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DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
MINDEN TOWNHOMES

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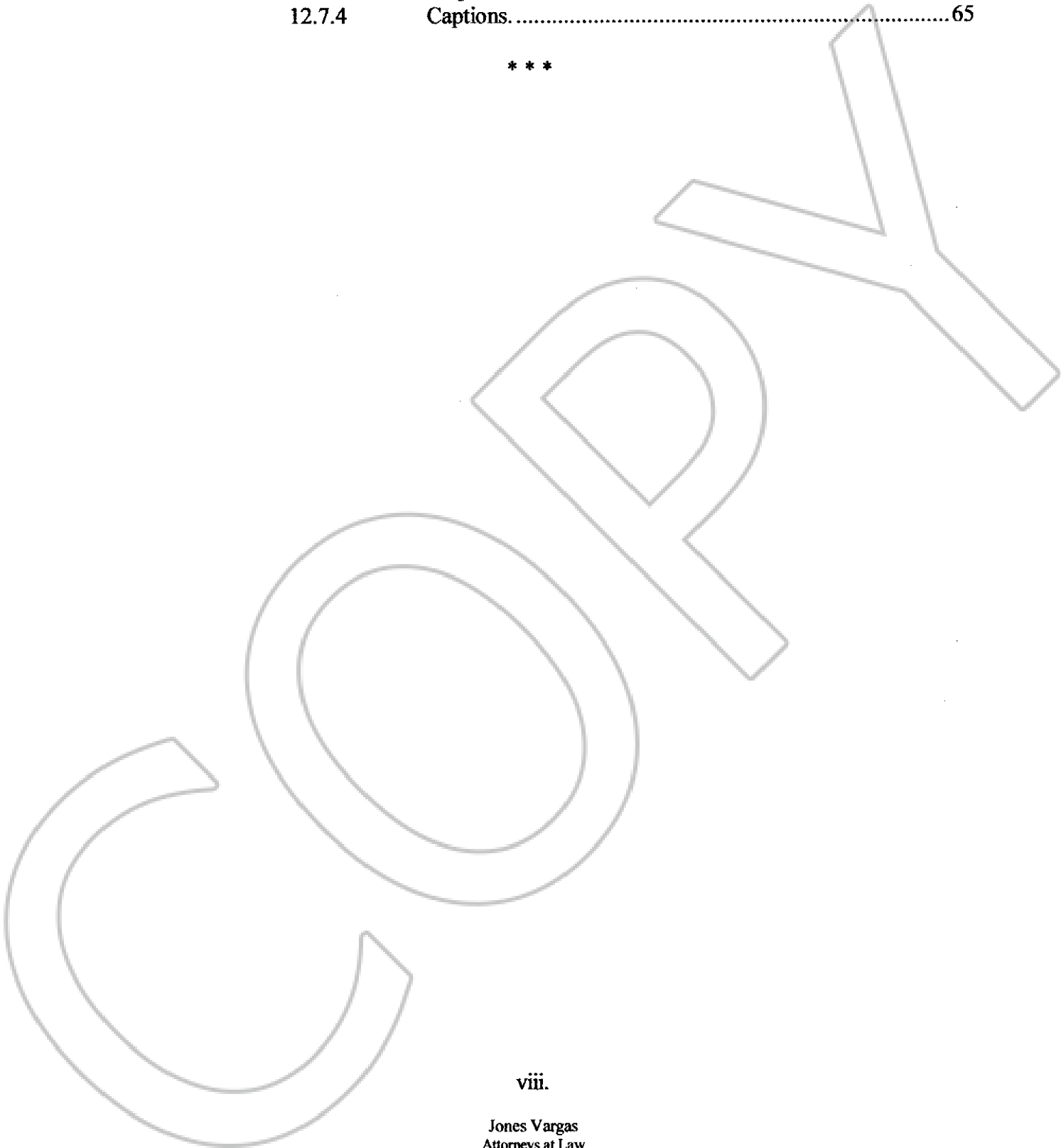
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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
MINDEN TOWNHOMES**

THIS DECLARATION ("Declaration") is made this 5th day of November, 2003, by **JUMPERS, LLC, a Nevada limited liability company** ("Declarant"), with reference to the following facts and is as follows:

RECITALS:

A. Declarant is the owner of that certain real property situate in County of Douglas, State of Nevada, and described in **Exhibit "A"** hereto and by this reference incorporated herein ("the Property").

B. Declarant intends to create a common-interest community within the Property as defined in Chapter 116 of the Nevada Revised Statutes ("the Act") and to sell and convey Units (below defined) therein subject to the covenants, conditions, restrictions, equitable servitudes, and charges set forth herein which establish a general plan of improvement for the benefit of all of the Units. The common-interest community created hereby is a condominium as defined in NRS Chapter 116. Declarant intends to develop the Property with a maximum of thirty-one (31) Units. The name of the common-interest community is **Minden Townhomes**.

DECLARATION:

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

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ARTICLE I

DEFINITIONS

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

1.1 "Architectural Control Committee" or "Architectural Committee" means the Board acting as the architectural control committee under this Declaration.

1.2 "Architectural Committee Rules" means the rules, if any, adopted by the Architectural Committee.

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

1.4 "Association" means the **Minden Townhomes Homeowners Association, a Nevada nonprofit corporation.**

1.5 "Association Property" means all real and personal property now or hereafter owned by or leased to the Association or in which the Association has a recognizable legal or equitable present or future interest.

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

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

1.8 "Bylaws" means the Bylaws of the Association.

1.9 "Common Elements" means the entire Project excepting all Units.

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

1.11 "Condominium" means an estate in real property consisting of (a) a fee interest in a Unit, and (b) an undivided fractional interest in the Common Elements, together with all easements, rights and appurtenances belonging thereto.

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

1.13 "Declaration" or "this Declaration" means this instrument entitled "Declaration of Covenants, Conditions, and Restrictions for Minden Townhomes", and any and all amendments thereto.

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

1.15 "Eligible Insurer" means an insurer or guarantor of a First Deed of Trust which has requested notification pursuant to the provisions of paragraphs 9.5 and 12.5 hereof.

1.16 "Eligible Mortgage Holder" means the holder of a First Deed of Trust which has requested notification pursuant to the provisions of paragraphs 9.5 and 12.5 hereof.

1.17 "FNMA" and "FHLMC" mean, respectively, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

1.18 "Final Map" means the Final Map for the Property which was recorded on _____, _____, in the office of the County Recorder of Douglas County, Nevada, in Book _____, at Page _____, as Document No. _____ and by this reference incorporated herein.

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

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

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

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1.22 "Limited Common Elements" means those portions of the Common Elements allocated by this Declaration, the Final Map, the Plans or by operation of subsection (2) or (4) of NRS 116.2102 for the exclusive use of one or more but fewer than all of the Units.

1.23 "Manager" means the person or entity, if any, designated by the Board to manage the affairs of the Association and to perform various other duties assigned by the Board and by the provisions of this Declaration.

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

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

1.26 "Plan" means those items set forth in NRS 116.2109(5), including drawings of Improvements which are filed with agencies which issue permits for the Project, and all number and letter designations set forth thereon identifying Units, all of which are by this reference incorporated herein.

1.27 "Property" or "Project" means the Property, together with all Improvements now or hereafter located thereon, and together with all easements, rights and appurtenances belonging thereto.

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

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

1.30 "Successor Declarant" means any and all successors-in-interest of Declarant who acquire an interest in the Property, or any portion thereof, and to whom Special Declarant's Rights have been assigned by a written assignment executed by the transferor Declarant and the transferee Successor Declarant which is duly recorded in the office of the County Recorder of Douglas County, Nevada. Declarant and each Successor Declarant shall cease to be the Declarant or a Successor

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Declarant, respectively, at such time that it ceases to own an interest in any portion of the Property and designates a Successor Declarant in the manner provided in this paragraph 1.31.

1.31 "Unit" means a physical portion of the Project designated for separate ownership or occupancy, the boundaries of which are described in **Article III** of this Declaration.

ARTICLE II

DESCRIPTION OF PROPERTY RIGHTS AND OBLIGATIONS, COMMON INTERESTS, RIGHTS OF ENJOYMENT, AND EASEMENTS

2.1 Ownership of Condominium. Ownership of each Condominium within the Project shall include a fee interest in a Unit, an undivided fractional interest as a tenant in common in the Common Elements (the numerator of such fraction being one, and the denominator of such fraction being the number of Units in the Project at any given time and from time to time), an exclusive right to use that portion of the Common Elements designated as Limited Common Elements on the Final Map or the Plans and being appurtenant to such Unit, and a membership in the Association.

2.2 Non-Severability of Component Parts of Condominium. No part of a Condominium or of the legal rights comprising ownership of a Condominium may be severed from any other part thereof during the period of condominium ownership prescribed herein, so that each Unit and the undivided interest in the Common Elements appurtenant to such Unit shall always be conveyed, devised, encumbered, and otherwise affected only as a complete Condominium. Every gift, devise, bequest, transfer, encumbrance, conveyance, or other disposition of a Condominium or any part thereof shall be presumed to be a gift, devise, bequest, transfer, encumbrance, or conveyance, respectively, of the entire Condominium, together with all appurtenant rights created by law or by this Declaration. Further, the Common Elements shall be owned in common by all Owners of Condominiums; and no Owner may bring any action for partition thereof except as herein provided.

2.3 Ownership of Common Elements. Declarant shall transfer and convey to the Owners an undivided fractional interest in all of the Common Elements in the Project at the time of the conveyance to each such Owner of a Unit; and such fractional interest in the Common Elements shall be re-allocated automatically each time additional Units are added to the Project so that at all times the Owners' individual undivided interests in the Common Elements shall be equal.

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

- (a) The lien of real property taxes and assessments;

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(b) The obligations imposed, directly or indirectly, by virtue of any statute, law, ordinance, resolution, or regulation of the United States of America, the State of Nevada, County of Douglas, or any other political subdivision or public organization having jurisdiction over the Property, or by virtue of any organization or political body created pursuant to any such statute, law, ordinance, or regulation;

(c) Any and all easements and other rights shown on the Final Map;

(d) All easements and other rights and obligations created by this Declaration;

(e) Any and all loans for the construction of Improvements to the Common Elements which loans shall be paid by Declarant as the same become due and payable; and

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

2.5 Taxes and Assessments. Each Owner shall execute such instruments and take such actions as may reasonably be specified by the Association to obtain separate real property tax assessments of the interest of each Owner in each Condominium. If, nevertheless, any taxes or special district or other assessments may be, in the opinion of the Association, a lien on the Project or any part thereof, then the Association shall pay the same and assess the same to the Owner or Owners responsible therefor. Each Owner shall pay the taxes or assessments assessed against his Unit, or interest therein.

2.6 Owners' Easements of Enjoyment. Except as otherwise expressly provided elsewhere in this Declaration, each Owner shall have, and the Association hereby grants to each Owner, a non-exclusive easement of use and enjoyment in, to, and throughout the Common Elements and for ingress, egress, and support over and through the Common Elements, and an exclusive easement for the use and enjoyment of the Limited Common Elements appurtenant to such Owner's Unit; provided, however, that such non-exclusive easements shall be subordinate to, and shall not interfere with, the Limited Common Elements appurtenant to each Unit. Each such easement shall be appurtenant to and pass with title to each Unit, subject to the following rights and restrictions:

2.6.1 The Association shall have the right to adopt, amend, and enforce Rules and Regulations affecting use of the Common Elements; provided, however, that such Rules and

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Regulations shall not be in conflict with the provisions of this Declaration or any ordinances of Douglas County, Nevada, or of any other governmental entity.

2.6.2 The Association shall have the right to suspend the right to use any recreational facilities within the Common Elements by an Owner, his tenants and guests for any period during which any Assessment against such Owner remains unpaid for a period of thirty (30) days by so notifying the Owner of such suspension, provided, however that if such Owner files a written objection with the Board within ten (10) days after such suspension notice is deemed to have been received by Owner pursuant to the provisions hereof, then such Owner shall be given written notice and an opportunity to be heard. Such notice shall be sent to the Owner by certified mail, return receipt requested, and shall be deemed delivered upon the lapse of three (3) days from and after the deposit of such notice in the United States mail, postage prepaid and addressed to such Owner at his Unit or at such other address as may be on record with the Association. The notice shall include a general statement of the proposed action and the date, time and place of the hearing. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the party conducting the meeting to assure a prompt and orderly resolution of the issues. Any evidence shall be duly considered, but is not binding in making the decision. The affected person shall be notified of the decision in the same manner in which notice of the meeting was given.

2.6.3 The Association shall have the right to limit the number of guests of an Owner utilizing the Common Elements.

2.6.4 The Association shall have the right to charge reasonable admission and other fees for the use of any recreational facility situate upon the Common Elements.

2.6.5 The Association shall have the right to assign, rent, grant licenses, or otherwise designate and control the use of any parking or storage spaces within the Common Elements (other than those portions which are part of the Limited Common Elements).

2.6.6 The Association shall have the right to borrow money to improve, repair or maintain the Common Elements.

2.7 Use of the Common Elements. Any Owner may extend his rights of use and enjoyment in the Common Elements, including any recreational facilities, to such Owner's family members, guests, and invitees, subject, however, to the provisions of this Declaration and the Rules and Regulations. If an Owner has rented all of such Owner's Unit to a tenant(s), then the Owner, such Owner's family, members, guests, and invitees shall not be entitled to use and enjoy the

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recreational facilities of the Common Elements while the Owner's Unit is occupied by such tenant(s). Instead, the tenant(s), while occupying such Unit, shall be entitled to use and enjoy the recreational facilities of the Common Elements and, during the period of such tenants' occupancy, such tenant(s) can extend to other persons the rights of use and enjoyment in the same manner as if such tenant(s) were an Owner. Each Owner shall notify the secretary of the Association of the names of any tenants of such Owner's Unit. Each Owner or tenant also shall notify the secretary of the Association of the names of all persons to whom such Owner or tenant has extended any rights of use and enjoyment in the Common Elements and the relationship that each such person bears to the Owner or tenant. All permitted rights of use and enjoyment of the Common Elements are subject to suspension as set forth in paragraph 2.6.2 above. Each Owner shall at all times be responsible for any and all activities of his tenants, guests and invitees using the Common Elements. No Improvements within the Common Elements shall be altered or removed, except at the express direction of the Association.

2.8 Association's Right to Use of Common Elements. The Association shall have a non-exclusive easement to make such use of the Common Elements as may be necessary or appropriate to perform the duties and functions which it is obligated or permitted to perform pursuant to this Declaration, including the right to construct and maintain in the Common Elements maintenance and storage facilities for use by the Association.

2.9 Easements for Encroachments. If any part of the Common Elements encroaches or shall hereinafter encroach upon a Unit, an easement for such encroachment and for the maintenance of the same does and shall exist. If any part of a Unit encroaches or shall hereinafter encroach upon the Common Elements, or upon an adjoining Unit, an easement for such encroachment and for the maintenance of the same does and shall exist. Such encroachments shall not be considered to be encumbrances either on the Common Elements or the Units. Encroachments referred to herein include, but are not limited to, encroachments cause by initial construction, settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of the Project or any part thereof. Notwithstanding the foregoing, no such encroachment shall exist to the extent it is caused by the willful misconduct of the Owner of the encroaching Unit or the failure of such Unit's Owner to cause the Unit to be repaired or reconstructed after damage or destruction in accordance with approved plans and specifications.

2.10 Easements of Access for Repair, Maintenance, and Emergencies. Some of the Common Elements is or may be located within the Units or may be conveniently accessible only through the Units. The Owners of other Units shall have the irrevocable right, to be exercised by the Association as their agent, to have access to each Unit and to all Common Elements, including Limited Common Elements, from time to time during such reasonable hours as may be necessary, for the maintenance, repair, or replacement of any of the Common Elements, including any Limited Common Elements, located therein or accessible therefrom, or for repairs or maintenance to

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improvements in or on the Unit which are the responsibility of the Association, or for making emergency repairs therein necessary to prevent damage to the Common Elements or to another Unit. The Association shall also have such right independent of any agency relations. Damage to the interior of any part of a Unit resulting from the maintenance, repair, emergency repair, or replacement of any of the Common Elements or as a result of emergency repairs within another Unit at the instance of the Association or of Owners shall be an expense of all of the Owners; provided, however, if such damage is the result of negligence of the Owner of a Unit, then such Owner shall be financially responsible for all of such damage. Amounts owing by Owners pursuant hereto shall be collected by the Association by assessment pursuant to Article 6 below.

2.11 Utility Easements. There is reserved for the benefit of each Unit easements for utility services over, under, or through such portions of the Project and other Units, where such utilities are constructed when construction of the Project is completed. In addition, Declarant reserves, and the Association is granted, the right to establish and convey subsequent utility easements; and each Owner in accepting a deed to a Condominium, expressly consents to such easements. However, no such easement can be granted if it would interfere with the use, occupancy, or enjoyment by any Owner of his Unit, his Limited Common Elements, or the common facilities of the Project unless approved by the vote or written consent of the holders of not less than sixty-seven percent (67%) of the voting rights of the Members.

2.12 Easements Deemed Created. All conveyances of Condominiums hereafter made shall be construed to grant and reserve such reciprocal easements as shall give effect to the provisions of this Article II even though no specific reference to such easements or to the sections pursuant to which they are created appear in any such conveyance.

2.13 Maintenance and Repairs. Each Owner shall maintain his Unit in a clean and attractive condition and good state of repair. All such maintenance by Owner described in this Section is to be at the sole cost and expense of the Owner. Each Owner shall notify the Manager or a member of the Board upon discovery of any damage to or malfunction of any pipe, wire, or other utility installation which is in his Unit, the Limited Common Elements or the Common Elements; provided, however, that such notice requirement shall not be construed to alter Owner's obligation to maintain and repair any such installations which are a part of his Unit.

2.14 Structural and Exterior Alterations. No Owner shall make, or cause to be made, any structural alterations to the interior or exterior of the Owner's Unit or to any Limited Common Elements or Common Elements; nor shall any Owner paint, decorate, change, or add any item to any exterior of the Owner's Unit or any building or other structure in the Project without first obtaining written consent of the Architectural Committee (below defined) and any institutional first mortgagee whose interest may be affected. Once obtaining such consent of the Architectural Committee, it shall

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be the Owner's obligation to obtain any and all necessary approvals for such alterations from the appropriate governmental body exercising jurisdiction over such matter.

2.15 Mechanic's Lien Rights. No labor performed or services or materials furnished with the consent of or at the request of an Owner or his agent or his contractor or subcontractor shall be the basis for the filing of a lien against the Unit of any other Owner, or against any part thereof, or against any other property of any other Owner, unless such other Owner has expressly consented to or requested the performance of such labor or furnishings of such materials or services. Such express consent shall be deemed to have been given by the Owner of any Unit in the case of emergency repairs thereto. Labor performed or services or materials furnished for the Project, if authorized by vote of the Association, shall be deemed to be performed or furnished with the express consent of each Owner. Any Owner may remove his Unit from a lien against two or more Units or any part thereof by payment to the holder of the lien of the fraction of the total sum secured by such lien which is attributable to his Unit.

2.16 Declarant's Common Elements Easement Rights; Dedication of Common Elements.

2.16.1 Reservation of Common Elements Easements In Favor of Declarant. Declarant hereby reserves unto itself such easements over, through and under the Common Elements (excluding Limited Common Elements) as may be reasonably necessary to discharge Declarant's obligations or exercise any Special Declarant's Rights, whether arising under NRS Chapter 116 or reserved in this Declaration.

2.16.2 Reservation of Right to Grant Additional Common Elements Easements and to Dedicate Common Elements. Declarant hereby reserves unto itself the right to grant easements and rights of way on, over, through and under the Common Elements for the purposes described below and for the benefit of the Owners and the Association, and the right to offer for dedication any portion of the Common Elements to any political subdivision, or any public or quasi-public entity or utility. Such grants of easement or dedications may be for any or all of the following described purposes: constructing, erecting, operating, or maintaining on the Common Elements, at any time: (i) roads, streets, trails, walks, driveways, vehicle parking areas, parkways, and park areas; (ii) poles, wires, or conduits for transmission of electricity, telephonic communication or cable or master antenna television for the Project and the necessary apparatus incident thereto; and (iii) public and private sewers, sewage disposal systems, storm drains, land drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any and all equipment and other apparatus relating thereto. The rights reserved by Declarant in this subparagraph 2.16.2 may be exercised at any time that Declarant owns any portion of the Property.

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2.17 Rights of Association to Grant Easements Over Common Elements and to Dedicate Portions of Common Elements. At such time as the rights reserved by Declarant under subparagraph 2.16.2 have expired, the Association shall be entitled to exercise the rights reserved to Declarant under subparagraph 2.16.2, provided that at least sixty-seven percent (67%) of the voting power of the Association (exclusive of Units owned by Declarant) has approved such action.

2.18 Right of Association to Encumber Common Elements. The Association may encumber the Common Elements in connection with authorized obligations, but only upon the affirmative vote of not less than sixty-seven percent (67%) of the voting power of the Association (exclusive of Units owned by Declarant).

2.19 Access to Units. Each Owner shall have an unrestricted right of ingress and egress to his Unit. Such right of access shall be appurtenant to each such Unit; and any transfer of such Unit, of whatever kind, which does not include such right of access shall be void.

2.20 Declarant Ownership of Units. As to each Unit owned by Declarant, Declarant shall enjoy the same rights and assume the same duties as they relate to each individual unsold Unit.

ARTICLE III

USE RESTRICTIONS

3.1 The Common Elements shall remain undivided as set forth above, and no Owner shall bring any action for partition, excepting as otherwise provided, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project.

3.2 The Units shall be occupied and used by the respective Owners only as a private dwelling for the Owners, their families, tenants, and social guests and for no other purpose.

3.3 No activity which constitutes or which could constitute a crime, annoyance or a nuisance to the Project will be permitted in any Unit in the Project. No exterior halogen/vapor lights are permitted, and all exterior lights must be contained to direct light downwards per Douglas County Code.

3.4 No business or profession shall be carried on or conducted within the Project with the exception of home/office usages permitted by Douglas County.

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3.5 No store or other place of commercial or professional business of any kind, nor any place of public entertainment shall be permitted in any Unit.

3.6 Storage of wrecked, junked, unlicensed, unregistered, or inoperable automobiles, appliances, or similar machinery shall not be permitted at any Unit, except in an allowed enclosed structure.

3.7 No trucks (larger than passenger pickup or types), trailers, boats, recreational vehicles or unregistered vehicles shall be parked on public roadways in the Project in violation of Douglas County Code. No trucks (larger than passenger pickup types), trailers, boats, recreational vehicles or unregistered vehicles of any kind shall be parked on any public roads in the Project temporarily for more than forty-eight (48) hours.

3.8 No motorized vehicle which is not currently licensed or registered for use on public highways, except tractors and vehicles used during landscaping maintenance, shall be driven on any lot, road or easement in the Project.

3.9 Each Unit has a mandatory requirement for weekly trash removal service.

3.10 No garbage, refuse, obnoxious or offensive materials shall be permitted to accumulate in or near any Unit, and the Owner of each Unit shall cause such materials to be disposed of with mandatory trash service and other accepted sanitary practices. All garbage and trash containers shall be placed in enclosed areas so that such containers are not visible from adjoining Units or roads, except on the day of collection.

3.11 Installation of any exterior radio or television antenna is not allowed. Any exterior satellite television dish that exceeds twenty-four inches (24") in diameter is not allowed. No clothes line shall be constructed or erected which would be visible from the street or adjoining Units.

3.12 Dogs, cats, or other household pets may be kept, provided that they are not kept, bred, or maintained for any commercial purposes and provided they do not become a nuisance to other Owners. All pets shall be controlled and restrained so as not to run at large or become a nuisance or annoyance to the Owners of Units. Pet Owners must carry appropriate materials to clean up any droppings and dispose of them properly.

3.13 Signs of any kinds shall not be displayed to the public view on or from any Unit without the approval of the Association with the exception of temporary realty signs.

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3.14 Each Owner shall have the exclusive right to paint, repaint, wax, paper or otherwise refinish and decorate the inner surfaces of the walls, ceilings, windows and doors bounding his own Unit, or any part thereof.

[OR:

ARTICLE III

**UNIT BOUNDARIES, USE RESTRICTIONS,
MAINTENANCE OBLIGATIONS AND PRIVATE
EASEMENTS**

3.1 **Unit Boundaries.** The boundaries of each Unit created by the Declaration are shown on the Final Map and Plans as numbered Units, along with their identifying number, and are described as follows:

(a) **Upper Boundary:** The horizontal or sloping plane or planes of the unfinished lower surfaces of the ceiling bearing structure surfaces, beams and rafters and of closed fireplace dampers, extended to an intersection with the vertical perimeter boundaries.

(b) **Lower Boundary:** The horizontal plane or planes of the undecorated or unfinished upper surfaces of the floor, extended to an intersection with the vertical perimeter boundaries and open horizontal unfinished surfaces of trim, sills and structural components.

(c) **Vertical Perimeter Boundaries:** The planes defined by the inner surfaces of the studs and framing of the perimeter walls; the unfinished inner surfaces of poured concrete walls; the unfinished surfaces of the interior trim, fireplaces, and thresholds along perimeter walls and floors; the unfinished outer surfaces of closed windows and closed perimeter doors; and the innermost unfinished planes of all interior bearing studs and framing of bearing walls, columns, bearing partitions and partition walls between separate Units.

(d) **Inclusions:** Each Unit will include the spaces and improvements lying within the boundaries described in (a), (b) and (c) above, and will also include the spaces and the Improvements within those spaces containing any space heating, water heating and air conditioning apparatus, all electrical switches, wiring, pipes, ducts, conduits, smoke detector systems and television, telephone, electrical receptacles and light fixtures and boxes serving that Unit exclusively. The surface of the foregoing

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items will be the boundaries of that Unit, whether or not those items are contiguous to the Unit.

(e) **Exclusions:** Except when specifically included by other provisions of this Section, the following are excluded from each Unit: The spaces and Improvements lying outside of the boundaries described in (a), (b) and (c) above; and all chutes, pipes, flues, ducts, wires, conduits, skylights and other facilities running through or within any interior wall or partition for the purpose of furnishing utility and similar services to other Units and Common Elements or both.

(f) **Noncontiguous Portions:** Certain Units may include special portions, pieces or equipment such as air conditioning compressors, meter boxes, utility connection structures and storage portions situated in buildings or structures that are detached or semi-detached from the buildings containing the principal occupied portion of the Units. This special equipment and storage portions are a part of the Unit, even though they are not contiguous with the residential portions.

(g) **Inconsistency with Plans:** If this definition is inconsistent with the Plans, then this definition will control.

3.2 Residential Use. No Unit shall be improved or used for any purpose other than single family residential use. The term "single family residential use" shall mean use by one or more persons residing and cooking together as a single housekeeping unit, provided any group of persons either:

(a) is composed exclusively of family members who are related by blood, marriage or legal adoption to each other as grandparents, parents or children, or

(b) contains a maximum number not exceeding two multiplied by the number of bedrooms in the Unit. The number of bedrooms in any Unit is the number shown on the plans approved by the County at the time of original construction of the Unit, not the number of rooms actually used as bedrooms, and not including any bedrooms added by subsequent remodeling or additions.

Nothing contained in this Declaration shall prevent an Owner from leasing or renting his Unit; provided, however, that any lease or rental agreement shall be in writing and must specify that failure to abide by the provisions of this Declaration, the Articles, the Bylaws, and the Rules and Regulations shall be a default under the lease or rental agreement, and the initial term of each such lease shall not be less than thirty (30) days. Whether or not the written leases or

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rental agreement so provides, all tenants of Units are subject to and are required to abide by the provisions of this Declaration, the Articles, the Bylaws and the Rules and Regulations. No Owner shall rent or lease his Unit for transient or hotel purposes, nor shall any Unit be time shared. No Unit shall be subdivided in any manner.

3.3 Improvements and Alterations; Architectural Control. No improvement, construction, repair, excavation, fill, removal of rocks, shrubs or natural vegetation, or other work that alters the land or the exterior appearance of any Improvement or any Unit in any manner shall be made, done, or permitted to be done unless approval therefor is first obtained from the Architectural Control Committee in accordance with this Declaration of Protective Covenants and the procedures established by the Architectural Committee Rules, and from the appropriate governmental authority, if required.

3.4 Business or Commercial Activity. No Unit shall ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant, its successors and assigns may use any portion of the Property for a model home site and display and sales offices in accordance with Article X hereof. The provisions of this Section 3.4 shall not preclude any of the above-described activities which are conducted without external evidence thereof provided that all of the following conditions are fulfilled: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not routinely or in significant numbers visit the Unit or park automobiles or other vehicles within the Community; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside of the boundaries of the Unit; (d) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (e) such activities are consistent with the residential character of the Community and otherwise conform with the provisions of this Declaration and the Rules and Regulations.

3.5 Appearance of Unit. Each Owner shall keep his Unit and the Improvements thereon in a clean and attractive condition. Any patio or balcony areas shall not be used for storage of items not to be used in such balcony or patio areas, including but not limited to firewood, boxes, bicycles, and any other unsightly items. Each Owner shall have complete discretion as to the choice of furniture, furnishings, and interior decorating; however, all draperies, curtains, shutters, or other window coverings shall be of good quality and of such color, design, and construction so as to be in accord with the attractive appearance of the

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Project and presented to the public view in a first-class manner. No plastic, aluminum foil, bedroom sheet or other unsuitable coverings may be placed in or on the windows.

3.6 Garages; Parking Restrictions. Each Owner shall park only in parking areas or spaces, as designated by the Rules and Regulations from time to time, and in accordance with such Rules and Regulations. At no time shall parking be allowed along or on the private streets within the Project. Parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Rules and Regulations. Parking spaces shall be used for parking fully operational automobiles only, and shall not be converted for other storage or recreational activities. No Owner shall park, store or keep within the Property any inoperable or commercial type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck) unless said inoperable or commercial vehicle can be stored in a Garage. No Owner shall park, store or keep any recreational vehicle (including, but not limited to, any camper unit, house/car or motor home); any bus, trailer, trailer coach, camp trailer, camper truck, boat, aircraft or mobile home; or any other similar vehicle, unless the recreational vehicle is not visible from the front of the Lot or from neighboring property. The above excludes camper trucks and similar vehicles up to and including one (1) ton when used for everyday-type transportation and subject to approval by the Board. In addition, no Owner shall park, store, or keep anywhere within the Property any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. The Board shall have the power to enforce all parking and vehicle use restrictions applicable to the Property, including the power to remove violating vehicles from any of the Property to the extent permitted by applicable law. Garages may be used only for the parking of vehicles, and may not be used generally for storage purposes.

3.7 Trailers, Boats, and Motor Vehicles. The Board may enact reasonable Rules and Regulations governing the storage and operation of trailers and boats within the Project, including the exclusion of same from the Project. Except within spaces specifically provided for such purpose, there shall be no storage of recreational vehicles or boats within the Project. The Association shall have the right to direct the removal of vehicles improperly parked on the Common Elements pursuant to NRS 487.038. No boat, truck, trailer, camper, recreational vehicle, or tent shall be used as a living area while located on the Project.

3.8 Leasing of Units. An Owner shall be permitted to lease such Owner's Unit provided that:

(a) The Owner and all tenants ("Tenant") enter into a written lease which provides that the terms of the lease shall be subject in all respects to the provisions of

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this Declaration and the Rules and Regulations, and that any failure by the Tenant to comply with the terms of such documents shall be a default under the lease;

(b) The Tenant is furnished with a copy of this Declaration and the Rules and Regulations;

(c) The lease grants to the Association as a third-party beneficiary the right to evict the Tenant for failure to comply with this Declaration or the Rules and Regulations; and

(d) The Secretary of the Association has been furnished with the name(s) and mailing addresses of the Tenant within five (5) business days after execution of the lease.

Each Owner shall be responsible and liable for all activities of such Owner's Tenant which are in violation of this Declaration or the Rules and Regulations.

3.9 Sports Equipment. No basketball standard, whether fixed or portable, or other fixed or portable sports apparatus shall be erected or attached to any structure in the Project, unless approved by the Architectural Committee.

3.10 Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated, or maintained upon or adjacent to any Unit except such machinery or equipment as is usual and customary in connection with and during the use, maintenance, or construction of a residence or other structure. No equipment for air conditioning, heating, fuel storage or other uses shall be installed or maintained outside of or protruding through the walls, windows, or roof of any building in the Project except for such equipment as is initially constructed by Declarant or thereafter as approved by the Architectural Committee.

3.11 Barbecues. There shall be no exterior fires except barbecue fires contained within receptacles designed for such purpose or outside fireplaces approved by the Architectural Committee and then only in accordance with applicable laws and ordinances.

3.12 Animals. No animals or fowl, including without limitation, horses, cows, sheep, goats, pigs, and chickens, except for a reasonable number of recognized house or yard pets, shall be allowed or maintained on or in any Unit. The permitted house or yard pets shall be kept, bred, or raised solely as household pets for private use and not for commercial purposes. No animal or fowl shall be allowed to make an unreasonable amount of noise or shall otherwise be allowed to become a nuisance. No animal shall be permitted outside of the Unit of the

Owner of such animal unless such animal is under the control of a responsible person by means of a leash or other reasonable restraint and such person shall immediately clean up and remove any feces or other matters left by such animal. Upon request of an Owner, the Board, in its sole discretion, shall determine for the purpose of this Section whether a particular animal or fowl shall be considered as a house or yard pet, whether it is a nuisance, and whether the number of animals or fowl on or in any Unit is reasonable. The Rules and Regulations may include other rules and regulations pertaining to animals and fowl as may be adopted from time to time, including without limitation, the size and number of dogs to be allowed in connection with any Unit; provided, however, that the type, number and size of all pets shall at all times be in compliance with applicable ordinances, codes, rules and regulations of governmental authorities having jurisdiction.

3.13 Garbage and Refuse Disposal. There shall be no exterior burning of trash, garbage or other refuse upon any portion of the Project, nor shall any Owner accumulate on or about such Owner's Unit any litter, refuse or garbage, except in receptacles provided for such purposes in locations designated by the Board; provided, however, that on regularly scheduled days for pickup containers may be placed in customary locations for pickup for a period not to exceed twelve (12) hours.

3.14 Diseases and Insects. No Owner shall permit any thing or condition to exist upon his Unit that shall induce, breed, or harbor infectious plant or tree diseases or noxious insects.

3.15 Exterior Sound Devices. No exterior speakers, or other sound devices except security devices used exclusively for security purposes shall be located, used, or placed on a Unit or Improvement without the prior written approval of the Architectural Committee.

3.16 Fences, Etc. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the Project except those that are installed in accordance with the original construction of the Project, and their replacements, or as are authorized and approved by the Board.

3.17 Outside Installations. No clothes lines, television antennas, satellite dishes, wiring, installation of air conditioning or solar heating equipment, or other equipment or items of any kind, including, without limitation, sports equipment, shall be installed on the exterior of the building or be allowed to protrude through the walls, the windows, the roof of any building or the balconies, unless the prior written approval of the Board is secured.

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3.18 Outside Drying and Laundering. There shall be no exterior drying or laundering of clothes or other items on balconies, patios, porches, or other areas, except as may be permitted by the Rules and Regulations.

3.19 Signs. No sign of any kind shall be displayed so as to be visible from neighboring property or within public view without the approval of the Board.

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

3.21 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate in the Project; and no odors shall be permitted to arise from the Project so as to render any portion of the Project unsanitary, unsightly, offensive, or detrimental to any other portion of the Project in the vicinity thereof or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Project so as to be offensive or detrimental to any other portion of the Project in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells, or other sound devices (other than security systems, used exclusively for security purposes) shall be located, used, or placed on the Project without the prior written approval of the Board. No noxious or offensive activities, including but not limited to, repair of automobiles or other motorized vehicles, shall be conducted within the Project. Nothing shall be done on or within the Project that may be or may become an annoyance or nuisance to the residents of the Project, or that in any way interferes with the quiet enjoyment of occupants of Units. Unless otherwise permitted by the Rules and Regulations, no Owner shall serve food or beverages, cook, barbecue, or engage in similar activities, except within such Owner's Unit, the Limited Common Elements appurtenant to such Unit or Common Elements intended for such use.

3.22 Compliance with Laws; Prohibition of Certain Activities. No Owner shall permit anything to be done or kept in his Unit that violates any law, ordinance, statute, rule, or regulation of any local, county, state, or federal body. No Owner shall allow furniture, furnishings, or other personal property belonging to such Owner to remain within any portion of the Common Elements except as permitted by the Board. Without prior written consent from the Board, nothing shall be done or kept in any Unit or in the Common Elements, or any part thereof, which would result in the cancellation of the insurance on the Project or any part

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thereof or increase the rate of insurance on the Project or any part thereof over what the Association would pay but for such activity. No Owner shall permit any thing or condition to exist upon his Unit that shall induce, breed, or harbor infectious plant or tree diseases or noxious insects.

3.23 Rules and Regulations. No Owner shall violate the Rules and Regulations as adopted from time to time by the Association.

3.24 Indemnification. Each Owner shall be liable to the other Owners for any damage to the Common Elements or any other Unit that may be sustained by reason of the negligence of such Owner, members of his family, his contract purchasers, tenants, guests, or invitees, but only to the extent that any such damage is not covered by insurance. Each Owner, by acceptance of his deed, agrees for himself and for the members of his family, his contract purchasers, tenants, guests, or invitees, to indemnify each and every other Owner, and to hold him harmless from, and to defend him against, any claim of any person for personal injury or property damage occurring within the Unit or Limited Common Elements of that particular Owner, unless the injury or damage occurred by reason of the negligence of any other Owner or person temporarily visiting in such Unit or Limited Common Elements and is fully covered by insurance.

3.25 Right of Entry. For the purposes reasonably related to the performance by the Board and the Association of their responsibilities under this Declaration, including purposes of performing construction, maintenance or repair for the benefit of the Common Elements or the Owners in common, the Association's agents or employees shall have the right, after reasonable notice (not less than twenty-four (24) hours except in emergencies) to enter upon any Unit or upon any portion of the Common Elements (including any Limited Common Elements) at reasonable hours. Such entry shall be made with as little inconvenience to any Owner as possible and any damage caused thereby shall be repaired by the Association at its own expense.

3.26 Maintenance Violations.

3.26.1 Maintenance Violation Notice. If any Owner allows, permits, or causes any condition to exist on or within such Owner's Lot or any of the Common Elements, as the case may be, or the Improvements thereon, which violates the provisions of Article III of this Declaration or, in the sole reasonable discretion of the Board, is unsightly, unsanitary, or hazardous (including, but not limited to, a condition which causes dust to carry to another Lot) (herein collectively "Maintenance Violation"), then, except as otherwise provided in Section 3.26.6, hereof, (in the case of an

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

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

3.26.3 Hearing Panel. In the event the Board elects pursuant to Section 3.26.2 above, to convene a Hearing Panel, then the President of the Association shall appoint, within thirty (30) days after receipt of the Owner's objection, a panel of three (3) Board Members or three (3) members of any committee of the Board established by the Board pursuant to the Bylaws (the "Hearing Panel"), at least one (1) of whom shall be an Owner of a Lot within the same type as the Lot which is the subject of the Violation Notice. The Hearing Panel shall convene no later than fifteen (15) days after its appointment for the purpose of conducting a hearing on the disputed Maintenance Violation. Notice of such hearing, and time and place thereof, shall be given to the Owner to whom the Maintenance Violation Notice is given and any other Owners who have filed Owner Complaints at least five (5) business days prior to the date set for such hearing. The Hearing Panel shall give written notice of its decision to the Owner against whom the Maintenance Violation Notice was given as to whether or not a Maintenance Violation exists and the nature of such violation. Copies of such decision shall be mailed to all persons who filed an Owner Complaint. The decision of the Hearing Panel shall be nonbinding and appealable as set forth in NRS 38.300, *et seq.*, or any successor statute. Appeals must be initiated within fifteen (15) days after the

Hearing Panel renders its decision. The notice period within which a Maintenance Violation must be cured shall be tolled from the date of filing such objection until the date the Hearing Panel notifies the Owner in writing of its decision and if an appeal is filed, during the pendency of the appeal.

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

3.26.5 Procedure for Association's Correction of Maintenance Violation.

(a) **Bids.** In the event the Association elects to correct a Maintenance Violation, then prior to commencement of work to correct the Maintenance Violation and promptly after the expiration of the cure period afforded a defaulting Owner, the Board shall obtain three (3) written bids to perform the required work and shall mail the bids to the Owner. The Owner shall have the right to select the bid by notifying the Board in writing within fourteen (14) days after the bids are mailed by the Board to the Owner. In the event the Owner fails to select a bid within such time period, the Board shall select the bid.

(b) **Violation Assessment.** When the bid has been selected as set forth in subsection (a), above, the Board shall levy a Violation Assessment pursuant to Section 8.7 hereof against the Owner in the amount of the cost of correcting the Maintenance Violation and the costs and expenses, including attorneys' fees, incurred by the Association incident thereto.

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

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

3.26.7 Entry by Court Order. In the event a Owner prevents an officer of the Association or authorized agent of the Association from gaining access to such Owner's Lot (including within any Improvement thereon) or Common Elements for the purpose of correcting a Maintenance Violation or for the purpose of attending to an emergency situation, then the Owner(s) shall be jointly and severally liable to the Association for attorneys' fees, court costs and incidental expenses incurred by the Association for the purpose of gaining such entry and all other costs and expenses incident thereto (collectively "Entry Costs"), and such Entry Costs shall be assessed to the Owner as a Violation Assessment pursuant to Section 6.7 hereof.]

ARTICLE IV

THE ASSOCIATION

4.1 Formation. The Association is a nonprofit corporation formed or to be formed under the laws of the State of Nevada. Prior to the conveyance of the first Unit to an Owner other than Declarant, Declarant shall cause the Articles of Incorporation to be filed with the Secretary of State of the State of Nevada. The Association shall be charged with the duties and invested with the powers set forth in the Articles, Bylaws, and this Declaration. The Association is not authorized to have and shall not issue any capital stock.

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4.2 Association Action; Board of Directors and Officers; Members' Approval. Except as to matters requiring the approval of members as set forth in the Articles, Bylaws, this Declaration, or Chapter 82 and 116 of the Nevada Revised Statutes, the affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with this Declaration or the Bylaws, or their amendments. Except for the Member of the Board appointed by Declarant in accordance with this Declaration, the Articles and the Bylaws and the members of the first Board named in the Articles, the Board shall be composed of Members only. All members of the Board must be at least eighteen (18) years of age. The members of the first Board of the Association named in the Articles shall serve until the first meeting of the Members of the Association which is called for the purpose of electing their successors. The first meeting of the Members of the Association shall be held on the first (1st) day of March of each calendar year, or such other date as designated by the Board. The Association shall meet at least once in each calendar year, and not more than one (1) full calendar year shall elapse between each annual meeting of the Members of the Association. Such meeting shall be called, noticed and conducted in accordance with the Articles and the Bylaws. Except as otherwise provided in the Articles, Bylaws, this Declaration, or Chapters 82 or 116 of the Nevada Revised Statutes, all matters requiring the approval of Members shall be deemed approved if Members holding a majority of the total voting power assent to them by written consent as provided in the Bylaws or if approved by a majority vote of a quorum of Members at any regular or special meeting held in accordance with the Bylaws. The Association shall hold not less than one (1) meetings per each calendar year.

4.3 Membership.

4.3.1 Membership Qualifications. The Members of the Association shall be the Owners of the Units. The Owner(s) of each Unit shall have one (1) membership in the Association. The number of memberships in the Association shall be equal to the number of Units within the Project at any given time.

4.3.2 Members' Rights and Duties. As used in this Declaration, the term "Member" shall refer to the Owner of a Unit if there is one Owner, or collectively to all of the Owners of a Unit if there is more than one Owner. Each Member shall have the rights, duties, and obligations set forth in this Declaration, the Articles, Bylaws, and Rules and Regulations, as the same may from time to time be amended. Except as otherwise provided in subparagraphs (b) and (c) of paragraph 4.3.3 below, the respective interests of each of the Members shall be equal.

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4.3.3 Voting.

(a) General. Except as otherwise provided in subparagraphs (b) and (c) of this paragraph 4.3.3, each Member shall be entitled to one vote for each Unit owned by such Member; provided, however, that the Association may not cast any vote otherwise allocated to it for any Unit it may own.

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

(i) Sixty (60) days after conveyance of seventy-five percent (75%) of the Units which may be created in the Community Property or any Annexed Property to Owners other than Declarant (herein "Purchasers"); or

(ii) Two (2) years after Declarant has ceased to offer for sale in the ordinary course of business any Units within the Community; or any annexed Property; or

(iii) Two (2) years after Declarant last exercises its rights to record a Supplemental Declaration wherein Annexed Property is added to the Project; or

(iv) In the event and at such time as Declarant waives by written instrument the rights reserved by Declarant under this subparagraph (b), and such written waiver is recorded in the official records of the County Recorder of Douglas County, Nevada. Declarant shall have the right to designate a person or persons who are entitled to exercise the rights reserved to Declarant under this subparagraph (b). The date on which the rights reserved by Declarant under this subparagraph (b) terminate is herein called "the Declarant's control Termination Date". In no event shall the Control Termination Date be later than five (5) years from and after recordation of this Declaration in Official Records, Douglas County, Nevada. From and after the Declarant's Control Termination Date, the Board of Directors and the officers of the Association shall be elected and appointed as provided in these Articles and Bylaws.

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(c) Composition of Board of Directors. Notwithstanding anything to the contrary set forth herein, not later than sixty (60) days after Declarant's conveyance of Units equal to twenty-five percent (25%) of the total number of Units which may be created within the Property or any Annexed Property to Owners other than Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Board shall be elected by Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units within the Property or any Annexed Property to Owners other than Declarant, not less than thirty-three and one-third percent (33-1/3%) of the members of the Board shall be elected by Owners other than the Declarant. Not later than on the Declarant's Control Termination Date, the Owners shall elect a Board of at least three (3) members, at least a majority of whom must be Owners.

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

4.3.4 Exercise of Voting Rights. In the case of a Unit owned by two (2) or more persons or entities, the voting power shall be exercised by only one of them. Such voting member must be designated in writing to the Board by all Owners of such Unit, and the Association may preclude the vote for any such Unit by any Owner other than such designated Owner. If there is no such designation then such Unit shall have no vote until such designation is made.

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

Association on the date of transfer of title to the Unit, which transfer fee shall be assessed against the Unit as a Violation Assessment if not paid when due.

ARTICLE V

POWERS AND DUTIES OF THE ASSOCIATION

5.1 Powers. The Association shall have all the powers of a nonprofit corporation organized under the laws of the State of Nevada and the powers conferred upon it pursuant to Chapters 82 and 116 of the Nevada Revised Statutes, subject only to such limitations on the exercise of such powers as are set forth in the Articles, the Bylaws, and this Declaration. It shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under this Declaration, the Articles, and the Bylaws, and to do and perform any act that may be necessary or proper for or incidental to the exercise of any of the express powers of the Association, including, without limitation, the following:

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

5.1.2 Rules and Regulations. The Board shall have the power to adopt, amend, and repeal the rules and regulations regulating the use of the Common Elements and for such other purposes as are expressly allowed by this Declaration or allowed pursuant to the Act (the "Rules and Regulations"). In addition, the Board is hereby authorized and empowered to adopt, enact and enforce further Rules and Regulations relative to the prohibitive and mandatory use restrictions set forth in Article III above in order to protect and enhance value of the Property and the orderly functioning of the Community, and to adapt and respond to changing circumstances and times; provided, however, that no Rule or Regulation adopted or enacted by the Board may be less restrictive or more mandatory in its scope or effect without the consent of not less than fifty-one percent (51%) of the voting power of the Association. The power of the Board to enact and adopt such Rules and Regulations shall in no way be limited by the treatment or the specificity of treatment of a subject matter in Article III above. A copy of the Rules and Regulations as adopted, amended, or repealed, shall be mailed or otherwise delivered to each Member. In case of any conflict between any provision of the Rules and Regulations and any provisions of this Declaration, the Articles, or Bylaws, the conflicting provision of the Rules and Regulations shall be superseded by the provisions of this Declaration, the Articles, or the Bylaws.

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5.1.3 Right of Enforcement.

(a) General. The Association in its own name and on its own behalf, or on behalf of the Owners of two (2) or more Units who consent, any Member on its own behalf, and Declarant on its own behalf, shall have the power and authority to commence and maintain actions for damages, or to restrain and enjoin any actual or threatened breach of any provision of this Declaration, the Articles, Bylaws, Rules and Regulations, or any resolutions of the Board, to enforce by mandatory injunction, or otherwise, all of these provisions, to intervene in litigation or administrative proceedings on matters affecting the Project. The Court in any such action may award the successful party reasonable expenses in prosecuting such action, including reasonable attorneys' fees.

(b) Suspension of Voting Rights; Fines. The Association shall have the power and authority to suspend the voting rights, suspend an Owner's right to use any recreational amenities comprising the Common Elements, and can assess monetary penalties as allowed pursuant to the Act, against any Owner of a Lot or other person entitled to exercise such Owner's rights or privileges for any violation of this Declaration, the Articles, Bylaws or Rules and Regulations. Before invoking any such suspension or fine, the Board shall give such Owner or other person notice and opportunity to be heard with respect to such violation, which notice shall provide not less than ten (10) days prior written notice of such hearing and reasonable detail with respect to the matter of which complaint is being made. The Association does not have the power or authority to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of such Owner's Lot if the Owner does not comply with provisions of this Declaration or of the Articles, Bylaws, or Rules and Regulations, except when the loss or forfeiture is the result of a court judgment, arbitration decision, or a foreclosure or sale under a power of sale based on failure of the Owner to pay assessments levied by the Association. If the Association adopts a policy imposing a fine on Owners for violations of the Rules and Regulations, the secretary or other officer specified in the Bylaws shall prepare and cause to be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Lot's Owner, a schedule of the fines that may be imposed for those violations. No fine may be assessed against an Owner unless at least thirty (30) days prior to the alleged violation, the Owner alleged to have violated the rule was given written notice of the rule and all amendments thereto. Each fine must be commensurate with the severity of the violation, but must not exceed \$100.00 for each violation or a total amount of \$500.00, whichever is less. If a fine is imposed and the violation is not cured within fourteen (14) days or a longer

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period as may be established by the Board, the violation shall be deemed a continuing violation. Thereafter, the Board may impose an additional fine for the violation for each seven (7) day period or portion thereof that the violation is not cured. Any additional fine may be imposed without notice and an opportunity to be heard. The right of the Association to impose fines pursuant to this Section 5.1.3(b) is in addition to, and shall not limit, the Association's right to levy a Violation Assessment resulting from a Maintenance Violation. Notwithstanding the terms and provisions of this Section 5.1.3(b) to the contrary, the Association shall be entitled to benefit from and enforce such rights, be they lesser or greater than set forth in this Section 5.1.3(b), as are afforded from time to time by Nevada State law for the levy and enforcement of fines and such other enforcement remedies as are afforded for the enforcement of Owners' obligations under and pursuant to this Declaration.

5.1.4 Delegation of Powers; Professional Management; Other Services. The Association, acting by and through the Board, can delegate its powers, duties, and responsibilities to committees of Members, employees, agents and independent contractors, including a professional managing agent. The Association may obtain and pay for legal, accounting, and other services necessary and desirable in connection with the operation of the Project and the enforcement of this Declaration.

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

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

5.2 Duties of the Association. In addition to the duties delegated to it by its Articles or the Bylaws, and without limiting their generality, the Association, acting by and through the Board, or persons or entities described in paragraph 5.1.3, has the obligation to conduct all business affairs of common interest to all Members and to perform each of the following duties:

5.2.1 Professional Management. The Association may engage the services of a professional manager to manage the Project. If Declarant enters into a professional management contract prior to turning control of the Project over to the Association, such

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contract shall provide that it is terminable without cause at any time. No professional management contract may impose the payment of any penalty or require advance notice of greater than ninety (90) days.

5.2.2 Taxes and Assessments. Except for those portions of the Common Area and Association Property which are owned in fee by an Owner or by the City of Reno, the Association shall pay all taxes and assessments levied against all Association Property or against the Association. Such taxes and assessments may be contested or compromised by the Association, provided that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

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

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

5.2.5 Association Property. The Association shall accept and exercise jurisdiction over all property, real and personal, conveyed to the Association by Declarant or others or for which the Association has duties and obligations imposed upon it pursuant to this Declaration, including all Common Elements, and easements for operation and maintenance purposes over any of the Project, and easements for the benefit of Association members within the Common Elements.

5.2.6 Title to Property Upon Dissolution. Upon dissolution of the Association, the Association shall convey the assets of the Association to an appropriate public agency or agencies or to a nonprofit corporation, association, trust or other organization organized and operating for purposes similar to those for which the Association was created, or in such other manner as may be proper for the Association so to do under applicable State of Nevada and Federal law.

5.2.7 Operation and Maintenance of Common Elements. The Association shall operate, maintain, and otherwise manage or provide for the operation, maintenance, and management of the Common Elements and all its facilities, improvements, and landscaping, including any private driveways and private streets, and any other property acquired by the

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Association, including personal property. Such operations and management shall be conducted in a first-class manner; and the Association property shall be maintained in a good state of repair. In this connection, the Association may enter into contracts for services or materials for the benefit of the Association or the Common Elements, including contracts with Declarant. The term of any such service contract shall not exceed one (1) year and shall be terminable by either party, with or without cause, and without payment of a termination fee, upon thirty (30) days' written notice.

Any Common Expense associated with the maintenance, repair or replacement of heat exchanger, heater outlet, enclosures and mechanical attachments will be assessed against the Unit or Units to which the Limited Common Elements is assigned.

Common Expenses associated with the maintenance, repair or replacement of components and elements attached to, planted on, or a part of yards, patios, decks, exterior surfaces, trim, siding, doors, windows and elevators will be assessed against the Unit or Units to which the Limited Common Elements is assigned. No additional component or element may be attached without consent of the Architectural Control Committee. In the event any additional component or element becomes deteriorated or unsightly, or is inconsistent with conditions of installation, it may be removed or repaired at the Unit Owner's expense as a Common Expense assessment after notice and an opportunity to be heard in the manner provided for in **Section 2.6.2**.

If any such Limited Common Elements is assigned to more than one Unit, the Common Expenses attributable to the Limited Common Elements will be assessed equally among the Units to which it is assigned.

Any Common Expense associated with the maintenance, repair or replacement of the chimney serving a Unit shall be assessed against such Unit. Common Expenses associated with the cleaning, maintenance, repair or replacement of all other Limited Common Elements will be assessed against all Units in accordance with their Allocated interests in the Common Expenses.

Each Unit Owner shall be responsible for removing snow, leaves and debris from all patios and balconies which are Limited Common Elements appurtenant to her Unit. If any such Limited Common Elements is appurtenant to two or more Units, the owners of those Units will be jointly responsible for such removal.

5.2.8 Exterior Maintenance. The Association's maintenance of the Common Elements shall include exterior maintenance upon each Unit including the exterior of any

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garage or carport which is subject to assessment hereunder, as follows: paint, repair, replacement and care of any roofs, gutters, downspouts, exterior building surfaces, solar heating equipment installed by Declarant or the Association, and other exterior improvements; provided, however, that such exterior maintenance shall not include glass surfaces. In the event that the need for maintenance or repair of a Unit is caused through the willful or negligent acts of its Owner, or through the willful or negligent acts of the family, guests, or invitees of the Owner of the Unit needing such maintenance or repair, then the cost of such exterior maintenance shall be added to and become part of the assessment to which such Unit is subject.

5.2.9 Utilities. The Association shall acquire, provide, and pay for water, sewer, garbage disposal, refuse and other necessary utility services for the Common Elements, and for Units when the Units are not separately billed. The term of any contract to supply any of the listed services shall not exceed one (1) year, or if the supplier is a regulated public utility, the shortest term not to exceed one (1) year for which the supplier will contract at the applicable regulated rate.

5.2.10 Audited Financial Statement. Within one hundred twenty (120) days of the end of each fiscal year of the Association, the Association shall cause to be prepared and made available to any Eligible Insurer or Eligible Mortgage Holder who requests it, an audited financial statement for such fiscal year.

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

5.3 Limitations on Authority of Board. Except with the vote or written consent of Members of the Association holding fifty-one percent (51%) of the voting rights, and a majority of the voting rights allocated to Units not owned by Declarant, the Board shall not take any of the following actions:

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

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

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

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

5.6 Association Books and Records and Association Property.

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

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

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

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5.6.2 Declarant's Obligation to Deliver Association Property and Records to Board.

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

- (a) The original or a certified copy of the Declaration, the Articles, the Bylaws, minute books and other books and records of the Association and any Rules and Regulations which may have been adopted;
- (b) An accounting for money of the Association and financial statements from the date the Association received money to the Declarant's Control Termination Date. The financial statements shall fairly and accurately report the Association's financial condition prepared in accordance with generally accepted accounting principles;
- (c) The Association's money or control thereof;
- (d) All of the tangible personal property that has been represented by the Declarant to be Association Property or, all tangible personal property that is necessary for, and has been used exclusively in, the operation and enjoyment of the Common Elements, and inventories of those properties; unless Declarant has disclosed in a public offering statement that such personal property will remain the property of Declarant;
- (e) A copy of any plans and specifications used in the construction of any Improvements which were completed within two (2) years before the Declaration was recorded;
- (f) All insurance policies then in force, in which the Owners, the Association, or its directors or officers are named as insured persons;
- (g) Copies of any certificates of occupancy that may have been issued with respect to any Improvements comprising the Project;
- (h) Any renewable permits and approvals issued by governmental bodies applicable to the Community which are in force or which were issued within one (1) year before the Declarant's Control Termination Date;

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- (i) Written warranties of the contractor, subcontractors, suppliers and manufacturers that are still effective;
- (j) A roster of Owners and mortgagees of Units, if known, and their addresses and telephone numbers, if known, as shown on Declarant's records;
- (k) Contracts of employment in which the Association is a contracting party;
- (l) Any contract for service in which the Association is a contracting party or in which the Association or the Owners have any obligation to pay a fee to the persons performing the services;
- (m) A complete study of the reserves of the Association, conducted by a person qualified by training and experience to conduct such a study;
- (n) A reserve account that contains the Declarant's share of the amounts then due, and control of the account;
- (o) A disclosure, in writing, of the amount by which Declarant has subsidized the Annual Assessments on a per Lot basis;
- (p) A copy of any plans and specifications used in the construction of any Improvements which were completed within two (2) years before the Declaration was recorded; and
- (q) Copies of any certificates of occupancy that may have been issued with respect to any Improvements in and to the Common Elements.

ARTICLE VI

ASSESSMENTS

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

6.2 Personal Obligations. Each Assessment or installment thereof, together with any late charges, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of

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the person or entity who is the Owner of the Unit at the time such Assessment (or installment) became due and payable. If more than one person or entity is the Owner of the Unit, the personal obligation to pay such Assessment (or installment) respecting such Unit shall be both joint and several. Subject to the provisions of paragraph 9.3 hereof, a purchaser of a Unit shall be jointly and severally liable with the seller for all unpaid Assessments against the Unit, up to the time of the grant or conveyance, without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such Assessments. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosure or waiver of the lien securing the same. No Owner may avoid or diminish such personal obligation by non-use or abandonment of his Unit.

6.3 Purpose and Amount of Assessments. The Assessments levied by the Association shall be the amount estimated to be required, and shall be used exclusively, to promote the health, safety, and welfare of the Members of the Association, for the performance of the duties of the Association as set forth in this Declaration, and for the repair, maintenance and upkeep of the Common Elements and any other Association Property.

6.4 Annual Assessments.

6.4.1 Definitions. As used herein, "Annual Assessment" shall mean the amount of the Association budget ("Budget") for each fiscal year to pay the Common Expenses (defined below) as established pursuant to the provisions of this Article. The Budget must include, without limitation, the estimated annual revenue and expenditures of the Association and any contributions to be made to the reserve account of the Association. As used herein, "Common Expenses" means the expenditures made by the Association in the performance of its obligations hereunder, and the financial liabilities of the Association during the applicable fiscal year, including the costs and expenses of the daily operation of the Association and an allocation for reserves. Common Expenses include, but are not limited to, expenditures for the following purposes: (i) to operate, manage, maintain and repair the Common Elements and other Association Property, and to administer the operation of the Association; (ii) to provide for reasonable reserves consistent with sound business practice for the repair and replacement and restoration of Improvements to the Common Elements and any Association Property, and for such other purposes as are consistent with good business practice, and otherwise as required by NRS 116.3115(2)(b) and Section 6.4.2 of this Declaration; (iii) to provide for the possibility that some Assessments may not be paid on a current basis; and (iv) to provide for the payment of the fee of a professional manager. Without limiting the generality of the foregoing, Common Expenses shall include: all charges, costs, and expenses whatsoever incurred by the Association for or in connection with the Association administration, including, but not limited to, the maintenance of the Common Elements; any

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taxes and assessments assessed against Association Property, any taxes assessed against the Association itself, insurance premiums, including fire and other casualty insurance, liability insurance, workman's compensation insurance, and other insurance obtained pursuant to this Declaration; payment of any liability of the Association whatsoever for loss or damage arising out of or in connection with the Common Elements or any fire, accident, or nuisance occurring within the Common Elements; the cost of repair, rebuilding and replacement of the Improvements to the Common Elements; the cost of all utility services to the Common Elements, including water, electricity, refuse removal, landscape maintenance services, and any other similar service attributable to the Common Elements; the unpaid share of any Assessment levied during the previous fiscal year against any Owner who has defaulted in payment thereof to the extent that the same becomes uncollectible; accounting and legal fees, management fees, and cleaning, janitorial and lawn care fees, and other necessary expenses of upkeep, maintenance, management and operation incurred with respect to the Common Elements and the Improvements thereon.

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

(a) The current estimated replacement cost, estimated remaining life and estimated useful life of each major component of the Common Elements;

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

(c) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace or restore any major component of the Common Elements or to provide adequate reserves for that purpose; and

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

In addition to the foregoing, the Board shall:

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(1) Cause to be conducted at least once every five (5) years, a study of the reserves required to repair, replace and restore the major components of the Common Elements;

(2) Review the results of that study at least annually to determine if those reserves are sufficient; and

(3) Make any adjustments it deems necessary to maintain the required reserves.

The study required by subparagraph (1) immediately above must be conducted by a person qualified by training and experience to conduct such a study, including a member of the Board, an Owner or the property manager of the Association who is so qualified. The study must include, without limitation:

(i) A summary of an inspection of the major components of the Common Elements the Association is obligated to repair, replace or restore;

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

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

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

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

Money in the reserve account required by this Section 6.4.2 may not be withdrawn without the signatures of at least two (2) members of the Board or the signatures of at least one member of the Board and one officer of the Association who is not a member of the Board. The reserve account may be used only for Common Expenses that involve repairs, replacement or restoration of the major components of the Common Elements, including,

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without limitation, repairing and replacing roofs, roads and sidewalks, and must not be used for daily maintenance.

6.4.3 Allocation of Annual Assessments. The Annual Assessments shall be allocated equally among the Units existing on the date the Annual Assessment for the applicable fiscal year is deemed approved.

6.4.4 Procedure for Establishing Annual Assessments. Not less than ninety (90) days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of preparing the proposed Budget for the next succeeding fiscal year and establishing the Annual Assessment for such fiscal year. Not less than thirty (30) nor more than sixty (60) days before the beginning of each fiscal year of the Association, the Board shall adopt a proposed Budget for such fiscal year and set a date for a meeting of the Owners to consider ratification of the Budget, which date shall be not less than fourteen (14) nor more than thirty (30) days after mailing of the proposed Budget. Unless at that meeting sixty six and two-thirds percent (66-2/3rds%) of all Owners vote to reject the proposed Budget, the Budget shall be deemed ratified by the Owners, whether or not a quorum is present at such meeting. If the proposed Budget is so rejected, the proposed Budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent Budget proposed by the Board.

In lieu of distributing copies of the Budget required by this Section 6.4.4, the Board may distribute to each Owner a summary of the Budget, accompanied by a written notice that the Budget is available for review at the business office of the Association or other suitable location and that copies of the Budget will be provided upon request.

6.5 Special Assessments. If the Board determines that the estimated total amount of funds necessary to defray the Common Expenses for a given fiscal year is or will become inadequate to meet the Common Expenses for any reason, including, but not limited to, delinquencies in the payment of Assessments, or in the event the Association has insufficient reserves to perform its obligations under this Declaration, then the Board shall determine the approximate amount of such shortfall, shall provide a summary thereof to all of the Owners with the Board's recommendation for a special assessment ("Special Assessment") to meet such shortfall, and shall set a date for a meeting of the Owners which is not less than fourteen (14) nor more than thirty (30) days after the mailing of the summary. Unless at that meeting a majority of all Owners votes to reject the proposed Special Assessment, the proposed Special Assessment shall be deemed ratified by the Owners, whether or not a quorum is present at such meeting, and shall become a Special Assessment against, and allocated equally to, the Owners of the Units. The Board may, in its discretion, provide for payment of any

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Special Assessment in any number of installments or provide that it is payable in one (1) installment within such time period as the Board deems reasonable.

6.6 Violation Assessments. The Board shall levy a violation assessment against the Owners of a Unit ("Violation Assessment"): (i) to pay for the cost of curing any maintenance violation of such Owners and/or any other work performed by the Association for such Owners' account pursuant to the provisions of this Declaration, and any costs or expenses incident thereto, including but not limited to attorneys' fees and court costs, and (ii) to collect liquidated damages and fines levied by the Association pursuant to the terms of this Declaration and any and all attorneys' fees and court costs.

6.7 Capital Improvement Assessments.

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

6.7.2 Petition; Association Approval.

(a) Owners of not less than twenty-five percent (25%) of the Units comprising the Project from time to time may petition the Association for the construction, installation, or acquisition of, or expenditure for, a Capital Improvement. Such petition shall be in writing and be in such form and shall contain such information as the Board may reasonably require. The Board may, on its own motion, move for the construction, installation, or acquisition of, or expenditure for, a Capital Improvement, in which case such motion shall be treated as if it were a petition duly submitted by Owners of three (3) or more of the Units.

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

(c) The Board shall submit the Capital Improvement proposal to the Members at the annual meeting, or a special meeting called for such purpose. Written notice of any meeting during which an assessment for a capital improvement is to be considered shall be delivered to each owner not less than twenty-one (21) days prior

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to such meeting and otherwise as required by this Declaration, the Bylaws and the Act. The Capital Improvement Assessment shall be deemed approved upon the affirmative vote of two-thirds (2/3rds) of the voting power of the Association and Declarant unless Declarant owns no Units within the Property.

6.7.3 Levy of Capital Improvement Assessments. Capital Improvement Assessments shall be levied in equal proportions against the Owners of all of the Units. The Owners of each Unit shall be assessed a fractional portion of such Assessment, the numerator of which fraction shall be one and the denominator of which shall be the sum of the number of Units within the Property on the date such Assessment is levied. A Capital Improvement Assessment shall be paid in such installments and during such period or periods as shall be voted upon by the Members at the time such Assessment is approved. If no terms of payment are specified by such vote of the Membership, then the Capital Improvement Assessment shall be due and payable upon terms set by the Board.

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

6.7.5 Deficiency in Capital Improvement Assessment. If at any time and from time to time a Capital Improvement Assessment proves or appears likely to be inadequate for any reason, including nonpayment of any Owner's share thereof, the Board may, subject to the limitations set forth in this paragraph **6.7.5** levy a further Capital Improvement Assessment in the amount of such actual or estimated inadequacy, which shall be assessed to the Owners of all of the Units within the Subject Property and any Annexed Property in the ratios defined in paragraph **6.7.3** hereof. If such additional assessment is in excess of five percent (5%) of the original Capital Improvement Assessment, the affirmative vote or written consent of a majority of the voting power of the Association shall be required for any such further assessment.

6.8 Utilities Assessments. Any utility service delivered to the Units for which the Association is billed shall, in turn, be billed by the Association to each Unit, at a uniform rate, on a monthly basis. Such billings shall be considered an assessment levied against each Unit, and shall be enforced in accordance with the terms and provisions of this **Article 6**.

6.9 Rate of Assessment. Except as otherwise specifically provided in this Declaration, including paragraphs **6.6** and **6.7** hereof, all Assessments levied by the Association must be fixed at an

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equal rate for all Units; and the amount assessed to each Unit shall be determined by dividing the total amount assessed by the total number of Units then within the Project and subject to assessment.

6.10 Assessment Period. The Annual Assessment period shall coincide with the fiscal year of the Association, which shall commence on January 1 of each year and shall terminate on December 31 of such year. However, the initial Annual Assessment period shall commence on the first day of the calendar month following the earlier of (i) the date the Common Elements or any portion thereof is transferred to the Association and (ii) the date on the sale of the first (1st) Unit in the initial phase of the Community is closed and recorded; and the Annual Assessment period as to all Units in each respective phase of the Project shall commence on the first day of the calendar month following the date on which the sale of the first Unit to a purchaser in such phase is closed and recorded, and shall terminate on December 31 of the year in which such sale is closed and recorded. The first Annual Assessment and all Special Assessments shall be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments unless the Board adopts some other basis for collection.

6.11 Notices of Assessments; Delinquencies. Any Assessment installment hereunder which is not paid within fifteen (15) days following the date it is due as specified in the notice of such Assessment given in the manner specified in this paragraph 6.11 and in paragraph 11.5 of this Declaration shall be deemed delinquent. All delinquent Assessments shall bear interest at the rate of eighteen percent (18%) per annum (or such higher or lower rate as is proscribed by the Act) from the date the Assessment becomes delinquent hereunder until paid, and, in addition, a late charge of \$25.00 shall be due for each delinquent installment. The Association shall give written notice of all Assessments, except Violation Assessments to the Owners of all of the Units, which notice shall specify the amount of the Assessment and the date or dates payment of the same is due and shall be given in the manner provided for notices in this Declaration. Notice of a Violation Assessment is required to be given only to the Owners of the Unit against whom the Violation Assessment is made. Nothing contained herein shall be construed so as to require the Association to give periodic notices of the same Assessment and one notice of an Assessment shall be sufficient to meet the requirements of this paragraph, even though the Assessment may be payable in installments. Failure of the Association to give notice of any Assessment shall not affect the liability of the Owners of the Unit for such Assessment; provided, however, that the date when payment of the first installment of such Assessment shall become due in such a case shall be deferred to a date fifteen (15) days after such notice shall have been given, and the first installment of such Assessment shall not be deemed delinquent until fifteen (15) days after such deferred due date.

6.12 Statement of Account. Upon payment of a reasonable fee, not to exceed TWENTY-FIVE AND NO/100THS DOLLARS (\$25.00), and upon written request of any Owner or any mortgagee, prospective mortgagee, or prospective purchaser of a Unit, the Association shall issue a

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written statement setting forth the amount of the unpaid assessments, if any, with respect to such Unit, the amount of the current periodic assessment, and the date that such assessment becomes or became due, and if there is any credit for advance payments. Such statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account shall be complied with within ten (10) business days following receipt of the written request and fee, all unpaid assessments which became due prior to the date of making such request shall be subordinate to the lien of a mortgagee which acquired its interest subsequent to requesting such statement.

6.13 Collection of Assessments. The right to collect and enforce Assessments is vested in the Board acting for and on behalf of the Association. The Board or its authorized representative, including any Manager, can enforce the obligations of the Owners to pay Assessments provided for in this Declaration by commencement and maintenance of a suit at law or in equity; or the Board may enforce by judicial proceedings or, to the extent permitted by applicable law, through the exercise of the power of sale granted to the Board pursuant to applicable statutes and laws, and this Declaration. Suit to recover a money judgment against an Owner for unpaid assessments together with all other amounts due hereunder shall be maintainable without first foreclosing against the Unit which is subject to the lien for such assessment or waiving the lien rights granted hereby.

6.14 Lien for Assessments; Priority. All sums assessed to any Unit pursuant to this Declaration, and all fines imposed by the Association against the Owners of a Unit, together with interest thereon as provided herein, shall be secured by a lien on such Unit in favor of the Association from the date the Assessment or fine becomes due. If an Assessment or fine is payable in installments, the full amount of the Assessment or fine is a lien from the time the first installment thereof becomes due. Such lien shall be prior to all other liens and encumbrances on such Unit, except for: (a) valid tax and special assessment liens in favor of any governmental assessing authority; (b) liens and encumbrances recorded before the recordation of the Declaration; and (c) a First Deed of Trust recorded before the date on which the Assessment or fine sought to be enforced became delinquent. The lien created by this Declaration for unpaid Annual Assessments is also prior to a First Deed of Trust to the extent of the amount of such Annual Assessments which would have become due during the six (6) month period immediately preceding institution of an action to enforce the lien.

6.15 Enforcement of Lien. The liens for unpaid Assessments shall be enforced by the Association.

6.15.1 Notice of Delinquent Assessment and Notice of Default. Except for liens attributable to an Owner's failure to pay a fine or fines imposed for a violation which does not threaten the health, safety or welfare of the residents of the Project, which lien must be

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foreclosed judicially, the Association may foreclose all liens by sale pursuant to NRS Chapter 116 after:

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

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

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

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

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

6.15.2 Notice of Sale. The Association or other person conducting the sale shall, at any time after the expiration of such sixty (60) day period and before selling the Unit, give notice of the time and place of the sale ("Notice of Sale") in the manner and for a time not less than that required by law for the sale of real property upon execution, except that a copy of the Notice of Sale must be mailed, on or before the date of first publication or posting, by certified or registered mail, return receipt requested, to the Owners of the Unit or their successors in interest at their address if known, or otherwise to the address of the Unit. Such sale shall be conducted in any manner permitted by law. Each Owner who is liable for payment of the Assessment shall be required to pay the costs and expenses of such foreclosure proceeding including, but not limited to, the cost of preparation of all notices

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(whether or not such notice has been given to the Owners at the time payment is made), reasonable attorneys' fees, and title insurance costs.

All such costs and expenses of the foreclosure shall be secured by the lien being foreclosed. Each Owner who is liable for payment of the Assessment shall be required to pay to the Association any and all Assessments against such Owner which shall become due during the period of foreclosure. The Association shall have the right and power to bid at the foreclosure sale or other legal sale and to acquire, hold, convey, lease, rent, encumber, use, and otherwise deal with the Improved Unit. The Association shall be entitled to bid on credit up to and including the amount secured by the lien being foreclosed.

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

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

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

6.17 Working Capital Fund. If the Community is or is to be qualified with and approved by Declarant shall establish initially, as to the Project and each subsequent phase thereof, and the Association shall maintain thereafter, a "working capital fund" to meet unforeseen expenditures or to purchase additional equipment or services (the "Working Fund"). The Working Fund shall be funded initially in an amount equal to the number of Units in the applicable phase of the Project times the initial monthly common assessment amount for such Units, but in no event less than an amount at least equal to two (2) months of estimated Common Expenses for each Unit. As to each phase of the Project, the Working Fund for each Unit shall be established no later than the closing of the sale of such Unit. Declarant may reimburse itself as to each Unit for its contribution to such fund by collecting an amount equal to the contributed amount for such Unit from the initial Owner of a Unit at the close of escrow for the sale of such Unit. The Working Fund shall be transferred into a segregated account of the Association upon the Declarant's Control Termination Date, and are not intended to be advance payments of regular assessments. Declarant may not use any portion of the Working Fund to defray any expenses, reimburse contributions or construction costs or to make up any budget deficits.

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ARTICLE VII

INSURANCE

7.1 Insurance to be Obtained. The Association shall obtain and maintain in full force and effect at all times insurance coverage, provided by companies duly authorized to do business in Nevada, generally as set forth in this Article, and specifically as required by FNMA, FHLMC, United States Department of Veterans Affairs ("VA") and the United States Department of Housing and Urban Development ("HUD") if the Project has been, or is intended to be, qualified with such entities.

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

7.3 Liability Insurance. The Association shall purchase broad form comprehensive liability coverage in such amounts and in such forms as it deems advisable to provide adequate protection. Such coverage shall be in an amount generally required by private institutional mortgage investors for projects similar in construction, location, and use, and in no event shall be less than \$1,000,000.00 for bodily injury, including deaths of persons and property damage arising out of a single occurrence. Coverage shall include, without limitation, liability for personal injuries, operation of automobiles on behalf of the Association and activities in connection with the ownership, operation, maintenance, and other use of the Project. The liability insurance shall name as separately protected insureds Declarant, the Association, the Board, and their representatives, members, and employees, with respect to any liability arising out of the maintenance or use of any Association property. Every policy of insurance obtained by the Association shall contain an express waiver, if available, of any and all rights of subrogation against Declarant, the Board, and their representatives, members, and employees. After

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Declarant has no further interest in any portion of the Project, then the above insurance provisions regarding Declarant shall not apply.

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

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

7.6 Other Insurance. The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Project, including any personal property of the Association located thereon. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood, and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for condominium projects established by FNMA and/or FHLMC, as applicable, so long as either or both of them are a mortgagee or Owner of a Unit except to the extent such coverage is not available or has been waived in writing by FNMA or FHLMC, as the case may be.

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

7.8 Form. Casualty insurance shall be carried in a form or forms naming the Association the insured as trustee for the Owners, which policy or policies shall specify the interest of each Owner (Owner's Name and Unit number), and which policy or policies shall provide a standard loss payable clause providing for payment of insurance proceeds to the Association as trustee for the Owners and for the respective first mortgagees which from time to time shall give notice to the Association of such first mortgages; and such proceeds shall be used in accordance with the provisions of this Declaration. Each policy shall also provide that it cannot be canceled by either the insured or the insurance company until after thirty (30) days' written notice is first given to the Association and to

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each first mortgagee. All policies of insurance shall provide for a waiver of subrogation by the insurer as to claims against the Association, the Board, employees, and agents, and against each Owner and each Owner's employees, agents, and guests, and shall provide that the insurance cannot be canceled, invalidated, or suspended on account of the conduct of the Association, the Board, employees, and agents or of any Owner or such Owner's employees, agents, or guests, and shall provide that any "no other insurance" clause in the insurance policy shall exclude any policies of insurance maintained by any Owner or mortgagee and that the insurance policy shall not be brought into contribution with insurance maintained by any Owner or mortgagee. The Association shall furnish to each Owner who requests it and to Declarant a true copy of such policy together with a certificate identifying the interest of the Owner.

7.9 Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner (except for the Secretary of the Department of Veterans Affairs, as Officer of the United States of America) to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Sections 7.2, 7.3, 7.4, 7.5, or 7.6. The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

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

7.11 Owner's Insurance Responsibilities. The following insurance coverages shall be the responsibility of each respective Owner: insurance on furnishings initially placed in the Unit by Declarant; insurance on items of personal property placed in the Unit by Owner; insurance for casualty and public liability coverage within each Unit to the extent not covered by the Association's insurance; insurance coverage for activities of the Owner, not acting for the Association, with respect to the Common Elements, insurance against loss from theft on all personal property placed in the Unit or stored in any Limited Common Elements by the Owner; provided, however, pursuant to Section 7.6, the Association may elect to arrange for insurance coverage of the casualties and liabilities described above, however, in such event, each Owner shall be responsible for the amount, if any, by which the replacement cost exceeds the insurance proceeds.

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ARTICLE VIII

DAMAGE, DESTRUCTION, CONDEMNATION, OR OBSOLESCENCE

8A. Damage or Destruction.

8A.1 Association as Attorney-in-Fact. Each of the Owners (except the Secretary of the Department of Veterans Affairs, an Officer of the United States of America) irrevocably constitutes and appoints the Association its true and lawful attorney-in-fact in its name, place, and stead for the purpose of dealing with the Project upon its damage or destruction as hereinafter provided. Acceptance by any grantee of a deed from the Declarant or from any Owner shall constitute such appointment.

8A.2 General Authority of Association. As attorney-in-fact, the Association shall have full and complete authorization, right, and power to make, execute, and deliver any contract, deed, or other instrument with respect to the interest of an Owner which may be necessary or appropriate to exercise the powers herein granted. Repair and reconstruction of the Improvements as used in the succeeding subparagraphs mean restoring the Project to substantially the same vertical and horizontal boundaries as before.

8A.3 Duty and Authority to Rebuild. Any portion of the Common Elements which is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- (a) The common-interest community created by this Declaration is terminated, in which case NRS Sections 116.2118, 116.21183 and 116.21185 and paragraph 12.1 of this Declaration apply;
- (b) Repair or replacement would be illegal under any state or local statute or ordinance governing health or safety; or
- (c) Eighty percent (80%) of the voting power of the Association and sixty-seven percent (67%) of the institutional holders of First Deeds of Trust on Condominiums vote not to rebuild.

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

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8A.4 Estimate of Costs; Architectural Committee Approval. As soon as practicable after an event causing damage to, or destruction of, any Improvements to the Common Elements, the Association shall obtain estimates that it deems reliable and complete of the costs of repair or reconstruction of that part of the property damaged or destroyed. No reconstruction or repair of damaged or destroyed Common Elements Improvements shall commence until approval has been obtained from the Architectural Committee in accordance with its guidelines.

8A.5 Funds for Reconstruction. The proceeds of any insurance collected shall be available to the Association for the purpose of repair or reconstruction of Association Property. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair or reconstruction, then the Board, pursuant to Article VI hereof, shall levy in advance a Special Assessment sufficient to provide funds to pay such estimated or actual costs of repair or reconstruction.

8A.6 Repair or Reconstruction. Except as otherwise provided herein, as soon as practicable after receiving the estimates, the Board shall diligently pursue to complete the repair or reconstruction of the damaged or destroyed Common Elements Improvements. The Association may take all necessary or appropriate action to effect repair or reconstruction as attorney-in-fact for the Owners; and no consent or other action by any Owner shall be necessary in connection therewith. Such repair or reconstruction shall be in substantial accordance with the original plans and specifications of the Project or may be in accordance with any other plans and specifications the Association may approve, provided that in such latter event, (i) the number of cubic feet and the number of square feet of any Unit may not vary by more than five percent (5%) from the number of cubic feet and the number of square feet for such Unit as originally constructed pursuant to such original plans and specifications, and the location of the buildings shall be substantially the same as prior to damage or destruction and (ii) written consent from the Eligible Mortgage Holders on Units to which at least fifty-one percent (51%) of the votes of Units subject to mortgages held by Eligible Mortgage Holders is first obtained. In the event of any restoration or repair not in substantial compliance.

8A.7 Disbursement of Funds for Repair or Reconstruction. The insurance proceeds held by the Association and the amounts received from the assessments provided for in paragraph 8A.5 constitute a fund for the payment of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for costs of repair or reconstruction shall be made from insurance proceeds; if there is a balance after payment of all costs of such repair or reconstruction, such balance shall be distributed to the Owners in proportion to the contributions by each Owner to the Association.

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8A.8 Decision Not to Rebuild. In the event of a determination not to rebuild, the damaged or destroyed facilities shall be cleared; and the land shall be landscaped in a manner ensuring the existence of adequate rights-of-way and legal access over and to the area. The cost of removal and landscaping shall be paid for with insurance proceeds; and the remaining proceeds shall be retained by the Association in its general or other funds or allocated or distributed as determined appropriate by the Board, provided that any such distribution of insurance proceeds shall be proportionate to the interests of all Members.

8B. Obsolescence.

8B.1 Adoption of a Plan. The record Owners, as reflected on the real estate records of Douglas County, Nevada, representing an aggregate record ownership interest of eighty percent (80%) or more of the Condominiums may agree that the Project is obsolete and adopt a written plan for renewal and reconstruction, which plan has the approval of sixty-seven percent (67%) of the Eligible Mortgage Holders at the time of the adoption of such plan. Written notice of adoption of such a plan shall be given to all Owners. Such plan shall be recorded in Douglas County, Nevada, real estate records.

8B.2 Payment for Renewal and Reconstruction. The expense of renewal or reconstruction shall be payable by all of the Owners as assessments against their respective Condominiums. These assessments shall be levied in advance pursuant to **Article 6** hereof and shall be allocated and collected as provided in that Article. Further levies may be made in like manner if the amounts collected prove insufficient to complete the renewal and reconstruction.

8B.3 Distribution of Excess. In the event amounts collected pursuant to Section **8B.2** are in excess of the amounts required for renewal and reconstruction, the excess shall be returned to the Owners by the Association by a distribution to each Owner in an amount proportionate to the respective amount collected from each such Owner.

8B.4 Dissents From the Plan. An Owner not a party to such a plan for renewal or reconstruction shall give written notice of dissent to the Association within fifteen (15) days after the recordation of such plan. The Association shall then give written advice of such dissents to all the Owners within five (5) days after the expiration of such fifteen (15) day period. Within fifteen (15) days of receipt of such notice from the Association, the record Owners, representing an aggregate record ownership of more than fifteen percent (15%) of the Condominiums may cancel the plan by written instrument recorded in Douglas County, Nevada, real estate records. If the plan is not cancelled, then the Condominium of each

dissenter shall be purchased according to the following procedures. If the Owner and the Association can agree on the fair market value thereof, then such sale and conveyance shall be completed within sixty (60) days thereafter. If the parties are unable to agree, the date when either party notifies the other than he or it is unable to agree with the other shall be the "commencing date" from which all periods of time mentioned herein shall be measured. Within ten (10) days following the commencing date, each party shall nominate a qualified appraiser by written nomination and shall give notice of such nomination to the other. If either party fails to make such nomination, the appraiser nominated shall, within five days after default by the other party, appoint and associate with him another qualified appraiser. If the two appraisers designated by the parties, or selected pursuant hereto in the event of default of one party, are unable to agree, then they shall appoint another qualified appraiser to be umpire between them, if they can agree on such person. If they are unable to agree upon such umpire, then each appraiser previously appointed shall nominate two qualified appraisers; and from the names of the four persons so nominated, one shall be drawn by lot by a judge of any court of record in Nevada; and the person whose name is so drawn shall be the umpire. The nominations from among which the name of the umpire is to be drawn by lot shall be submitted within ten days after the failure of the two (2) appraisers to agree, which, in any event, shall not be later than twenty days following the appointment of the second appraiser. The decision of the appraisers as to the fair market value, or in the case of their disagreement, the decision of such umpire shall be final and binding. The expenses and fees of such appraisers shall be borne equally by the Association and the Owner. The sale shall be consummated within sixty days after decision of the appraisers or umpire. The Association shall have the right and power to acquire, hold, convey, lease, rent, encumber, use, and otherwise deal with the Condominium so acquired.

The Association, pursuant to **Article 6** hereof, may levy a special assessment sufficient to provide funds to pay for the Condominiums of the dissenters, provided that such assessment shall not apply to any of the Owners who are among the dissenters and shall not be a lien against the Condominium of any such Owner; and upon the Association's conveyance of any such Condominium, the Association as attorney-in-fact shall disburse the proceeds in the same manner provided in Section **8B.5** of this Declaration. The obligation of the Association to make such purchase shall be conditioned on the fair market value of the Condominium exceeding the obligations secured by liens on such Condominium, and upon the marketability of the title of the Owner. Owner shall furnish the Association an appropriate preliminary title report or commitment for title insurance evidencing marketability of his title not less than fifteen days prior to the date set for completion of the sale.

8B.5 Sale of Obsolete Project. The Owners representing an aggregate ownership interest of eighty percent (80%) or more of the Condominiums may agree that the

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Condominiums are obsolete and that the Project should be sold. Such an agreement must have the approval of sixty-seven percent (67%) of Eligible Mortgage Holders of record at the time such agreement is made. In such instance, the Association shall forthwith record a notice setting forth such facts; and upon the recording of such notice by the Association, the Project shall be sold by the Association as attorney-in-fact for all of the Owners free and clear of the provisions contained in this Declaration, the Condominium Map, the Articles, and the Bylaws.

The sale proceeds shall be apportioned among the Owners in the same proportion as the square footage of the Owner's Unit bears to the total square footage of all the Units; and such apportioned proceeds shall be paid into separate accounts, each such account representing one Condominium. Each such account shall remain in the name of the Association and shall be further identified by the Unit designation and the name of the Owner. From each separate account, the Association, as attorney-in-fact, shall use and disburse the total amount of such accounts without contribution from one account to the other, first to mortgagees and other lienors in the order of priority of their mortgages and other liens, and the balance remaining to each respective Owner.

8C. Condemnation. If at any time or times during the continuance of the Condominium ownership pursuant to this Declaration, all or any part of the Project shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the making of awards and disbursement of the proceeds thereof shall be undertaken in accordance with the terms and provisions of NRS 116.1107.

ARTICLE IX

PROTECTION OF LENDERS

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

9.2 Subordination. Except as provided otherwise by NRS Chapter 116 or Article VI hereof, any lien created or claimed under Article VI of this Declaration is subject and subordinate to the lien of any First Deed of Trust encumbering any Unit, unless the priority of such First Deed of Trust is expressly subordinated to such assessment lien by a written instrument duly recorded.

9.3 Non-Liability for Unpaid Assessments. Any beneficiary of a First Deed of Trust who acquires title to a Unit pursuant to the judicial or non-judicial foreclosure remedies provided in the Deed of Trust shall take the Unit free of any claims for unpaid assessments or Association charges against the encumbered Unit that accrue greater than six (6) months prior to the time such beneficiary so acquires ownership of the Unit; provided, however, after the foreclosure of any such Deed of

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Trust, such Unit shall remain subject to the Declaration; and the amount of all regular and special assessments, to the extent they relate to expenses incurred subsequent to such foreclosure sale, shall be assessed hereunder to the grantee or purchaser thereunder.

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

9.5 Notice to Eligible Mortgage Holders, Insurers and Guarantors. The holder of any First Deed of Trust shall be entitled to become an "Eligible Mortgage Holder" pursuant to the provisions of this Declaration and any insurer or guarantor of a First Deed of Trust shall be entitled to become an "Eligible Insurer" hereunder by notifying the Association of its name, address and the address of the Unit encumbered by the First Deed of Trust which it holds or insures in the manner provided in paragraph 12.5 below. Such notification shall be deemed to be a request with respect to such Unit for written notice from the Association of: (i) any default in the payment of Assessments which remains uncured for a period of sixty (60) days; (ii) any condemnation or casualty loss that affects a material portion of the Project or the Unit; (iii) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and (iv) any proposed action described in paragraphs 9.9 and 9.10 below. The Association shall give written notice to Eligible Mortgage Holders in accordance with the provisions of this paragraph 9.5 and in the manner prescribed in paragraph 12.5 below. Any holder of a First Deed of Trust encumbering any Unit or any portion of the Property who does not so request notice, shall not be deemed to be an Eligible Mortgage Holder under the terms of this Declaration. Unless and until notice is given to the Association as provided in this Declaration by a mortgage holder, insurer or guarantor, such mortgage holder, insurer or guarantor shall not be entitled to notice of default, nor to any right, distribution or notice pursuant to this Declaration.

9.6 Insurance Proceeds and Condemnation Awards. No provision of this Declaration or the Articles shall give an Owner, or any other party, priority over any rights of the holders of First Deeds of Trust in the case of a distribution to Owners of insurance proceeds or condemnation awards.

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

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

9.9 Prior Approvals. Unless fifty-one percent (51%) of Eligible Mortgage Holders have given their prior written approval, (except as to Sections (a), (b), (c) and (d) which shall require a sixty-seven percent (67%) approval), neither the Association, nor any Owner, nor any other individual shall do the following:

- (a) By act or omission, seek to abandon or terminate the Condominium regime, except as expressly allowed and provided for by this Declaration;
- (b) Change the method of determining the obligations, assessments, or other charges which may be levied against an Owner; or change the pro rata interest or obligations of any Condominium for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards; or change the method of determining the pro rata share of ownership of each Owner in the Common Elements;
- (c) By act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Elements. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Association or the Owners shall not be deemed to be a transfer within the meaning of this section;
- (d) Use hazard insurance proceeds for losses to Condominium Units or Common Elements or to any Association property, for other than the repair, replacement, or reconstruction of such improvements or property, except as provided in **Article 8**.
- (e) By act or omission, change, waive, or abandon the provisions of this Declaration, or the enforcement thereof, pertaining to control of the exterior appearance of structures in the Project, and the maintenance of the Common Elements;
- (f) Terminate professional management and assume self-management of the Project when professional management is required by FNMA, FHLMC, HUD or VA;
- (g) Make a material change in the boundaries of any Condominium, Unit or Common Elements;

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- (h) Impose any material restrictions on an Owner's right to sell or transfer his Condominium Unit, or use the Common Elements;
- (i) Change materially any provision herein that by its terms refers to and expressly benefits institutional holders of first deeds of trust;
- (j) Impose any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his Unit;
- (k) Change the subordinate priority of the provisions of this Declaration relating to allocation of hazard insurance proceeds or condemnation awards as set forth in paragraph 9.6 hereof in relation to the holders of First Deeds of Trust;
- (l) Fail to maintain the insurance required by **Article 7.1** hereof; or
- (m) Change the purposes to which any Unit or the Common Elements are restricted.

In the event any Eligible Mortgage Holder is notified in the manner provided in paragraph 12.5 below and at the address designated by such Eligible Mortgage Holder to the Association in the manner provided in such paragraph 12.5, of any proposed decision or action described in subparagraphs (a) through (m), inclusive, above, and fails to submit a written response within thirty (30) days after notice of such proposed decision or action, then such Eligible Mortgage Holder shall be deemed to have given its approval of such decision or action and such implied approval shall be conclusive as to all persons relying thereon in good faith.

9.10 Notices to Eligible Mortgage Holders. Upon written request from an Eligible Mortgage Holder, such Eligible Mortgage Holder shall be entitled to written notification from the Association of the following:

- (a) Any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its mortgage;
- (b) Any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit on which it holds the mortgage;
- (c) A lapse, cancellation, or material modification of any insurance policy maintained by the Association; and

(d) Any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders.

ARTICLE X

SPECIAL DECLARANT'S RIGHTS

10.1 General. Declarant and any Successor Declarant may be undertaking the work of constructing Improvements to and upon the Project in accordance with the terms and provisions of this **Article X**. The completion of such construction and the sale or other disposition of Units within the Project is essential to the establishment and welfare of the Project as a planned community. The covenants contained in this **Article X** are personal to Declarant and any Successor Declarant, and may only be transferred by a written assignment duly recorded from a Declarant to a Successor Declarant, or from a Successor Declarant to another Successor Declarant.

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

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

10.2.2 Maintain at least one (1) sales office and management office within the Property which may be relocated from time to time.

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

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

10.2.5 Appoint or remove any officer of the Association or any member of the Board at any time and from time to time prior to the Declarant's Control Termination Date (defined in paragraph 4.3.3[b] hereof).

Nothing in this Article shall give the Declarant the right to damage any Unit or Improvement not owned by Declarant or interfere unreasonably with the Owners' use of the Common Elements; and Declarant's right to so use the Project shall terminate upon final completion of construction of the Project, including all future phases of the Project, or eight (8) years from the recordation of this Declaration, whichever first occurs, except as required for maintenance and repair obligations conducted by Declarant which may continue after such date.

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ARTICLE XI

ARCHITECTURAL COMMITTEE

11.1 Organization. There shall be an Architectural Committee comprised of the Board; provided, however, that the Board may appoint an Architectural Committee of not less than five (5) members, at least two (2) of whom must be Directors, and remainder of whom need not be Members.

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

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

11.4 Architectural Committee Rules. The Architectural Committee shall from time to time and in its sole discretion adopt, amend, and repeal by unanimous vote rules and regulations to be known as "Architectural Committee Rules" interpreting and implementing the provisions of this Declaration and setting forth fees to be charged and procedures, and design, and construction criteria to be followed in submitting proposals to the Architectural Committee. A copy of the Architectural Committee Rules, as they may from time to time be adopted, amended, or repealed, certified by any member of the Architectural Committee, shall be maintained by the office of the Association and shall be available for inspection and copying by any Owner at any reasonable time during the business hours of the Association. The following minimum standards and restrictions shall apply to any construction work performed on the Project:

11.4.1 Compliance With Laws. All Improvements shall be 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 the Improvements.

11.4.2 Exterior Walls and Trim. Exterior colors must harmonize with the surrounding landscape; gaudy or bright colors, purples, reds and blues are not acceptable. All

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colors and trim must be approved by the Committee. All reflective metal, such as flashings, exhaust vents and pipes must be painted to match or blend with the surrounding materials. Aluminum windows, door frames, solar panels and skylights must be a compatible color. Steel window and door frames must be painted to match or blend with surrounding materials. The use of solar panels will be subject to the approval of the Architectural Committee.

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

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

11.6.1 The Owner shall have strictly complied with the provisions of paragraph 11.5; and

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

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

11.7 Basis for Disapproval of Improvements. The Architectural Committee may disapprove any application on aesthetic grounds, and more specifically: (a) because of the reasonable dissatisfaction of the Committee with the Improvement proposed to be erected, because of the materials of which it is to be built, the harmony thereof with its surroundings, and the effect of the building or other structures as planned on the view from the adjacent or neighboring Units or Common Elements, or any additional maintenance, repair or replacement burden such matter would impose upon the Association; or (b) because of non-compliance with any of the specific conditions and restrictions contained in this Declaration or with reasonable guidelines that the Architectural Committee may from time to time adopt.

11.8 Form of Approval. All approvals or disapprovals given under paragraphs 11.5 or 11.6 shall be in writing; provided, however, any request for approval which has not been rejected within sixty (60) days from the date of submission thereof to the Architectural Committee shall be deemed approved. The approval may be conditioned upon the deposit by the Owner of a performance bond, cash deposit, or other undertaking to assure completion of the approved Improvement in accordance with the terms of the approval once construction thereof is commenced.

11.9 Proceeding with Work. Upon receipt of approval from the Architectural Committee pursuant to paragraph 11.6, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement and completion of all construction, reconstruction, refinishing, alterations, and excavations pursuant to the approval. Construction of the approved Improvements shall commence, in all cases, within one year from the date of such approval. If the Owner shall fail to comply with this paragraph, any approval given pursuant to paragraph 11.6 shall be deemed revoked unless the Architectural Committee, upon written request of the Owner made prior to the expiration of the one-year period, extends the time for such commencement. No such extension shall be granted except upon a finding by the Architectural Committee that there has been no change in the circumstances upon which the original approval was granted.

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

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

11.12 Liability. Provided that the Architectural Committee or a particular member of the Architectural Committee has acted in good faith on the basis of the information as may be possessed by the Architectural Committee or the member, as the case may be, then neither the Architectural Committee nor any member thereof shall be liable to the Association, to any Owner, or any other person for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings, and specifications, whether or not defective, with respect to the construction or performance of any work, whether or not such performance complied with approved plans, drawings, and specifications; (c) the development of any property subject to this Declaration.

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Without limiting the generality of the foregoing, the Architectural Committee and any member thereof may, but it is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Architectural Committee.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 Duration. The provisions of this Declaration shall continue and be effective for a period of fifty (50) years from the date of recordation hereof and shall be automatically extended for successive periods of ten (10) years each until (i) the Owners of at least eighty percent (80%) of the Units within the Project and sixty-seven percent (67%) of the then Eligible Mortgage Holders shall execute a written instrument, which may be executed in counterparts, in recordable form declaring that the provisions of this Declaration shall terminate, and (ii) such written instrument is recorded in the office of the Recorder of Douglas County, Nevada.

12.2 Amendment. Except as otherwise provided in N.R.S. Section 116.2117 and below, this Declaration may be amended by vote or agreement of not less than sixty-seven percent (67%) of the voting power of the Association. All such amendments must be in writing, and prepared, executed, recorded and certified on behalf of the Association by an officer of the Association designated for such purpose or by the President of the Association in the absence of such designation. Such amendment shall be recorded in the office of the County Recorder of the County in which the Property is located. Any substantive amendment to any of the following described provisions of this Declaration requires the written consent of fifty-one percent (51%) of the Eligible Mortgage Holders (except items (a), (b), (e), (g) and (h) which require a sixty-seven percent (67%) approval):

- (a) Voting rights;
- (b) Increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%), assessment liens, or the priority of assessment liens;
- (c) Reductions in reserves for maintenance, repair, and replacement of the Common Elements Improvements which the Association is required to maintain pursuant to the provisions of this Declaration;
- (d) Responsibility for maintenance and repairs;
- (e) Insurance or fidelity bond provisions;

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- (f) Imposition of any restrictions on the leasing of Units or on a Owner's right to sell or transfer such Owner's Unit;
- (g) Any provision that expressly benefits mortgage holders or mortgage insurers or guarantors;
- (h) Provisions pertaining to termination of the Declaration;
- (i) Reallocation of interests in the Common Elements or Limited Common Elements, or rights to their use;
- (j) Redefinition of any Unit boundaries;
- (k) Convertibility of Units into Common Elements or vice versa;
- (l) Expansion or contraction of the Project, or the addition, annexation, or withdrawal of property to or from the Project;
- (m) A decision by the Association to establish self-management if professional management had been required previously by the Project documents or by an Eligible Mortgage Holder;
- (n) Restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in this Declaration;
- (o) Leasing of Units; or
- (p) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Unit.

In the event any Eligible Mortgage Holder is notified in the manner provided in paragraph 12.5 below and at the address designated by such Eligible Mortgage Holder to the Association in the manner provided in such paragraph 12.5, of any proposed substantive amendment to this Declaration in the nature of the amendments described in subparagraphs (a) through (h), inclusive, above, and fails to submit a written response within thirty (30) days after notice of such proposed amendment, then such Eligible Mortgage Holder shall be deemed to have given its approval of such amendment and such implied approval shall be conclusive as to all persons relying thereon in good faith. A certificate

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signed by the Secretary of the Association as to any Eligible Mortgage Holder's failure to so respond shall be deemed to be sufficient evidence of such approval.

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

12.3 Enforcement and Waiver.

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

12.3.2 Violations and Nuisance. Every act or omission whereby a covenant, condition, or restriction of the Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action.

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

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

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

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

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

Minden Townhomes Homeowners Association

P.O. Box 1123
Minden, NV. 89423

All notices given by the Association to any Owner shall be sent by regular mail, or by registered or certified mail, return receipt requested, to such Owner's Unit address or to such other address as may be designated by such Owner from time to time, in writing, to the Board. All notices to Eligible Mortgage Holders shall be sent by registered or certified mail, return receipt requested, at the address to which such Eligible Mortgage Holder has last requested that notice be sent by notifying the Association in the manner provided in this paragraph 12.5. All notices shall be deemed to have been received within seventy-two (72) hours after the mailing thereof, except notices of change of address which shall be deemed to have been given when actually received.

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

12.7 Construction and Severability; Singular and Plural; Titles.

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

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

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

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

12.8 Special Rights of VA. So long as Declarant retains Special Declarant's Rights pursuant to NRS 116.3103(4), and if the Project is qualified with the VA, then the following shall require the prior approval of VA: (i) annexation of additional real property to the Project, (ii) de-Annexation, (iii) mergers and consolidations, and (iv) all special assessments and amendments to this Declaration. If applicable, a draft of any amendment to this Declaration should be submitted to the VA for its approval prior to its approval by the Association.

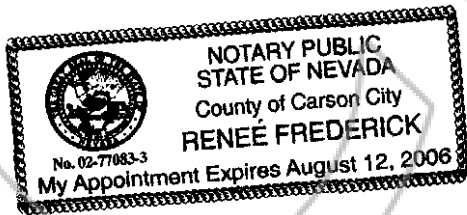
IN WITNESS WHEREOF, the undersigned have executed this Declaration as of the day and year first above written.

JUMPERS, LLC,
a Nevada limited liability company

By: *Patricia D. Clark*
PATRICIA D. CLARK
Its: *Manager*

STATE OF NEVADA)
)ss.
COUNTY OF DOUGLAS)
 Carson city

This instrument was acknowledged before me on November 5th, 2003, by Patricia D. Clark, as _____, of JUMPERS, LLC, a Nevada limited liability company.



Renee Frederick
Notary Public
My Commission Expires: 8/12/06

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Attorneys at Law
100 W. Liberty St., 12th Floor
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Exhibit "A"
LEGAL DESCRIPTION

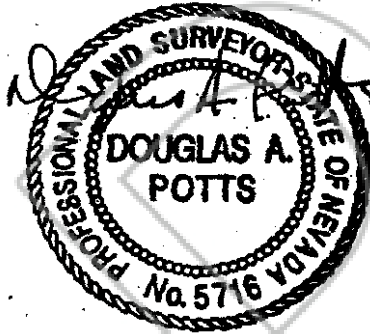
All that certain real property being a portion of the southeast $\frac{1}{4}$ of Section 30, Township 13 North, Range 20 East, M.D.M., being more particularly described as follows:

Parcel 3 of that certain Parcel Map for Breuer and Harrison, Inc., filed for record on October 26, 1990 in Book 1090, Page 4256 as Document No. 237650, Douglas County, Nevada.

Assessors Parcel No. 1320-30-701-010

This Legal Description Written by:

Douglas A. Potts, PLS
Lumos & Associates
5401 Longley Lane, Suite 5
Reno, NV 89511



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