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**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
CANYON CREEK MEADOWS**

✓ Anderson Eng
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**DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
CANYON CREEK MEADOWS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR CANYON CREEK MEADOWS ("Declaration") is made this 2nd day of February, 2004, by Little Mondeaux Limousin Corporation, a Nevada corporation ("Declarant"), with reference to the following facts and is as follows:

RECITALS:

A. Declarant is the owner and developer of certain real property located in Douglas County, Nevada which is more particularly described in **Exhibit "A"** attached hereto and incorporated herein by this reference (the "Initial Property"), which has been subdivided into forty-four (44) single family residential lots.

B. Declarant is the owner of certain additional property described in **Exhibit "B"** hereto ("Annexable Property") which may be subject to the provisions of this Declaration in Declarant's sole and absolute discretion.

C. The Initial Property and such Annexable Property which is subjected to the provisions of this Declaration pursuant to Section 10.3 hereof, together with all Improvements now or hereafter located thereon, and together with all easements, rights and appurtenances belonging thereto, is herein collectively referred to as "the Property".

D. The Property is a planned community under the Act (defined below) known as "Canyon Creek Meadows", and the maximum number of units (as defined in NRS 116.11039) which may be created within the Property is 315.

E. This Declaration creates equitable servitudes and covenants appurtenant to and running with the Property and imposes conditions, covenants, restrictions and easements for the development, operation, protection and maintenance of the Property, and provides for the creation of a homeowners association with rights and powers reasonably necessary to control the operation and maintenance of the Property, including, without limitation, the right to assess the Owners for the cost of such operation and maintenance.

F. This Declaration is intended to secure the development of the Property as a high quality, architecturally integrated, residential community.

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DECLARATION:

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

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 "Act" means Chapter 116 of the Nevada Revised Statutes ("NRS").
- 1.2 "Annexable Property" shall have the meaning ascribed thereto in Recital B above.
- 1.3 "Architectural Committee" shall mean the Canyon Creek Meadows Review Committee appointed as set forth in Article VIII hereof.
- 1.4 "Articles" or "Articles of Incorporation" means the Articles of Incorporation of the Association.
- 1.5 "Association" means Canyon Creek Meadows Homeowners Association, a Nevada non-profit corporation formed or to be formed pursuant to Chapter 82 of NRS.
- 1.6 "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.
- 1.7 "Beneficiary" means a beneficiary under a deed of trust or a mortgagee under a mortgage, and/or the assignee of such beneficiary or mortgagee.
- 1.8 "Board" or "Board of Directors" means the Board of Directors of the Association.

1.9 "Bylaws" means the Bylaws of the Association.

1.10 "Common Area" or "Common Elements" means all of the Property, together with all Improvements constructed or to be constructed thereon, excluding the Lots and any streets and roads which have been accepted for dedication by the governing body having jurisdiction over the same, together with any and all roadways outside of the boundaries of the Property which provide access to the Property but which have not been accepted for dedication by such governing body. Other common elements include drainageways, storm drains, curbs and gutters and sidewalks.

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

1.12 "Declarant" shall have the meaning ascribed thereto at page 1 hereof. "Declarant" shall include any and all Successor Declarants.

1.13 "Declarant's Control Termination Date" shall have the meaning ascribed thereto in Section 4.3.3(b) hereof.

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

1.15 "Design Standards" shall mean the design standards set forth in this Declaration, the Canyon Creek Meadows Guidelines and Development Standards and any and all additional building and landscaping design standards adopted by the Architectural Committee pursuant to the provisions of Section 8.1 hereof.

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

1.17 "Initial Property" shall have the meaning ascribed thereto in Recital A above.

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

1.19 "Map" means collectively each final subdivision map of the Property and any and all amendments thereto.

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1.20 "Member" means every Owner.

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

1.22 "Plan" means those items set forth in NRS 116.2109(4), including drawings of Improvements which are filed with agencies which issue permits for the Property, and which are by this reference incorporated herein.

1.23 "Property" shall have the meaning ascribed thereto in Recital C above.

1.24 "Rules and Regulations" shall have the meaning ascribed thereto in Section 2.3 hereof.

1.25 "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.

1.26 "Successor Declarant" shall mean any and all successors-in-interest of Declarant with respect to all or any portion of the Lots owned by Declarant and which acquire Special Declarant's Rights under this Declaration pursuant to a written assignment described in Section 10.1 hereof.

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

ARTICLE II COMMON AREA

2.1 Owners' Easements of Enjoyment. Except as otherwise provided elsewhere in this Declaration, each Owner shall have a non-exclusive easement of use and enjoyment in, to, and throughout the Common Area and for ingress and egress over and through the Common Area. Each such easement shall be appurtenant to, and pass with title to, each Lot.

2.2 Use of the Common Area. Except as otherwise expressly provided in this Declaration, the Common Area shall be used for the intended purposes as shown on the Map and as provided in this Declaration, and no persons other than the Owners, their family members, guests and invitees or the Owner's tenants, their family members, guests and

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invitees shall be allowed to in any manner use or occupy the Common Area. Each Owner shall at all times be responsible for any and all activities of his tenants, guests and invitees using the Common Area. No Improvements within the Common Area shall be altered or removed, except at the express direction of the Declarant until the Declarant's Control Termination Date, and thereafter at the express direction of the Association upon the vote of the Members as provided in Section 2.4 hereof. The Board shall adopt reasonable rules and regulations ("Rules and Regulations") governing the use of the Common Area, including parking of vehicles. The following are prohibited within any flood plain and wetland areas of the Property delineated on the final subdivision map: the construction of buildings, solid fences and grading. Filling or dredging in delineated wetland areas is also prohibited.

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

2.3.1 Reservation of Common Area Easements in Favor of Declarant.

Declarant hereby reserves unto itself such easements over, through and under the Common Area as may be reasonably necessary to discharge Declarant's obligations or exercise any Special Declarant's Rights, whether arising under the Act or reserved in this Declaration.

2.3.2 Reservation of Right to Grant Additional Common Area Easements and to Dedicate Common Area. Declarant hereby reserves unto itself the right to grant easements and rights of way on, over, through and under the Common Area for the purposes described below and for the benefit of the Owners, the Association, and the right to offer for dedication any portion of the Common Area to any political subdivision, or any public or quasi-public entity or utility. Such reservation of rights in favor of the Declarant shall be deemed to be included in every deed conveying title to a Lot. 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 Area, at any time: (i) roads, streets, trails, walks, driveways, vehicle parking areas, and parkways; (ii) poles, wires, or conduits for transmission of electricity, telephonic communication or cable or master antenna television for the Property 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. Declarant further reserves unto itself the right to grant easements and rights of way on, over, through and under the Property or applicable portions thereof for access purposes. The rights reserved by Declarant in this subparagraph 2.3.2 may be exercised at any time that Declarant owns any portion of the Property or Annexable Property which is subject to annexation pursuant to the terms of this Declaration.

2.4 Rights of Association to Grant Easements Over Common Area and to Dedicate Portions of Common Area. At such time as the rights reserved by Declarant under subparagraph 2.3.2 have expired, the Association shall be entitled to exercise the rights reserved to Declarant under subparagraph 2.3.2, provided that at least sixty-seven percent

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(67%) of the voting power of the Association has approved such action, and at such time the Declarant shall be deemed to have transferred such reserved rights to the Association.

2.5 Maintenance of Common Area. Maintenance of the Common Area (including any private roadways and completed roadways offered for dedication, but not accepted by the governing body) and any and all Improvements thereon including, but not limited to, landscaped areas, private drainage facilities, drainageways, storm drains, curbs and gutters, sidewalks, flood plain areas and wetlands, shall be the obligation of the Association from and after the latest of (a) the completion by Declarant of the Common Area Improvements, if any, (b) the date the first certificate of occupancy is issued for a completed residence on a Lot, or (c) escrow closes for the sale of a Lot to a person or entity other than a Declarant. At all times prior to such date, Declarant shall be responsible for maintaining any improved Common Area. The Association shall maintain and manage the Common Area and all Improvements thereon in a first class manner and shall assess the Owners for the cost thereof in accordance with Article VI hereof. The Association shall maintain any and all utility, water and sewer lines, equipment and other apparatus within the Common Area, unless such item of maintenance is the obligation of a utility company, Douglas County, or other governmental entity. The Association shall have its own water and electric meters for water and electric services used within the Common Area, and the expense associated with such meters shall be the financial obligation of the Association. Obstructing the flow of or altering the course of any drainage channel within the Property is prohibited.

ARTICLE III USE RESTRICTIONS

3.1 Single Family Residences. Except as otherwise provided in this Section 3.1, each Lot shall be used as a residence for a single family and for no other purpose. No residence shall be constructed or maintained upon any Lot within the Initial Property which shall have a living area, exclusive of garage or permitted outbuildings, of less than two thousand (2000) square feet and each residence shall have an attached garage which can accommodate no less than two (2) nor more than three (3) automobiles. Unless otherwise designated in the Declaration of Annexation, the minimum residence size set forth in this Section 3.1 shall apply to the Annexed Property described in such Declaration of Annexation. Declarant reserves the right to increase or decrease the minimum residence size applicable to any Annexed Property. An Owner may rent the dwelling unit on his Lot to a single family provided that the dwelling is rented pursuant to a lease or rental agreement which is (a) in writing, (b) for a term of at least six (6) months, and (c) subject to all of the provisions of this Declaration, the Articles, the Bylaws, and any Rules and Regulations adopted by the Board. Declarant reserves the right to designate in a Declaration of Annexation or Supplemental Declaration certain portions of the Property on which dwellings may be constructed and sold under a fractional ownership program, and for such portions, Declarant reserves the right to

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record a supplement or supplements to this Declaration (each a "Supplemental Declaration") which pertain to the use and operation of residences within the fractional ownership program.

3.2 Parking and Vehicular Restrictions. No Owner shall park, store or keep within the Property any inoperable or commercial type vehicle. Except as otherwise expressly provided below, no Owner shall park, store or keep on his Lot any recreational vehicle (including, but not limited to, any camper unit, house/car or motor home, any bus, trailer, trailer coach, camp trailer, boat, aircraft or mobile home, or any other similar vehicle, unless the vehicle is kept within a garage on the Lot which is large enough to house such vehicle with the door closed. In addition, no Owner shall park, store, or keep anywhere within the Property any vehicle or vehicular equipment, mobile or otherwise, reasonably 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 vehicles which are in violation of the provisions of this Declaration from any of the Property to the extent permitted by applicable law. Guests of Owners may park on streets within the Property for periods of time not to exceed ten (10) hours in any twenty-four (24) hour period. Contractors may park on streets within the Property subject to the same time restrictions.

3.3 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere within the Property, and no odor shall be permitted to arise therefrom so as to render the Property or any portion thereof unsanitary, unsightly, or offensive. No noise or other nuisance shall be permitted to exist or operate upon any portion of a Lot so as to be offensive or detrimental to any other Lot in the Property or to its occupants. Without limiting the generality of any of the foregoing provisions, no speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, snowmobiles, unlicensed off-road motor vehicles or other items which may unreasonably disturb other Owners or residents or their guests shall be located, used or placed on any portion of the Property without the prior written approval of the Board. Alarm devices used exclusively to protect the security of a Lot and its contents shall be permitted, provided that such devices do not produce annoying sounds or conditions as a result of frequently occurring false alarms. No utility "night lights" shall be installed on a Lot at any time and all other outdoor lights (except street lights installed by the Declarant) must be approved by the Architectural Committee.

3.4 Signs. Except as otherwise expressly allowed in this Declaration, no sign, poster, billboard, advertising device or other display of any kind shall be displayed. One (1) customary 18" x 24" "for sale" or "for lease" sign is allowed on the Lot. Signs required by legal proceedings, address identification signs and street signs, monument signs identifying the name of the planned community, and, during construction, construction job identification signs, builder and lender signs, are permitted within the Property. All permitted signs shall be in conformance with the requirements of the jurisdiction in which the Property is located and

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shall have been approved in writing as to size, color, design and location by the Architectural Committee. Any other signage shall require Board approval, which may be withheld in the absolute discretion of the Board. Nothing herein contained shall restrict the right of Declarant or its successors to place signage on the Common Areas and on Lots owned by the Declarant in connection with its development or marketing of Lots or residences within the Property.

3.5 Unsightly Articles. No unsightly articles, including clotheslines, shall be permitted to remain on any Lot so as to be visible from neighboring property. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in enclosed areas approved by the Architectural Committee.

3.6 Animals. No animals including horses, fowl, reptiles, poultry, rabbits, livestock, llamas, ostriches, rabbits, fish or insects of any kind ("animals") shall be raised, bred or kept within the Property, except that a reasonable number of dogs, cats or other household pets may be kept within a residence, provided that they are not kept, bred or maintained for any commercial purpose, nor in unreasonable quantities nor in violation of any applicable local ordinance, any other provision of this Declaration or such other limitations as may be set forth in the Rules and Regulations. As used in this Declaration an "unreasonable quantity" shall ordinarily mean more than two (2) pets per household; provided, however, that the Board may determine that the number of pets which constitute an unreasonable quantity of pets is more or less in number according to the type of pet. The Association, acting through the Board, shall have the right to prohibit the keeping of any animal which constitutes, in the opinion of the Board, a nuisance to other Owners. Animals within the Property belonging to Owners, residents, or their guests must be kept either indoors or within an enclosed pet run which complies with Section 3.34 hereof or on a leash or other restraint with a person capable of controlling the animal. It shall be the absolute duty and responsibility of each such person to clean up immediately after such animals which have used any portion of the Common Area or another Owner's Lot. The animal Owner's Lot (including the pet run area) shall be cleaned and maintained in a manner so as not to create a nuisance to other Owners. Furthermore, to the extent permitted by law, any Owner shall be liable to each and all remaining Owners, residents, their families and guests, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by an Owner or resident or by members of their family or guests.

3.7 Business or Commercial Activity. No part of the Property shall ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; 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 paragraph 3.7

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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 Lot or park automobiles or other vehicles within the Property; (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 residence on such Lot; (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 Property and otherwise conform with the provisions of this Declaration.

3.8 No Further Subdivision. No Lot may be further subdivided; provided, however, that nothing in this paragraph shall be deemed to prevent an Owner from (a) transferring or selling any Lot to more than one (1) person to be held by them as tenants in common, joint tenants, or as community property or other form of common ownership; or (b) the leasing or renting by any Owner of all of his Lot to more than one person, provided that any such lease or rental shall be subject to the provisions of this Declaration. Nothing set forth in this section shall preclude a boundary line adjustment approved in writing by Declarant which combines lots or portions of lots within the Property; provided, however, that no boundary line adjustment shall diminish the number of Lots against which assessments are levied pursuant to Article VI hereof.

3.9 Drainage. There shall be no interference with or alteration of the established drainage or drainage systems within the Property, unless previously approved in writing by the Architectural Committee. For the purpose hereof, "established drainage or drainage systems" is defined as the drainage which exists at the time a Lot is conveyed to an Owner by Declarant or later grading changes which are shown on plans approved by the appropriate governmental authorities and the Architectural Committee. All drainage facilities within the Common Area which are not maintained by a governmental authority shall be maintained by the Association.

3.10 Use of Garages. Each residence shall have on the Lot an attached, fully enclosed garage for at least two (2), but not more than three (3) automobiles. Garages may be used only by the Owner of such garage or the occupants of the residence to which such garage is appurtenant. Garages may be used for storage only to the extent such storage does not preclude all of the Owners of vehicles from being parked in the garage. Garage doors must remain closed at all times, except for reasonable periods during which the garage is actively being used.

3.11 Construction of Residence.

3.11.1 Completion of Residence. Each Owner is obligated to commence construction of a residence on such Owner's Lot no later than five (5) years after the date such

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Owner acquired title to the Lot by a recorded deed or acquired its interest in the Lot under a recorded contract of sale. Construction shall be deemed to have commenced on a Lot when a building permit is issued for the residence to be constructed thereon. Construction of the residence on a Lot must be completed within one (1) year after a grading permit, or if there is no grading permit a building permit, is obtained for the Lot. The Board may adopt Rules and Regulations providing for a schedule of construction penalties for violation of the provisions of this Section 3.11.1, which schedule shall be delivered to the Owners in accordance with applicable law.

3.11.2 Dust Control. Each Owner shall be responsible for dust control on his Lot at any time after the natural vegetation thereon is disturbed and such Owner shall be liable for any damage to other properties caused by airborne dust emanating from such Owner's Lot.

3.12 Maintenance and Repair. Each Owner shall maintain such Owner's Lot and the Improvements thereon in a clean, orderly and good condition and state of repair. The Improvements on such Owner's Lot shall be adequately painted or otherwise finished, all at such Owner's sole cost and expense. No building, structure, or other Improvement within the Property shall be permitted to fall into disrepair. No Owner shall do any act or work that will impair the structural soundness or safety of any Improvement located in the Property. If any Improvements are damaged or destroyed by fire or other calamity, the insurance proceeds shall be paid to the Owner or the mortgagees thereof, as their respective interests may appear; and such Owner or mortgagees shall, within a reasonable time period, rebuild or repair the damage in full compliance with the terms and provisions of Article VIII of this Declaration.

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

3.14 Exterior Installations. Satellite dishes, television antennas and other exterior communications equipment may be placed on a Lot only with the prior written approval of the Architectural Committee (below defined). Subject to the provisions of NRS 111.239, pertaining to solar energy devices, all solar energy devices must be approved in writing by the Architectural Committee prior to installation. No exterior air conditioning or heating unit (including solar heating devices), shall be erected or maintained on any portion of the Property unless it is: (a) completely concealed so as not to be visible from neighboring Lot(s); and (b) approved in writing in accordance with Article VIII of this Declaration.

3.15 Lighting. All exterior lighting shall conform to the Design Standards and shall be approved in writing by the Architectural Committee. Exterior lighting shall be shielded or recessed so that direct glare and reflections are contained within the boundaries of the Lot and

shall be directed downward and away from adjoining properties and public rights-of-way. Except for holiday decorative lighting, no lighting shall blink, flash, or be of unusually high intensity or brightness.

3.16 Windows. Except as otherwise permitted by the Act, security bars on windows or other obstructions designed to keep intruders from entering a residence shall not be permitted.

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

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

3.19 Fences. Fences are permitted only on the rear yard area of a Lot and within the building envelope as approved in writing by the Architectural Committee and shall be of a height and constructed of materials specified in the Design Standards (defined in Section 8.1 hereof). The cost of construction of any fence which serves as a common fence between two Lots shall be borne by the party constructing the fence. Unless otherwise agreed in writing by the Lot Owners sharing a common fence, each Lot Owner shall maintain that portion of the fence facing such Owner's Lot.

3.20 View Obstruction. Declarant makes no representations or warranty with respect to the presence or absence of any view from any portion of any Lot. Any existing view may change or be blocked or impaired depending upon construction, landscaping or other activities undertaken on remaining land located within the Property or on land located outside the boundaries of the Property. Each Owner, by accepting title to a Lot in the Property, hereby acknowledges that (a) there are no protected views within the Property, and no Lot in the Property is assured the existence or unobstructed continuation of any particular view, and (b) any construction, landscaping or other installation of improvements by Declarant, or other Owners, may impair the view from any Lot in the Property, and the Owners hereby consent to such view impairment.

3.21 Insurance. No Owner shall take any action on a Lot or take any action with respect to the Common Area (or any portion thereof) which results, directly or indirectly, in any increase in the applicable rate(s) of insurance paid by the Association or affects the availability of such insurance by the Association, including, without imitation, any action that would result, directly or indirectly, in such insurance being canceled.

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3.22 Temporary Structures. No structure of a temporary character, including, without limitation, trailers, mobile homes, tents, shacks, garages, barns, or other buildings or enclosures shall be utilized at any time on a Lot as a residence, either temporarily or permanently; provided, however, that temporary structures may be used by contractors during the normal course of construction, provided that such permitted temporary structures are immediately removed upon the completion of construction activity.

3.23 Radio Transmissions. No amateur radio transmission operations shall be conducted, nor shall any amateur radio transmission aerials be permitted at any time within the Property; provided, however, that citizens band radios and similar devices may be maintained and used by Owners for purposes of security and emergency communications.

3.24 Quality and Maintenance of Residences. All residences shall be constructed in a good workmanlike manner and be maintained in good condition.

3.25 Roofs. All residences and permitted structures or buildings shall have roofs constructed of tile, slate, or such other fire resistant materials that are approved by the Architectural Committee, that meet the requirements of all applicable building codes or regulations and that are consistent with the East Fork Fire Protection District's recommendations. Composition shingles shall not be permitted unless of a quality and appearance comparable to tile or slate and approved by the Architectural Committee.

3.26 Movable Structures. No building or other structure shall be moved from any other location onto any Lot. No factory built or manufactured housing or modular or prefabricated house is permitted upon any Lot, except in connection with the construction or sale of a residence thereon.

3.27 Height Limits. Unless otherwise set forth in this Section 3.27 with respect to the Initial Property or in any Declaration of Annexation with respect to any Annexed Property and unless otherwise provided by applicable law, no structure shall be more than 35 feet in height determined as set forth in the Douglas County Code.

3.28 Nonreflective Materials. No building or structure shall be constructed of any exposed material, whether structural or paint, mirrored glass, or other surface material that will result, directly or indirectly, in sunlight being unduly reflected therefrom; provided, however, that there shall be an exception for non-reflective solar panels approved in writing by the Architectural Committee, non-mirrored glass windows and copper trim.

3.29 Refuse Disposal. No garbage, refuse or obnoxious or offensive material shall be permitted to accumulate on any Lot or the Common Area, and the Owner thereof shall cause all such material to be disposed of by and in accordance with accepted sanitary practices. All garbage cans shall be kept in a clean and sanitary condition. All Owners shall subscribe to a regularly scheduled and established garbage collection service. No incinerators

of any type shall be allowed within the Property. All garbage or trash containers shall be kept within enclosed areas approved by the Architectural Committee so that they are not visible from adjoining Lots or from streets.

3.30 Mailboxes. The location and design of mailboxes and newspaper holders shall be subject to the approval of the Architectural Committee. All mailboxes shall be of a uniform style and size designed by the Declarant's representatives and depicted in the Design Standards.

3.31 Subsurface Rights. There shall be no deed, conveyance, agreement or other document executed, the terms of which separate surface or subsurface rights into different ownerships.

3.32 Fuel Tanks. All other types of fuel tanks shall be prohibited.

3.33 Sewage Disposal. Each Owner is responsible for constructing the sewer lateral to such Owner's Lot at such Owner's sole cost and expense. Each Owner shall pay all sewer connection fees attributable to such Owner's Lot and subject to the provisions of Section 6.4.5 hereof, all sewer service charges.

3.34 Landscaping. The front yard of each Lot shall be landscaped no later than six (6) months after the issuance of a certificate of occupancy for the residence on the Lot such Lot. Such landscaping shall be in compliance with the Design Standards and approved in writing by the Architectural Committee. The Board may adopt Rules and Regulations providing for a schedule of fines for violation of the provisions of this Section 3.34, which schedule shall be delivered to the Owners in accordance with applicable law.

3.35 Pet Runs. Any dog runs or similar areas on a Lot shall be designed and constructed in a manner consistent with the residence, including, without limitation, consistency in materials and color schemes, and shall be approved by the Architectural Committee.

3.36 Snow Removal. Snow removal within the private roads and roads which have not been accepted by Douglas County for dedication within the Property shall be the responsibility of the Association.

3.37 Fire Protection. Each Owner shall be responsible for fire fuels around such Owner's home site and within such Owner's Lot. A fuels management/reduction program around all structures shall be maintained a minimum of 30 feet in accordance with the Uniform Fire Code Appendix II - A- 16 and shall be the responsibility of the individual property owner. Clearance of vegetative growth from roadways, in accordance with Uniform Fire Code Appendix II - A - 17 shall be the responsibility of the Association. All structures shall be constructed with fire retardant roofing materials in compliance with NRS 472.100.

3.38 Compliance With Laws. No Lot or portion of the Property may be occupied or used by or for any structure or purpose or in any manner whatsoever which is contrary to the ordinances, rules, or regulations promulgated by the County of Douglas, as amended from time to time. Each Owner shall comply with all statues, ordinances, rules or regulations applicable to his or her Lot.

3.39 Neighboring Properties. The following provision of the Douglas County Consolidated Development Code is incorporated by reference:

Section 20.01.100 (Right to farm): "Douglas County has declared it a policy to protect and encourage agricultural operations. If your property is located near an agricultural operation, you may at some time be subject to inconvenience or discomfort arising from agricultural operations. If conducted in a manner consistent with proper and accepted standards, these inconveniences and discomforts do not constitute a nuisance for purposes of the Douglas County Code."

3.40 Violations.

3.40.1 Violation Notice. If any person or entity responsible for the maintenance of a portion of the Property ("Responsible Party") allows, permits, or causes any condition to exist on or within such Responsible Party's Lot or any Common Area, 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, without limitation, a condition which causes dust to carry to another Lot) (collectively, a "Maintenance Violation") or otherwise violates any provision of the Declaration, the Articles, Bylaws or Rules and Regulations (collectively, "Governing Documents") (which Maintenance Violation and other violations are collectively referred to herein as "Violation"), then, except as otherwise provided in subparagraph 3.40 hereof, (in the case of an emergency), before taking any action to suspend voting rights or impose a fine pursuant to the Governing Documents, the Board shall give the Responsible Party written notice ("Violation Notice") in the manner provided in paragraph 11.5, below, specifying the nature of the Violation. In the event that the Board fails to give a Violation Notice for a Maintenance Violation to a Responsible Party who has defaulted in its maintenance obligation hereunder, then upon the filing with the Board of a meritorious written complaint ("Owner Complaint") executed by the Owners of any two (2) Lots within the Property, the Board shall have the obligation to give such Maintenance Violation Notice.

3.40.2 Responsible Party's Right to File an Objection; Hearing. The Responsible Party to whom a 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 Responsible Party is deemed to have received such Maintenance Violation Notice (pursuant to paragraph 11.5, below). Whether or not such objection is filed, within thirty (30) days after

the Violation Notice is given, the Board shall meet in executive session to hold a hearing on the subject matter of the Violation Notice, unless the Responsible Party who allegedly committed the violation requests in writing that the hearing be conducted by the Board at an open meeting. Notice of such hearing, and time and place thereof, shall be given to the Responsible Party to whom the Violation Notice is given and any other Owners who have filed Owner Complaints at least five (5) days prior to the date set for such hearing. The Responsible Party who is alleged to have committed the Violation may attend the hearing and testify concerning the alleged Violation, but may be excluded by the Board from any other portion of the hearing, including, without limitation, the deliberations of the Board. In the event that the Board finds that a Violation has occurred, the Board shall order the Responsible Party to cure such Violation within such time period as the Board determines is reasonably required, which cure period shall be no less than thirty (30) days. The Board shall give written notice of its decision to the Responsible Party against whom the Violation Notice was given as to whether or not a 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 Board shall be nonbinding and appealable as set forth in NRS 38.300, *et seq.*, or any successor statute. Appeals must be initiated within thirty (30) days after the Board renders its decision. The notice period within which a Violation must be cured shall be tolled from the date of filing such objection until the date the Board notifies the Owner in writing of its decision, and if an appeal is filed, during the pendency of the appeal. By acceptance of his deed or other instrument of conveyance, each Owner shall be deemed to have agreed that any arbitration of a dispute concerning the Governing Documents shall be binding pursuant to the provisions of NRS 38.300, *et seq.*, or any successor statute, and is not subject to appeal.

3.40.3 Association's Right to Correct Maintenance Violation. If a binding decision is rendered that a Maintenance Violation exists ("Final Decision") and the Responsible Party 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.

3.40.4 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 Responsible Party under the Final Decision entered with respect to the Maintenance Violation, the Board shall obtain three (3) written bids to perform the required work and shall mail the bids to the Responsible Party. The Responsible Party 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 Responsible Party 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 subparagraph 3.40.4(a), above, the Board shall levy a Violation Assessment pursuant to paragraph 6.6 hereof against the Responsible Party 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 Responsible Party, 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.

3.41 Association's Right of Entry for Repair and Maintenance. Each Responsible Party hereby grants to the Association, and its duly authorized agents, representatives, employees and contractors, the right of entry onto such Responsible Party's Lot (including within any residence or other Improvement thereon) or Common Area, which right shall be irrevocable, to make such repairs and perform such maintenance work which the Association is required or entitled to do pursuant to the provisions of this Declaration. Except as provided hereinbelow with respect to emergencies, such right of entry shall be exercised only during reasonable hours and after reasonable notice.

3.42 Emergencies. In the event any officer of the Association believes, in his or her sole reasonable discretion, that an emergency situation exists within a Lot or within any Common Area and that immediate repairs are necessary to prevent or mitigate damages, then such officer, the manager or the manager's authorized agent shall have the right to exercise the Association's right of entry without notice. If after gaining entry, any officer of the Association still believes in his or her sole reasonable discretion, that immediate repairs are necessary to prevent or mitigate damages, then the Association shall have the right to make such repairs without notice to the Responsible Party and without a hearing, and without obtaining competitive bids as provided in subparagraph 3.40.4(a), above. The Association shall levy a Violation Assessment against the Responsible Party 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.

3.43 Entry by Court Order. In the event a Responsible Party prevents an officer of the Association, the Manager or authorized agent of the manager from gaining access to such Responsible Party's Lot or Common Area for the purpose of correcting a Maintenance Violation or for the purpose of attending to an emergency situation, then the Responsible

Party(ies) 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 Responsible Party as a Violation Assessment pursuant to paragraph 6.6 hereof.

3.44 Golf Course.

(a) Golf Hazards and Liabilities. A golf course known as Sierra Golf Ranch is near the Property ("Golf Course"). By accepting the deed or other instrument of conveyance to a Lot, each Owner, for himself and his invitees, personal representatives, assigns and heirs (collectively, the "Owner's Related Parties") hereby (i) acknowledges the potential effect on his Lot of stray golf balls and other events inherent to the activities of a golf course ("Golf Course Hazards"), (ii) assumes the risk of any property damage, personal injury, creation or maintenance of a trespass or nuisance created by or arising in connection with the Golf Course Hazards (collectively, the "Assumed Risks"), and (iii) releases, waives, discharges, covenants not to sue, indemnifies and agrees to hold harmless Declarant, the Association, the Board, the other Members, the owners and lessees of the Golf Course, all Golf Course managers and operators, and each of their respective officers, directors, shareholders, affiliates, employees, agents, representatives, successors and assigns (collectively, the "Released Parties"), and each of them, from any and all liability to the Owner or Owner's Related Parties for any losses, costs (including, without limitation, attorneys' fees), claims, demands, suits, judgments or other obligations arising out of or connected with any of the Assumed Risks, whether caused by the negligence of the Released Parties or otherwise. Notwithstanding the foregoing, however, in no event shall this Section 3.44(a) relieve any golfer from any claims or liability for any Golf Course Hazard caused by such golfer.

(b) Waiver of Liability. The Declarant in its capacity as the Declarant hereunder and as the ground lessor of the Golf Course, and any successor in title to the Golf Course, the Association and its members (in their capacity as Members), Tombstone Golf Club of Nevada, LLC, a Nevada limited liability company (the ground lessee of the Golf Course) and any and all golf course operators, and any agents, servants, employees, directors, officers, members, affiliates, representatives, receivers, subsidiaries, predecessors, successors and assigns of any such party shall not in any way be responsible for any claims, damages, losses, demands, liabilities, obligations, actions or causes of action whatsoever, including, without limitation, actions based on (a) any invasion of the Lot owner's use or enjoyment of the Lot, (b) improper design of the Golf Course, (c) the level of skill of any golfer (regardless of whether such golfer has the permission of the management to use the Golf Course), (d) trespass by any golfer on the Lot, or (e) property damage or personal injury resulting from golf balls (regardless of number) hit on the Lot.

ARTICLE IV THE ASSOCIATION

4.1 Formation. The Association is a nonprofit corporation formed or to be formed under NRS Chapter 82. Prior to the first conveyance of a Lot to an Owner other than Declarant, Declarant shall cause the Articles of Incorporation to be filed with the Secretary of State of the State of Nevada. The Association shall be charged with the duties and invested with the powers set forth in the Articles, Bylaws, and this Declaration. The Association is not authorized to have, and shall not issue, any capital stock.

4.2 Association Action; Board of Directors and Officers; Members' Approval. Except as to matters requiring the approval of the Members as set forth in the Articles, Bylaws, this Declaration, Chapter 82 of the Nevada Revised Statutes or the Act, the affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint in accordance with this Declaration or the Bylaws, or their amendments. Except for the members of the Board appointed by Declarant in accordance with this Declaration, the Articles and the Bylaws and the members of the first Board named in the Articles, the Board shall be composed of Members only. All members of the Board must be at least eighteen (18) years of age. The members of the first Board of the Association named in the Articles shall serve until the first meeting of the Members of the Association which is called for the purpose of electing their successors. The first meeting of the Members of the Association shall be held not later than one (1) year after the first conveyance of a Lot to an Owner other than Declarant. 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, Chapter 82 of the Nevada Revised Statutes or the Act, all matters requiring the approval of Members shall be deemed approved if Members holding a majority of the total voting power assent 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) meeting each calendar year.

4.3 Membership.

4.3.1 Membership Qualifications. The Members of the Association shall be the Owners of the Lots. The Owner(s) of each Lot shall have one (1) membership in the Association ("Membership"). The number of Memberships in the Association shall be equal to the number of Lots within the Property. No other persons or entities shall become Members of the Association.

4.3.2 Members' Rights and Duties. As used in this Declaration, the term "Member" shall refer to the Owner of a Lot if there is one Owner, or collectively to all of the Owners of a Lot 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.

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 Lot owned by such Member; provided, however, that the Association may not cast any vote for any Lot 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 Lots to Owners other than a Declarant; or

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

(iii) Five (5) years after any right to annex Annexable Property was last exercised.

Declarant shall have the right to designate a person or persons who are entitled to exercise the rights reserved to Declarant under this 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". 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.

(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 Lots equal to twenty-five percent (25%) of the total number of Lots within the Property to Owners other than a 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 Lots within the Property to Owners other than a 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.

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(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. An officer, employee, agent or director of a corporation, a trustee or designated beneficiary of a trust, a partner of a partnership, a manager or member of a limited liability company or a fiduciary of an estate may serve as an officer or a member of the Board. 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.

(e) Removal of Directors of Board. Notwithstanding any provision of this Declaration or of the Bylaws to the contrary, the Members of the Association, by a two-thirds vote of all persons present in person or by proxy and entitled to vote at any meeting of Members at which a quorum is present, may remove any member of the Board, with or without cause, other than a member appointed by the Declarant.

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

4.3.5 Transfer of Membership. Each Membership in the Association is appurtenant to a Lot, and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except on a transfer of title to such Lot, and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title or interest to a Lot shall operate automatically to transfer the appurtenant Membership in the Association to the new owner(s). Prior to any transfer of title to a Lot (including the sale of a Lot under a recorded contract of sale), either the transferring owner or the acquiring owner shall give notice to the Board of such transfer, including the name and address of the acquiring owner and the anticipated date of transfer. Except as otherwise provided in the next sentence, the Association shall have the right to charge a reasonable transfer fee payable to the Association on the date of transfer of title to the Lot, which transfer fee shall be assessed against the Lot as a Violation Assessment if not paid when due. The initial transfer fee is \$200. No transfer fee shall be due upon the conveyance of a Lot to Declarant.

ARTICLE V POWERS AND DUTIES OF THE ASSOCIATION

5.1 Powers. The Association shall have all the powers of a non-profit corporation organized under the laws of the State of Nevada and the powers conferred upon it pursuant to Chapter 82 of the Nevada Revised Statutes and the Act, 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 relating to the use of the Common Area and for such other purposes as are expressly allowed by this Declaration or allowed pursuant to the Act (the "Rules and Regulations"); provided, however, that the Rules and Regulations shall not be inconsistent with or materially alter any provisions of this Declaration, the Articles, or the Bylaws. A copy of the Rules and Regulations as adopted, amended, or repealed, shall be promptly 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. If the Association adopts a policy imposing a fine on an Owner for the violation 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 in the manner provided in Section 11.5 hereof, a schedule of the fines that may be imposed for those violations.

5.1.3 Right of Enforcement.

(a) General. The Association in its own name and on its own behalf, any Owner or Owners on their 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 Property. The Court in any such action may award the successful party reasonable expenses in prosecuting such action, including reasonable attorneys' fees.

(b) Suspension of 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 within the Common Area, and can assess monetary fines as allowed pursuant to the Act, against any Owner of a Lot or other person entitled to exercise such

Owner's rights or privileges for any violation of this Declaration, the Articles, Bylaws or Rules and Regulations. Before invoking any such suspension or fine, the Board shall give such Owner or other Responsible Party notice of the alleged violation which informs such Owner or Responsible Party of the details of the violation, the amount of the fine and the date, time and location for a hearing on the violation. The Owner or other Responsible Party shall have reasonable opportunity to contest the violation at the hearing. If the violation is a violation of the Rules and Regulations, a copy of the Rules and Regulations under which the violation is alleged must have been given to the violating Owner or Responsible Party at least 30 days before the alleged violation. The Board must hold a hearing before it may impose the fine, unless the Owner or other Responsible Party against whom the fine will be imposed: (a) pays the fine; (b) executes a written waiver of the right to the hearing; or (c) fails to appear at the hearing after being provided with proper notice of the hearing. If a fine is imposed pursuant to this section and the violation is not cured within 14 days or a longer period as may be established by the Board, the violation shall be deemed a continuing violation. Thereafter, the Board may impose an additional fine for the violation for each 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 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. The Association may not apply the payment of any Assessment that is paid by an Owner toward a fine imposed by the Association against the Owner. If the Articles, Bylaws, or Rules and Regulations so provide, if an Owner, or a tenant or guest of an Owner, does not comply with a provision of this Declaration or the Articles, Bylaws, or Rules and Regulations, the Board may (i) prohibit, for a reasonable time, the Owner, from: (A) voting on matters related to the planned community; (B) using the Common Elements and (ii) prohibit for a reasonable time the tenant or guest of an Owner from using the Common Elements; except that this prohibition shall not prohibit the Owner, or the tenant or guest of the Owner, from using any vehicular or pedestrian ingress or egress to go to or from the Lot, including any area used for parking, or (iii) require the Owner, or the tenant or guest of the Owner, to pay a fine not to exceed \$100.00 for each violation or a total amount of \$500, whichever is less, unless the violation is of a type that threatens the health and welfare of the planned community. The limitations on the amount of the fine do not apply to any interest charges or costs that may be imposed by the Association if the fine becomes past due; provided, that, the charges assessed for any such past due payment must comply with the provisions of NRS 116.31031(4) and (5). The imposition of such a fine must comply with the requirements of NRS 116.31065(6). The Association may not foreclose a lien for the assessment of a fine for a violation of this Declaration, the Bylaws, or the Rules and Regulations, unless the violation is of a type that threatens the health and welfare of the

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residents of the planned community. Subject to the requirements set forth in NRS 38.310 and except as otherwise provided in NRS 116.3111, a civil action for damages caused by a failure or refusal to comply with any provision of Chapter 116 of NRS or this Declaration, the Articles, the Bylaws, or the Rules and Regulations, may be brought (x) by the Association against Declarant or any Owner or (y) by an Owner against the Association, Declarant or another Owner.

5.1.4 Delegation of Powers. The Association, acting by and through the Board, shall have the power, but not the obligation, to 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 Property and the enforcement of this Declaration. The Board may appoint a committee, of not less than three (3) Members, to conduct hearings on violations and to impose fines pursuant to Section 5.1.3 above. While acting on behalf of the Board for those limited purposes, the committee and its members are entitled to all privileges and immunities and are subject to all duties and requirements of the Board and its members.

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 Property 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, 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, but shall not be obligated to, engage the services of a professional manager to manage the Property.

5.2.2 Taxes and Assessments. Each Owner shall pay all taxes and assessments by the taxing authority levied against such Owner's Lot, including any Common Elements thereon, unless such Common Elements are assessed separately from the Lot. If the taxing authority separately assesses any Common Elements within a Lot, then the taxes on such Common Elements shall be paid by the Association. The Association shall pay all taxes and assessments levied against any and 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 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. Each Owner of a Lot on which Common Elements are located grants to the Association and its authorized representatives the right to enter upon the Lot to carry out the duties of the Association set forth in this Declaration. The Association shall have the authority and duty to pay for utilities and services required for the Common Elements. Such operations and management shall be conducted in a first-class manner, and the Common Elements 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 Common Elements including contracts with a Declarant.

5.2.5 Improvements. The Association shall have the authority and power to construct, improve, repair, and reconstruct Improvements on, over, and under the Common Area that are not inconsistent with this Declaration and are appropriate for the use and benefit of Members, and to charge for the use thereof as deemed applicable.

5.2.6 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 (a) a majority of the voting power of the Association and (b) a majority of the voting rights allocated to Lots not owned by Declarant, the Board shall not take any of the following actions:

5.3.1 Sell during any fiscal year any 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; provided, however, that 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

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Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct.

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

5.6 Association Books and Records and Association Property.

5.6.1 Right of Inspection. Except as provided in the next sentence, 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, including, but not limited to, (a) the financial statement of the Association, (b) the Budgets, and (c) the Reserves Study (as defined in Section 5.7 hereof), and the physical properties of the Association, shall be made available for inspection by any Member of the Association, or his, her or its duly appointed representative, or any mortgagee, at any reasonable time and for a purpose reasonably related to Membership in the Association, at the office of the Association or at such other suitable location as the Board prescribes. The right of inspection does not include (a) the personnel records of the employees of the Association and (b) the records of the Association relating to another Owner. The right of inspection shall include the right to make copies of documents, provided that Members shall pay reasonable copying charges not to exceed \$.25 per page. The Board shall establish by resolution reasonable rules with respect to (a) notice to be given to the custodian of the records of the Association by the Member representative, or mortgagee desiring to make an inspection, (b) hours and days of the week when an inspection may be made which shall include the regular business hours of the Association, and (c) payment of the cost of reproducing copies of documents requested by a Member, a duly appointed representative or mortgagee. It shall be deemed to be a violation of this Declaration for any person other than Declarant to use the membership roster of the Association for any commercial or business purpose. If the Board refuses to allow an Owner to review the books, records or other papers of the Association, the ombudsman for owners in common-interest communities may, on behalf of the Owner and upon written request, review the books, records or other papers of the Association during the regular working hours of the Association, and, if the ombudsman is denied access to the books, records and other papers, request the real estate commission to issue a subpoena for their production. The Board shall provide a copy of the records required to be maintained pursuant to this section to the Owner, or the ombudsman for owners in common-interest communities, within 14 days after receiving a written request therefor.

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

(a) The original or a certified copy of the Declaration, the Articles, the Bylaws, minute books and other books and records of the Association and any Rules 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 Reserves Study that contains the Declarant's share of the amounts then due, the control of the account, and a written disclosure of the amount by which the Declarant has subsidized the Association's Assessments on a per Lot basis;

(d) The Association's money in the possession of the Declarant or under Declarant's control;

(e) All of the tangible personal property that has been represented by the Declarant to be Association Property or, all tangible personal property that is necessary for, and has been used exclusively in, the operation and enjoyment of the Common Area, and inventories of those properties; unless Declarant has disclosed in a public offering statement or otherwise in writing prior to the execution of a binding purchase contract for each Lot sold by a Declarant that such personal property will remain the property of Declarant;

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

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

(h) Written warranties of the contractor, subcontractors, suppliers and manufacturers applicable to the Common Elements that are still effective;

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

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

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(k) 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.

5.7 Study of Reserves. The Board shall cause to be conducted, at least once every five years, a study of the Reserves ("Reserves Study") required to repair, replace and restore the major components of the Common Areas; review the results of that study at least annually to determine if those Reserves are sufficient; and make any adjustments it deems necessary to maintain the required Reserves. The Reserves Study must be conducted by a person qualified by training and experience to conduct such a study and such person may be a member of the Board, an Owner or the property manager of the Association who is so qualified. The study must include, without limitation:

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

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

(c) An estimate of the remaining useful life of each major component identified pursuant to subparagraph (b);

(d) An estimate of the cost of repair, replacement or restoration of each major component identified pursuant to subparagraph (b) during and at the end of its useful life; and

(e) An estimate of the total Annual Assessment that may be required to cover the cost of repairing, replacement or restoration of the major components identified pursuant to subparagraph (b), after subtracting the Reserves of the Association as of the date of the study.

ARTICLE VI ASSESSMENTS

6.1 Agreement to Pay. Subject to the provisions of the next sentence, Declarant, for each Lot owned by it, and each Owner for each Lot owned by such Owner, hereby covenants and agrees to pay to the Association such Assessments as are made pursuant to paragraphs 6.4, 6.5 and 6.6 of this Declaration. In lieu of payment of the Annual Assessments, Declarant ("Subsidizing Party"), may enter into an agreement with the Association ("Subsidy Agreement") wherein the Subsidizing Party agrees to pay an amount equal to the sum of (a) the difference between (i) the Common Expenses (excluding reserves)

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and (ii) the Annual Assessments payable by the Owners and (b) 100% of the reserves attributable to Lots owned by the Subsidizing Party funded on the Declarant's Control Termination Date as provided in NRS 116.31038. Upon request by an Owner, any lender holding a security interest in a Lot ("Mortgagee") or regulatory authority issuing a permit to sell Lots within the Property, the Association shall furnish a statement certifying that all Assessments, or subsidy payable under a Subsidy Agreement, which are due and payable have been paid or indicating the amount then due. The Association shall not be required to transfer memberships on its books or records or to allow the exercise of any rights or privileges of membership, including, without limitation, voting rights, on account thereof to any Owner or Member or to any person claiming under any of them unless or until all assessments and charges due hereunder are current or brought current.

6.2 Personal Obligations. Each Assessment or installment thereof, together with any late charges, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of the Owner(s) of the Lot at the time such Assessment (or installment) became due and payable. If there is more than one Owner of the Lot, the personal obligation to pay such Assessment (or installment) respecting such Lot shall be both joint and several. Subject to the provisions of paragraph 9.3 hereof, a grantee of a Lot shall be jointly and severally liable with the grantor for all unpaid Assessments against the Lot, up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amount paid by the grantee for such Assessments. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosure or waiver of the lien securing the same. No Owner may avoid or diminish such personal obligation by non-use or abandonment of his Lot.

6.3 Purpose and Amount of Assessments. The Assessments levied by the Association shall be the amount estimated to be required, and shall be used exclusively, to promote the health, safety, and welfare of the Members of the Association, for the performance of the duties of the Association as set forth in this Declaration, and for the repair, maintenance and upkeep of the Common Area and any 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. As used herein, "Common Expenses" means the expenditures made by the Association in the performance of its obligations hereunder, and the financial liabilities of the Association during the applicable fiscal year, including an allocation to reserves, and shall include, but are not limited to, expenditures for the following purposes: (i) to operate, manage, maintain and repair the Common Elements, and to administer the operation of the Association; (ii) to provide for adequate reserves funded on a reasonable basis consistent with sound business practice for the repair, replacement and restoration of the Improvements to the Common

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Elements, and for such other purposes as are consistent with good business practice, excluding daily maintenance; and (iii) to provide for the possibility that some Assessments may not be paid on a current basis. Without limiting the generality of the foregoing, Common Expenses shall include: all charges, costs, and expenses whatsoever incurred by the Association for or in connection with the Association administration, including, but not limited to, the maintenance of the Common Elements; any taxes and assessments separately assessed against any Common Elements, 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 Area and the Improvements thereon. During the period of time that the Water Facilities (as defined in Section 6.4.5 hereof) are operated by Canyon Creek Estates Association, a Nevada nonprofit corporation ("Canyon Creek Estates Association"), the Common Expenses shall include the proportionate share of the operation, maintenance, repair and replacement of the Water Facilities which is allocated to the Property using the formula set forth in Section 6.4.5 hereof. The Budget shall include a line item for the daily operation of the Association and a line item for a reserve for the repair and replacement of the major components of the Common Elements, and such reserve may be used only for Common Expenses that involve major repairs or replacement, including, without limitation, repairing and replacing roads and sidewalks, and must not be used for daily maintenance.

6.4.2 Procedure for Establishing Annual Assessments; Allocation. 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 of the Common Expenses (defined below) for the next succeeding fiscal year and establishing the Annual Assessment for such fiscal year. The Board shall, not less than thirty (30) days nor more than sixty (60) days before the beginning of the fiscal year of the Association, prepare and distribute to each Owner a copy of:

(a) The Budget for the daily operation of the Association. 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;

(b) The Budget to maintain the reserve required by paragraph (b) of subsection 2 of NRS 116.3115. The Budget must include, without limitation:

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

(2) 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;

(3) 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

(4) A general statement describing the procedures used for the estimation and accumulation of cash reserves pursuant to subparagraph (2), including, without limitation, the qualifications of the person responsible for the preparation of the study required by NRS 116.31152.

The Board shall set a date for a meeting of the Members to consider ratification of the Budget, which date shall be not less than thirty (30) nor more than sixty (60) days prior to the date of the meeting. Such meeting of the Members may be one of the annual meetings of the Members or a special meeting of the Members called for such purpose. Unless at that meeting sixty-six and two-thirds percent (66-2/3%) of the voting power of the Association votes to reject the proposed Budget, the Budget shall be deemed ratified by the Members, whether or not a quorum is present at such meeting. If the proposed Budget is so rejected, the Budget last ratified by the Members shall be continued until such time as the Owners ratify a subsequent Budget proposed by the Board in the manner provided in this Section 6.4.2. The Annual Assessments shall be allocated equally among the Lots within the Property on the date the Annual Assessment for the applicable fiscal year is deemed approved.

6.4.3 Assessment Period; Commencement of Annual Assessments. 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; provided, however, that the initial Annual Assessment period shall commence on the first day of the calendar month following the date on which the first deed wherein Declarant conveys a Lot is recorded ("Assessments Commencement Date"). The first Annual Assessment and any Special Assessment made during the year in which the Assessments Commencement Date occurs 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.

6.4.4 Expenditure of Reserves.

(a) The Board shall not expend funds designated as Reserves for any purpose other than the repair, restoration, replacement and maintenance of major components of the Common Elements for which the Association is responsible.

(b) Money in the Reserve Account of the Association may not be withdrawn without the signatures of at least two (2) members of the Board or the signatures of at least one (1) member of the Board and one (1) officer of the Association who is not a member of the Board.

6.4.5 Allocation of Expenses of Water Service. In the event and during such time as Canyon Creek Estates Association is operating the Water Facilities serving the Property ("Water Facilities"), the operating expenses of the Water Facilities shall be allocated to each Lot based on a fraction, the numerator of which is one (1) and the denominator of which is the number of approved lots in Canyon Creek Estates and Canyon Creek Meadows which will use the Water Facilities, which number will increase as lots are added to the system. At such time as the Water Facilities are transferred to a public utility, each Owner shall pay directly to the water service provider the water service fees charged by such service provider.

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 Lots. The Board may, in its discretion, provide for payment of any Special Assessment in any number of installments or provide that it is payable in one (1) installment within such time period as the Board deems reasonable.

6.6 Violation Assessments. Subject to the provisions of subparagraph 3.40 hereof, the Board shall have the power to levy Violation Assessments against Owners or Responsible Parties as authorized by this Declaration or to collect reasonable fines imposed by any rules or

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regulations promulgated by the Board or the Architectural Committee. The Board shall levy a Violation Assessment against the Owners of a Lot ("Violation Assessment") 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.

6.7 Rate of Assessment; and Commencement of Annual Assessments. Except as otherwise specifically provided in this Declaration, all Assessments levied by the Association must be fixed at an equal rate for all Lots; and the amount assessed to each Lot shall be determined by dividing the total amount assessed by the total number of Lots subject to this Declaration. The Annual Assessments shall commence on the date upon which both of the following have occurred: (a) title to a Lot is conveyed by Declarant to an Owner other than a Successor Declarant in fee simple absolute or is sold by Declarant to such an Owner under a recorded contract of sale, and (b) a certificate of occupancy has been issued for a dwelling constructed on any Lot.

6.8 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; provided, however, that the initial Annual Assessment period shall commence on the date described in Section 6.7 hereof. 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.

6.9 Notices of Assessments; Delinquencies. Any Assessment installment hereunder which is not paid within fifteen (15) days following the date it is due shall be deemed delinquent. All delinquent Assessments shall bear interest at the rate of twelve percent (12%) per annum 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 to the Owners of the Lots, which notice shall specify the amount of the Assessment and the date or dates payment of the same is due and shall be given in the manner provided for notices in this Declaration. 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 Lot for such Assessment; provided, however, that the date when payment of the first installment of such Assessment shall become due in such a case shall be deferred to a date fifteen (15) days after such notice shall have been given, and the first installment of such Assessment shall not be deemed delinquent until fifteen (15) days after such deferred due date.

6.10 Statement of Account. Upon payment of a reasonable fee, not to exceed Twenty-Five and no/100^{ths} Dollars (\$25.00), and upon written request of any Owner or any

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

6.11 Collection of Assessments. The right to collect and enforce Assessments is vested in the Board acting for and on behalf of the Association. The Board or its authorized representative can enforce the obligations of the Owners to pay Assessments provided for in this Declaration by commencement and maintenance of a suit at law or in equity; or the Board may enforce by judicial proceedings or, to the extent permitted by applicable law, through the exercise of the power of sale granted to the Board pursuant to applicable statutes and laws, and this Declaration. Subject to the applicable provisions of NRS Chapter 38, a suit to recover a money judgment against an Owner for unpaid assessments together with all other amounts due hereunder, shall be maintainable without first foreclosing against the Lot which is subject to the lien for such assessment or waiving the lien rights granted hereby.

6.12 Lien for Assessments; Priority. All sums assessed to any Lot pursuant to this Declaration, and all fines imposed by the Association against the Owners of a Lot, together with interest thereon as provided herein, shall be secured by a lien on such Lot in favor of the Association from the date the Assessment or fine becomes due. If an Assessment or fine is payable in installments, the full amount of the Assessment or fine is a lien from the time the first installment thereof becomes due. Such lien shall be prior to all other liens and encumbrances on such Lot, except for: (a) valid tax and special assessment liens in favor of any governmental assessing authority; (b) liens and encumbrances recorded before the recordation of the Declaration; and (c) a deed of trust (defined in Article IX below) which is senior in priority to all other Deeds of Trust encumbering the Property ("First Deed of Trust") which is 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 created hereunder. A lien of unpaid Assessments is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the full amount of the Assessments becomes due. The Association may not foreclose a lien by sale for the assessment of a fine for a violation of the Declaration, Bylaws or the Rules and Regulations, unless the violation is a type that threatens the health, safety or welfare of the residents of the Property.

6.13 Enforcement of Lien.

6.13.1 Notice of Delinquent Assessment and Notice of Default. The Association may foreclose its lien by sale pursuant to the Act after:

(a) The Association has caused to be recorded with the County Recorder of the county in which the Property or any part thereof is situated ("the County Recorder"), a notice of delinquent assessment (herein "Notice of Delinquent Assessment"), which states the amount of the 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 Lot against which the lien is imposed, and the name of the record Owner of the Lot; and

(b) Not less than thirty (30) days after mailing the Notice of Delinquent Assessment pursuant to subparagraph (a) above, the Association or other person conducting the sale has executed and caused to be recorded with the County Recorder, a notice of default and election to sell the Lot to satisfy the lien ("Notice of Default"), which shall contain the same information as the Notice of Delinquent Assessment, but which shall also describe the deficiency in payment and the name and address of the person authorized by the Association to enforce the lien by sale; and

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

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

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

6.13.2 Notice of Sale. The Association or other person conducting the sale shall, at any time after the expiration of such ninety (90) day period and before selling the Lot, 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 Lot or their successors in interest, at their address if known, or otherwise to the address of the Lot. 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 (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 liable for any and all Assessments against such Owner which shall become due during the period of foreclosure and any reinstatement by such Owner shall include such amounts. 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 Lot. The Association shall be entitled to bid on credit up to and including the amount secured by the lien being foreclosed.

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

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

6.14 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.

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 the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), United States Department of Veterans Affairs ("VA") and the United States Department of Housing and Urban Development ("HUD") if the Property 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 Area, 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 Association Property. Such insurance shall include fire and extended coverage, vandalism and malicious mischief, and such other risks and hazards against which the Association shall deem it appropriate to provide insurance protection. The Association shall comply with the above requirements by the purchase of a policy containing such coverage with "deductible" provisions as in the Association's opinion are consistent with good business practice.

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. The liability insurance shall name as separately protected insured's Declarant, the Association, the Board, and their representatives, members, and employees, and shall include liability arising out of the maintenance or use of any Common Area, whether or not the same is owned by the Association. 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 a Declarant has no further interest in any portion of the Property, then the above insurance provisions regarding such 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 managing agent at any give time during the term of the fidelity bond, provided, however, that the bond shall not be less than a sum equal to three (3) months aggregate assessments on all Lots, plus reserve funds.

7.6 Other Insurance. The Association may obtain insurance against such other risks, of a similar or dissimilar nature, as it shall deem appropriate with respect to the Property, 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 PUD projects established by FNMA and/or FHLMA, as applicable, so long as either or both of them are a mortgagee or Owner of a Lot except to the

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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. Premiums for all of the foregoing insurance carried by the Association shall be a Common Expense and shall be included in the Budget. The Board shall review the limits of all insurance policies of the Association at least once a year and adjust the limits as the Board deems necessary or appropriate.

7.8 Form. Casualty insurance shall be carried in a form or forms naming the Association the insured. Each policy shall also provide that it cannot be canceled by either the insured or the insurance company until after ten (10) days' written notice is first given to the Association and to each first mortgagee. All policies of insurance shall provide for a waiver of subrogation by the insurer as to claims against the Association, the Board, employees, and agents, and against each Owner and each Owner's employees, agents, and guests, and shall provide that the insurance cannot be canceled, invalidated, or suspended on account of the conduct of the Association, the Board, employees, and agents or of any Owner or such Owner's employees, agents, or guests, and shall provide that any "no other insurance" clause in the insurance policy shall exclude any policies of insurance maintained by any Owner or mortgagee and that the insurance policy shall not be brought into contribution with insurance maintained by any Owner or mortgagee.

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

ARTICLE VIII ARCHITECTURAL CONTROL

8.1 Design Standards. Declarant reserves the right to adopt, by a separate instrument, building and landscaping standards for the Improvements to be constructed within the Property ("Design Standards"). The Design Standards applicable to the Property may vary from Lot to Lot based on size, topography and location of the Lot. The Design Standards may be, but are not required to be, recorded as a Supplement to this Declaration. Each Owner shall be bound by the Design Standards in effect on the date such Owner acquired title to his, her or its Lot. No additions or modifications to the Design Standards shall affect existing Improvements or Improvements under construction. For purposes of this Section, Improvements under construction shall include Improvements for which plans have been submitted to and approved by the governing body.

8.2 Architectural Committee.

8.2.1 Organization. There shall be an Architectural Committee comprised of three (3) members appointed by the Board, and such members need not be Owners or Members. Until such time as a residence is constructed on each and every Lot, one member of the Architectural Committee shall be a licensed building architect and one member shall be one of the following: a landscape architect, certified land use planner or civil engineer.

8.2.2 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.

8.2.3 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 Architectural Committee unless the unanimous decision of its members is otherwise required by this Declaration. The Architectural Committee may charge a reasonable 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. On the date of recordation of the Declaration, the fee is \$500. Actual fees are determined on a time and materials basis, and may vary depending on the completeness of plans received for review. The Board may reimburse members for reasonable expenses incurred by them in the performance of any Architectural Committee function.

8.2.4 Architectural Committee Rules. The Architectural Committee may from time to time and in its discretion subject to approval of the Board adopt, amend, and repeal rules and regulations to be known as "Architectural Committee Rules" in addition to the provisions of this Declaration, which Architectural Committee Rules shall set forth procedural rules for the submission of plans, fees to be charged, and reasonable restrictions relating to construction activities within the Property. The Architectural Committee Rules, as they may from time to time be adopted, amended, or repealed, shall be a part of the Design Guidelines and maintained in the office of the Association and shall be available for inspection and copying by any Owner or any Beneficiary at any reasonable time during the business hours of the Association.

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

for the construction of a residence or any Improvements must be prepared by an architect or certified residential designer licensed in the State of Nevada. Procedure for submission of plans shall be in accordance with the Architectural Committee Rules.

8.2.6 Basis for Approval or Disapproval. The Architectural Committee shall grant the required approval only if:

(a) The Owner shall have strictly complied with the provisions of paragraph 8.2.5 and the Architectural Committee Rules; and

(b) The Architectural Committee finds that the plans and specifications conform to this Declaration, the Design Standards and to the Architectural Committee Rules in effect at the time such plans were submitted to the Architectural Committee; and

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

Any disapproval shall be specific as to the reasons therefor. The Architectural Committee may disapprove any application on aesthetic grounds, and more specifically because of: (a) the reasonable dissatisfaction of the Architectural Committee with (i) the Improvement proposed to be erected, (ii) the materials of which an Improvement is to be built, (iii) the harmony of the Improvement with its surroundings, or (iv) any additional maintenance, repair or replacement burden such Improvement would impose upon the Association; or (b) non-compliance with any of the specific conditions and restrictions contained in this Declaration; or (c) non-compliance with the Design Standards which the Architectural Committee may adopt. It is understood and agreed that the Property is intended to be an architecturally integrated community and the basis for the disapproval of plans by the Architectural Committee may be based on the style and character of previously constructed residential structures within the Property.

8.2.7 Form of Approval. All approvals or disapprovals by the Architectural Committee 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 is conditioned upon the deposit by the Owner of a cash deposit in the amount of \$3,000 to assure completion of the approved Improvement in accordance with the terms of the approval once construction thereof is commenced and to serve as a security deposit to repair any damage caused by the constructing owner, his contractor or their representatives to the Common Elements or other Lots. Nothing

set forth in this Section 8.2.7 shall be construed as a limitation on the amount of damage to which the Association may be entitled as a result of such failure to complete or repair.

8.2.8 Proceeding with Work. Upon receipt of approval from the Architectural Committee pursuant this Section 8.2, 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 two (2) years from the date of such approval and shall, in all cases, be completed within one (1) year of such date of commencement. If the Owner shall fail to comply with this paragraph, any approval given by the Architectural Committee shall be deemed revoked unless the Architectural Committee, upon written request of the Owner made prior to the expiration of the one-year period, extends the time for such commencement. No such extension shall be granted except upon a finding by the Architectural Committee that there has been no change in the circumstances upon which the original approval was granted.

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

8.2.10 Waiver and Variances. 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 this 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. The Architectural Committee may grant variances or adjustments from the provisions of this Article VIII where, in the sole and absolute judgment of the majority of the Architectural Committee, literal application of these provisions will result in unnecessary hardship and the granting of such variances or adjustments will not be materially detrimental or injurious to other Owners' Lots.

8.2.11 Liability. Provided that the Architectural Committee or a particular member of the Architectural Committee has acted in good faith on the basis of the information as may be possessed by the Architectural Committee or the member, as the case may be, then neither the Architectural Committee nor any member thereof shall be liable to the Association, to any Owner, or any other person for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings, and specifications, whether or not defective; (b) 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. Without limiting the generality of the foregoing, the Architectural Committee and any member thereof

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may, but it is not required to, consult with or hear the views of the Association or any Owner with respect to any plans, drawings, specifications, or any other proposal submitted to the Architectural Committee.

8.3 Enforcement. Only the Declarant shall have the right to enforce the Design Standards for so long as Declarant (including any Successor Declarant) owns any of the Lots. Thereafter, the Design Standards shall be enforced by the Architectural Committee, or if none has been appointed, by the Board.

ARTICLE IX PROTECTION OF LENDERS

9.1 Encumbrance of Parcels Permitted. Any Owner may encumber such Owner's Lot with a mortgage or deed of trust (collectively, "Deed of Trust"); provided that in no event shall foreclosure under any Deed of Trust impair the rights of any Owner or the Association with respect to any portions of the Common Area which are located within the Lot being foreclosed.

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

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

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be entitled to become an "Eligible Insurer" hereunder by notifying the Association of its name, address and the address of the Lot encumbered by the First Deed of Trust which it holds or insures in the manner provided in paragraph 11.5 below. Such notification shall be deemed to be a request with respect to such Lot for written notice from the Association of: (i) any default in the payment of Assessments which remains uncured for a period of sixty (60) days; (ii) any condemnation or casualty loss that affects a material portion of the Property or the Lot; (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 paragraph 9.9 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 11.5 below. Any holder of a First Deed of Trust encumbering any Lot or any portion of the Property who does not so request notice, shall not be deemed to be an Eligible Mortgage Holder under the terms of this Declaration. Unless and until notice is given to the Association as provided in this Declaration by a mortgage holder, 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 Property, 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.

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 at least sixty-seven percent (67%) of the Eligible Mortgage Holders have given their prior written approval (each Eligible Mortgage Holder having one vote for each Lot encumbered by it), neither the Association nor any Member shall do the following:

(a) Change the voting rights as set forth herein with respect to any Member of the Association or any Eligible Mortgage Holder;

(b) Change the pro rata interest or obligations of any Lot for purposes of levying Assessments;

(c) 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;

(d) Fail to maintain the insurance required by paragraph 7.2 hereof; or

(e) Take any action to terminate the legal status of the Property or the continued existence of this Declaration after substantial destruction or condemnation occurs.

In the event any Eligible Mortgage Holder is notified in the manner provided in paragraph 11.5 below and at the address designated by such Eligible Mortgage Holder to the Association in the manner provided in such paragraph 11.5, of any proposed decision or action described in subparagraphs (a) through (e), 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.

ARTICLE X SPECIAL DECLARANT'S RIGHTS

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

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

10.2.1 Complete all Improvements within the Property, 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 Property, which signs may be maintained anywhere on the Property, excluding Lots owned by Owners other than Declarant;

10.2.4 Use easements throughout the Common Area and the utility easements within the Lots for the purpose of making Improvements within the Property;

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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;

10.2.6 Annex all or any portion of the Annexable Property in accordance with Section 10.3 below; and

10.2.7 Deannex any portion of the Property owned by Declarant.

10.3 Annexation Procedures.

10.3.1 Declarant's Right of Annexation. Declarant, and Declarant alone, may, but shall not be required to, at any time or from time to time and without the consent of the Members, add to the Property covered by this Declaration all or any portion of the Annexable Property then owned by Declarant by recording a Declaration of Annexation executed by Declarant with respect to real property which is being annexed (the "Annexed Property"). Declarant's exclusive right to annex portions of the Property not previously annexed shall terminate only if neither of the following events occurs within any ten (10) year period: (i) the issuance by any real estate division of a property report, public offering statement, permit, exemption or waiver, for the sale of any Lots within the Property; or (ii) the recordation of a Declaration of Annexation for any portion of the Property (herein "Declarant's Annexation Rights Termination Date"). The provisions of this Section 10.3.1 are collectively referred to herein as "Declarant's Annexation Rights." Declarant's Annexation Rights and other developmental rights may be exercised with respect to portions of the Annexable Property at different times. No assurances are made by Declarant as to the boundaries of those portions or the order of any annexation of such portions. If Declarant's Annexation Rights or other developmental rights are exercised as to any portion of the Property, there is no requirement that such rights be exercised in all or any portion of the remaining Property.

10.3.2 Annexation With the Approval of the Membership. From and after Declarant's Annexation Rights Termination Date, any annexation of Annexable Property shall require the approval of Declarant and the non-Declarant Members entitled to exercise a majority of the voting power of the Association. In such cases where the Declarant and the Members have such right of approval, the Declaration of Annexation must be signed by the Declarant and at least two (2) officers of the Association, certifying that the approval of such required percentage of Members has been obtained.

10.3.3 Contents of Declaration of Annexation. In addition to any requirements imposed by the Act, the Declaration of Annexation shall contain the provisions described in this Section 10.3.3 and such other provisions not inconsistent with the provisions of this Declaration which the Declarant shall deem to be appropriate.

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(a) Declaration Reference. A reference to the Declaration, which reference shall state the date of recordation of the Declaration and the document number or other relevant recording data of the official records of Douglas County.

(b) Extension of General Plan. A statement that the provisions of this Declaration shall apply to the Annexed Property and that the provisions of the Declaration are incorporated by reference.

(c) Description. A sufficient description of the Annexed Property incorporating by reference the Final Map under which the Lots in the Annexed Property were created, including the identifying number of each as shown on the recorded final subdivision map. If the Annexed Property is an unmapped Phase, then a Supplemental Declaration shall be recorded after the final subdivision map is recorded which states the identifying number for each Lot.

(d) Common Area. A designation of any property within the Annexed Property which is to become Common Area and a description of all liens and encumbrances (other than this Declaration, the Declaration of Annexation and any Supplemental Declaration) which will affect such Common Area at the time of its transfer to the Association. Control over the completed Common Area therein, if any, shall be transferred to the Association in accordance with the provisions of this Declaration.

(e) Minimum Residence Size. A designation of the minimum residence size in the event it is different from that specified in Section 3.1 hereof.

10.3.4 Amendment. Declarant may amend any Declaration of Annexation by a written amendment executed by Declarant and recorded, provided that (i) Declarant is the owner of all of the Annexed Property (other than publicly owned property) affected by such Declaration of Annexation, or (ii) the amendment is required by any real estate division or the provisions of NRS Chapter 116.

10.3.5 Effect of Recording Declaration of Annexation. The recording of a Declaration of Annexation covering any portion of the Property shall cause such Annexed Property to become a part of the Property and subject to the provisions of this Declaration and any other applicable declarations and, effective upon such recording, such Annexed Property shall be subject to the functions, powers and jurisdiction of the Association.

10.3.6 Supplemental Declarations. Declarant may, in its sole discretion, for Annexed Property owned solely by Declarant, execute and record as a separate declaration or as part of any Declaration of Annexation, one or more Supplemental Declarations which incorporate this Declaration therein by reference and impose such additional and further covenants, conditions and restrictions for the operation, protection and maintenance of the Annexed Property as Declarant may deem advisable, so long as the provisions of such

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Supplemental Declaration are not in conflict with this Declaration. If there is any conflict between any Supplemental Declaration and the provisions of this Declaration, the provisions of this Declaration shall control, although such documents shall be construed to be consistent with one another to the extent possible. If there is any conflict between the terms of any Declaration of Annexation and any Supplemental Declaration covering the same portion of the Property, then the Declaration of Annexation shall control. The inclusion in any Supplemental Declaration of conditions, covenants, land uses and limitations which are more restrictive or more inclusive than the provision of this Declaration shall not be deemed to constitute a conflict with the provisions of this Declaration or the applicable Declaration of Annexation. The Declarant may amend a Supplemental Declaration by a written amendment, executed by Declarant and recorded, provided, that: (i) Declarant is the owner of all of the Property (other than publicly owned property) affected by the Supplemental Declaration, or (ii) the amendment is required by any real estate division or the provisions of NRS Chapter 116. All other amendments to the Supplemental Declaration shall be governed by the provisions of the Supplemental Declaration.

10.4 Deannexation Procedures. Declarant may remove a portion of the Property from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the Owner of all of such property, and provided that a Notice of Deannexation is recorded in the office of the County Recorder of the County in which the Property is located describing the property to be deannexed.

10.5 Limitations on Exercise of Special Declarant's Rights. Nothing in this Article shall give the Declarant the right to damage any Lot or Improvement not owned by Declarant or interfere unreasonably with the Owners' use of the Common Areas; and Declarant's right to so use the Property shall terminate upon the later of (i) the final completion of construction of the Common Area Improvements, or (ii) at such time as Declarant no longer owns any interest in the Property.

ARTICLE XI MISCELLANEOUS PROVISIONS

11.1 Duration. The provisions of this Declaration shall continue and be effective for a period of fifty (50) years from the date of recordation hereof and shall be automatically extended for successive periods of ten (10) years each until (i) the Owners of at least eighty percent (80%) of the Lots within the Property 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.

11.2 Amendment. Except as otherwise provided in NRS Section 116.2117 or otherwise expressly provided herein, this Declaration may be amended by vote or agreement of not less than sixty seven percent (67%) of the voting power of the Association. All such

amendments must be in writing, and prepared, executed, recorded and certified on behalf of the Association by the President of the Association. Such amendment shall be recorded in the office of the County Recorder of 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) Assessments, assessment liens, or the priority of assessment liens;
- (c) Reserves for maintenance, repair, and replacement of the Common Area 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;
- (f) Imposition of any restrictions on a Owner's right to sell or transfer such Owner's Lot;
- (g) Any provision that expressly benefits mortgage holders or mortgage insurers or guarantors; or
- (h) Provisions pertaining to termination of the Declaration.

In the event any Eligible Mortgage Holder is notified in the manner provided in paragraph 11.5 below and at the address designated by such Eligible Mortgage Holder to the Association in the manner provided in such paragraph 11.5, 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 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.

Section 11.1 shall be amended only upon the written consent of the Owners of eighty percent (80%) of the Lots within the Property; and, for so long as Declarant owns any portion of the Property or Annexable Property, no provision of Article X may be amended during any

time that such provision is otherwise operative unless Declarant consents in writing to such amendment

11.3 Enforcement and Waiver.

11.3.1 Owner's Right of Enforcement. In addition to the rights of enforcement granted to the Association pursuant to the provisions of paragraph 5.1.3 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. Except as expressly provided herein, nothing herein shall be construed as creating a third party beneficiary contract in favor of parties who are not Owners or Eligible Mortgage Holders.

11.3.2 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.

11.3.3 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.

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

11.3.5 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.

11.3.6 Binding Arbitration. Whenever the provisions of this Declaration refer to "binding arbitration", each of the Owners, by acceptance of title to such Owner's Lot, shall be deemed to have agreed to binding arbitration pursuant to NRS 38.330(5), or any successor statute.

11.4 Termination of Former Owner's Liability for Assessments. Upon the conveyance, sale, assignment, or other transfer of a Lot to a new Owner, the transferring Owner shall not be liable for any Assessments levied with respect to such Lot after notification of the Association of such transfer in the manner provided in paragraphs 4.3.4 and 11.5 hereof and the payment of a transfer fee as provided in paragraph 4.3.4 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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11.5 Notices. All notices hereunder to the Association or the Board shall be sent by regular mail, or registered or certified mail, return receipt requested, addressed to the Board at the address of the Manager, or to such other place as the Board may designate from time to time by notice in writing to the Owners of all of the Lots. Until the Owners are notified otherwise, all notices to the Association or to the Board shall be addressed as follows:

Canyon Creek Meadows Homeowners Association
2901 Jacks Valley Road
Genoa, Nevada 89411

All notices given by the Association to any Owner shall be sent by regular mail, or by registered or certified mail, return receipt requested, to such Owner's Lot address or to such other address as may be designated by such Owner from time to time, in writing, to the Board. All notices to Eligible Mortgage Holders shall be sent by registered or certified mail, return receipt requested, at the address to which such Eligible Mortgage Holder has last requested that notice be sent by notifying the Association in the manner provided in this paragraph 11.5. 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.

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

11.7 Construction and Severability; Singular and Plural; Titles.

11.7.1 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.

11.7.2 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.

11.7.3 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.

11.7.4 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.

.....

11.8 Assignment of Powers. Any portion or all rights and powers of Declarant provided for in this Declaration and any modification or amendment hereof may be delegated, transferred, assigned, conveyed or released by Declarant to the Association from time to time, and the Association shall accept the same upon the recording of a notice thereof, and the same shall be effective for the period and to the extent stated therein.

11.9 Adjustment of Amounts. All sums of money referenced herein by specific dollar amounts may be adjusted by the Board using the Consumer Price Index (or replacement index) for the San Francisco Bay Area, "all items" category ("Index"). The "base month" shall be the month this Declaration is recorded. The "comparison month" shall be the month of the most recently published Index at the time the adjustment is made.

11.10 Intended Third-Party Beneficiary. Douglas County, a political subdivision of the State of Nevada is an intended third-party beneficiary to those provisions of this Declaration which cover the restrictions set forth in subparagraphs 11.H, 11.I, 11.J, and 18, of the tentative subdivision map conditions for Mountain Meadows Estates East, a copy of which is attached hereto as Exhibit "C".]

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

Declarant:

Little Mondeax Limousin Corporation,
a Nevada corporation

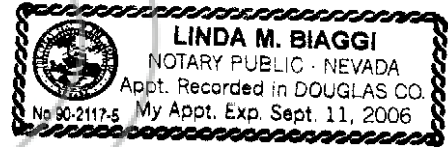
By: 

Ronald L. Simek, President

STATE OF NEVADA)
)ss.
County of Douglas)

This instrument was acknowledged before me on February 2, 2004, by Ronald L. Simek as President of Little Mondeaux Limousin Corporation, a Nevada corporation.

Linda M. Biaggi
Notary Public
My Commission Expires: 09-11-06



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Exhibit "A"
Initial Property Description

(See attached.)

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**DESCRIPTION
CANYON CREEK MEADOWS, PHASE 1**

All that real property situate in the County of Douglas, State of Nevada, described as follows:

Canyon Creek Meadows, Phase 1, located within a portion of Section 26, Township 14 North, Range 19 East, Mount Diablo Meridian, more particularly described as follows:

Lots 1 through 44, Open Space A and B, and Common Areas 1 through 3 of the Final Subdivision Map, A Planned Development, PD-0016/LDA 02-008 for Canyon Creek Meadows, Phase 1, recorded February 11, 2004 in the office of Recorder, Douglas County, Nevada in Book 0204, at Page 4470, as Document No. 604356.

Note: Refer this description to your title company before incorporating into any legal document.

Prepared By: R.O. ANDERSON ENGINEERING, INC.
P.O. Box 2229
Minden, Nevada 89423

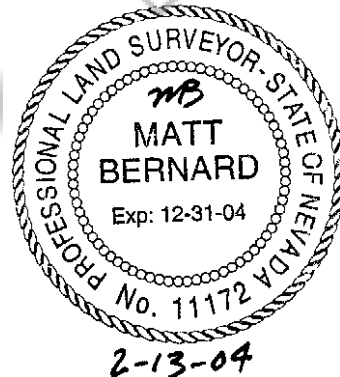
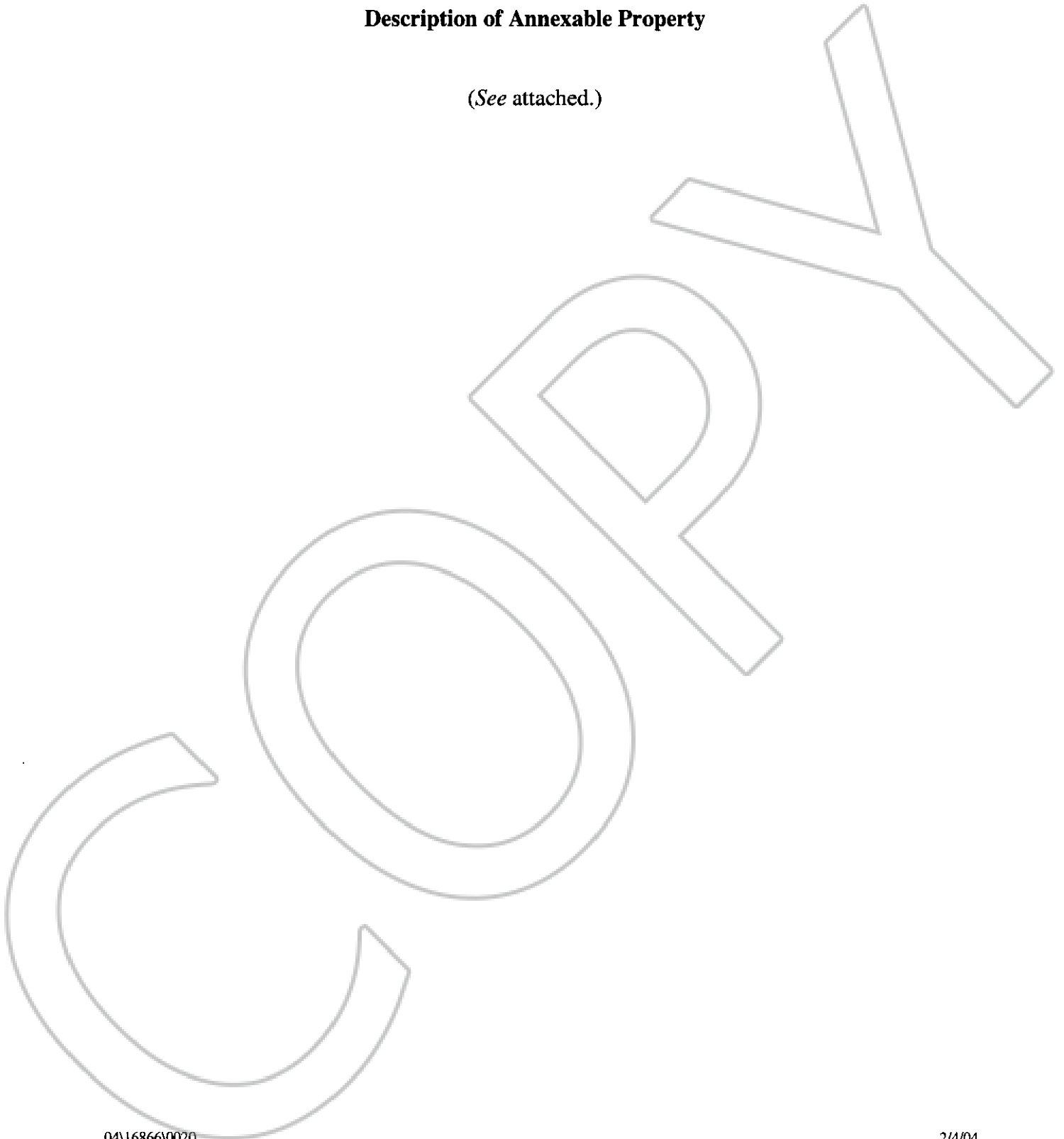


Exhibit "B"
Description of Annexable Property

(See attached.)



**DESCRIPTION
CANYON CREEK MEADOWS
REMAINDER PARCELS**

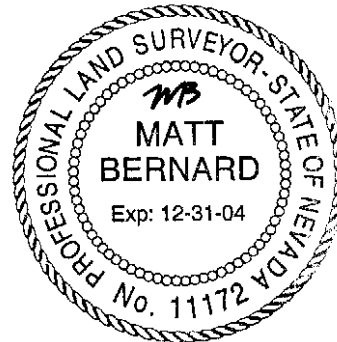
All that real property situate in the County of Douglas, State of Nevada, described as follows:

Canyon Creek Meadows located within a portion of Section 26, Township 14 North, Range 19 East, Mount Diablo Meridian, more particularly described as follows:

Remainder Parcels 1 and 2 of the Final Subdivision Map, A Planned Development, PD-0016/LDA 02-008 for Canyon Creek Meadows, Phase 1, recorded February 11, 2004 in the office of Recorder, Douglas County, Nevada in Book 0204, at Page 4470, as Document No. 604356.

Note: Refer this description to your title company before incorporating into any legal document.

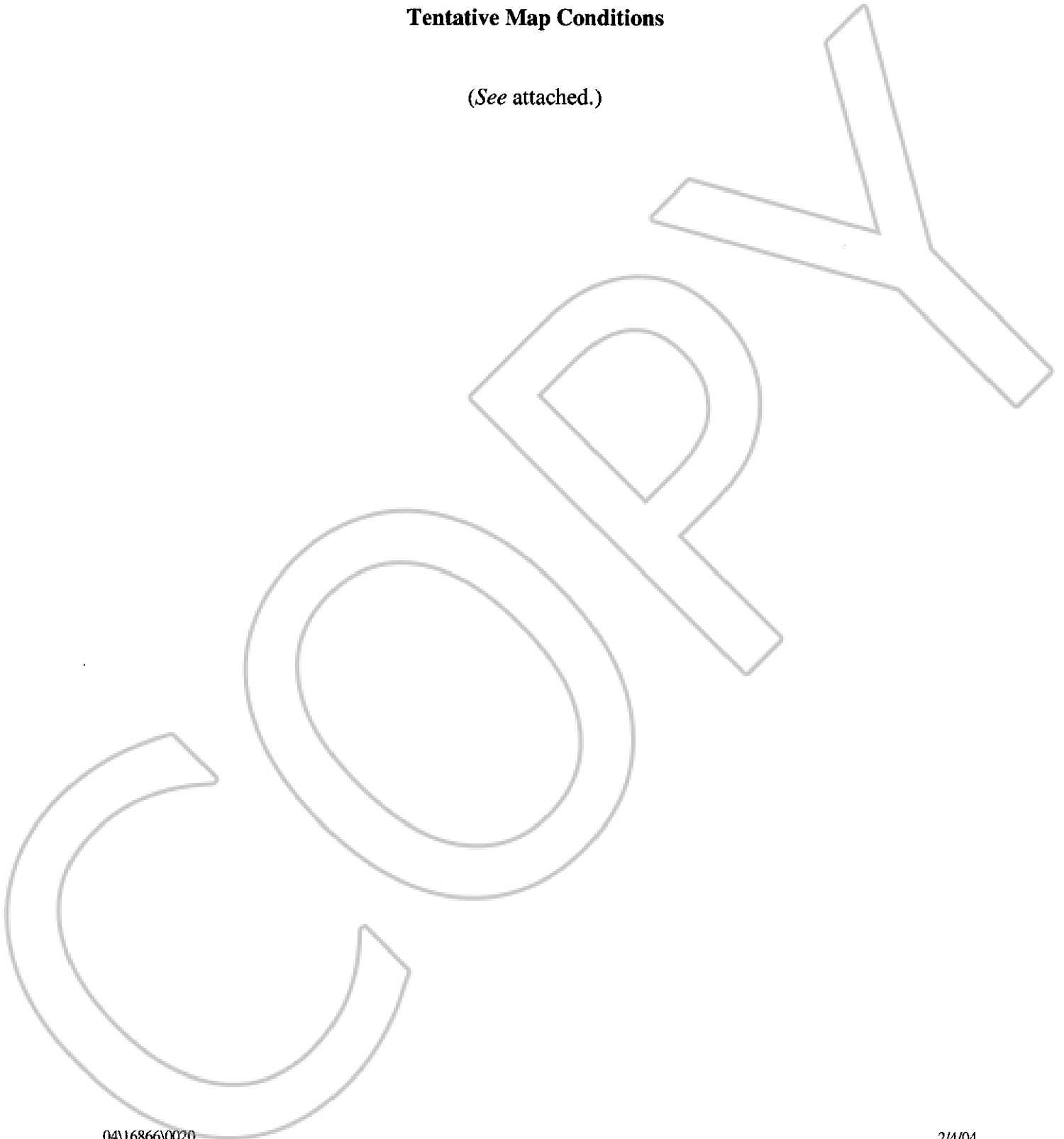
Prepared By: R.O. ANDERSON ENGINEERING, INC.
P.O. Box 2229
Minden, Nevada 89423



2-13-04

Exhibit "C"
Tentative Map Conditions

(See attached.)





COMMUNITY DEVELOPMENT

1594 Esmeralda Avenue, Minden, Nevada 89423

Bob Nunes
DIRECTOR

775-782-9005
775-782-9010
FAX: 775-782-9007

Planning Division
Engineering Division
Building Division
Regional Transportation
Water/Sewer Utility
Road Maintenance
Code Enforcement

March 14, 2002

Rob Anderson
R O Anderson Engineering, Inc.
1603 Esmeralda Avenue
Minden, NV 89423

Re: LDA 02-008 (Tentative Subdivision Map)
Mountain Meadows Estates East

Dear Rob,

On March 7, 2002 the Douglas County Board of Commissioners approved the above referenced tentative subdivision map within an existing planned development (ref. PD 00-16 amended), allowing the creation of up to 315 single-family residential parcels, the smallest being 0.34 acres in area with allowed setbacks under the SFR 12,000 zoning district (front & rear = 20 feet, street side = 15 feet, and side yard = 10 feet). The approval is subject to the following conditions:

THE FOLLOWING CONDITIONS MUST BE MET PRIOR TO THE SUBMITTAL OF A FINAL MAP APPLICATION:

1. The project shall connect to the Douglas County water system and shall comply with the will serve letters dated January 3, 2002 for both the east and west sides of the development. Required capacity upgrades as necessary to provide an adequate water supply and fire flow for the development including a new upper water storage tank with pad elevation set at 5364 unless a different elevation is approved by Douglas County Engineering prior to the issuance of a Site Improvement Permit or Building Permit, and offsite improvements to connect to Genoa Lakes/Sierra Shadows water system.

In addition, the water system shall be designed to comply with Douglas County Water System Design Criteria and any other special conditions necessary to connect to the Genoa Lakes/Sierra Shadows water system. (Note: Prior to the acceptance of the water system, the applicant shall submit for review and approval an analysis by a professional engineer of the existing tank with respect to seismic stability, overtopping and sloshing potential. The analysis shall include construction recommendations, if any, which are to be completed before acceptance by the County).

2. The applicant shall submit improvement plans to the Douglas County Community Development Department for review and approval. The improvement plans shall comply with Douglas County Code and the Douglas County Design Criteria and Improvement Standards manual ("design manual") and shall include the following:
 - A. The applicant shall construct left hand turn lanes for both project access points and deceleration lanes and acceleration lanes on Jacks Valley Road.

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- B. Prior to issuance of a permit to construct improvements on Jacks Valley Road, an evaluation of the following issues by a qualified traffic engineer shall be submitted for review and approval: 1) The potential for conflicts between left turn lanes on Jacks Valley Road; 2) The adequacy of spacing and public safety for the westside southern access road and the northern eastside access road. The evaluation shall include proposed improvements for these conditions, which are to be constructed by the applicant.
 - C. All interior private access roads shall be designed per the tentative map. The plans shall include signage for parking restrictions on cul-de-sac roads. All cul-de-sac roads shall have a minimum 50-foot improved radius.
 - D. The water system to serve the proposed development shall be designed to connect to the Genoa Lakes/Sierra Shadows water system. Improvements plans will include water tank access road, drainage and appurtenant structures. The color of the water tank shall be a dark-brown, earth tone color with a low light reflectivity value (i.e. Sherwin Williams Umbra-SW4008) to minimize visual impacts of the tank as viewed from the Carson Valley.
 - E. The sewer system designed to serve the development shall be designed to connect to the North Valley Wastewater treatment plant sewer system at Genoa Lakes and upgrade the existing system at Genoa Lakes.
 - F. A paved pullout for new cluster mailbox location, if required. (If a new cluster mailbox location is not required, then the applicant shall be responsible for providing documentation to that effect from the U.S. Postal Service.)
 - G. A technical drainage report meeting the requirements of the Douglas County design manual, including:
 - a). Analysis of the downstream capacity for flows from the development on the west side through the development on the east side (required when the east side develops).
 - H. A utilities plan that has been reviewed by the Sierra Pacific Power Company for all off-site and on-site underground utility extensions. This plan shall include the provision of service power to each newly created parcel.
 - I. A signature line signed by the Nevada Division of Forestry showing approval of the road and water system design.
 - J. A landscape and irrigation plan for the landscaped areas identified on the tentative map (applies per each phase).
 - K. Certification that adequate development rights are available to serve the project's Receiving Area and all other requirements of Douglas County Code Section 20.500 have been met.
 - L. For Phase 2 development, a 36-inch culvert crossing which crosses Jacks Valley Road at the discharge from drainage basin E-3 or other approved roadside ditch improvements and a culvert at the discharge of drainage basin E01 which pass the 50-year, 6 hour storm event without flooding.
3. The applicant shall dedicate sufficient water rights for the 395 parcels plus any water rights required for irrigation in the open space and golf course (or provide separate water rights for the golf course) and any existing facilities served by the water system by dedicating these water rights to Douglas

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County. The applicant shall submit the irrigation water rights requirements to the County Engineer for review and approval. The applicant shall be responsible for filing and shall pay all prescribed fees for the Conveyance of Title report and any change applications as directed by the County. All water rights applications and transfer of title must be completed prior to recording the Final Subdivision Map.

4. Utility lines must be installed or extended to serve each parcel. Any new utility extensions must be installed underground in accordance with Douglas County Code Section 20.220, Undergrounding of Utilities.
5. On-site and off-site improvements must be constructed or secured. If the applicant proposes to secure for any of the required improvements, the applicant must enter into a security and improvement agreement with Douglas County on a form provided by the County. The security improvement agreement and the security deposit shall comply with Douglas County Code Sections 20.720.020 and 20.720.030.

THE FOLLOWING CONDITIONS ARE TO BE MET CONCURRENTLY WITH THE SUBMITTAL OF A FINAL MAP APPLICATION:

6. The applicant shall submit a copy of the notice of completion from Douglas County for all required road, utility, drainage and other related project improvements. If any improvements are not constructed prior to the submittal of the final map application, the applicant shall submit a copy of the recorded security and improvement agreement.
7. The applicant shall submit a completed Floodplain Development Application. The project shall comply with Douglas County Code Chapter 20.50 (Floodplain Management). The applicant shall delineate the limits of the primary floodplain in the field and submit a site plan with the floodplain clearly defined.
8. The applicant shall submit a final open space/conservation easement to record with the final map.
9. The applicant shall submit a report, which clearly locates all wetland areas onsite and recommends any necessary mitigation. The development shall incorporate any recommended mitigation measures. All parcels for development shall be located a minimum of 50 feet from the wetland areas.
10. The applicant shall submit proof from the Nevada State Engineer that the 442.4 acre-feet of required water rights have been assigned to their appropriate place of use to serve the development.
11. The applicant shall comply with the final map requirements as prescribed by NRS 278 and Douglas County Code Section 20.712. Additionally, the final map shall show:
 - A. A seven and one-half (7.5) foot public utility easement along all road frontages and five (5) foot public utility easement along the side and rear lot lines.
 - B. All onsite roads shall be shown as private.
 - C. Utility easements for maintenance of water and sewer facilities.
 - D. An easement for any new cluster mailbox location, if required.

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- E. Drainage easements as necessary for mitigating onsite, offsite, and cross-lot drainage impacts. All drainage easements shall be shown as private.
 - F. The portion of the parcel that is located within the primary flood zone, as determined by a Nevada registered engineer, shall be identified on the map as a floodplain and conservation area.
 - G. Areas within the subject parcels with slopes between 15% and 25%, and areas with slopes of 25% or greater, calculated pursuant to Douglas County Code Section 20.690.030(K), shall be separately identified and delineated on the final map as "Hillside" areas.
 - H. A "Restricted Use Area" and drainage easement extending landward 50 feet from both sides of the high water mark of the "blue-line" drainage courses running through the property as identified on the Genoa USGS 7.5-minute quadrangle map shall be shown as "Restricted Use Areas" on the final map. All drainage easements shall be shown as private.
 - I. All wetlands shall be shown as "Restricted Use Areas" on the final map.
 - J. All common areas shall be identified on the map as "open space" parcels.
12. The following notes shall be placed on the final map:
- A. Any further division of these parcels may be subject to subdivision improvements as provided under NRS 278.462(3).
 - B. Maintenance of all drainage facilities and easements shall be the responsibility of the individual property owners or other private entity, including a homeowner's association. Douglas County rejects any offer of dedication of drainage facilities or drainage easements.
 - C. Obstructing the flow or altering the course of a drainage channel is prohibited.
 - D. All development, including buildings, solid fences and grading, shall be prohibited within the floodplain area identified on the final map.
 - E. All development, including buildings, solid fences and grading, shall be prohibited within the "Restricted Use Areas" identified on the final map.
 - F. All construction and development within the "Hillside" areas identified on the final map shall comply with the hillside grading standards of Douglas County Code.
13. The applicant shall submit a deed restriction, in the proper form to be recorded with the final map, stating the following: "Douglas County has declared it a policy to protect and encourage agricultural operations. If your property is located near an agricultural operation, you may at some time be subject to inconvenience or discomfort arising from agricultural operations. If conducted in a manner consistent with proper and accepted standards, these inconveniences and discomforts do not constitute a nuisance for purposes of the Douglas County Code."
14. The applicant shall submit documentation that all property taxes and any agricultural liens on the property have been paid in full for the current fiscal year.

THE FOLLOWING CONDITIONS ARE APPLICABLE TO THE NEWLY CREATED PARCELS THROUGHOUT THE LIFE OF THE PROJECT:

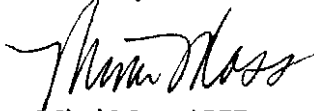
15. Maintenance of all drainage facilities and easements shall be the responsibility of the individual property owners or other private entity, including a homeowners association. Obstructing the flow or altering the course of a drainage channel is prohibited.

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16. All development, including building, solid fences and grading, shall be prohibited within the floodplain area delineated on the final map.
17. All development within the "hillside area" identified on the final map shall comply with the hillside grading provisions of Douglas County Code.
18. All development, including buildings, solid fences and grading, shall be prohibited within the within the "Restricted Use Areas" identified on the final parcel map.
19. The minimum setbacks allowed for lots located on the east side of Jacks Valley Road are according to the SFR 12,000 zoning district as follows: Front = 20 feet, Rear = 20 feet, Side = 10 feet, and Street Side = 15 feet.

This is the final decision regarding your tentative subdivision map. Extensions may be granted according to Title 20, Section 20.30.020. If you have any questions regarding this matter, please do not hesitate to call me at (775) 782-6211.

Sincerely,



Mimi Moss AICP
Planning & Economic Development Manager

C: Little Mondeaux Limousin Corp., 1725 Southfork Road, Cody WY 82414-8005
Cathie Pool, Engineering Division
LDA 02-008 File
PD 00-16 Amended file
Jan Rowan, Accountant
Clerk

mm.ltrs.lda02-008mtnmeadoweast.doc

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