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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
ROCKY TERRACE HOMEOWNERS ASSOCIATION

December 20, 2004 (11:48AM)

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
FOR
ROCKY TERRACE HOMEOWNERS ASSOCIATION

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made this 20th day of December, 2004, by ROCKY TERRACE ESTATES, LLC, a Nevada limited liability company (hereinafter referred to as "Declarant").

RECITALS:

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

The Property is located in Douglas County, Nevada and the Project is undertaken with the desire to create a development that creates, enhances, maintains and preserves desirable aesthetic features and conditions therein.

The Parties intend by this Declaration to impose upon the Project ("Rocky Terrace ") mutually beneficial conditions and restrictions for the benefit of all owners of Lots or other real property within the Project and to create a community and environment in which the aesthetic features and beauty of the Property and surrounding area will be created, enhanced, maintained and preserved.

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

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

ARTICLE I

DEFINITIONS

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

I.1 Allocated Interests. "Allocated Interest" means the liability for common expenses and vote in the Association.

I.2 Architectural Committee. The committee created pursuant to Article VII hereof.

I.3 Architectural Committee Rules. The rules adopted by the Architectural Committee pursuant to Section 7.4 hereof (hereinafter sometimes referred to as "Architectural Design Guidelines").

I.4 Architectural Design Guidelines. Rules and regulations that may from time to time be adopted by the Architectural Control Committee interpreting the terms of this Declaration, setting fees and design and construction criteria in accordance with Section 7.4 of this Declaration.

I.5 Area of Common Responsibility. "Area of Common Responsibility" shall mean and refer to the Common Area, together with those areas, if any, which by the terms of this Declaration, or by contract or agreement with any Project area owner becomes the responsibility of the Association. The office of any property manager employed by or contracting with the Association may be a part of the Area of Common Responsibility.

I.6 Articles. The Articles of Incorporation of the Association which have been or will be filed in the office of the Secretary of State of the state of Nevada, as the same may from time to time be amended.

I.7 Assessments. Assessments of the Association including both regular and special assessments as set forth in Articles II, VI, VII and VIII hereof.

I.8 Beneficiary. A mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be.

I.9 Board. The Board of Directors of the Association as provided in the Articles and Bylaws.

I.10 Builder. Purchaser of any two or more unimproved Lots who acquires said Lots for the purposes of constructing individual Residences upon them for resale to the general public.

I.11 Building Envelope. The specific area on each Lot as designated by the Declarant, within which a building may be constructed.

I.12 Bylaws. The Bylaws of the Association which may be adopted by the Board, as such Bylaws may be amended from time to time.

I.13 Common Area. All real and personal property if any, within the Project that is available for the common use and enjoyment of any Owner, or their lessees and invitees, including driveways, parks, walkways, plazas, trails, open spaces, planted and landscaped areas, and utility and drainage facilities as specifically designated on the Subdivision plat therefor as Common Area, and such other real property as may become annexed and subject hereto as additional Common Area, whether or not the same is owned in fee by the Association or whether by easement or equitable servitude, lease, license or other contractual entitlement.

I.14 Declarant. The owner or owners of the property described in Exhibit "A", and their successors and assigns, if such successors or assigns acquire the majority of the Lots subject to this Declaration for the purpose of resale to others.

I.15 Declaration. This document, as it may be amended from time to time.

I.16 Deed of Trust. A mortgage or a deed of trust, as the case may be.

I.17 Improvement. Any structure and all appurtenances thereto of every type and kind, including but not limited to building, outbuilding, patio, tennis court, pool, garage, shed, doghouse, mailbox, aerial, antenna, road, driveway, parking area, walk, fence, screening wall, retaining wall, stair, deck, landscaping, court, gate, statue, marker, hedge, windbreak, planting, planted tree or shrub, pole, sign, exterior air conditioning, water softener fixture or equipment, pole, pump, well, ditch, tank, reservoir, pipe, line, meter, tower and other facilities used in connection with water, sewer, gas, electric, telephone, regular or cable television, or other utilities.

I.18 Lot. Any unit of land which is designated on any recorded subdivision plat or parcel map, whether or not improved, for a Single Family Residence Use, also referred to herein as a Unit.

I.19 Manager. Manager shall mean the person, firm or corporation employed, if any, by the Association pursuant to Section 2.7 and delegated the duties, powers or functions of the Association pursuant to said section.

I.20 Mortgage. Any mortgage or deed of trust given to secure the payment of a debt.

I.21 Notice and Hearing. Written notice given as provided in Section 9.3 and a hearing at which the person to whom the notice is directed shall have the opportunity to be heard in person or by counsel at his expense.

I.22 Owner. The record owner of any Lot subject to this Declaration, or any record owner of any Lot that is annexed hereto pursuant to Article III. "Owner" shall include the vendee under an Installment Contract of Sale and shall exclude the vendor thereunder and those having an interest in any property that is subject to this Declaration solely for security for the performance of an obligation. An Owner is interchangeably referred to herein as a AMember@ of the Association.

I.23 Person. A natural individual or any other entity with the legal right to hold title to real property.

I.24 Plans and Specifications. Any and all documents designed to guide or control an Improvement, including but not limited to those indicating size, shape, configuration or materials, all site plans, excavation and grading plans, foundation plans, drainage plans, landscaping and fencing plans, elevation drawings, floor plans, specifications on all building products and construction techniques, samples of exterior colors, plans for utility services, and all other documentation or information relevant to the Improvement.

I.25 Property. All real property and improvements thereto situate in Project in Douglas County and more particularly described as Rocky Terrace.

I.26 Purchaser. A purchaser who is unrelated to Declarant or any corporation, partnership, joint venture, or other business entity in which Declarant has an ownership interest or over which Declarant exercises contractual or other control relating to the improvement, development or sale of Property.

I.27 Record, Recorded and Recordation. With respect to any document, the recordation of such document in the office of the Clerk and Recorder of Douglas County.

I.28 Recreation and Open Space. All areas, if any designated by Declarant and thereafter to be held for recreational purposes for the benefit of all Owners; provided, however, that access to any area or facility except for neighborhood parks, may be subject to fees and other charges, or otherwise conditioned or restricted, and made available to non-Owners, all on such terms and conditions as the Board may determine.

I.29 Residence. A residence constructed in conformance with the Rocky Terrace Restrictions and Douglas County Code for Single Family Residential Use on a Lot.

I.30 Rocky Terrace Restrictions. This Declaration, together with any and all Supplemental Declarations which may be recorded pursuant hereto, as this Declaration or said Supplemental Declarations may be amended from time to time, together with the Rocky Terrace

Rules from time to time in effect, and the Articles and Bylaws of the Association from time to time in effect.

I.31 Single Family. One (1) or more persons each related to the other by blood, marriage or legal adoption or a group of not more than four persons not all so related, together with their domestic employees and servants who maintain a common household in a Residence and casual guests or as defined under the provisions of the Douglas County Code.

I.32 Single Family Residential Use. The occupancy and use of a Residence or lot by a Single Family in conformance with the covenants, conditions and restrictions hereof, the rules and requirements imposed by applicable zoning laws and other state or local rules and regulations.

I.33 Subdivision. A parcel of land which has been shown on final and recorded subdivision plat on parcel map pursuant to N.R.S. Chapter 278, 278A or Chapter 116, as amended.

I.34 Supplemental Declaration. Any declaration of covenants, conditions and restrictions which may be hereafter recorded by Declarant.

I.35 Visible from Neighboring Property. With respect to any given object, such object is or would be visible to a person six feet tall standing on an assumed floor elevation two feet (2') above the surface of any neighboring property in the area involved, assuming that the property had an elevation equal to the highest elevation of the ground surface of that portion of the area upon which the object is located.

ARTICLE II

ROCKY TERRACE HOMEOWNERS ASSOCIATION

II.1 Formation and Structure.

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

(b) Successor Associations. In the event that the Association as a corporate entity is dissolved, a non-profit unincorporated association shall forthwith and without further action or notice be formed to succeed to all the rights and duties of the Association hereunder. The affairs of said unincorporated association shall be governed by the laws of the state of Nevada and, to the extent not inconsistent therewith, by the Articles and By-Laws of the Association as if they were created for the purpose of governing the affairs of an unincorporated association. The

Association shall cease to exist at any time this Declaration and any supplemental Declaration are abolished by written consent or vote of a majority of the Owners consistent with Section 2.13.

II.2 Construction Consistent with Law. This Declaration and all subsequent actions by the Association shall be construed whenever possible so as to be consistent with all applicable laws, federal, state and local.

II.3 Membership Rights. Only Owners and Declarant shall be Members of the Association. Each Owner shall automatically be a Member of the Association without the necessity of any further action on his part, and Association membership shall be appurtenant to and shall run with the property interest ownership of which qualifies the Owner thereof to membership. Membership may not be severed from, or in any way transferred, pledged, mortgaged or alienated except together with the title to the property interest, ownership of which qualifies the Owner thereof to membership, and then only to the transferee of title to said property interest. Any attempt to make a prohibited severance, transfer, pledge, mortgage or alienation shall be void.

II.4 Voting Rights.

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

(i) Sixty (60) days after the conveyance of seventy-five percent (75%) of the Lots that may be created to Lot Owners other than the Parties;

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

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

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

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

and one-third percent (33-1/3%) of the members of the Board must be elected by Lot Owners other than the Declarant.

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

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

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

(f) Cumulative Voting. The cumulative system of voting shall not be used for any purpose.

II.5 Meetings of Members. The Association shall hold an annual regular meeting of the Members of the Association on the first Tuesday in February of each year at 10:00 o'clock a.m., at the principal office of the Association. Said annual regular meeting may be held at such other reasonable place or time (not more than thirty [30] days before or after the aforesaid date) as may be designated by notice of the Board given to the Members not less than ten (10) days nor more than sixty (60) days prior to the date fixed for said regular meeting. Special meetings of the Members may be called at any reasonable time and place by notice of the Board or by notice of Members having twenty percent (20%) of the total votes, delivered not less than ten (10) or mailed not less than fifteen (15) days prior to the date fixed for said special meeting, to all Members if given by the Board and to all other Members if given by said Members. All notices of meetings shall be addressed to each Member as their address appears on the books of the Association and shall state the time and place of the meeting, the items on the agenda, any budgeting changes and any proposal to remove an officer or member of the Board.

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

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

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

II.6 Duties of the Association. Subject to and in accordance with this Declaration, the Association shall have and perform each of the following duties for the benefit of the Members of the Association.

(a) Members. The Association shall accept all Owners as Members. Membership shall be appurtenant to and may not be separated from ownership of any Lot.

(b) Common Area. The Association shall accept, own, operate and maintain all Common Area, including landscape easements, which may be conveyed, leased, licensed or otherwise enjoyed by it from the Declarant, together with all Improvements of whatever kind and for whatever purpose which may be located in said areas; and to accept, own, operate and maintain all other property easements, or rights of use whether real or personal, for which it, its members or the Project receives any benefits whether aesthetic or tangible.

(c) Title to Property Upon Dissolution. The Association shall pay over or convey, upon dissolution of the Association, the assets of the Association to one or more exempt organizations of the kind described in Section 501(c) of the Internal Revenue Code, as amended from time to time.

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

(e) Payment of Taxes. The Association shall pay all real and personal property taxes and other taxes and assessments levied upon or with respect to any property owned by

or leased to the Association, to the extent that such taxes and assessments are not levied directly upon the Members. The Association shall have all rights granted by law to contest the legality and the amount of such taxes and assessments.

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

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

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

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

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

(v) Such other insurance, including indemnity and other bonds, as the Board shall deem necessary or expedient to carrying out the Association's functions (see Section 2.8(e) hereof).

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

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

(h) Architectural Control Committee. The Declarant or the Board shall appoint and remove members of the Architectural Control Committee as provided in Section 7.2 hereof, and insure that at all reasonable times there is available a duly constituted and appointed Architectural Control Committee.

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

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

II.7 Powers and Authority of the Association. The Association shall have all of the powers of a non-stock, non-profit cooperative corporation organized under the laws of the state of Nevada in operating for the benefit of its members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, By-Laws and this Declaration. It shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of this Declaration, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. Without in any way limiting the generality of the foregoing, the Association and the Board shall have the following power and authority; without the obligation to exercise such power and authority:

(a) Right of Entry and Enforcement. The Board and its agents and representatives shall have the power and right to enter upon any Lot and the Improvements thereon without liability to any Owner, for the purpose of enforcing any of the provisions of this Declaration, or for the purpose of maintaining and repairing the improvements located on said Lot as provided in

this Declaration or, if for any reason whatsoever, the Owner thereof fails to maintain and repair any portion of a Lot as required by this Declaration to be maintained or repaired by said Owner. The Association shall also have the power and authority from time to time in its own name, on its own behalf, or on the behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Declaration and to enforce, by mandatory injunction or otherwise, all of the provisions of this Declaration. The costs of any such action or suit, including reasonable attorneys' fees, shall be paid to the prevailing party as part of its judgment.

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

(c) Employment of Manager. The Board shall have the power to employ by written agreement the services of a manager or other employee, or a professional manager or management company, subject to the direction and control of said Board, to manage and carry out the affairs of the Association and, to the extent consistent with the laws of the state of Nevada and upon such conditions as are otherwise deemed advisable by the Board, to delegate to the manager any of its powers; provided, however, that any contract with such professional manager or management company, and the compensation to be paid, for a term greater than one (1) year must be approved by at least fifty-one percent (51%) of the Members of the Association. In no event shall any management agreement be for a term greater than three (3) years and said agreement shall provide for termination for cause on a minimum of ninety (90) days written notice.

(d) Services. The Board shall have the power to provide for and engage the services of others, including but not limited to Douglas County and/or Gardnerville Ranchos General Improvement District, for the maintenance, protection and preservation of Association Property and the Common Areas, including but not limited to roadways owned by the Association. The Association shall have the authority to hire maintenance professionals including grounds keepers, painters, plumbers and such other maintenance personnel, as the nature and character of such common area may require, and including any such necessary personnel as the nature and character of any recreational facilities, if any, within such Association Property or Common Area may require; provided, however, that no contract for such services shall be for a duration of more than three (3) years, except with the approval of a majority of the Members of the Association. Said contract shall provide for termination on a minimum of ninety (90) days written notice.

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

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

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

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

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

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

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

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

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

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

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

(n) Other Services and Properties. To obtain and pay for any other property and services, and to pay any other taxes or assessments which the Association or the Board is required to secure or to pay for pursuant to applicable law, the terms of the Rocky Terrace Homeowners Association Rules, this Declaration, or the Articles or Bylaws of the Association.

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

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

II.8 Indemnification.

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

If a member of the Board of Directors is sued for liability for actions undertaken in their role as a Board member or officer of the Association, the Association shall

indemnify them for their losses or claims and undertake all costs of defense until and unless it is proved that such member acted with willful or wanton misfeasance or with gross negligence. After such proof, the Association is no longer liable for the cost of defense and may recover costs already expended from the Board member.

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

(b) Derivative Actions. The Association may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee, servant or agent of the Association, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action, proceeding or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, except that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association unless and only to the extent that the court in which such action, proceeding or suit was brought shall determine upon application that, despite the adjudication of liability and in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) Determination. Any indemnification which the Association has elected to provide under paragraph (a) or (b) of this Section 2.8 (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the officer, director, employee, servant or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraph (a) or (b) of this Section 2.8. Such determination shall be made (a) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; provided, however, that if a director, officer, employee, servant or agent of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph (a) or (b) of this Section 2.8, or in defense of any claim, issue or matter therein, then, to the extent that the Association has elected to provide indemnification, he shall automatically be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith without the necessity of any such determination that he has met the applicable standard of conduct set forth in paragraph (a) or (b) of this Section 2.8.

(d) Payment in Advance. Expenses incurred in defending a civil or criminal action, suit or proceeding may, in the discretion of the Board, be paid by the Association in advance of the final disposition of such action, suit or proceeding as authorized by the Board as provided in paragraph (c) of this Section 2.8 upon receipt of an undertaking by or on behalf of the

director, officer, employee, servant or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Section 2.8.

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

(f) Other Coverage. The indemnification provided by this Section 2.8 shall not be deemed exclusive of any other rights to which anyone seeking indemnification may be entitled under this Declaration, agreement, vote of the Members, vote of disinterested directors, Nevada law, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and may continue as to a person who has ceased to be a director, officer, employee, servant or agent and may inure to the benefit of the heirs and personal representatives of such a person.

II.9 Assessment Benefiting Specific Areas. The Association shall also have authority to levy assessments against specific local areas and Improvements within the project to be expended for the benefit of the properties so assessed. The assessments levied under this Section shall be levied in proportion to the benefits conferred or to be conferred, as determined by the Board, and therefore the amount levied against each parcel of land or Improvement need not be equal. Any such assessments shall constitute a lien on the properties so assessed and such liens shall be enforced in the same manner and to the same extent as is provided in Article XIII of this Declaration for regular and special Assessments.

II.10 Rules.

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

such rules in its Rules; the right of an Owner or the Board to enforce the Rocky Terrace Homeowners Association Rules is limited to those Owners that are subject to this Declaration.

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

II.11 Breach of Rules or Restrictions. In the event of a breach of any Rule or of any of the Restrictions contained in this Declaration by an Owner, their family, guests, employees, invitees, licensees or tenants, the Board, for and on behalf of itself and all other Owners, shall enforce the obligations of each Owner to obey such Rules or Restrictions in any manner provided by law or in equity, including, but not limited to, appropriate hiring of legal counsel, the pursuing of legal action, or suspension of the Owner's right to use the facilities of the Common Area or suspension of the Owner's voting rights; provided, however, such suspension may not be for a period in excess of thirty (30) days, after notice and hearing as herein provided, for an infraction of such Rules. In addition to the other remedies herein set forth, including without limitation, assessing the cost of repair of any damage resulting from an infraction of the Rules, the Board, by majority vote, may levy a fine against such Owner, after appropriate notice and hearing as herein provided, in an amount not to exceed an amount equal to six (6) months of the assessments made under Section 8.3 for each such violation and the payment of such fine may be enforced in the same manner as set forth in Section 8.7 hereof. Prior to imposing any penalty provided herein for breach of any rules enacted hereunder or of the Restrictions contained in this Declaration, the Board shall send written notice to the Owner specifying the nature of the infraction and shall provide an opportunity to the Owner for a hearing before the Board regarding such infraction and the penalty to be imposed. In the event that the Board determines that said infraction has occurred and that a penalty shall be imposed, after a reasonable opportunity for a hearing has been provided, the determination of the Board shall be final. In the event legal counsel is retained or legal action is instituted by the Board pursuant to this paragraph, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court costs, and reasonable attorneys' fees.

II.12 Liability of Members of Board. No member of the Board shall be personally liable to any of the other Board members, to the Members or to any other person, including Declarant, for any error or omission of the Association, its representatives and employees, or the Architectural Control Committee, provided that such Board member has, upon the basis of such information as may be possessed by him, acted in good faith.

II.13 Amendment. The provisions of Section 2.1, 2.2 and 2.3 shall not be amended without the vote or written consent of a majority of all of the Owners.

II.14 Special Declarant Rights. There are hereby reserved unto the Declarant or its designee(s) the following enumerated rights:

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

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

(c) To maintain, operate and relocate one (1) sales and/or management office together with signage and with easements of ingress and egress throughout the Common Area for marketing purposes.

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

(e) Appointing or removing any officer or director of the Association during any period of Declarant control as set forth in Section 2.4.

ARTICLE III

ANNEXATION

III.1 Parceling and Development by Declarant. Declarant intends to develop Rocky Terrace in accordance with the Planned Development approval through the recordation of subdivision maps to create up to ninety (90) residential Lots, each of which will accommodate a Single Family Residence. In the event that the final maps for the Project are approved and recorded in phases, this Declaration will take effect with respect to each phase as it is recorded.

III.2 Annexation. Declarant, and other Persons with Declarant's written consent, may at any time and from time to time add to the lands which are subject to this Declaration. Except as provided in paragraph (4) of this Section 3.2, upon the recording of a Notice of Addition of Land containing the provisions set forth in this Section (which Notice may be contained within any Supplemental Declaration affecting such land), the covenants, conditions and restrictions contained in this Declaration shall apply to the added land in the same manner as if it had been originally subject to this Declaration; and thereafter, except as provided in paragraph (4) of this Section 3.2, the rights, privileges, duties and liabilities of the Persons subject to this Declaration shall be the same with respect to the added land as with respect to the lands originally covered by this Declaration.

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

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

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

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

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

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

III.3 Deannexation. Declarant may deannex any area of land within the Project from this Declaration, without the consent of any Owner at any time prior to the conveyance of any area of Land or Lot on that portion of land to be withdrawn, to a Purchaser. Such deannexation shall be effected by recording a deannexation declaration. Upon recordation of the deannexation declaration, the land to be deannexed shall be removed and deannexed from the Project and, thereafter, shall be free from the obligations, requirements, declaration, limitations, covenants, conditions and restrictions set forth herein.

ARTICLE IV

USE RESTRICTIONS

IV.1 Residential Use. No Lot, nor any portion thereof, shall be used for any purpose other than Single-Family Residential Use. Except as otherwise provided in this Declaration, with respect to Declarant's or any Builder's development and sales activities, no part of the Project shall be used or caused, allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, mining, drilling or other such nonresidential purpose. This restriction is not, however, intended to preclude the use, within an individual Residence, of computers, fax machines or telecommuting devices for business purposes not involving any customer, client, agent or employee visitation to the Residence.

IV.2 Antennae, External Fixtures, Solar Panels, Other Equipment. No television or radio pole, antenna, satellite dish, flag pole, basketball standard (including portable standard) sports court, solar panels or other exterior fixture, other than those originally installed by Declarant or any Builder, and any replacements, shall be constructed, erected or maintained on any Lot or any structure on it if such equipment is visible from any street within the Project unless the same has first been reviewed and approved as to size and placement by the Architectural Committee. The Committee may not prohibit any video or television antenna or satellite dish which has a diameter or

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diagonal measurement of 36 inches or less and which is installed so as to not be visible from any street. The installation of solar panels and satellite dishes shall be subject to the prior written approval of the Architectural Committee if the same are visible from the streets and the Committee may impose conditions or restrictions to reduce visual impact without unduly interfering with the effectiveness of such panels or dishes. Except for any chimneys, vent stacks or other items or equipment upon or projecting from the roof which are installed by Declarant or any Builder as part of the initial improvements, and their duplicate replacements, no such item shall be constructed, erected or maintained upon the roof of any building on the Property unless the same has been determined not to be visible from any street or otherwise specifically approved by the Architectural Committee.

IV.3 Outside Drying, Laundering and Window Coverings. No exterior clothesline shall be erected or maintained on any Lot. No laundering, clothes drying or related activity shall be permitted outside any building. No sheets, aluminum foil or similar materials may be used as window coverings, either temporarily or permanently.

IV.4 Temporary Structures. No structures of a temporary character, trailer, tent, shack, garage, barn, or other outbuilding, shall be used on any Lot at any time as a Residence, either temporarily or permanently.

IV.5 Fences, etc.

(a) Generally. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the Project except those existing as part of Declarant's or any Builder's original construction and their duplicate replacements, or those which are installed or authorized and approved by the Architectural Review Committee or the Board. All fencing shall be constructed in accordance with the provisions of Section 7.18(f).

(b) Open Space Permanent Protective Fencing. Fencing installed by Declarant and located alongside Common Area shall not be removed or altered without the express written permission of the County or the Board of the Association.

IV.6 Signs.

(a) Residential Lot Signs. Except as provided in this section, no sign of any kind shall be displayed to the public view on or from any Lot or the Common Area without the approval of the Board or the Architectural Committee. However, one sign of customary and reasonable dimensions advertising a Lot for sale or for rent may be placed within each Lot by the Owner. In addition, during the period of Declarant's sales program, Declarant may use signs which Declarant deems necessary and appropriate to advertise the Project and which comply with local planning regulations and/or review requirements. Declarant shall be responsible for the maintenance of signs used in connection with such sales program.

(b) Residential Sign: Consent of Others. Where applicable law provides that an advertising device is permitted on real property owned by another, provided the Owner of the property upon which the advertising device is to be placed consents to such placement, the Association shall have the further right to enact reasonable regulations regarding the manner in which such consent is requested, obtained and documented and the duration of such consent.

IV.7 Animals. No animals, reptiles, rodents, livestock or poultry shall be kept in any Lot or elsewhere within the Project except that fish in an aquarium, pet birds in a bird cage, other small animals kept in cages within the Residence and domesticated cats or dogs may be kept as household pets within any Residence if they are not kept, bred or raised for commercial purposes or in unreasonable quantities as determined by the Board. The Board can prohibit maintenance of any animal which, in the sole and exclusive opinion of the Board, constitutes a nuisance or health hazard to any other Owner. No dog shall be allowed in the Common Area except upon a leash held by a person capable of controlling it. Each person bringing or keeping a pet on the Project shall be absolutely and strictly liable to other Owners, their family members, guests, invitees, tenants and contract purchasers, and their respective family members, guests and invitees, for any injury to persons or damage to property caused by any pet brought on or kept on the Project by such person or by members of his family, his guests or invitees.

IV.8 Trash; Material Storage. All garbage and trash shall be placed and kept in covered containers. In no event shall such containers be kept where they are visible from any street or any neighboring Lot, except as may reasonably be necessary in connection with the collection thereof by the garbage collector. No portion of any Lot shall be used for the storage of building materials or other materials except in connection with approved construction. The Owner or occupant of each Residence in the Project shall subscribe to weekly mandatory refuse collection services from the refuse collection franchise holder.

IV.9 Parking; Vehicles. Each Owner shall generally make use of his garage for parking any vehicle(s) which he brings to the Project. To assure appropriate use of garages within the Project, the following restrictions shall be strictly enforced:

(a) No garage shall be remodeled, enclosed or structurally improved for use as a recreation room, workshop, storage space, hobby facility or for any other use or facility which would interfere with its use for the accommodation of the number of full-sized passenger vehicles which the garage is originally designed to accommodate.

(b) No commercial vehicle, inoperable vehicle or Recreational Vehicle of any type shall be kept or parked in any driveway, sidewalk or yard area within a Lot or upon the Common Area. Garages may be used for storing or parking any such vehicle if such vehicle is completely enclosed by the garage and cannot be viewed from the street or any other Lot. As used herein "Recreational Vehicle" means any van, boat, motorcycle, camper, trailer, motor home or other vehicle which is commonly referred to as an "RV" or is generally used for recreational rather than passenger purposes.

(c) Guests and visitors of Owners may park within the driveway of the respective Owner or resident or on the street adjacent to the respective Owner's home. However, should a guest or visitor park on the street, it shall not be for a period of more than twenty-four (24) hours.

(d) All driveways and garages shall be maintained in a neat and orderly condition. Garage doors shall be kept closed except during the time required for vehicles to enter or depart or to clean or work in the garage area.

No Owner or resident shall permit guests or frequent visitors to park in any manner which violates the provisions of this section.

In order to prevent or eliminate any parking problems within the Project, or to further define and enforce the restrictions of this section, the Board of the Association shall have the power and authority to establish additional rules, restrictions and penalties and to impose fines or towing procedures for repeated violations of the parking restrictions, as determined by the Board.

IV.10 Offensive Activities; Nuisances. No noxious or offensive activity shall be carried on within the Project, nor shall anything be done or placed thereon which may be or become a nuisance or cause unreasonable embarrassment, disturbance or annoyance to other Owners in the enjoyment of their property, or in the enjoyment of Common Areas. Without limiting any of the foregoing, no Owner shall permit noise, including but not limited to, the barking of dogs and the excessive playing of music systems, to emanate from such Owner's Lot, which would unreasonably disturb another Member's quiet enjoyment of his Lot or of the Common Area.

IV.11 Compliance with Laws, etc. Nothing shall be done or kept in any Lot or Residence or in the Common Area that might increase the rate of, or cause the cancellation of insurance on the Project, or any portion of the Project, without the prior written consent of the Board. No Owner shall permit anything to be done or kept in his Lot or in the Common Area that violates any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No Owner shall allow furniture, furnishings or other personalty belonging to such Owner to remain within any portion of the Common Area.

IV.12 Restrictions Regarding Common Area. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter, maintain or destroy any structural improvement upon, or shall make or create any excavation or fill upon, or shall change the natural or existing drainage of, or shall destroy or remove any tree or shrub or plant any tree, shrub or other vegetation upon Common Area or any landscaped area maintained by the Association.

IV.13 Access to Lots.

(a) No Interference. No one shall interfere with or otherwise restrict the free right of passage of the Owners, their agents, servants, tenants, guests and employees to their respective Lots.

(b) Restricted Access. No pedestrian or vehicular access shall be permitted to or from Centerville Lane from or to any Lot.

IV.14 Restrictions on Owners' Landscaping. Unless there has been prior written approval of the Architectural Committee and, where applicable, the County, no Owner shall: (i) plant any tree within his rear yard area where the distance between the center of the tree trunk is less than three feet from any exterior wall or fence; (ii) alter the grade of the land within his Lot; or (iii) alter any previously approved front or rear yard landscaping.

IV.15 Sight Distance at Intersections. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two feet and six feet above the roadway shall be placed or permitted to remain on any corner Lot within the triangular area formed by street property lines and a line connecting them at points 25 feet from the intersection of the street lines or, in the case of a rounded property corner, from the intersection of the street property lines extended. The same sight-line limitations shall apply on any Lot within 10 feet from the intersection of a street property line with the edge of a driveway. No tree shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

No fence, entry monument, structure or hedge exceeding three feet in height shall be erected or permitted to remain or allowed to grow nearer any street than setback lines set forth in Section 7.13 of this Declaration.

IV.16 No Open Burning. No open burning of removed vegetation, or construction or demolition debris shall occur on any Lot or on the Common Area.

IV.17 Outdoor Lighting.

(a) Lighting Fixtures. All outdoor lighting shall be shielded such that direct light rays from the lamp(s) are directed downwards and do not cross property lines.

(b) Night Lighting. Night lighting other than street and entry area lighting is prohibited within any Common Area lot.

(c) Recreation Lights. All outdoor lighting used for recreation purposes on any Lot shall be turned off by 10:00 p.m.

IV.18 Air Pollution Control District Rules and Regulations. All Lot Owners and the Association shall conform to all applicable rules and regulations of the Douglas County Air Pollution Control Regulations.

IV.19 Tree Removal, Preservation and Care.

(a) Removal. Removal of trees that are 6 inches or greater in diameter at breast height ("dbh") or multiple trunk trees with an aggregate diameter of 10 inches or greater dbh and not previously approved for removal by the Architecture Committee is prohibited unless prior approval is received from the Architectural Committee.

(b) Enforcement. The Architectural Committee shall enforce the provisions of this Section 4.19 in accordance with Section 7.8.

IV.20 No Further Subdivision. Except as expressly provided in this Section 4.20, no Lot subject to this Declaration shall be further divided. Lot line adjustments between adjacent Lot Owners shall be permitted with the consent of the Architectural Committee and approval by the County of Douglas, provided the Lot is neither increased nor decreased in size by more than 10%, cumulatively, from the size of the Lot as shown on any final subdivision map of the Property.

IV.21 Auto Repair. Automotive repair work of any kind or nature shall be permitted only to the extent that said work is done within a garage, completely screened from view, and completed within 7 days of the date of commencement of work. No automotive or mechanical equipment may be dismantled, repaired, serviced or repainted anywhere on any Lot unless done within the confines of an enclosed structure screened from view from any other residence or from the street.

IV.22 Plan Approval Required. Whether or not provision therefor is specifically stated in any conveyance of a Lot, the owner of each and every Lot by acceptance of title thereto or by taking possession thereof, covenants and agrees that no building, wall or other structure of any kind whatsoever shall be started, erected, altered, placed or permitted upon such Lot unless and until the plans and specifications therefor and plot plan have been approved in writing by the Architectural Committee hereinafter provided. Each such building, wall, or structure shall be placed on the premises only in accordance with the plans and specifications and plot plan so approved. Refusal of approval of plans and specifications by such Architectural Committee may be based on any ground, including purely aesthetic grounds which, in the sole and uncontrolled discretion of the Architectural Committee shall seem sufficient. No alteration in the exterior appearance of the building or structures shall be made without like approval. If no Architectural Committee or Board exists or if the Architectural Committee shall fail to approve or disapprove the plans and specifications within thirty (30) days after written request therefor, then such approval shall not be required; provided that no building or other structure shall be erected which violates any of the covenants herein contained.

IV.23 Construction Materials. Metal, asbestos or asphalt siding or roofing is discouraged, but if appropriate for a particular style of structure, must be specifically approved by the Architectural Committee. In order to protect the investment of every Owner, the Architectural Committee must approve the use of construction materials, exterior colors, and fencing.

IV.24 Construction Line. When construction of any structure is commenced upon any Lot, the Owner thereof shall prosecute with all reasonable diligence the completion of the structure, and shall complete exterior construction within six (6) months and interior construction and landscaping within twelve (12) months from date of commencement.

IV.25 Manufactured Homes. No manufactured home or mobile home shall be placed on any Lot, except by the Declarant as part of construction, sales or promotional activities.

IV.26 Repair of Building. No Improvement hereafter constructed upon any Lot shall be permitted to fall into disrepair, and each such Improvement shall at all times be kept in good condition and repair and adequately painted or otherwise finished by the Owner thereof.

IV.27 Slope. Each Owner shall maintain any slope occurring on Lot or Lots owned by them individually in the Project, by use of riprap or other method, to prevent erosion of said slopes.

IV.28 No Hazardous Activities. No activities shall be conducted on any Lot and no Improvements constructed on any Lot which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged upon any Lot, and no open fires shall be lighted or permitted on any Lot except in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed exterior fireplace.

IV.29 Fireplaces and Woodstoves. No fireplace or woodstove shall be placed or maintained on any Lot in the Project unless the fireplace or woodstove is equipped for and only burns natural gas or wood pellets.

IV.30 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate upon any property within the Project and no odors shall be permitted to arise therefrom so as to render any such property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any such property so as to be offensive or detrimental to any other property or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, insect control lights, bells or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on any such property without the prior written approval of the Architectural Committee.

IV.31 Roofs. Residences shall have a roof pitch of not less than 6= in 12=. The roofing material placed upon any improvement within the Project must be fire retardant architectural

grade composition material, meeting the standards set by the Nevada State Forester Fire Warden pursuant to NRS 472.040. Rooftop heating and air conditioning units are prohibited, with the exception of solar panels. Wherever possible, solar energy panels and equipment shall be installed in such a manner as to not be visible from the Common Area or street.

IV.32 Lot Drainage.

(a) Generally. All or portions of many Lots remain in their natural grade in accordance with the plan for the Project. Natural drainage patterns have been preserved over many of the Lots. Some of the Lots may drain from their rear lot area towards their front lot line, some Lots may drain from their front lot line towards their rear lot line and, some Lots may drain both toward their front and rear or side lot lines. Some Lots may drain over the adjacent Lot or Lots which is further referred to in this Section 4.32 as cross-lot drainage.

(b) Cross-Lot Drainage.

(1) "Cross-lot" drainage means that storm and irrigation waters drain from all or portions of a Lot across portions of one or more other Lots through natural or established drainage patterns. Some cross-lot drainage flows through channels or through natural swales which are visible on the ground and some cross-lot drainage consists of sheet flow, both on and below the surface of the ground.

(2) Declarant hereby grants and reserves to each Lot a nonexclusive easement for cross-lot drainage purposes in, under, over and across the natural or established drainage channels and other portions of the surface of each Lot as the same exist at the time Declarant conveys each Lot to an individual Owner.

(c) No Interference. Each Owner of a Lot agrees for himself/herself and his/her assigns that he/she will not in any way interfere with the natural drainage or established drainage (i.e., as created by Declarant pursuant to County-approved grading plans) over his/her Lot from adjoining or other Lots in the Property and that he/she will not in any way interfere with the drainage from his/her Lot. No Owner shall alter the grade of the land within his/her Lot or construct any structure or retaining wall or undertake any planting or other activity which will substantially retard, change or otherwise interfere with the natural flow of surface or drainage waters to the actual or threatened injury of any other Lot or the Common Area, or which shall create erosion.

(d) Obligation to Maintain; Right to Enter. Each Lot Owner shall at all times maintain, repair and keep the established drainage channels and any drainage improvements on his/her Lot in a debris-free, safe, sanitary and functioning condition, all at such Lot Owner's expense. Without limiting the generality of the foregoing, each Lot Owner shall: (i) mow any grass or weeds from such areas and remove all clippings and debris from such areas in late fall of each year; (ii) remove silt and debris from drainage channels, catch basins, pipes and inlet facilities on such Owner's Lot in late fall, and following each significant storm; and (iii) perform such repairs as may

be necessary in order to restore such drainage facilities to working order. If any Owner (a "Defaulting Owner") fails to comply with this Section 4.32 within ten (10) days of the receipt of written notice from the Board specifying the manner in which such Defaulting Owner has failed to comply, then the Board shall have the right to enter onto the Lot of the Defaulting Owner and perform necessary maintenance and repairs to the established drainage channels and areas needing correction. In the event of an emergency, the right of entry shall extend to an adjoining Lot Owner, and may occur upon such oral notice, if any, as may be reasonable under the circumstances. Repairs and maintenance by the Board, or, in the case of an emergency, an Owner of an adjoining Lot, shall be done as quickly as possible and in such a manner as to cause the least possible disruption and disturbance to the established drainage channels and areas, and the surrounding areas. The Board or any Owner of an adjoining Lot who performs such maintenance or makes such repairs in accordance with this Section 4.32 shall be entitled to reimbursement for all costs incurred in connection therewith. The Defaulting Owner shall make such reimbursement within 10 days of receipt of a written demand therefor identifying such costs in reasonable detail.

ARTICLE V

PERMITTED USES AND RESTRICTIONS - OTHER AREAS

V.1 Easement of Airspace. There is hereby reserved to the Declarant and the Association all right, title and interest to all airspace rights thirty-five feet (35') above the ground elevation of the Lots in the Project.

V.2 Easement in Favor of Declarant to Facilitate Sales and Resales. There is hereby reserved to Declarant, its agents and employees, the right and exclusive easement to use any Residences owned or leased by the Declarant as models, management offices, sales and resales offices, or customer service offices. The Declarant reserves the right to relocate the same from time to time within the Project. The Declarant further reserves the right to maintain on the Property such advertising signs as may comply with applicable governmental regulations which may be placed in any location on the Property and may be relocated or removed all at the sole discretion of the Declarant. Further, the Declarant shall have the exclusive right to erect temporary offices or certain common elements for models, sales, resales, management, customer service, and similar purposes. The reservation of this easement to facilitate sales also applies to any land annexed or to be covered by this Declaration. Any such sales and marketing facilities and common areas shall be maintained at the sole cost of the Declarant so long as Declarant is the sole user of such areas.

V.3 County Agricultural Policy. Douglas County has declared it a policy to protect and encourage agricultural operations. Each Member's Lot, at the time of execution of this Declaration, is located near an agricultural operation, and each Member may at some time be subject to inconvenience or discomfort arising from agricultural obligations. If conducted in a manner consistent with proper and accepted standards, according to County policy in effect at the time of this Declaration, these inconveniences and discomforts do not constitute a nuisance for purposes of Douglas County Code.

ARTICLE VI

ASSOCIATION PROPERTY

VI.1 Use. Each Member of the Association who resides in Rocky Terrace, and the members of their family who reside with them, and each lessee of a Lot or Residence, shall be entitled to use the Property of the Association, subject to:

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

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

(c) The right of the Association to suspend the rights to the use of any Property of the Association by any Member or lessee and their respective families, guests and invitees for any period during which any Assessment against the Member's property remains past due and unpaid; and, after Notice and Hearing by the Board, the right of the Association to invoke any remedy set forth herein for any other infraction of this Declaration or the Rocky Terrace Homeowners Association Rules;

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

(e) The right of the Association to allow the general public, or certain segments thereof, to use any Association Property, and in the discretion of the Board, to charge use or other fees therefor subject to subparagraph (b) above;

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

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

VI.2 Maintenance of Association Property. The cost of maintenance and general upkeep of all Association property including all Common Area and landscaping easements shall be borne by the Association.

VI.3 Easement of Enjoyment. Every Member of the Association shall have a right and easement of enjoyment in and to the Common Area, subject to this Declaration as it may be

amended from time to time and to any restrictions or limitations contained in any deed conveying such property to the Association. Any Owner may delegate his or her right of enjoyment to the members of his or her family, tenants, members and social invitees, as applicable, subject to reasonable regulation by the Board and in accordance with procedures it may adopt. An Owner who leases a Residence shall be deemed to have delegated such rights to the Residence lessee.

VI.4 Damages. Each Member and lessee described above in Section 6.1 shall be liable to the Association for any damage to Property of the Association which may be sustained by reason of the negligent or intentional misconduct of such person or of his family, guests or invitees. If the property, the ownership or leasing of which entitles the Owner or lessee thereof to use Association Property, is owned or leased jointly or in common, the liability of all such joint or common Owners or lessees shall be joint and several. The amount of such damage may be assessed against such person's real and personal property on or within the Project, including the leasehold estate of any lessee, and may be collected as provided in Article XIII, below, for the collection of Assessments.

VI.5 Damage and Destruction. In the case of destruction of or damage to Association Property by fire or other casualty:

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

Reconstruction of damaged or destroyed property where the winning bid to perform necessary repairs is less than \$20,000 may be performed on behalf of the Association without a vote of the Membership, provided such a decision is reached by a unanimous decision of the Board.

(b) Decision Not to Reconstruct. If the Board determines not to rebuild any Property so destroyed or damaged, or to build facilities substantially different from those which were destroyed or damaged, it shall call a special meeting of the Members to consider such decision. If the Members, by a vote of eighty percent (80%) of the Owners, elect to ratify such decision, the Board shall act accordingly; but if the Members do not by such percentage elect to ratify such decision, the Board shall proceed to repair or rebuild the damaged or destroyed facility pursuant to paragraph (a) of this Section 6.5. Should the entry landscaping become destroyed or damaged, the Association agrees to rebuild said entry improvements in a manner consistent with their original condition as constructed by the Declarant. This pledge to reconstruct the entry improvements is intended to preserve the Declarant's creation of an upscale image for Rocky Terrace.

ARTICLE VII

ARCHITECTURAL CONTROL

VII.1 Architectural Committee Approval. No building, fence, awning, exterior window covering, sign, house numbers or other exterior addition to or change or alteration of the improvements shall be constructed or made, and none of the things requiring prior consent, as provided in Article IV and this Article VII, shall be done until a proposal therefor has been submitted to and approved by the Architectural Committee as provided in more detail below. The proposal shall not be deemed submitted until all plans, specifications, samples and other materials necessary to adequately describe and depict the proposal, as further provided in this Article VII, have been delivered to the Committee. The request for approval and relevant materials shall be deemed submitted as of the date when they are personally delivered or mailed to the Committee with postage fully prepaid. The address of the initial Committee referred to below is: Rocky Terrace Homeowners Association, c/o Rocky Terrace Estates, LLC, P.O. Box 1233, Minden, NV 89423.

VII.2 Composition of Architectural Committee. The Architectural Committee shall have three members. The initial members of the Committee appointed by Declarant shall be: LAWRENCE WALSH, JEFFREY PISCIOTTA, and CHRISTY PISCIOTTA (or any other person appointed to replace them) and they each shall hold office until such time as he/she resigns, has been removed, or his/her successor has been appointed. The Declarant shall have the right to appoint and remove members of the Architectural Committee, until sale of the final lot of the Project by Declarant, and thereafter the Board shall have the power to appoint or remove Architectural Committee members, upon a majority vote. Members of the Architectural Committee can be removed at any time without cause. Members of the Board may serve as members of the Architectural Committee and if the Board ever fails or ceases to appoint members to the Architectural Committee, the Board itself shall act as the Architectural Committee. Members of the Architectural Committee need not be Members of the Association.

VII.3 Meetings. The Architectural Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the Architectural Committee members shall constitute the action of the Architectural Committee and the Architectural Committee shall keep and maintain a written record of all actions taken.

VII.4 Architectural Guidelines. The Architectural Committee may, from time to time and with approval of the Board, adopt, amend and repeal rules and regulations to be known as Architectural or Design Guidelines (the "Guidelines"). The Guidelines shall interpret and implement the provisions hereof by setting forth: (a) the standards and procedures for Architectural Committee review, including the required content of improvement plans and specifications; (b) guidelines for architectural design, placement of any work of improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular improvements within the Project; and (c) the criteria and procedures for requesting variances from any property use restrictions that would otherwise apply to the proposed

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improvement under the Rocky Terrace Restrictions. Notwithstanding the foregoing, no Guideline shall be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Guidelines and this Declaration, the provisions of the Declaration shall prevail.

VII.5 Limitation on Liability. Neither the Association, the Board nor the Architectural Committee or any member thereof, shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; or (b) the construction or performance of any improvement project, whether or not pursuant to approved plans, drawings or specifications; provided, however, that such member has acted in good faith on the basis of such information as he possessed at the time the act or omission occurred.

VII.6 Compliance With Governmental Regulations. Review and approval by the Architectural Committee of any proposals, plans or other submittals pertaining to improvements in no way shall be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Owner who desires to construct, install or modify the Improvement.

VII.7 Inspection. The Architectural Committee at any time may inspect any improvement for which approval of plans is required under this Declaration; provided, however, that the Architectural Committee's right of inspection shall terminate 60 days after the work of improvement shall have been completed and the respective Owners have given written notice to the Architectural Committee of such completion. If, as a result of such inspection, the Architectural Committee finds that such improvement was done without obtaining the approval of the plans therefor or was not done in substantial compliance with the plans approved by the Architectural Committee, it shall notify the Owner in writing of the failure to comply with the Declaration within 60 days from the inspection, specifying the particulars of noncompliance. The Architectural Committee shall have the authority to require the Owner to take such actions as may be necessary to remedy the noncompliance.

VII.8 Architectural Committee Enforcement. In addition to other enforcement provisions set forth in Article XIII, the Architectural Committee shall have enforcement rights with respect to matters required to be submitted to and approved by it and shall have the authority to order an abatement of any construction, alteration or other matter for which approval is required, to the extent that it has not been approved by the Architectural Committee or that it does not conform to the plans and specifications submitted to the Architectural Committee. No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation or commencement of a suit to enjoin such work.

VII.9 Approval Required.

(a) Architectural Committee Approval. No Owner shall apply for a building permit or commence construction until all the plans and specifications for the proposed improvements have been reviewed and approved by the Architectural Committee. The exterior appearance of all the initial improvements on a Lot and all subsequent alterations or additions thereto shall require the prior written approval of the Architectural Committee. The plans and specifications shall comply with the requirements of the County. Such improvements requiring approval include any Residence, garage, fence, wall, gazebo or other accessory buildings, spa, swimming pool or other structure and any landscaping or alteration thereof (except for routine trimming, replanting and maintenance) visible from any adjacent Lot or any street within the Project. All requests for approval shall include such plans, specifications and samples of colors and materials as are appropriate to adequately depict the style, size, location, shape, kind, color and materials of the improvements in question. In exercise of its authority, the Architectural Committee may: (i) condition its approval of proposals and plans and specifications on such changes or conditions thereto as it deems appropriate; (ii) require submission of additional plans and specifications or other information prior to approval or disapproval of the proposed construction, alterations or additions; and (iii) require a fee sufficient to cover the costs of review incurred by the Association payable to the Association to accompany each application for approval.

(b) Approval Provisions for Declarant. During the time that Declarant has the power to appoint at least two members of the Architectural Committee, any Residence constructed by Declarant within the Project shall be deemed approved by the Architectural Committee if such improvements are otherwise consistent with the requirements of this Declaration.

VII.10 Preliminary Approval. Any Owner proposing to construct any structure or other improvement on a Lot requiring the prior approval of the Architectural Committee may apply to the Architectural Committee for preliminary approval by submission of preliminary drawings of the proposed structure or improvement in accordance with the Architectural Committee Guidelines. The purpose of this paragraph is to allow an Owner who proposes to make substantial improvements to his Lot an opportunity to obtain guidance from the Architectural Committee concerning design considerations before expending substantial sums for plans and other exhibits required to apply for final architectural approval. Applications for preliminary approval shall be considered and disposed of by the Architectural Committee as follows:

Within 30 days after receipt by the Architectural Committee of proper application for preliminary approval, the Architectural Committee shall consider and act upon such request. The Architectural Committee shall grant the approval only if the proposed structure or improvement, to the extent its nature and characteristics are shown by the application, would be entitled to a final approval on the basis of a full and complete application. Failure of the Architectural Committee to act within said 30-day period shall constitute approval. In granting or denying approval, the Architectural Committee may give the applicant such directions concerning the form and substance of the final application for approval as the Architectural Committee may deem proper or desirable for the guidance of the applicant.

Any preliminary approval granted by the Architectural Committee shall be effective for a period of 90 days from the date of the issuance thereof. During that period, any application for final approval which consists of proposed structures or improvements in accordance with the provisions of the preliminary approval, and is otherwise acceptable under the terms of these restrictions, may be approved by the Architectural Committee.

In no event shall any preliminary approval be deemed to be an approval authorizing construction of the requested structures or improvements or any other improvements, structures or alterations not reviewed preliminarily.

VII.11 Procedure. No application for final approval required by this Article or under any section of Article IV shall be deemed appropriately submitted unless the improvement, addition or alteration is fully described and shown by appropriate construction drawings at 1/4-inch scale, site plan indicating contour grading design at 40 scale and specifications including exterior color samples and material samples where necessary. The site plan shall include information concerning drainage and erosion control as required by the topography of the Lot. The request for approval and relevant materials shall be deemed submitted as of the date when they are personally received by the Architectural Committee, return receipt requested, with postage fully prepaid, or personally delivered and receipted by a member of the Architectural Committee. Decisions of the Architectural Committee and the reasons therefor, other than applications for preliminary approval, pursuant to Section 7.10 above, shall be transmitted by the Architectural Committee to the applicant within thirty (30) days after receipt by the Architectural Committee of all materials required by the Architectural Committee. Any application submitted pursuant to this Declaration shall be deemed approved, unless written disapproval or a request for additional information or materials by the Architectural Committee shall have been transmitted to the applicant within 30 days after the date of receipt by the Architectural Committee of all required materials.

VII.12 Replacement Construction and Construction on Vacant Lots. In the event that any Owner plans construction of a Residence on a Lot after destruction of an existing Residence or for any other reason, such Owner shall comply with the provisions of this Article VII.

VII.13 Setback and Other Building Limitations.

(a) Generally. All Residence Units and structures, including, but not limited to, swimming pools, except for a fence, entrance monument or structure not exceeding three feet in height, shall be located on any Lot or Lots a distance from any street or streets adjacent to the Lot equal to or greater than the setback line as required by local zoning codes and ordinances or the development standards for the Project, whichever distance is greater. For the purpose of this section, eaves, steps and chimneys shall not be considered as a part of a building; provided, however, that this provision shall not be construed to permit any portion of a building to encroach upon an easement or another Lot. If Douglas County imposes more stringent or conflicting requirements with respect to any of the provisions of this Section 7.13, then Douglas County's requirements shall apply. Each

Owner shall be solely responsible for determining the applicable requirements of Douglas County and shall be solely responsible for compliance therewith.

(b) Residence Units, Garages and Other Structures. All Residences, garages and other structures shall comply with Douglas County setback requirements.

(c) Swimming Pools and Related Equipment. Swimming pools, including hot tubs, spas and related equipment, which equipment includes but is not limited to filters, pumps, solar heating panels, heaters and imitation waterfalls, shall be located at least 35 feet from the front boundary, three feet from the side boundary for pools and five feet from the side boundary for equipment (unless such side boundary abuts a road frontage, in which case such side setback shall be 35 feet) and five feet from the rear boundary of the Lot unless otherwise approved by Douglas County.

VII.14 New Construction.

(a) Generally. All buildings erected on any Lot shall be of new construction. However, this section shall not prevent the use of used brick or other materials that may be attractive and preservative of property values. When the construction of a building is begun on a Lot, work shall be pursued diligently and continuously to completion, subject to weather, strikes, acts of God and other matters beyond the control of the Owner. Construction of the Residence (including issuance of a Certificate of Occupancy by Douglas County) shall be completed, in any event, within 12 months after the commencement of construction.

(b) Hours of Construction. Normal and customary construction activity shall include any construction activity conducted Monday through Friday, 6:00 a.m. to 8:00 p.m., and Saturdays 8:00 a.m. to 6:00 p.m., excluding federal holidays. Declarant or any Builder or Owner may conduct construction activities at other times with the prior approval of the Association and Douglas County, based on special circumstances such as adverse weather conditions. Essentially quiet activities which do not involve heavy equipment or machinery may occur at other times. Work occurring within an enclosed building, such as a Residence under construction with the roof and siding installed, may occur at other times as well, so long as such activities do not violate the provisions of Section 4.10 of this Declaration.

(c) Temporary Construction Fencing. Prior to and during construction on any Lot, the Owner and any Builder shall comply with all requirements of Douglas County with respect to the installation and maintenance of temporary construction fencing.

VII.15 Licensed Contractors. Residential structures shall all be constructed by a contractor licensed under the laws of the State of Nevada, and the Architectural Committee shall not approve any construction plans or designs unless the contractor therefor has been duly licensed.

VII.16 Landscaping Requirement. Prior to occupancy of any Residence, the Owner of the Residence shall be responsible for installing and completing as part of the construction of the Residence landscaping on those portions of the Lot which are visible from any street or portion of the Common Area within the Project. Such landscaping shall include the planting of at least two trees in the front yard of the Lot. A list of drought tolerant plant materials and information regarding drip irrigation systems designed to conserve water are attached as Exhibit B. Prior to the commencement of installation, landscaping plans shall be submitted to and approved by the Architectural Committee pursuant to the provisions of this Article VII. Such plans shall include the size, type and location of all plants, materials, drainage and sprinkler systems. In the event that the Owner fails to install such landscaping properly, the Association or the Architectural Committee may cause the appropriate work to be done and shall be entitled to reimbursement for the costs thereof from the Owner. If the Owner fails to reimburse the Association or the Committee, the Association may exercise any of the enforcement provisions of Article XIII. At least 15 days prior to the date any work is to be done, written notice must be hand-delivered or mailed by first-class mail to the Owner at his last address as shown by the Association's records. The notice shall recite the nature of any work to be performed, the reasons therefor, and the date, time and place at which the Owner may be heard by the Board, either orally or in writing, regarding the propriety of the work. The hearing may be held at any regular or special meeting of the Board, but shall not be held less than five days prior to the date the work is to be done.

VII.17 Drainage, Dust and Erosion Control. In designing and constructing the improvements on any Lot, the Owner shall provide for adequate drainage, dust and erosion control.

VII.18 General Design Restrictions.

(a) Type and Character of Design. Exterior design of all the improvements on any Lot shall be compatible with the overall atmosphere of the Project. Approval of such exterior design shall be in the sole discretion of the Architectural Committee.

(b) Home Size. Each Residence shall have a total floor area (excluding decks, patios, balconies and garages) of at least 2,300 square feet.

(c) Additional Building Size. All additional buildings on a Lot shall have a total floor area not to exceed 1,000 square feet. All additional buildings may be subject to greater restrictions by Douglas County, which restrictions shall control.

(d) Garages and Driveways.

(1) The residential improvements on each Lot shall include a garage to accommodate at least three cars. Carports shall not be allowed. At least one garage door in each Residence shall be equipped with a garage door opener.

(2) Driveways shall be constructed of concrete.

(e) Building Height. Residences shall be single story or split level, and the maximum building height shall be 35 feet.

(f) Private Fences and Walls. All fences and walls other than those constructed by Declarant, including the location, style, color, height and function of such fence or wall, must be approved in writing by the Architectural Committee prior to installation. The Owner shall maintain and repair or replace the walls or fences, as appropriate, other than the Common Area fence or wall, on his Lot or Lots. If the Owner fails or refuses to fully and faithfully comply with and conform to the provisions of this subsection, then Declarant or the Association shall have the right to enter upon such Lot or Lots and perform such work as may be necessary to fulfill the requirements of this paragraph, charging the costs to the Owner. The Association shall maintain Common Area fences and walls in accordance with Section 6.2.

(g) Telephone and Electrical Service. No overhead telephone or electrical service lines may be constructed on any Lot or cross over any Lot. All portions of telephone and electrical service lines not located entirely within the enclosed portion of a Residence other than service pedestals must be buried beneath the surface of the ground.

(h) Additional Building Design. The exterior design of detached garages, accessory buildings or other building structures on a Lot shall be substantially similar to the Residence, including, but not limited to, materials, colors and roof pitches.

VII.19 Wood Burning Devices. Douglas County does not permit wood burning devices, other than pellet stoves. Each Residence shall have either gas or electricity for its primary source of heat.

VII.20 Electrical and Gas Outlets. Any Builder or Owner shall install an electrical outlet at the front and back of each dwelling for electrical yard installation and a gas outlet in the back yard for barbecues.

VII.21 Refundable Deposit for Common Area, Streets and Sidewalks Corrective Action. Upon approval of any construction by the Architectural Committee in accordance with this Article, the Owner shall deposit with the Association the sum of \$2,000 (the "Deposit") to assure general clean-up of the site or completion of any corrective work to the Common Area, streets and/or sidewalks required as a result of Owner's construction activities. The Deposit will be placed in the Association's accounts and will be noninterest-bearing. Upon the Owner's notification to the Association that the Owner has completed the construction of the approved improvements and has completed all corrective work, if any, the Association shall inspect and verify completion of the corrective work, if any. Upon the Association's inspection and approval, which approval shall not be unreasonably withheld, the Association shall return the Deposit to the Owner. If the Owner fails or refuses to complete any required corrective work as set forth in writing by the Association, the Association shall complete or have completed such corrective work at the Owner's expense, and

thereafter shall return the Deposit to the Owner less the costs of the corrective work as incurred by the Association.

VII.22 Variances. The Architectural Committee may authorize variances from compliance with any of the stated design restrictions or architectural provisions of this Declaration when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations require. Such variances must be evidenced in writing and must be signed by at least two of the three members of the Architectural Committee. If variances are granted, no violation of the Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such variance shall not operate to waive any of the terms and provisions of the Declaration for any purpose except as to the particular improvement and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting his use of all or any portion of the Project.

VII.23 Notification of Special Conditions or Restrictions. Douglas County has required or requested that Declarant notify future Owners and Builders of certain conditions as set forth below which exist or may exist within the Project pursuant to the County's approval thereof.

(a) Soil Conditions. Geotechnical investigations indicate that differential settlement conditions may exist between soils and rock in the Project. The Project also contains bedrock at varying depths. Depending on the extent and location below finished subgrade, these soils conditions can have a detrimental effect on construction. Prior to any construction, each Builder and each Owner is advised to conduct appropriate additional investigations into the soils and other conditions which may have an impact on such construction. Such investigations may be required prior to the issuance of a building permit.

(b) Road Connections. Douglas County holds easements and/or irrevocable offers of dedication affecting all of the subdivision roads, and easements and/or irrevocable offers of dedication which would enable the County to cause various subdivision roads to be extended to connect to existing or future roads off of the Property. Certain roads within the Project which initially may end at the project boundary may, by extension outside the Project, become thoroughfares with increased traffic over time.

VII.24 Distribution of Information. The following provisions are included in this Declaration in order to assure that all Lot Owners have received or been notified of the information contained in this Section 7.24 as required by the County pursuant to its approval of the Project.

(a) Water Conservation and Water Quality Protection. Declarant and each subsequent Lot Owner shall distribute educational materials to future buyers regarding conventional water conservation practices and surface water quality protection. The materials shall be those required by Douglas County, and the Association shall maintain a supply of such materials, to be made available to each Lot Owner, at a reasonable cost.

(b) Drought-Tolerant Plants and Drip Irrigation Systems. All Lot Owners are specifically advised to review the Architectural Guidelines as developed by the Architectural Committee which, among other things, will contain a listing of drought-tolerant plants and information regarding drip irrigation systems designed to conserve water, a copy of which list is attached to this Declaration as Exhibit B.

VII.25 Disclaimer; Release. The provisions of Sections 7.26 and 7.27 are specifically intended to disclose special conditions and provide information in the Project which may impact an individual's decision to build and/or reside within the Project. These disclosures are made in good faith, based upon such information as Declarant possesses as of the date of this Declaration. Prior to the purchase of any Lot, and prior to any construction or completion of plans to the Architectural Committee for approval, each Builder and each Owner is advised to conduct appropriate additional investigations into these and other conditions which may have an impact on the decisions to purchase and/or construct. To the full extent permitted by law, by accepting a deed to a Lot within the Project, each Owner, for himself/herself, his/her successors in interest and assigns, thereby releases Declarant, and each of its officers, agents, shareholders and employees from any and all liability for any and all damage, loss or prejudice suffered or claimed which, in any way, relates to the information disclosed in Section 7.26 or distributed pursuant to Section 7.27, or any other information relating to the Project which such Owner alleges would have affected such Owner's decision to purchase a Lot and/or construct a Residence in the Project.

VII.26 Obligations with Respect to Zoning and Subdivisions. The Architectural Committee shall require all Persons to comply fully with the zoning and master plan designations enacted for Rocky Terrace by Douglas County and with all applicable federal, state and local laws, regulations and ordinances, insofar as the same is applicable and as the same may hereafter be amended from time to time.

ARTICLE VIII

FUNDS AND ASSESSMENTS

VIII.1 Agreement to Pay. Each Owner, by his acceptance of a deed, for property within the Project, covenants and agrees to pay to the Association such regular and special assessments as are established, made and collected, as provided in this Declaration.

VIII.2 Association Maintenance Fund. The Board shall establish a fund (the "Rocky Terrace Homeowners Association Maintenance Fund") into which shall be deposited all monies paid to the Association and from which disbursements shall be made in performing the functions of the Association under the Rocky Terrace Restrictions. The funds of the Association must be used solely for purposes related to the areas and Improvements owned by or leased to the Association, or subject to the Rocky Terrace Restrictions, to maintenance or operation by the Association, including maintenance and repair of all common area within the Project, or otherwise for purposes authorized

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by the Rocky Terrace Restrictions as they may from time to time be amended. Nothing contained herein shall limit, preclude or impair the establishment of other maintenance funds by any Subassociation pursuant to any supplemental Declaration.

VIII.3 Regular Annual Assessments. Prior to the beginning of each fiscal year, the Board shall estimate the expenses to be incurred by the Association during such year in performing its functions under this Declaration, including a reasonable provision for contingencies and appropriate replacement reserves, less any expected income and any surplus from the prior year's fund. Uniform and equal Assessments sufficient to pay such estimated net charges shall then be levied and collected as provided in this Article XIII. If the sums collected prove inadequate for any reason, including nonpayment of any individual Assessment, the Association may at any time and from time to time levy further Assessments in the same manner as aforesaid. All such regular Assessments shall be due and payable to the Association during the fiscal year in equal monthly installments on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion, which shall at least be annually.

VIII.4 Special Assessments. In addition to the regular annual Assessments provided for above in Section 8.3, the Board shall levy special Assessments, upon the property and in the manner set forth in this Article XIII, whenever in the Board's opinion such special Assessments are necessary to enable the Board to carry out the mandatory functions of the Association under the Rocky Terrace Restrictions, and the Board may levy such special Assessments whenever in the Board's opinion such special Assessments are necessary to enable the Board to carry out the optional functions of the Association under the Rocky Terrace Restrictions.

VIII.5 Notice of Special Assessments; Time for Payment. The Association may, in its discretion, give written notice of special Assessments to each Owner, which notice shall specify the amount of the special Assessment and the date or dates of payment of the same. No payment shall be due fewer than fifteen (15) days after such written notice has been given. Failure of the Association to give notice of the special Assessment shall not affect the liability of the Owner of any property for such special Assessment, but the date when payment shall become due in such a case shall be deferred to a date fifteen (15) days after such notice shall have been given.

VIII.6 Late Charges. If any Assessment, whether regular or special, is not paid within fifteen (15) days after it is due, the Owner may be required by the Board to pay a late charge at such rate as the Board may designate from time to time not to exceed eighteen percent (18%).

VIII.7 Unpaid Assessments as Liens. The amount of any delinquent Assessment, whether regular or special, assessed against any property and any late payment charge attributable thereto, plus interest on such Assessment and charge at a rate not to exceed eighteen percent (18%) per annum simple interest, and the costs of collecting the same, including reasonable attorneys' fees, shall be a lien upon such Lot/Residence and the Improvements thereto. Such lien shall be prior to any declaration of homestead. Such lien shall be created in accordance with NRS 116.3116 and shall be foreclosed in the manner provided for in NRS 116.31162, 116.31164 and 116.31168. A

certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by such lien shall be conclusive upon the Association as to the amount of such indebtedness as of the date of the certificate, in favor of all Persons who rely thereon in good faith, and such certificate shall be furnished to any Owner upon request at a reasonable fee, not to exceed Ten Dollars (\$10.00).

VIII.8 Mortgage Protection. Notwithstanding any other provision of the Rocky Terrace Restrictions, no lien created under this Declaration, nor any lien arising by reason of any breach of the Rocky Terrace Restrictions, nor the enforcement of any provision of this Declaration or of any supplemental Declaration shall defeat or render invalid the rights of the Beneficiary under any recorded Mortgage or Deed of Trust of first and senior priority now or hereafter upon a Lot, made in good faith and for value perfected before the date on which the assessment sought to be enforced became delinquent. However, after the foreclosure of any such first Mortgage or Deed of Trust or after any conveyance in lieu of foreclosure, such Lot shall remain subject to the Rocky Terrace Restrictions and shall be liable for all regular Assessments and all special Assessments levied subsequent to completion of such foreclosure or delivery of such conveyance in lieu of foreclosure, and to all installments of all regular and special Assessments levied prior to completion of such foreclosure or delivery of such conveyance but falling due after such completion or such delivery.

VIII.9 Effect of Amendments on Mortgages. Notwithstanding the provisions of Section 9.2, below, no amendment of Section 8.8 of this Declaration shall affect the rights of any Beneficiary whose Mortgage or Deed of Trust has the first and senior priority as provided in Section 8.8 and who does not join in the execution thereof, provided that its Mortgage or Deed of Trust is recorded in the real property records of Douglas County prior to the recordation of such amendment; provided, however, that after foreclosure or conveyance in lieu of foreclosure the property which was subject to such Mortgage or Deed of Trust shall be subject to such amendment.

VIII.10 Subordination. By subordination agreement executed by the Association, the benefits of Sections 8.8 and 8.9, above, may in the sole and absolute discretion of the Board, be extended to beneficiaries not otherwise entitled thereto.

ARTICLE IX

MISCELLANEOUS

IX.1 Term. This Declaration, including all of the covenants, conditions and restrictions hereof, shall run until December 31, 2054, unless amended as herein provided. After December 31, 2054, this Declaration, including all such covenants, conditions and restrictions, shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by at least a majority of the Owners in the Rocky Terrace Project and recorded in the Douglas County real property records.

IX.2 Amendment.

(a) Special Provisions. No amendment of Section 8.8 shall be effective as to any Beneficiary who does not join in the execution thereof provided that its Mortgage or Deed of Trust is recorded in the real property records of the county prior to the recordation of such amendment. Subject to the preceding sentence, and except as set forth below, no amendment of this Section 9.2 shall be effective unless adopted by eighty percent (80%) or more of the total number of Lots in the Project at the time of the proposed amendment. No amendment of this Declaration shall be effective until executed and recorded in the real property records of Douglas County in the manner herein provided.

(b) By Declarant. Except as provided in Section 9.2(a), this Declaration may be amended by the Declarant until eighty percent (80%) of the total number of Lots in the Project are sold or so long as the Declarant is entitled to exercise development rights, whichever is longer; provided, however, that no such amendment by Declarant shall be effective without Notice and Hearing, and if the Owners, other than Declarant, controlling eighty percent (80%) or more of the total number of Lots, object to such amendment proposed by Declarant, such amendment shall not be effective. No amendment by Declarant shall be effective until there has been recorded in the real property records of Douglas County, an instrument executed and acknowledged by Declarant and setting forth the amendment.

IX.3 Notices. Any notice permitted or required to be given by the Declaration shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered on the third day (other than a Sunday or a legal holiday) after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to the Person at the address given by such Person to the Committee for the purpose of service of notices, or to the residence of such Person if no address has been given to the Committee. Such address may be changed from time to time by notice in writing given by such Person to the Committee.

IX.4 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purposes of creating a uniform plan for the development and operation of Rocky Terrace and of promoting and effectuating the fundamental concepts of Rocky Terrace as set forth in the Recitals at the beginning of this Declaration. This Declaration shall be construed and governed under the laws of the state of Nevada.

IX.5 Enforcement and Nonwaiver.

(a) Right of Enforcement. Except as otherwise provided herein, any Owner, at their own expense, Declarant and the Board shall have the right to enforce all of the provisions of the Rocky Terrace Restrictions against any property within and the Owners thereof. Such right of enforcement shall include both damages for and injunctive relief against the breach of any such provision. The right of any Owner to so enforce such provisions shall be equally applicable without regard to whether the land (or other interest) of the Owner seeking such enforcement or the land (or other interest) whereon or with respect to which a violation of such provision is alleged is

initially set forth on Exhibit A or is hereafter subjected to this Declaration pursuant to Section 3.2, above.

(b) Violation a Nuisance. Every act or omission of the Rocky Terrace Restrictions, in whole or in part, is hereby declared to be a nuisance and may be enjoined or abated by any Owner, at their own expense, by Declarant, or by the Board, whether or not the relief sought is for negative or affirmative action. Unless otherwise specifically set forth herein, only Declarant, the Board and the duly authorized agents of either of them may enforce by self-help any of the provisions of the Rocky Terrace Restrictions, and, unless otherwise specifically set forth herein, then only if such self-help is preceded by reasonable notice to the Owner in question.

(c) Violation of Law. Any violation of any federal, state or local law, ordinance or regulation pertaining to the ownership, occupancy or use of any property within the Rocky Terrace is hereby declared to be a violation of the Rocky Terrace Restrictions and subject to all of the enforcement procedures set forth in said Restrictions.

(d) Remedies Cumulative. Each remedy provided by the Rocky Terrace Restrictions is cumulative and not exclusive.

(e) Nonwaiver. The failure to enforce any provision of the Rocky Terrace Restrictions at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision of said Restrictions.

IX.6 Construction.

(a) Restrictions Severable. Each of the provisions of the Rocky Terrace Restrictions shall be deemed independent and severable, and the invalidity or partial invalidity of any of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

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

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

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

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

ROCKY TERRACE ESTATES, LLC,
a Nevada limited liability company

By: *Lawrence Walsh*
LAWRENCE WALSH, Manager

By: *Jeffrey P. Pisciotto mgr.*
JEFFREY P. PISCIOTTA, Manager

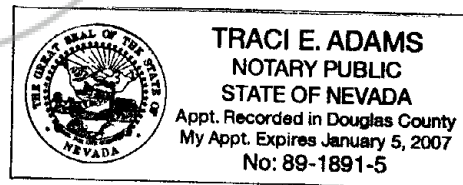
STATE OF NEVADA)
: ss.
COUNTY OF DOUGLAS)

On this 20th day of December, 2004, before me, the undersigned, a notary public, personally appeared LAWRENCE WALSH, and who acknowledged to me that he executed the foregoing instrument, freely and voluntarily, and for the uses and purposes therein mentioned.

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

Traci E. Adams
NOTARY PUBLIC

STATE OF NEVADA)
: ss.
COUNTY OF DOUGLAS)



On this 21st day of December, 2004, before me, the undersigned, a notary public, personally appeared JEFFREY P. PISCIOTTA, and who acknowledged to me that he

executed the foregoing instrument, freely and voluntarily, and for the uses and purposes therein mentioned.

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


NOTARY PUBLIC

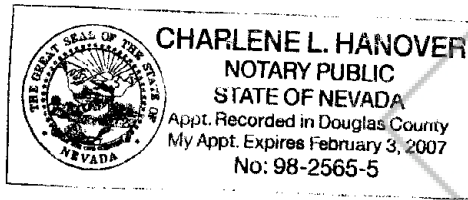


EXHIBIT "A"
LEGAL DESCRIPTION

Order No.: 040803417

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

A parcel of land located within a portion of the Southeast
one-quarter (SE 1/4) and Southwest one-quarter (SW 1/4) of
Section 8, Township 12 North, Range 20 East, Mount Diablo
Meridian, more particularly described as follows:

Commencing at the corner common to Sections 7, 8, 17 and
18, Township 12 North, Range 20 East, M.D.M., a found 1/2"
iron pipe, no tag, as shown on the Record of Survey to
Support a Boundary Line Adjustment for Chris and Valree
Hellwinkel recorded June 26, 2003 in the office of
Recorder, Douglas County, Nevada as Document No. 581510;

thence along the south line of the Southwest one-quarter of said
Section 8, North 89°34'00" East, 2190.55 feet to the POINT
OF BEGINNING;

thence North 00°22'36" West, 253.92 feet;

thence North 04°12'53" East, 175.54 feet;

thence North 26°40'16" East, 153.70 feet;

thence North 42°53'29" East, 263.14 feet;

thence North 53°00'38" East, 112.05 feet;

thence North 58°20'02" East, 158.36 feet;

thence North 57°00'53" East, 173.82 feet;

thence North 72°05'47" East, 155.22 feet;

thence North 59°49'18" East, 126.97 feet;

thence North 73°32'54" East, 132.46 feet;

thence North 44°16'51" East, 220.78 feet to a point on the south

line of Adjusted A.P.N. 1220-08-000-020 as shown on said
Record of Survey;

thence along said south line the following courses:

Along an existing fence, North 89°15'04" East, 227.54 feet
to an angle point in an existing fence line;

South 69°26'09" East, 115.24 feet to an angle point in said
existing fence line;

South 85°06'08" East, 83.61 feet to an angle point in said
existing fence line;

South 55°10'45" East, 26.82 feet to a point in said existing
fence line;

South 40°14'29" East, 53.69 feet to an angle point in an

Continued on next page

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LEGAL DESCRIPTION - continued
Order No.:040803417

existing fence line;

Along an existing fence line, South 24°05'33" East, 30.26 feet to an angle point in an existing fence line;

South 00°20'09" West, 184.08 feet;

North 89°47'33" East, 76.26 feet to a point on the east line of the Southwest one-quarter of the South east one-quarter of said Section 8;

thence along said ease line, South 00°12'27" East, 987.48 feet to the southeast corner of said Southwest one-quarter of the Southeast one-quarter of Section 8;

thence along the south line of the Southeast one-quarter of Section 8, South 89°38'02" West, 1318.42 feet to the south one-quarter corner of said Section 8, a found 1/2" iron pipe, no tag;

thence along said south line of the Southwest one-quarter of said Section 8, South 89°34'00" West, 416.19 feet to the POINT OF BEGINNING.

Reference is made to Record of Survey recorded May 3, 2004 in Book 0504, at Page 104, as Document No. 612056.

ASSESSOR'S PARCEL NO. 1220-08-002-021

"IN COMPLIANCE WITH NEVADA REVISED STATUTE 111.312, THE HEREIN ABOVE LEGAL DESCRIPTION WAS TAKEN FROM INSTRUMENT RECORDED NOVEMBER 8, 2004, BOOK 1104, PAGE 3769, AS FILE NO. 628749, RECORDED IN THE OFFICIAL RECORDS OF DOUGLAS COUNTY, STATE OF NEVADA."