to the Association, or subject to the Association Restrictions, to maintenance or operation by the Association, including maintenance and repair of all private roads within the Project, or otherwise for purposes authorized by

the Association Restrictions as they may from time to time be amended.

9.03 Regular Annual Assessments. Prior to the beginning of each fiscal year, the Board shall estimate the expenses to be incurred by the Association during such year in performing its functions under this Declaration, including a reasonable provision for contingencies and appropriate replacement reserves, less any expected income and any surplus from the prior year's fund. Uniform and equal Assessments sufficient to pay such estimated net charges shall then be levied and collected as provided in this Article IX. If the sums collected prove inadequate for any reason, including nonpayment of any individual Assessment, the Association may at any time and from time to time levy further Assessments in the same manner as aforesaid. All such regular Assessments shall be due and payable to the Association during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion, which shall at least be annually.

9.04 Special Assessments. In addition to the regular annual Assessments provided for above in Section 9.03, the Board may levy special Assessments, upon the property and in the manner set forth in this Article IX, whenever in the Board's opinion such special Assessments are necessary to enable the Board to carry out the mandatory functions of the Association under the Association Restrictions, and the Board may levy such special Assessments whenever in the Board's opinion such special Assessments are necessary to enable the Board to carry out the optional functions of the Association under the Association Restrictions.

9.05 Notice of Special Assessments; Time for Payment. The Association may, in its discretion, give written notice of special Assessments to each Owner, which notice shall specify the amount of the special Assessment and the date or dates of payment of the same. No payment shall be due fewer than fifteen (15) days after such written notice has been given. Failure of the Association to give notice of the special Assessment shall not affect the liability of the Owner of any Unit or Homesite for such special Assessment, but the date when payment shall become due in such a case shall be deferred to a date fifteen (15) days after such notice shall have been given.

9.06 Late Charges and Suspension of Card Key Privileges. If any Assessment, whether regular or special, is not paid within fifteen (15) days after it is due, the Owner may be required by the Board to pay a late charge at such rate as the Board may designate from time to time not to exceed eighteen percent (18%) per annum. In addition, the Board may, in its discretion, suspend an Owner's card key privilege or other mechanism to activate automatic entrance to the Project.

9.07 Unpaid Assessments as Liens. The amount of any delinquent Assessment, whether regular or special, assessed against any property and any late payment charge attributable

thereto, plus interest on such Assessment and charge at a rate not to exceed eighteen percent (18%) per annum simple interest, and the costs of collecting the same, including reasonable attorneys' fees, shall be a lien upon such Homesite and the Improvements thereto. Such lien shall be prior to any declaration of homestead. Such lien shall be created in accordance with NRS 116.3116 and shall be foreclosed in the manner provided for in NRS 116.31162, 116.31164 and 116.31168. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by such lien amount be conclusive upon the Association as to the amount of such indebtedness as of the date of the certificate, in favor of all Persons who rely thereon in good faith, and such certificate shall be furnished to any Owner upon request at a reasonable fee, not to exceed Ten Dollars (\$10.00).

9.08 Mortgage Protection. Notwithstanding any other provision of the Association Restrictions, no lien created under this Article IX or under any other Article of this Declaration, nor any lien arising by reason of any breach of the Association Restrictions, nor the enforcement of any provision of this Declaration or of any Supplemental Declaration shall defeat or render invalid the rights of the Beneficiary under any recorded Mortgage or Deed of Trust of first and senior priority now or hereafter upon a Homesite made in good faith and for value perfected before the date on which the assessment sought to be enforced became delinquent. However, after the foreclosure of any such first Mortgage or Deed of Trust or after any conveyance in lieu of foreclosure, such Homesite shall remain subject to the Association Restrictions and shall be liable for all regular Assessments and all special Assessments levied subsequent to completion of such foreclosure or delivery of such conveyance in lieu of foreclosure, and to all installments of all regular and special Assessments levied prior to completion of such foreclosure or delivery of such conveyance but falling due after such completion or such delivery.

9.09 Effect of Amendment on Mortgages. Notwithstanding the provisions of Section 10.02, below, no amendment of Section 9.08 of this Declaration shall affect the rights of any Beneficiary whose Mortgage or Deed of Trust has the first and senior priority as provided in Section 9.08 and who does not join in the execution thereof, provided that its Mortgage or Deed of Trust is recorded in the real property records of Douglas County, prior to the recordation of such amendment; provided, however, that after foreclosure or conveyance in lieu of foreclosure the property which was subject to such Mortgage or Deed of Trust shall be subject to such amendment.

9.10 Subordination. By subordination agreement executed by the Association, the benefits of Section 9.08 and 9.09, above, may in the sole and absolute discretion of the Board, be extended to beneficiaries not otherwise entitled thereto.

ARTICLE X

MISCELLANEOUS

10.01 Term. This Declaration, including all of the covenants, conditions and restrictions hereof, shall run until December 31, 2050, unless amended as herein provided. After December 31, 2050, this Declaration, including all such covenants, conditions and restrictions, shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by at least two-thirds (2/3) of the Owners in the Association Project and recorded in the Douglas County real property records.

10.02 Amendment.

A. Special Provisions. No amendment of Article IX shall be effective as to any Beneficiary who does not join in the execution thereof provided that its Mortgage or Deed of Trust is recorded in the real property records of the county prior to the recordation of such amendment. Subject to the preceding sentence, and except as set forth below, no amendment of this Section 10.02 shall be effective unless adopted by a majority of the total number of votes entitled to be cast pursuant to Section 2.04A above at the time of the proposed amendment. No amendment of this Declaration shall be effective until executed and recorded in the real property records of Douglas County in the manner herein provided.

B. By Declarant. Except as provided in Section 10.02A, this Declaration may be amended by only the Declarant so long as Declarant is entitled to exercise any development rights or appoint all members of the Board; provided, however, that no such amendment by Declarant shall be effective without Notice and a Meeting if the Owners, other than Declarant, entitled to cast eighty percent (80%) or more of the votes entitled to be cast pursuant to Section 2.03 object to such amendment proposed by Declarant. No amendment by Declarant shall be effective until there has been recorded in the real property records of the county, an instrument executed and acknowledged by Declarant and setting forth the amendment, and an instrument executed and acknowledged by the president and secretary of the Board certifying that the above-mentioned Notice and Meeting was given and held and that the Board did not within fifteen (15) days after said hearing receive written objections to the amendment from the Owners, other than Declarant, entitled to cast eighty percent (80%) or more of the votes entitled to be cast pursuant to Section 2.03.

C. By Owners. Except as provided in Sections 10.02A and 10.02B, this Declaration may be amended by the recording in the County's real property records of an instrument executed and acknowledged by the president and secretary of the Board, setting forth the amendment and certifying that such amendment has been approved by Owners entitled to cast at least fifty-one percent (51%) of the number of votes entitled to be cast

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pursuant to Section 2.03. Any Owner may indicate their approval of such proposed amendment either by consenting thereto in writing or by affirmative vote at a duly convened regular or special meeting of the Association.

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

10.04 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development and operation of the Association and of promoting and effectuating the fundamental concepts of the Association as set forth in the Recitals of this Declaration. This Declaration shall be construed and governed under the laws of the State of Nevada.

10.05 Enforcement and Nonwaiver.

A. Right of Enforcement. Except as otherwise provided herein, any Member, at their own expense, and Declarant and the Board shall have the right to enforce all of the provisions of the Association Restrictions against any property within the Association and the Members thereof. Such right of enforcement shall include both damages for and injunctive relief against the breach of any such provision. The right of any Member to so enforce such provisions shall be equally applicable without regard to whether the land (or other interest) of the Member seeking such enforcement or the land (or other interest) whereon or with respect to which a violation of such provision is alleged is initially set forth on Exhibit "A" or is hereafter subjected to this Declaration pursuant to Section 3.02, above.

B. Violation a Nuisance. Every act or omission whereby any provision of the Association Restrictions is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated by any Owner, at their own expense, by Declarant, or by the Board, whether or not the relief sought is for negative or affirmative action. However, only Declarant, the Board and the duly authorized agents of either of them may enforce by self-help any of the provisions of the Association Restrictions, and then only if such self-help is preceded by reasonable notice to the Owner in question.

C. Violation of Law. Any violation of any federal, state or local law, ordinance or regulation pertaining to the ownership, occupancy or use of any property within the Association is hereby declared to be a violation of the

Association Restrictions and subject to all of the enforcement procedures set forth in said Restrictions.

D. Remedies Cumulative. Each remedy provided by the Association Restrictions is cumulative and not exclusive.

E. Nonwaiver. The failure to enforce any provision of the Association Restrictions at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision of said Restrictions.

10.06 Construction.

A. Restrictions Severable. Notwithstanding the provisions of the foregoing Section 10.04, each of the provisions of The Sunridge Heights III, Phase 1A Property Owners Association Restrictions shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

B. Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

C. Captions. All Captions and titles used in this Declaration are intended solely for convenience of reference and shall not enlarge, limit or otherwise affect that which is set forth in any of the paragraphs, Sections or Articles hereof.

D. Liberal Construction. It is the intention of Declarant that this Declaration be liberally construed to promote the purpose of a well planned community, reserving to the Declarant the rights necessary to complete the project and to insure the integrity of the interrelated land uses.

IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first above written.

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SYNCON HOMES

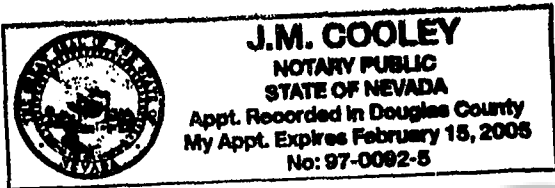
By Andrew W. Mitchell
PRESIDENT
Andrew W. Mitchell

STATE OF NEVADA)

County of Douglas) ss.

On August 19, 2002, before me, the undersigned, a notary public, personally appeared Andrew W. Mitchell personally known to me to be the President of SYNCON HOMES, a Nevada corporation, who executed the foregoing instrument, and who acknowledged to me that he executed the same freely and voluntarily, and for the uses and purposes therein mentioned on behalf of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year hereinabove written.



J.M. Cooley
Notary Public

COOPER

EXHIBIT "A"

LEGAL DESCRIPTION

The land referred to herein is situated in the State of Nevada,
County of Douglas, described as follows:

Parcel 1 and Lots 2 through 28, inclusive, in Block A; Parcel
61 and Lots 29 through 60, inclusive, in Block B; those roads
entitled DOG LEG DRIVE and CHIP CREEK COURT, as set forth on
that certain Final Map LDA #99-54-1A for SUNRIDGE HEIGHTS III,
PHASE 1A, a Planned Unit Development, recorded in the office of
the Douglas County Recorder on August 1, 2002, in Book 0802,
Page 22, as Document No. 548492.

A portion of APN 1420-18-701-001

REQUESTED BY
Stewart Title of Douglas County
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2002 AUG 19 PM 3:07

LINDA SLATER
RECORDER

\$59⁰⁰ PAID *K2* DEPUTY

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