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Santoro, Driggs, Walch,
Kearney, Johnson & Thompson
400 South Fourth Street, Third Floor
Las Vegas, Nevada 89101
Attn: J. Douglas Driggs, Esq.

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
IRONWOOD TOWN HOMES

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR IRONWOOD TOWN HOMES

THIS DECLARATION is made this 21st day of June, 2005, by Elsinore Homes, a California Corporation (the "Declarant"), as owner of that certain real property located in Douglas County, Nevada, more particularly described on Exhibit "A," attached hereto (the "Property").

RECITALS

A. The Property consists of approximately 3.48 acres and is being developed as a community consisting of twelve (12) Four-Plexes (as hereinafter defined), each with an associated Garage (as hereinafter defined). The purposes of this Declaration are to ensure the proper and orderly development and use of the Property, to maintain an attractive and desirable Development (as hereinafter defined), and provide for improvement of the Property in accordance with Declarant's general plan. The intended name of the Development is Ironwood Town Homes.

B. This Declaration shall run with the Property, and shall be binding upon and inure to the benefit of Declarant, each Owner (as hereinafter defined), and all other persons acquiring any right, title, or interest in and to the Property, or any part thereof, together with their respective successors-in-interest.

C. The Property is not subject to the provisions of Nevada's version of the Uniform Common Interest Ownership Act codified as Nevada Revised Statutes 116.001 through 116.795 inclusive (the "Act"), except as provided by Nevada Revised Statutes ("NRS") Section 116.1203, as this development will contain no more than twelve (12) units (as defined in NRS 116.093) and is not subject to any developmental rights. Thus, the Property is only subject to the following sections of the Act: NRS 116.1105, 116.1106, 116.1107, 116.3104, 116.31043, 116.31046, 116.31138, 116.3101 to 116.3119, inclusive, and the definitions set forth in NRS 116.005 to 116.095, inclusive, to the extent that such definitions are necessary in construing any of those provisions.

D. Declarant desires to establish the Association (as hereinafter defined) for the purpose of maintaining and administering the Property, administering and enforcing these covenants, conditions, and restrictions, and collecting and disbursing funds pursuant to Assessments (as hereinafter defined) and charges established by this Declaration. Each Four-Plex (as hereinafter defined) shall have appurtenant to it a membership in the Association.

E. Declarant hereby declares that all of the Property shall be held, sold, conveyed, hypothecated, encumbered, leased, rented, used, occupied, and improved subject to the following

easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of the Property.

ARTICLE I
DEFINITIONS

Unless the context otherwise specifies or requires, the terms defined in this Article I shall, for all purposes of this Declaration, have the meanings herein specified.

Architectural Committee: "Architectural Committee" shall mean the Committee established pursuant to Article V.

Assessments: "Assessments" shall have the meaning set forth in Section 6.01.

Association: "Association" shall mean the Ironwood Four-Plex Homeowners' Association, a Nevada non-profit corporation, its successors and assigns.

Association Property: "Association Property" shall mean all real and personal property owned or leased by the Association, including without limitation, the Common Areas as defined herein.

Board: "Board" shall mean the Board of Directors of the Association created pursuant to the Association Bylaws.

Bylaws: "Bylaws" shall mean the bylaws of the Association, as amended from time to time.

Building: "Building" shall include the Four-Plexes (as hereinafter defined), the Garage(s) (as hereinafter defined), and any appurtenant structures or outward extensions thereof.

Capital Improvement Assessments: "Capital Improvement Assessments" shall have the meaning set forth in Section 7.08.

Common Areas: "Common Areas" shall mean that land within the Property together with the Improvements (as hereinafter defined) thereon, developed or designated by Declarant as Common Areas, including without limitation common utility lines and systems, entrances, access roads, driveways, walkways, sidewalks, landscaping, common lighting facilities, and common drainage facilities, but specifically excluding the Four-Plexes.

Common Assessments: "Common Assessments" shall have the meaning set forth in Section 6.03.

Common Expenses: "Common Expenses" shall have the meaning set forth in Section 6.06.

Declarant: "Declarant" shall mean Foothill Development Group, LLC, a Nevada limited liability company, its successors and assigns.

Declaration: "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions.

Default Interest Rate: "Default Interest Rate" shall have the meaning set forth in Section 6.10.

Development: "Development" shall mean the Ironwood Town Homes.

Eligible Holder: "Eligible Holder" shall have the meaning set forth in Section 10.02.

Four-Plex: "Four-Plex" shall mean each Building indicated on the Map and designed and built as a single structure along with the Garage associated with that Building, as indicated on the Map and which together shall comprise one (1) unit within the meaning of NRS 116.093.

Garage: "Garage" shall mean each of those detached, four-car garage structures assigned to a Four-Plex. A Garage may not be owned or conveyed separately from the Four-Plex to which it is assigned. Exhibit C sets forth a description of the Garages and the Four-Plexes to which they are assigned.

Hazardous Material: "Hazardous Material" shall mean any product, substance, chemical, material, or waste whose presence, nature, quantity, or intensity of existence, use, manufacture, disposal, transportation, spill, release, or effect, either by itself or in connection with other materials expected to be found upon any part of the Property, is either: (a) potentially injurious to the public health, safety, or welfare or the environment or the Property; (b) regulated or monitored by any governmental authority; or (c) a basis for liability of Declarant or any Owner to any governmental agency or third party under any applicable state, federal, or common law principle.

Improvements: "Improvements" shall mean all structures, Buildings, and appurtenances related thereto, of every type and kind, including, as applicable, but without warranty or representation that Declarant will construct such, Buildings, structures, walkways, paths, trails, roads, road medians, driveways, parking areas, Garages, sidewalks, pavement, curbs, street lights, parking lot lighting, exterior stairways and landings, mail and other kiosks, common trash receptacles, grading, excavation, fill, fences, screening walls, retaining walls, stairs, decks, windbreaks, landscaping of any and all types and kinds, hedges, plantings, planted trees, shrubs; sprinkler pipes and heads, poles, banners, flags, signs of any type, striping, informational markings, exterior air conditioning, electrical and other equipment, and all other exterior fixtures or equipment. Improvements shall also mean and refer to all additions or modifications to the exterior of an Improvement, including, without limitation: (a) painting or staining the exterior



surface of any Improvement; (b) changing the roofing material on any Improvement; and (c) building, constructing, installing, altering or replacing, as the case may be, any of the aforesaid.

Landscape Areas: "Landscape Areas" shall have the meaning set forth in Section 8.05.

Laws: "Laws" shall mean any and all federal, state, or local statutes, regulations, or ordinances applicable to the Property.

Lessee: "Lessee" shall mean any resident or occupant of any Four-Plex or portion thereof pursuant to a lease.

Manager: "Manager" shall mean a property manager appointed pursuant to Section 9.06(e).

Map: "Map" shall mean that final map pursuant to NRS Chapter 278, recorded with the Recorder of Douglas County relating to the Property.

Maintenance Fund: "Maintenance Fund" shall have the meaning set forth in Section 6.16.

Member: "Member" shall mean each of the Owners who are members of the Association.

Mortgage/Mortgagee: "Mortgage" shall mean a mortgage, deed of trust, or other security instrument affecting all or any portion of the Property and "Mortgagee" shall mean and refer to the mortgagee, beneficiary, or other holder of any of the foregoing instruments, provided the name and address of such mortgagee, beneficiary, or other holder shall appear among the aforesaid Official Records.

Notice of Default: "Notice of Default" shall have the meaning set forth in Section 6.12

Operating Fund: "Operating Fund" shall have the meaning set forth in Section 6.16.

Owner: "Owner" shall mean the record owner, including Declarant, whether one or more persons or entities, of the fee simple title to any Four-Plex situated upon the Property, including contract sellers, but shall not mean or refer to the Mortgagee or beneficiary under a Mortgage, unless and until such person or entity has acquired title pursuant to foreclosure or any proceeding in lieu of foreclosure.

Person: "Person" shall include an individual, partnership, firm, association, corporation, limited liability company, trust, governmental agency, administrative tribunal, or any other form of business or legal entity.

Property: "Property" shall mean the real property described in Exhibit "A" hereto.

Reserve Fund: "Reserve Fund" shall have the meaning set forth in Section 6.16.

Rules: "Rules" shall mean rules adopted by the Declarant or the Association pursuant to this Declaration.

Special Assessments: "Special Assessments" shall have the meaning set forth in Section 6.08.

Supplemental Common Assessments: "Supplemental Common Assessments" shall have the meaning set forth in Section 6.07.

Terminating Event: "Terminating Event" shall mean the sale by Declarant of the last Four-Plex owned by Declarant.

ARTICLE II ENFORCEMENT OF DECLARATION

The Association and any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant, condition, or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

ARTICLE III DEVELOPMENT RESTRICTIONS

3.01 Development in General. Declarant intends that the Property shall be developed in accordance with: (a) this Declaration; (b) the Laws; and (c) the Rules, maintenance standards, and design guidelines consistent with the Declaration as the Declarant or the Association may from time to time adopt to govern development and use of the Property.

3.02 Declarant's Rights. Declarant may from time to time contract to sell, option to sell, sell, or lease all or portions of the Property to one or more developers or builders, individual users or others for the building of Improvements respectively on portions of the Property. Declarant, its affiliates, or subsidiaries may be one or more of such developers or builders. Declarant may retain an ownership interest in some portion of the Property or the Four-Plexes.

3.03 Common Areas. The Common Areas are hereby reserved for the use of all Four-Plex Owners, their tenants, contractors, employees, agents, customers, licensees, and invitees as well as the subtenants, contractors, employees, agents, customers, licensees and invitees of such tenants. The Common Areas may be used for vehicular and pedestrian traffic, sidewalks, paths, walkways, landscaping, perimeter walls and fences, lighting, and utilities and for an entry monument and signage and for other uses as approved by the Declarant, or by the Association



after a Termination Event, and for no other use unless otherwise specifically provided in this Declaration.

3.04 Buildings; Exterior Appearance. Each Owner shall maintain or cause to be maintained the exterior of any Four-Plex, Building, or other Improvements separately owned by that Owner in a quality and condition comparable to that of first class complex of comparable nature to the Development. Each Owner shall cause all trash enclosures and service facilities located on or near such Owner's Four-Plex to be attractively screened from view. All portions of a Four-Plex that are not used for building or structural purposes shall be developed and initially landscaped by the Owner thereof, at the Owner's sole cost and expense, in accordance with the building and landscaping plans for the Four-Plex as approved by the Architectural Committee and maintenance and replacement of such landscaping will be at the Owner's sole close and expense.

3.05 Special Declarant's Rights. Declarant and its agents shall have the following rights and privileges, all of which shall terminate one (1) year after a Terminating Event:

(a) **Easement for Repairs.** A nonexclusive easement over the entire Property for the purpose of making repairs to the Common Areas if access thereto is not reasonably available;

(b) **Easement for Sales and Leasing.** A nonexclusive easement over the entire Property (which easement shall extend to the sales agents, customers, prospective customers, guests, and representatives of Declarant) for sales, leasing, display, access, ingress, egress, exhibits, and other purposes deemed useful by Declarant and its agents in advertising and promoting the sale or leasing of Four-Plexes or portions thereof (including the erection of signs, flags, and banners). In exercising the easement, Declarant shall not unreasonably interfere with the rights and enjoyment of the other Owners;

(c) **Easement for Development.** A nonexclusive easement over the entire Property (which easement shall be in favor of Declarant and its agents, contractors, and licensees) for access, ingress, and egress over, in, upon, under, and across the Common Areas, including but not limited to, the right to store materials thereon and to make such other use thereof as may be reasonable, necessary, or incidental to Declarant's development of the Property, including, without limitation, the construction of landscaping improvements thereon; provided, however, that no such rights or easements shall be exercised in such a manner as to unreasonably interfere with the occupancy, use, enjoyment or access by any Owner; and

(d) **Right to Lease.** The right to lease any unsold Four-Plex or portion thereof.

(e) **Other Declarant Easements.** The Declarant shall have an easement throughout the Property for the purposes of exercising any of its rights or duties under this Declaration.

ARTICLE IV

USE RESTRICTIONS

4.01 No Further Subdivision. The Property, or any Four-Plex thereon, may not be further subdivided without the prior written approval of the Declarant; provided, however, that nothing in this Section shall be deemed to prevent an Owner from: (a) transferring or selling its Four-Plex in its entirety, but not a portion thereof, to more than one person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property; or (b) leasing or renting its Four-Plex or portions thereof, provided that Douglas County has issued a certificated of occupancy for such Four-Plex or portion thereof and any such lease or rental shall be subject to this Declaration.

4.02 Signs. Except as may be installed by Declarant, no sign, poster, billboard, advertising devise or other display of any kind shall be displayed so as to be visible from the Property without the approval of the Architectural Committee.

4.03 Animals. No animals of any kind shall be raised, bred, or kept in any Four-Plex or elsewhere on the Property, except that a reasonable number of dogs, cats, or other household pets may be kept within a Four-Plex provided that they are not kept, bred, or maintained for any commercial purpose or in violation of any applicable local ordinance, the Rules, or any provision of this Declaration. A "reasonable number" shall mean no more than three (3) pets per residential dwelling unit within a Four-Plex. All pets within the Property shall be leashed or otherwise under the direct control of the pet owner when not within an enclosed area of a Four-Plex. It shall be the absolute duty and responsibility of each Owner or Lessee to remove any solid animal waste immediately. No pet shall be permitted to be kept within any portion of the Property if it makes excessive noise or is otherwise determined by the Declarant or the Association to be a nuisance. If a pet is determined to be a nuisance, the Declarant or Association may give notice to the Owner or Lessee to resolve the offending problem within seventy-two (72) hours, and if the problem is not resolved during that period of time, order the removal of the pet.

4.04 Oil, Water, and Mineral Exploration and Removal. No derrick or other structure for use in boring for oil, gas, water, or other substance shall be erected or placed upon the Property. No portion of the Property may be used for the purpose of exploration, mining, or operating for oil, gas, or other hydrocarbon substances, minerals, or water, and the taking, storing, removing, and disposing of such materials.

4.05 Offensive Acts. No noxious or offensive trade or activity shall be carried on upon any Four-Plex or any portion of the Property, nor shall anything be done thereon which may become an annoyance or nuisance to the Development. No activity that by any Law requires a license shall be carried on within any Four-Plex or any portion of the Property.

4.06 Nuisances. No odors shall be permitted to arise from any Four-Plex or any portion of the Property; no condition shall be allowed to persist on any portion of the Property



rendering any Four-Plex unsanitary, unsightly, offensive or detrimental to any other Four-Plex; and no nuisance, under applicable Law, shall be permitted to exist or operate upon any Four-Plex or any portion of the Property so as to be offensive or detrimental to any other Four-Plex or any portion of the Property or to the Owner thereof, as determined by the Board. Without limiting the generality of the foregoing provisions, no external loud speakers, horns, whistles, bells or other sound devices, except devices used exclusively for security purposes, shall be located, used or placed upon any Four-Plex. No Owner shall permit any thing or condition to exist upon any Four-Plex which shall induce, breed, or harbor infectious plant diseases or noxious insects. No noxious or offensive trade or activity shall be done thereon which is or may become an annoyance or nuisance to the Development or any Four-Plex or Owner, as determined by the Board. No Improvement or operation of any Four-Plex will be permitted which, in the sole opinion of the Board, will create or emit offensive, hazardous, or excessive quantities of dust, dirt, fly ash, smoke, noise, fumes, odors or vibrations, or create risk of fire, explosion or other hazards or is not in harmony and consistent with a quality multi-family residential development.

4.07 Improvements. No exterior Improvements shall be permitted to fall into disrepair and all Improvements shall be kept at all times in good condition and repair and, if appropriate, painted or otherwise finished. Any and all repairs, redecorations, modifications or exterior additions, shall fully comply with all applicable building code requirements, Rules and the requirements of the Architectural Committee and the Declarant or the Association.

4.08 Unsightly Articles. No unsightly articles shall be permitted to remain on the Property so as to be visible from any public or private street or from any other Four-Plex. Without limiting the generality of the foregoing, refuse, garbage, and trash shall be kept at all times in covered, sanitary containers or enclosed areas designed for such purpose. There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles commercially designed therefore; provided, however, that such shall be used only in compliance with Law.

4.09 Temporary Structures. No tent or shack or other temporary Building, Improvement or structure shall be placed upon any portion of the Property.

4.10 Drainage. No Owner shall in any way interfere with the established drainage pattern over the Owner's Four-Plex from adjoining or other Four-Plexes in the Development or that the Owner will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over the Owner's Four-Plex. For the purposes hereof, "established drainage" is defined as the drainage which is established by Declarant as part of its development of the Property.

4.11 Trash Removal. Each Owner shall be responsible for trash removal from its Four-Plex. Trash pick-up areas shall be maintained in a sanitary condition. No trash receptacles shall be allowed to remain at the pick-up area for more that twenty-four (24) hours.

4.12 Painting. No Four-Plex shall be painted or repainted other than in its original colors and design unless the new color and design has been approved by the Architectural



Committee.

4.13 Commercial or Other Non-Residential Uses. No commercial, professional, industrial, institutional, or other non-residential use (including residential day care facilities, and transient commercial uses) shall be conducted on any Four-Plex without the written approval of the Declarant or the Association, except such temporary uses as shall be permitted by Declarant while the Development is being built and Four-Plexes are being sold, leased, or rented by Declarant. This provision may not be amended or deleted without the approval of all of the Members. As used herein, the term transient commercial uses shall mean the use of a Four-Plex, for remuneration, as a hostel, inn, motel, resort, vacation rental, or other form of transient lodging.

4.14 Antennae, Satellite Dishes and Solar Collectors. No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Four-Plex unless such apparatus is erected and maintained in such a way that it is screened from public view; and no such apparatus shall be erected without the prior written consent of the Architectural Committee. The Architectural Committee, as designated in this Declaration, shall have the absolute authority to determine whether an accessory is adequately screened from public view. The provisions of this Section and the authority of the Architectural Committee in this matter shall be subject to any regulations issued by the Federal Communications Commission and any other applicable governmental authority.

4.15 Vehicle Parking. Parking shall be subject to Rules adopted by the Association. No long-term or permanent parking shall be allowed other than by Lessees of the Four-Plexes or portions thereof. No parking shall be permitted in the Common Access Areas unless the Declarant or the Association has designated parking areas.

(a) **Owner and Occupant Parking; Priorities.** It is the intent of this Subsection to limit on-street parking within the Property. Accordingly, each Owner and the occupants of his Four-Plex shall park all of their vehicles within the Garage appurtenant to the Four-Plex. Garage doors must be kept closed at all times, except as reasonably required for ingress and egress to and from the Garage. Only after all parking areas within the Garage are full, with respect to that portion of the Garage assigned to that Owner, occupant or Lessee of a dwelling unit within a Four-Plex, shall an Owner, occupant, or Lessee be allowed to park a vehicle on the streets within the Project and only in those areas so designated by Declarant or the Association. In addition, no Owner shall park, store, or keep anywhere within the Property any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Declarant or the Association, in its sole and absolute discretion.

(b) **Guest Parking.** Notwithstanding the provisions of this Subsection, Persons other than Owners and occupants of the Property, including, without limitation, their guests, invitees, and licensees, may park their vehicles in designated parking areas within the

Common Areas between the hours of 7:00 a.m. and 11:00 p.m. Pacific Time. During times other than these hours, including overnight stays, vehicles of such other persons must be parked in accordance with the provisions of Subsection 4.15(a).

(c) Campers, Boats, RVs, Trailers and Non-Passenger Vehicles. No campers, boats, trailers, trailer coaches, camp trailers, recreational vehicles, house/cars, motor homes, mobile homes, aircraft, jet skis, wave runners, four-wheelers, off-road vehicles, buses, recreational trailers, non-passenger vehicles, or any other similar vehicles, rolling stock, equipment, implements, or accessories shall be parked, stored, or kept anywhere within the Property except within a Garage or in locations within the Development specifically designated for such purposes by the Declarant or the Association and otherwise in full compliance with any Rules from time to time promulgated by the Association, as well as and including all Laws. The use of any areas within the Property designated for purposes of parking recreational vehicles or the other vehicles described above are subject to the imposition of monthly fees by the Declarant or the Association, as they may reasonably determine and adjust from time to time. The Declarant or the Association shall have the right to deny any Owner the use of any such parking area for reasons of non-payment and for reasons of violations of any Rules. The Declarant or the Association shall have the right, but not the obligation, to designate portions of the Common Areas for such purposes from time to time.

(d) Commercial Vehicles. No commercial vehicles, including, but not limited to, any dump truck, cement mixer truck, oil or gas truck, or delivery truck, shall be kept or stored on or near any Four-Plex or in any Garage without Declarant or Association approval. For purposes of this Subsection, Acommercial vehicle@ shall mean any vehicle: (i) designed, maintained, or used primarily for the transportation of property or passengers in furtherance of any commercial enterprise; (ii) that is over eight thousand five hundred (8,500) pounds gross unloaded weight; or (iii) that bears commercial insignia, names, or other common indicia indicating that the vehicle is used for commercial purposes and that is larger than a nineteen (19) foot van or three-quarter (3/4) ton pickup truck. Commercial vehicles that are temporarily parked near any Four-Plex for the sole purpose of serving such Four-Plex are exempt from this restriction. Any Owner wishing to keep a commercial vehicle on or near any Four-Plex or in any Garage shall apply for approval to the Declarant or the Association and shall provide such information as required. The Declarant or the Association may from time to time in its sole discretion review the approval to keep a commercial vehicle near any Four-Plex or in any Garage to determine if the vehicle complies with the intent of the original approval. Upon an adverse determination, any vehicle shall be removed or otherwise brought into compliance with the requirements of this Section.

(e) Disabled, Inoperable and Unregistered Vehicles. No disabled, inoperable or unregistered vehicles, campers, boats, trailers, recreational vehicles, or other types of non-passenger vehicles, equipment, implements, or accessories may be kept or stored on any street within the Property for any period in excess of forty-eight (48) hours.

(f) Vehicle Maintenance. No dismantling, assembling or maintenance (other than emergency maintenance) of motor vehicles, boats, trailers, recreational vehicles, or other machinery, implements, accessories or equipment shall be permitted in the streets within the Property, or in any parking area, driveway or yard adjacent to a street, except within closed Garages.

(g) Authority to Review. The Declarant or the Association shall have the absolute authority to determine from time to time whether a vehicle or accessory is operable, adequately screened from public view, and otherwise in compliance with the provisions of this Section. Upon an adverse determination by the Board, the vehicle or accessory shall be removed or otherwise brought into compliance with this Section.

(h) Parking Rules. The Board may adopt Rules consistent with this Section to further regulate vehicle parking in the Property.

4.16 Leases. Any lease of a Four-Plex or portion of a Four-Plex shall be in writing, shall have a term of at least three (3) months, shall expressly provide that such lease is subject in all respects to this Declaration, and that any failure of the Lessee to comply with any provisions of this Declaration shall constitute a default under such lease. The Owner of a leased Four-Plex or portion thereof shall be responsible for all Assessments, penalties, and costs imposed on said Four-Plex. No Four-Plex or portion thereof may be leased for hotel or transient purposes, or for any non-residential use. Copies of all leases shall be provided to the Association within ten (10) days of execution.

4.17 Resubdivision; Partition. No Four-Plex shall be resubdivided nor shall less than an entire Four-Plex be sold. No Owner shall have the right to seek the partition of the Common Area or Association Property, or any part thereof. Except as specifically provided herein, each Owner, on its own behalf and on behalf of its successors in interest, whether by deed, gift, devise, or operation of law, specifically waive and abandon any and all rights, interests, and causes of action for judicial partition of any Common Area or Association Property.

4.18 Exterior Holiday Decorations. Lights or decorations may be erected on a Four-Plex in commemoration or celebration of publicly observed holidays provided that such lights or decorations, or any portion thereof, do not unreasonably disturb the peaceful enjoyment of Owners or tenants of any Four-Plex by illuminating bedrooms, creating noise, or attracting sight-seers. Holiday decorations or lights for any publicly observed holiday between December 1 and December 31 of any year may not be displayed before November 15 of any year. For other holidays, decorations or lights may not be displayed more than two (2) weeks in advance of the holiday. All lights and decorations that are not permanent fixtures of a Four-Plex which are part of the original construction or have been properly approved as permanent improvements by the Architectural Committee shall be removed within thirty (30) days after the date the lights and decorations are put upon display, and in no event more than thirty (30) days after the holiday has ended. The Declarant or the Association shall have the right, upon thirty (30) days prior written



notice to an Owner in violation of this Subsection, to designate a party to enter upon any Four-Plex and remove exterior lights or decorations displayed in violation of this provision.

4.19 Sight Visibility Zones and View Obstructions. No Improvement shall be planted, constructed, or maintained on any Four-Plex in such location or of such height as to unreasonably obstruct the view from any other Four-Plex. If an Owner or a Lessee fails to comply with the foregoing restrictions, the Declarant or the Association shall have the right, but not the obligation, to enter upon such Four-Plex for purposes of bringing the Four-Plex into compliance and to charge the Owner of the Four-Plex a Special Assessment for any costs incurred for performing or having such work performed. Each Owner, by accepting a deed to a Four-Plex, hereby acknowledges that any construction or installation by Declarant may impair the view of such Owner, and hereby consents to such impairment.

4.20 Compliance with Governmental Requirements. Any violation of the conditions, restrictions, or other requirements set forth on the Map or otherwise imposed on the Property by the government, as the same may be amended or modified from time to time, by any Owner or occupant of the Property, or by any of their respective guests, licensees, or invitees, shall be deemed a violation of the Declaration enforceable in accordance with the Declaration to the fullest extent permitted by law.

4.21 Owner's Insurance. Each Owner, at its sole cost and expense, shall obtain and maintain in effect policies of insurance against loss or damage by fire, hurricane, windstorm, hail, explosion, damage from vehicles, smoke damage, vandalism, and malicious mischief and such other risks as are customarily included in "all risk" extended insurance coverage in an amount equal to not less than one hundred percent (100%) of the actual and full replacement costs of the Four-Plex.

ARTICLE V ARCHITECTURAL CONTROL

5.01 Provision for Architectural Approval. Except as to construction of Improvements or development of the Property by Declarant, no Improvements shall be commenced, erected, or maintained on any Four-Plex or within the Property; nor shall any exterior addition or change or alteration in any Improvements on any Four-Plex or within the Property be made, until the plans and specifications showing the nature, kind, shape, materials, and location of the Improvements have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures in the Development by the Architectural Committee. Whenever in this Declaration the prior consent or approval of the Association is required as a condition to any action by an Owner affecting any alterations, changes, additions or modifications, the Association may delegate to the Architectural Committee the right and duty to grant or withhold such consent or approval. The Architectural Committee's consent and approval must be obtained prior to construction.

5.02 Architectural Committee. The Declarant shall appoint all of the original members

of the Architectural Committee which shall consist of not less than three (3) members. Any member shall have the right to resign at any time. So long as there has not been a Terminating Event, the Declarant shall have the right to appoint, remove, and replace, from time to time, any or all of the members of the Architectural Committee, provided however, that Declarant may at any time release to the Association its right to appoint the members thereof. At all other times, the members of the Architectural Committee shall be appointed by the Association, including while the Association is under Declarant control.

5.03 Approval of Committee. The Architectural Committee's approval or disapproval as required in this Declaration shall be in writing. The approval or disapproval shall be by a majority of the committee. The method of submission shall be by personal delivery or the mailing of a first class United States Mail, return receipt requested, letter to the Architectural Committee care of Declarant at Declarant's then current address prior to any Terminating Event and thereafter to the Association at the Association's then current address. In the event the Architectural Committee or its designated representative(s) fails to approve or disapprove a submission within thirty (30) days after receipt of the proposed plans and specifications has been acknowledged in writing by the Architectural Committee (unless such thirty (30) day period is extended in writing by the Architectural Committee) the request will be deemed to have been approved in full, provided that such approval shall not be deemed to constitute an approval of plans and specifications or work in violation of any other term or provision of this Declaration.

5.04 Disapproval. The Architectural Committee shall have the right to disapprove or request modification of any plans and specifications submitted hereunder because of any of the following: (a) failure to comply with any provision of this Declaration; (b) failure to include information in such plans and specifications as may have been reasonably requested by the Architectural Committee; (c) incompatibility of any proposed Improvement or use with existing Improvements or uses within the Development or other properties in the vicinity; (d) the location of any proposed Improvement upon any Four-Plex or with reference to other Four-Plexes in the vicinity; (e) grading plan for any Four-Plex; (f) the compatibility of color scheme, finish, proportions, style or architecture, height, bulk or overall appearance of any proposed structure as compared with the balance of the Development; and (g) any other matter which, in the reasonable judgment of the Architectural Committee, would render the proposed Improvement or use inharmonious with the general plan of the Property. In any case where the Architectural Committee shall disapprove any plans and specifications submitted hereunder, or shall approve the same only as modified or upon specified conditions, such disapproval or qualified approval shall be accompanied by a statement of the grounds upon which such action was based. In such event, the Architectural Committee shall, if requested, make reasonable efforts to assist and advise the applicant in order that an acceptable proposal can be prepared and submitted for approval.

5.05 Liability. Neither Declarant nor the Association, their agents, employees or assigns, nor officers nor any member of the Architectural Committee shall be liable for damages to anyone submitting plans and specifications to it for approval or to any Owner, occupant or



renter, lessor, or Lessee, by reason of any actual or alleged mistake in judgment, negligence or nonfeasance arising in connection with the approval or disapproval of any plans and specifications. The approval of plans and specifications by the Architectural Committee shall not be deemed to constitute an approval of the actual work or acceptance by the Architectural Committee or the Declarant or Association for any liability in connection with such plans and specifications or work (for example, liability arising in connection with defective design or defective work), but is merely an acknowledgment that the proposed work is architecturally and aesthetically compatible with the guidelines established by the Architectural Committee for the Development. Anyone who submits plans and specifications to the Architectural Committee shall be deemed to have agreed by submission of such plans and specifications, and every Owner and occupant or Lessee of any Four-Plex agrees, by acquiring title or any possessory rights thereto, that it will not bring any action or suit against Declarant, the Association, or any member of the Architectural Committee for the recovery of damages by reason of any such approval or disapproval.

5.06 Exemptions. The provisions of this Article V shall not apply to construction by Declarant and the Architectural Committee shall have no authority or right to approve or disapprove any construction by Declarant.

5.07 Procedural Guidelines and Approval Criteria. The Architectural Committee may issue rules or guidelines setting forth procedures for the submission of plans and specifications for approval or for exemption from the same, requiring a reasonable fee to accompany each application for approval, or stating criteria which it will take into consideration in reviewing submissions. The rules or guidelines so issued may from time to time be amended or supplemented by the Architectural Committee.

5.08 Safety and Building Codes. The Architectural Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of any plan or design, from the standpoint of structural safety or conformance with building or other codes, ordinances, laws or the like. Each applicant shall be solely responsible to comply with all applicable governmental requirements.

5.09 Plans and Specifications. The Architectural Committee may require such detail in plans and specifications submitted for its review as it deems proper in deciding whether to approve the plans and specifications. Until receipt by it of any required plans and specifications, the Architectural Committee may postpone review of any submission. All plans and specifications shall be prepared by licensed (if licensing is required by federal, state, county or municipal regulations) or otherwise qualified land planners, architects, landscape architects, professional engineers, or other designers reasonably approved by the Architectural Committee. The Architectural Committee may require submission of additional plans and specifications or other information prior to approving or disapproving a submission.

5.10 Report of Decisions. The Architectural Committee shall endeavor to transmit its decision to approve or deny plans and specifications submitted for its approval in a timely



manner.

5.11 No Waiver of Future Approvals. The approval by the Architectural Committee of any proposals, plans and specifications, or drawings for any work done or proposed or in connection with any matter requiring the approval or consent of the Architectural Committee shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

5.12 Damage Deposit. Prior to the commencement of any work approved by the Architectural Committee, the Architectural Committee may require that the applicant post a bond or make a deposit with the Architectural Committee in an amount sufficient to cover the reasonably anticipated costs of repairing and restoring to its prior condition all Buildings, signs, and Common Area Improvements damaged or destroyed in the performance of such work. The posting of a bond or the making a deposit with the Architectural Committee shall not relieve the applicant of its duty to promptly repair or restore, at its sole cost and expense, any damaged or destroyed Buildings, signs, and Common Area Improvements; provided, however, that if the applicant shall fail to promptly meet its obligations under this Section, the Architectural Committee may, but shall not be required to, cause the damaged or destroyed areas to be repaired or restored and pay for the costs thereof and a reasonable administrative fee out of the bond or deposit funds, refunding the surplus, if any, to the applicant. In the event that the amount of the bond or deposit is insufficient to cover the costs of any such repair or restoration or its administrative fee, the Architectural Committee shall assess the amount of the deficiency against the applicant. Any deposit required of an applicant shall be refunded in full only after the approved work and any repair or restoration necessitated thereby has been completed by the applicant and the Architectural Committee, upon inspection, is satisfied that no further repair or restoration is required.

5.13 Timely Commencement of Construction. The approval by the Architectural Committee of any Improvements shall expire if the Improvements so approved are not commenced within sixty (60) days after the Architectural Committee has transmitted to the applicant its notice of approval. In the event that any approval of any construction expires, the applicant shall not commence or continue the construction so approved until and unless the applicant has resubmitted its application for approval and the Architectural Committee has approved the resubmitted application.

5.14 Construction Delays. Each approved construction of Improvements timely commenced shall be completed as expeditiously as possible. Subject only to force majeure, for each delay in any such construction of Improvements, the Architectural Committee may impose a fine in the amount set forth in its rules and regulations, as the same may from time to time be amended or supplemented.

5.15 Inspection; Correction of Defects. The Architectural Committee may at any



reasonable time inspect any construction activity to ensure conformance with approved plans and specifications. The Architectural Committee may issue rules or guidelines setting forth required inspections for specific types of construction of Improvements, including, without limitation, slab inspections, framing inspections, parking lot inspections, and landscape inspections, and requiring a reasonable fee for each inspection. If, as a result of any such inspection, the Architectural Committee determines that any construction activity was performed without obtaining prior approval by the Architectural Committee or was not performed in substantial compliance with the plans and specifications so approved by the Architectural Committee, the Architectural Committee shall have the authority to require the Owner of the Four-Plex upon which the construction activity has occurred to take such action as may be necessary to remedy the noncompliance and to require said Owner to immediately reimburse the Architectural Committee for expenses incurred in connection with such remedial action. The right to remedy the noncompliance or defect shall be in addition to all other rights and remedies which the Architectural Committee may have at law, in equity, or under this Declaration.

5.16 Variances. The Architectural Committee may specifically authorize in writing variances from compliance with any of the architectural and landscaping control provisions of this Declaration. If such variance is granted, no violation of the covenants shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property 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, ordinances, codes and regulations affecting its use of the property in question.

5.17 Consultants. The Architectural Committee may in its discretion engage one or more architects, engineers, or the other as consultants to advise the Architectural Committee in connection with its review of submissions by an applicant, inspection of the applicant's Improvements, or any of its other duties and services required or authorized under this Declaration, and require the applicant to pay for, or reimburse, the Architectural Committee for the reasonable costs of any such consultation related to the applicant's submission of Improvements.

5.18 Liens. All fees, costs, reimbursements, deficiencies, and fines authorized by this Article V, together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall constitute a continuing lien upon each Four-Plex of the Owner against whom such fees, costs, reimbursements, deficiencies, or fines are assessed, which lien shall be enforceable as provided herein.

5.19 Indemnification of Architectural Committee. The members of the Architectural Committee shall be deemed the appointed agents of the Board, and the Architectural Committee is hereby authorized to carry out and adhere to the provisions of this Article V. The Owners hereby collectively agree that the members of the Architectural Committee shall be indemnified and held harmless for any liability, damages, or other obligation (including reasonable attorneys' fees) resulting from the reasonable and prudent exercise of their duties as members of the



Architectural Committee as specified in this Article V.

ARTICLE VI
ASSESSMENTS

6.01 Types of Assessments: Personal Obligation. Each Owner (including Declarant after the sale of the first Four-Plex in the Property) of a Four-Plex within the Property, by acceptance of a deed or other instrument of conveyance therefor, whether it shall be so expressed in such deed or such other instrument, is deemed to covenant and agree to pay to the Association: (a) the annual Common Assessments for Common Expenses; (b) Capital Improvement Assessments and Supplemental Common Assessments as specifically created hereunder; and (c) other charges and levies as specifically provided by this Declaration; all such assessments and charges to be established and collected as herein provided, and subject to the limitations specified herein (collectively, "Assessments"). All such Assessments and charges, together with interest, costs, and reasonable attorney' fees for the collection thereof, shall be an obligation of each Owner and shall be a continuing lien upon each Four-Plex within the Property subject hereto against which such assessments and charges are levied.

6.02 Purpose of Assessments. All Assessments and charges levied and collected by the Association shall be used to satisfy the purposes, duties and obligations of the Association for the benefit of the Owners. Disbursements from any Reserve Fund shall be made by the Association only for the respective purposes specified in this Article. Disbursements from the Operating Funds shall be made by the Association for such purposes as are necessary for the discharge of responsibilities and duties of the Association, other than those purposes for which disbursements from the Reserve Fund are to be used. Nothing contained herein shall limit, preclude or impair the establishment by the Association of additional maintenance or other funds by the Association earmarked for specified purposes authorized by this Declaration.

6.03 Common Assessments. Each annual Common Assessment shall constitute an aggregate of assessments and charges attributable for the Maintenance Fund(s) as same pertain to the operating of the Property, Reserve Fund(s) and any other such fund(s) as established by the Association reflecting an itemization of the amounts respectively assessed to Owners. Common Assessments shall be established on a calendar year basis, but may be levied and collected as otherwise set forth herein. The first year of the Association may be less than a full calendar year. The first annual Common Assessment shall be adjusted according to the number of months remaining in such calendar year. The Association shall annually establish or approve a budget and Common Assessments for the Property. Written notice of the amount of each proposed annual Common Assessment based upon such budget therefor along with a summary of or copy thereof, as approved by the Association, shall be promptly sent to every Owner subject hereto for their review and comment.

6.04 Collection. All installments of Common Assessments shall be collected in advance on a regular basis by the Association, at such frequency (e.g. monthly, quarterly, etc.,



but in no event more frequently than monthly) and on such due dates as the Association shall reasonably determine from time-to-time in its sole and absolute discretion. All corresponding invoices, proof of payment and billing statements shall be provided annually, if requested. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association, setting forth whether the assessments on a specified Four-Plex have been paid. A properly executed certificate of the Association as to the status of assessments against a Four-Plex shall be binding upon the Association as of the date of its issuance. Assessments may be paid by the Owner to the Association in one check or in separate checks. If any payment is less than the amount assessed and the payment does not specify the Maintenance Fund or other funds into which it should be deposited, the payment received by the Association from that Owner shall be credited in order of priority first to the Operating Fund and then to the Reserve Fund.

6.05 Commencement; Excess Funds. Common Assessments as to all of the Property shall commence on the later to occur of (a) the first (1st) day of the calendar month following the recording of this Declaration or (b) the closing of the sale of a Four-Plex by Declarant to any third party. Excess funds remaining in the Operating Fund at the end of each annual Common Assessment period, over and above the amounts used for the obligations of the Association hereunder, may be retained by the Association and utilized to reduce the following year's Common Assessment. Upon dissolution of the Association incident to the abandonment or termination of the maintenance of the Common Access Areas, any amounts remaining in any of the Maintenance Funds shall be distributed or returned proportionately to the respective Owners.

6.06 Common Assessments; Calculations and Imposition. Common Assessments shall be respectively allocated and charged to all Owners within the Property, and shall be secured by the respective Owner's Four-Plex. For purposes of determining the respective Common Assessment of an Owner, the following allocations and computations shall pertain:

(a) Allocation of Common Expenses. Common Assessments, Supplemental Common Assessments and Capital Improvement Assessments, (collectively, the "Common Expenses") shall be allocated among the respective Four-Plex Owners based upon their respective number of Four-Plexes divided by the total number of Four-Plexes within the Property. The assessments so determined shall thereupon be levied upon each individual Four-Plex.

6.07 Supplemental Common Assessments. If the Association determines that important and essential functions and duties of the Association hereunder may only be properly carried out and funded by a one (1) time supplemental special assessment, then the Association may levy an annual one (1) time Supplemental Common Assessment ("Supplemental Common Assessment"). Each Owner of a Four-Plex within the Property shall be fully obligated for its respective Supplemental Common Assessment. The allocations and computations thereof shall be as set forth in Section 9.06 and shall be collected in the manner and frequency as determined by the Association, and constitute a lien on each such Owner's Four-Plex.



6.08 Special Assessments. In addition to the Assessments authorized above, the Board may levy Special Assessments for the purpose of construction, reconstruction, repair, or replacement of an Improvement upon the Common Area, including fixtures and personal property related thereto. The Association shall provide written notice to Owners of any meeting at which a Special Assessment is to be considered at least twenty-one (21) calendar days before the meeting. A Special Assessment may be assessed against a Four-Plex or Four-Plexes equally, or in any other proportion for any Common Expense or portion thereof benefiting fewer than all of the Four-Plexes, but must be assessed exclusively against the Four-Plexes benefited and the costs of insurance must be assessed in proportion to risk and the costs of utilities must be assessed in proportion to usage. In addition, if any Common Expense is caused by the misconduct of any Owner, the Association may assess that expense exclusively against that Owner and his Four-Plex.

6.09 Capital Improvement Assessments. The Association may levy, in any fiscal year, a Capital Improvement Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement within the Common Areas. All Capital Improvement Assessments shall be fixed and levied in the same proportion as Common Assessments are levied as set forth in Section 7.06 above, shall be collected in the manner and frequency as determined by the Association, and constitute a lien on each such Owner's Four-Plex.

6.10 Exempt Property. Those portions of the Property owned, dedicated to and accepted by a local governmental agency or authority, shall be exempt from all of the assessments herein.

6.11 Default; Notice. Any installment of an Assessment not paid within thirty (30) days after the respective due date thereof as established by the Association, shall bear interest from the due date of such installment at a rate equal to eighteen percent (18%) per annum ("Default Interest Rate"). The Association may establish a uniform late charge, in addition to the Default Interest Rate as described above, to compensate the Association for loss of use of funds, increased bookkeeping, billing and other administrative costs. If any installment of any assessment or other charge hereunder is not paid within said thirty (30) days after its due date, the Association may bring an action at law against the Owner personally obligated to pay the same, or file and foreclose the lien against the Owner's property interest in the Four-Plex securing same. If any installment of any such assessment is not paid within thirty (30) days after its due date, the Association may mail an acceleration notice to the Owner and to each Mortgagee of the Owner's Four-Plex who has requested a copy of the notice. The notice shall specify: (a) the fact that the installment is delinquent, (b) the action or amounts required to cure the default including all interest and late charges, (c) the date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default may be cured, and (d) that failure to cure the default on or before the date specified in the notice may result in: (y) acceleration of the balance of the installments of the assessment for the then-current fiscal year in the case of Common Assessments, Supplemental Common Assessments or Capital



Improvement Assessments; and (z) sale of the Owner's property interest subject hereto. The notice shall further inform the Owner of his right to cure the default after acceleration and before the actual foreclosure sale. If the delinquent installment(s) of assessments and any interest and charges thereon or related thereto are not paid in full on or before the cure date specified in the notice, the Association, at its option, may declare all of the unpaid balance of the particular assessment levied against such Owner and such Owner's Four-Plex to be immediately due and payable without further demand, and may enforce the collection of the full assessment for such fiscal year and all charges and interest thereon in any manner authorized by law and this Declaration. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Property or the Common Areas or abandonment of its Four-Plex.

6.12 Lien Notice. No action shall be brought to enforce any assessment lien herein unless a Notice of Lien is: (a) personally delivered to the delinquent Owner; (b) delivered to the delinquent Owner by a recognized professional courier service; or (c) deposited in the United States Mail, certified or registered, return receipt requested, postage prepaid, to the Owner of the Four-Plex. Such Notice of Lien must state: (x) the amount of the particular assessment and default interest, late charges, costs (including attorneys' fees) and expenses; (y) a legal description of the Four-Plex against which the assessment was made; and (z) the name of the record Owner. The Notice of Lien shall be signed and acknowledged by the Association. The lien shall continue until fully paid or otherwise satisfied.

6.13 Lien Foreclosure Sale. The sale to foreclose an assessment lien may be conducted by the Association, its agent or attorney in accordance with the provisions of NRS Chapter 107 and NRS Sections 116.3116 through 116.31168, inclusive, or in any other manner permitted by Nevada law. The Association shall have the power to bid on the Four-Plex at the foreclosure sale and to acquire, hold, lease, mortgage and convey the same for the benefit of the non defaulting Owners. Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting Owner's property so sold, and the defaulting Owner shall be required to pay the reasonable rental value thereof during any period of continued occupancy by the defaulting Owner. Unless otherwise permitted by law, no sale to foreclose an assessment lien may be conducted until: (a) the Association, their agent or attorney has first executed and recorded: (i) the Notice of Lien as aforesaid; and (ii) a notice of default and election to sell the real property interest or cause its sale ("Notice of Default") to satisfy the assessment lien; and (b) the delinquent Owner or such Owner's successor in interest has failed to pay the amount of the delinquent assessment, default interest, costs (including attorneys fees) and expenses incident to its enforcement for a period of thirty (30) days. Such thirty (30) day period shall commence on the first day following the day upon which the Notice of Default is sent or delivered as above provided to the Owner or such Owner's successor in interest at its address, if the address is known, and otherwise to the address of the Four-Plex. The Notice of Default must also describe the deficiency in payment. The Association, its agent, or attorney shall, after the expiration of such thirty (30) day period and before the foreclosure sale, give notice of the time and place of the sale in the manner and for a time not less than that required by law for the foreclosure sale of real property upon execution, except that a copy of the Notice of Default must be mailed on or before the first publication or



posting by certified mail with postage prepaid to the Owner or such Owner's successor-in-interest at its address if known, and otherwise to the address of the Four-Plex.

6.14 Cumulative Remedies. The assessment liens, the right to sue to recover same, and the rights of foreclosure and sale hereunder shall be in addition to, and not in substitution for, all other rights and remedies which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

6.15 Mortgage Protection. Notwithstanding all other provisions hereof, no lien created under this Article, nor any breach of this Declaration, nor the enforcement of any provision hereof shall defeat or render invalid the rights of any Mortgagee made in good faith and for value; provided: (a) such Mortgage is recorded prior to any notice of lien or notice of noncompliance recorded pursuant to this Declaration; and (b) after such Mortgagee or other such Person obtains title to such Four-Plex by foreclosure, deed or assignment in lieu thereof same shall remain subject to this Declaration and the payment of all installments of assessments, accruing subsequent to the date such Mortgagee or other Person obtains title.

6.16 Priority of Lien. The lien of any of the assessments, including default interest, costs, expenses and attorneys' fees as provided for herein, shall be subordinate to the lien of any Mortgage. The sale or transfer of any Four-Plex shall not affect the assessment lien nor render it invalid or void. However, the sale or transfer of any Four-Plex pursuant to judicial or nonjudicial foreclosure of a Mortgage shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Four-Plex from lien rights for any assessments thereafter becoming due. When the Mortgagee or other purchaser of a property interest within the Property obtains title thereto through foreclosure thereof, the Person who acquires title and its successors and assigns shall not be personally liable for the share of any assessments levied by the Association chargeable to such Four-Plex that became due prior to the acquisition of title thereto by such Person. Such unpaid assessments shall be deemed to become expenses collectible from the Property then subject hereto, including the Four-Plex belonging to such Person and its successors and assigns.

6.17 Maintenance Funds. The Association shall establish and maintain, or cause to be established and maintained, at least the following separate checking, savings and similar accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Association and from which all disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration:

(a) **Operating Fund.** An Operating Fund for current Common Expenses of the Association based upon the budget therefor;

(b) **Reserve Fund.** A Reserve Fund for capital replacements, painting and major repairs and replacements within the Common Areas; and



(c) Other Funds. Any other funds which the Association may establish to the extent necessary under the provisions of this Declaration.

Each of the Maintenance Funds shall be established as separate trust savings or trust checking accounts at federally insured banking or savings institutions taking into account the limits of such insurance and the solvency of the bank or financial institution. To qualify for higher returns on accounts held at banking or savings institutions, the Association may commingle any amounts deposited into any of the Maintenance Funds, provided that the integrity of each individual Maintenance Fund shall be preserved on the books of the Association by accounting for disbursements from and deposits to, each Maintenance Fund separately. The Association is permitted to also utilize "money market" and similar funds in order to obtain higher yields on held funds.

6.17 Subsidy Agreement. The Association is specifically authorized and empowered to enter into a subsidy agreement or other similar agreement with the Declarant whereby assessments otherwise payable by the Declarant on Four-Plexes owned by the Declarant are suspended in exchange for the payment by the Declarant of shortfalls in the Association's operating expenses or the provision of maintenance of the Common Elements or the performance of certain other services which are or otherwise would constitute Common Expenses. Any such agreement shall provide that it may be terminated upon the vote of the Owners of sixty seven percent (67%) of the total number of Four-Plexes in the Project, other than those Four-Plexes owned by Declarant, in which event, after the date of such termination, all Owners, including Declarant shall be liable for the full amount of the regular assessments which would otherwise be payable in accordance with this Article 6.

ARTICLE VII NO REPRESENTATIONS AND WARRANTIES

7.01 No Representations or Warranties. No representations or warranties of any kind, express or implied have been given or made by Declarant or its agents or employees in connection with the Property or any portion thereof, or any Improvement thereon, its physical condition, zoning, compliance with applicable laws, or fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes, or regulation thereof as a common-interest community, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with any governmental authority. To the extent permitted by law, the Association, each and every Owner, and their successors and assigns hereby waive, and Declarant hereby expressly disclaims and excludes, any and all express and implied warranties created by any applicable laws, including, without limitation, any implied warranty of quality, merchantability, fitness for a particular purpose, habitability, and workmanship.

ARTICLE VIII EASEMENTS



8.01 Building Encroachments. Each Owner, as well as Declarant, hereby grants to the other Owners, for the benefit of each Four-Plex belonging to the other Owners, as grantees, an easement for any portion of any Building or structure located on any such Four-Plex which may minimally encroach into or over another Owner's Four-Plex provided the encroachment does not exceed two (2) feet. The easements granted in this Section 8.01 shall survive this Declaration and shall last so long as the encroaching Improvement is standing following its initial construction or following its reconstruction where such Building is substantially restored to its prior condition following a casualty or condemnation.

8.02 Association Easements. There are hereby reserved to the Association such easements across the Property as are necessary to perform the duties and obligations of the Association.

8.03 Emergency Repairs Easement. In addition to all other easements reserved or granted herein, there is hereby reserved to the Association an easement across each Four-Plex and any Common Elements as is necessary to permit a reasonable right of entry onto each Four-Plex or Common Elements for the purpose of performing emergency repairs or to do other work reasonably necessary for the proper maintenance of the Development.

8.04 Additional Easements. The Declarant shall have the right to grant or reserve additional easements over any portion of the Property for any purpose which, in the reasonable opinion of the Declarant, is consistent with the permitted uses of the Property; provided, however, that such additional easements do not materially impair or adversely affect the quiet use or enjoyment of any Four-Plex by its respective Owner.

8.05 Landscape Area. The Property shall be landscaped in areas designated by Declarant (the "Landscape Areas"). Declarant hereby designates the Landscape Areas as including all locations within the Property in which Declarant deems it necessary or desirable to construct and maintain landscaping in order to satisfy the requirements of any governmental authority having jurisdiction over the Development and to provide for areas in which Declarant in its sole but reasonable discretion deems the construction of Landscaping beneficial to the Development. Declarant may change the location of the Landscape Areas from time to time. All Landscape Areas shall be maintained by the Association. Declarant and the Association shall have exclusive easement rights to the Landscape Areas for the construction and maintenance of landscaping.

8.06 Association Property.

(a) **Conveyance of Association Property.** The Declarant hereby covenants for itself, its successors, and assigns, at the time of the conveyance of the second (2nd) Four-Plex in the Property to an Owner not the Declarant, that it will convey title to the Association Property and the Common Areas comprising part of the Property to the Association free and clear of all

encumbrances and liens, except utility easements, covenants, conditions, and reservations then of record, including, without limitation, those set forth in this Declaration.

(b) Declarant=s Right to Inspect Prior to Conveyance. At any time prior to conveyance by Declarant to the Association of the Association Property, Declarant shall have the right, but not the obligation, after providing reasonable notice to the Association, to cause, from time to time, an independent third party approved by Declarant and the Association to conduct inspections and tests of all or any parts of the Common Area in order to ascertain the physical condition of the Improvements thereon and determine whether maintenance, repairs, or replacements of any such Improvements are indicated. If the Declarant causes any such tests or inspections to be conducted, it shall pay all costs thereof, restore the affected portion of the Property to its condition immediately prior to the inspections and tests, and indemnify the Association and Owners of any affected Four-Plexes from any damage resulting therefrom. The Declarant may have a representative accompany the inspector if it so elects. The Declarant shall provide the Association with copies of any written reports describing the results of any such inspections or tests. The third party inspector, the Declarant, and its respective representatives shall have such rights of entry on, over, under, across, and through the Property as may be reasonably necessary to exercise the rights described herein.

(c) Common Area Ownership. The Common Area shall be owned by the Association in fee simple for the use, enjoyment, and convenience of the Owners and shall contain the roadways, walkways, landscaped areas, recreational areas, parking areas, storage and trash areas, utility easements, and all other areas of the Property not a part of the Four-Plexes. Each Four-Plex and its Owner shall have an easement over all of the Common Area, and such easement is hereby granted, transferred, and conveyed to all Owners by the Declarant for the benefit of the Four-Plexes, the Owners, and each of them, and for their respective families, guests, Lessees, and invitees for all of the foregoing purposes. In furtherance of the establishment of this easement, the individual deeds to the Four-Plexes may, but shall not be required to, set forth the foregoing easements.

(d) Use. Each Member or Lessee who resides on the Property and their respective families, guests, and invitees who reside with them shall be entitled to use the Common Area subject to the following:

(i) 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;

(ii) the right of the Association to suspend the rights to the use of any Association Property by any Member or Lessee and their 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, the right of the Association to invoke any remedy set forth in this Declaration;



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

(iv) 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 subsection (i) above provided that the Association may not charge fees for access to public parks and sport fields;

(v) such rights to use the Association Property as may have been granted by the Association to others, including without limitation, any easements to (or profits granted with respect to) Association Property or any Common Areas granted by the Association to third parties;

(vi) such covenants, conditions, and restrictions as may have been imposed by the Association or prior owners on the Association Property;

(vii) such rules and regulations for the use of the Association Property as may be imposed by the Association from time to time;

(viii) the right of Declarant to use the Common Area for sales, development, and related activities pertaining to the Development or the Declarant's ownership of any Four-Plex;

(ix) the right of each Owner to the exclusive use and occupancy of, and the right to exclude persons from, any Common Areas located immediately next to a Four-Plex (other than the Owner of that Four-Plex, the Owner's family, invitees, Lessees, and licensees), and any Limited Common Elements allocated to that Owner's Four-Plex; and

(x) the right of the Association to reasonably restrict access to maintenance and landscaped areas and similar areas of the Property;

(e) Maintenance of Association Property. Except only as otherwise specifically provided herein, the Association shall be responsible for all of the costs and maintenance of the Common Area. The Association may at any time, without any approval of the Owners being required, and consistent with prudent property management practices and the Association budget:

(i) reconstruct, repair, replace or refinish any Improvement, structure, fixture, or facility located on the Common Area or any portion thereof in accordance with: (A) the last plans thereof approved by the Board; (B) the original plans for development of the Property; or (C) if neither (A) nor (B) is applicable and if such Improvement was previously in



existence, then in accordance with the original designs, plans, finishing, or standards of construction of such Improvement as it was originally constructed;

(ii) construct, reconstruct, repair, replace, or refinish any road improvement or surface upon any portion of the Common Area used as a road, street, walk, or parking area;

(iii) replace injured and diseased trees or other vegetation on the Common Area and plant trees, shrubs, and ground cover to the extent that the Board deems necessary for the conservation of water and soil and for aesthetic purposes;

(iv) place and maintain upon any such area such signs, markers, and lights as the Board may deem appropriate for the proper identification, use, and regulation thereof;

(v) remove all papers, debris, and refuse from the Common Area, wash or sweep paved areas as required and clean and relamp lighting fixtures as needed;

(vi) repaint striping, markers, directional signs, and similar devices as necessary;

(vii) maintain, repair, and replace, as necessary, the landscaping with respect to Common Areas;

(viii) pay all real estate and personal property taxes and Assessments on the Common Area;

(ix) pay all electrical, water, gas sewer, trash collection, telephone, and other utility charges or fees for services furnished to the Common Areas;

(x) pay for and keep in force at the Association's expense public liability, casualty, and fire insurance with companies acceptable to the Association in amounts and with limits of liability desired by the Owners or required of the Owners pursuant to any other recorded document affecting the Property, such insurance to name the Association, the Owners, or both as named insureds; and

(xi) do all such other and further acts that the Board deems necessary to preserve and protect the Common Area and the beauty thereof in accordance with the general purposes for use and enjoyment of the Property described in this Declaration;

The Declarant or the Association shall be the sole judge as to the appropriate maintenance of all portions of the Common Area, Association Property and any other property that it is required to maintain hereunder. Nothing herein shall be construed so as to preclude the Association from delegating its duties and powers set forth above to a Manager.



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

(g) Damages. Each Owner or Lessee shall be liable to the Association for any damage to the Association Property or Common Area (or to any Four-Plex, to the extent the Association causes the repair thereof) that may be sustained by reason of the negligent or intentional misconduct of such Owner or Lessee or of its family, guests, licensees, or invitees. If the Four-Plex, the ownership or leasing of which entitles the Owner or Lessee thereof to use the 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, in addition to any other rights or remedies, be assessed against such Person's real and personal property on or within the Property, including the leasehold estate of any Lessee, and may be collected as provided herein for the collection of Assessments.

(h) Damage and Destruction. In the case of destruction of or damage to the Association Property by fire or other casualty, the Association shall have the following rights and privileges.

(i) Liberty to Reconstruct. If the cost to repair or replace the Association Property, over and above all insurance proceeds, is less than twenty thousand dollars (\$20,000), the Board may, without the consent of the Members, determine to repair or replace the damaged property with property substantially the same as those that were destroyed or damaged.

(ii) Decision to Reconstruct. If the cost to repair or replace the Association Property, over and above all insurance proceeds, is equal to or greater than twenty thousand dollars (\$20,000) and the Association determines to rebuild any Association Property destroyed or damaged in the form substantially the same as those that were destroyed or damaged, it shall prepare plans and obtain bids following the notice proceeding for a special Assessment as set forth herein. The Association shall submit the plans and bids to the Members for approval, which approval shall require the affirmative vote of sixty-seven percent (67%) of the Members entitled to vote. If approved, the Association shall cause the repairs or replacements to be done and assess the Members for the costs as a Special Assessment.

(iii) Decision Not to Reconstruct. If the Association determines not to rebuild any Association Property so destroyed or damaged or to build facilities substantially different from those that were destroyed or damaged, it shall submit its decision to the Members for their approval or disapproval, which approval shall require the consent of eighty percent (80%) of the Members entitled to vote. If the Members elect to approve the decision, the Board



shall act accordingly; but if the Members do not approve the decision, the Association shall proceed to repair or rebuild the damaged or destroyed facility pursuant to this Declaration.

(iv) Damage During Declarant Control Period. Should any Association Property become destroyed or damaged before Declarant has sold all of the Four-Plexes, the Association shall rebuild or repair such Association Property in a manner consistent with its original condition as constructed by Declarant.

(v) Damage or Destruction by Owner. In the event any portion of the Common Area is damaged or destroyed by an Owner, a Lessee, or any of their respective guests, tenants, licensees, or agents, the Association may repair said damaged area. In the event the Association determines to repair said damage, the amount necessary for such repairs shall be paid by the Owner or Lessee, upon demand, to the Board. If said amounts are not immediately paid, they shall be deemed to be Assessments, and the Board may enforce collection of same in the same manner as provided in herein for collection and enforcement of Assessments.

ARTICLE IX.

OWNERS' ASSOCIATION; MEMBERSHIP AND VOTING RIGHTS

9.01 Association.

(a) Organization. The Association is a nonprofit Nevada corporation created for the purposes, charged with the duties, and vested 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 the Association is dissolved at any time this Declaration is in force or effect, a nonprofit unincorporated association shall automatically and without further action or notice be formed to succeed to all the rights and duties of the Association. The successor unincorporated association shall be governed by the laws of the State of Nevada and, to the extent not inconsistent therewith, by the Articles and Bylaws of the Association as if they were created for the purpose of governing the affairs of an unincorporated association. In the event an unincorporated association is formed pursuant to this subsection, the appropriate officers of the Association or the successor association shall take all reasonable efforts to restore or reincorporate the Association as a nonprofit Nevada corporation.

9.02 Membership Rights. Only Owners, including 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 its part, and membership in the Association shall be appurtenant to and shall run with the property interest ownership that qualifies the Owner to membership in the Association. Membership in the Association may not be severed from or in any way transferred, pledged, mortgaged, or alienated except with the title to the property ownership interest that qualifies the Owner thereof to membership and then only to the transferee of title to the property interest. Any attempt to make a prohibited severance, transfer, pledge,

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mortgage, or alienation shall be void. Each Member shall be entitled to one (1) vote for each Four-Plex owned by that Member.

9.03 Control of Association.

(a) Period of Declarant Control of Association. Notwithstanding any other provision of this Declaration or of the Bylaws there shall be a period during which Declarant shall control the Association, and Declarant or a Person designated by Declarant may appoint and remove all or some of the officers and directors of the Association. The period of Declarant control of the Association shall terminate no later than six (6) months following a Termination Event.

Provided, however, that Declarant may, but is not obligated to, voluntarily surrender the right to appoint and remove officers and Board members as provided herein before the termination period set forth above, provided that Declarant may require that specified actions of the Association or the Board may require Declarant approval prior to becoming effective. Such surrender of rights shall only be by a recorded instrument.

(b) Removal of Board Members. Notwithstanding any provision of this Declaration or the Bylaws to the contrary, the Owners, by a two-thirds (2/3) vote of all Persons present and entitled to vote at any meeting of the 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.

(c) 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 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. In the event more than one vote is cast for a particular membership, none of the votes shall be counted, and all such votes shall be deemed void. 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.

(d) Proxy Voting. Except as otherwise provided in this Section, votes allocated to a Four-Plex may be cast pursuant to a revocable written proxy executed by the Owner thereof, authorizing the holder to cast the Owner's votes on any matter. An Owner may give a proxy only to a member of his immediate family, his tenant who resides in the Development, another Owner who resides in the Development, or any other Person permitted by the Act. If a Four-Plex is owned by more than one Person, each Owner of the Four-Plex may

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vote or register protest to the casting of votes by the other Owners of the Four-Plex through a proxy. A vote may not be cast pursuant to a proxy for the election of a member of the Board. If a proxy is for more than one agenda item, it should designate whether the vote on that matter must be cast in the affirmative or in the negative. If the proxy does not so provide for a particular agenda item, the proxy must be treated as if the Owner were present but did not vote on that item. Every proxy shall terminate immediately after the conclusion of the meeting for which it was executed. An Owner may revoke a proxy only by actual notice of revocation to the person presiding over a meeting of the Association.

(e) Cumulative Voting. Voting shall not be cumulative.

9.04 Meetings of Members. The Association shall hold an annual meeting of the Members. The annual meeting of the Members shall be held on or about one (1) year after the date of the last annual meeting. If the Members have not held a meeting for one (1) year, a meeting of the Members must be held in accordance with the Act. The Association shall also hold at least one (1) regular meeting other than the annual meeting each year. Special meetings of the Members may be called at any reasonable time and place by notice by the President of the Association, the Board, or Members having ten percent (10%) or more of the total votes.

(a) Notice. Not less than ten (10) days (twenty-one (21) days in the event of a meeting at which an Assessment for a capital improvement or commencement of a civil action is to be considered or action is to be taken on such an Assessment) nor more than sixty (60) days in advance of each meeting of the Members, the Secretary shall cause notice of the meeting to be hand-delivered or sent prepaid by United States mail to the mailing address of each Four-Plex or to any other mailing address designated in writing by the Four-Plex Owner. The notice of the meeting must state the time and place of the meeting and include a copy of the agenda for the meeting. The notice must also include notification of the right of an Owner (i) to have a copy of the minutes or a summary of the minutes of the meeting distributed to the Owner upon request and, if required by the Board, upon payment to the Association of the cost of making the distribution, and (ii) to speak to the Association.

(b) Agenda. The agenda for each meeting of the Owners must consist of (i) a clear and complete statement of the topics scheduled to be considered during the meeting, including, without limitation, any proposed amendment to the Declaration or Bylaws, any fees or Assessments to be imposed or increased by the Association, any budgetary changes, and any proposal to remove an officer or member of the Board, (ii) a list describing the items on which action may be taken and clearly denoting that action may be taken on those items, and (iii) a period devoted to comments by Owners and discussion of those comments. In an Emergency (as hereinafter defined), the Owners may take action on an item which is not listed on the agenda. The notice, agenda, and Owner comment requirements of subsection 9.04(a) and this subsection 9.04(b) apply to both regular and special meetings of the Members.

(c) Emergency. As used in this Section, Emergency means any occurrence or combination of occurrences that (i) could not have been reasonably foreseen, (ii) affects the health, welfare, and safety of the Owners, (iii) requires the immediate attention of, and possible

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action by, the Board, and (iv) makes it impracticable to comply with the notice provisions of this Section.

(d) Quorum. 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.

(e) Organization. The President of the Association, or in his or her absence the Vice-President, 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 thereat 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, or in his or her absence the Assistant Secretary, shall act as secretary of the meeting. In the absence of both the Secretary and the Assistant Secretary, a secretary shall be selected in the same manner as that provided above for selecting a chairman of the meeting.

(f) Action by Members. Except as provided otherwise in this Declaration or the Bylaws, any action (including any approvals required under this Declaration) may be taken at any legally convened meeting of the Members at which a quorum is present upon the affirmative vote of the Members having a majority (or such greater percentage as may be required elsewhere in this Declaration for approval of the Members of any matter) of the total votes present at such meeting in person or by proxy. Only votes cast in person, by secret ballot, or by proxy may be counted.

(g) Minutes. Not more than thirty (30) days after any meeting of the Members, the Secretary shall cause the minutes or a summary of the minutes of the meeting to be made available to the Members. A copy of the minutes or a summary of the minutes must be provided to any Member who pays the Association the cost of providing the copy.

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

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

(b) Recreation and Open Space Areas and Common Area. The Association shall accept, own, operate, and maintain all recreation and open space and Common Area that may be conveyed, leased, licensed, or otherwise enjoyed by it, together with all Improvements of whatever kind and for whatever purpose that may be located in said areas. The Association shall accept, own, operate, and maintain all other property easements or rights of use, whether real or personal, for which the Association, the Members, or the Property receive any benefits, whether aesthetic or tangible.

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(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 of 1986, as amended from time to time.

(d) Association Repair and Maintenance Obligations. Except only as otherwise specifically provided herein and subject to the provisions of this Declaration pertaining to damage and destruction and condemnation:

(i) Association Property. Except only as otherwise specifically provided herein, the Association shall paint, maintain, repair the Common Area, including any Improvements thereon, and other Association Property enjoyed by, owned by, licensed to, or leased to the Association, or shall contract for such maintenance, repair, and replacement to assure maintenance thereof, in a clean, sanitary and attractive condition reasonably consistent with prudent property management practices, the Association=s budget, and any manuals governing such maintenance, repair, and replacement as may from time to time be adopted by the Board.

(ii) Maintenance and Repair. The Four-Plexes shall be maintained by the Owners in a clean and orderly manner, in a good condition and state of repair, and painted or otherwise finished in a manner consistent with a first class multi-family residential development. The Owner of each Four-Plex shall maintain any such Four-Plex and all Improvements thereon in a clean and orderly manner, in a good condition and state of repair, and adequately painted or otherwise finished, all at such Owner=s sole cost and expense.

If an Owner or Lessee fails to perform its maintenance and repair obligations as provided for in this Section 9.05, the Association shall have the right, after ten (10) days prior notice requesting such maintenance and repair work be done, and the Owner or Lessee not having done so, to enter upon such Four-Plex for the purposes of performing such work; and the cost thereof, together with interest thereon as provided by applicable law, shall be charged to such Owner, and shall be deemed as a special Assessment owed by and enforceable against such Owner in accordance with the terms and provisions of this Declaration. No Building, structure, or other Improvement shall be permitted to fall into disrepair. No Owner shall do any act or work that will impair the structural soundness or safety of any Improvement. If any Improvements are damaged or destroyed by fire or other calamity, the insurance proceeds shall be paid to the Owner or the mortgagees thereof, as their respective interests may appear; and such Owner or mortgagee shall, within a reasonable time period, rebuild or repair the damage or restore the Four-Plex to a state that is not offensive to the general appearance of the Common Areas in full compliance with the terms and provisions of Article of this Declaration.

(iv) The Board shall determine, in its sole discretion, the level and frequency of maintenance required by this subsection 9.05(d) and may avail itself of any remedies available under this Declaration, at law, or in equity to enforce the provisions hereof. The Board is hereby



granted the power to purchase and maintain on behalf of the Association such insurance as it deems necessary, in its sole and absolute discretion, to cover the costs of any such maintenance, repair, and replacement for which it is responsible under this subsection 9.05(d) and any liabilities related thereto. Furthermore, anything herein to the contrary notwithstanding, each Owner or Lessee shall be liable to the Association for any damage to the Association Property, Common Area, or Landscaping that may be sustained by reason of the negligent or intentional misconduct of such Owner or Lessee or of its family, guests, licensees, or invitees. If the Four-Plex, the ownership or leasing of which entitles the Owner or Lessee thereof to use the 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, in addition to any other rights or remedies, be assessed against such Person's real and personal property on or within the Property, including the leasehold estate of any Lessee, and may be collected as provided herein for the collection of Assessments.

(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 Association Property 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, at its sole cost and expense, obtain and maintain in effect policies of insurance of such kind and in such amounts as the Board, in its opinion, deems adequate or desirable, but in no event less than that required by law. 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 in an amount not less than one hundred percent (100%) 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 any mortgagees, as their interests may appear. As to each such policy that will not be thereby voided or impaired, the Association hereby waives and releases all claims against the Board and Declarant, and the officers, agents, and employees of each thereof, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any duty or agreement by said Persons, but only to the extent that insurance proceeds are received in compensation for the 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) Liability insurance, with limits in amounts reasonably determined by the Board, insuring against liability for bodily injury or property damage arising from activities of the Association or with respect to the Association Property, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The liability insurance policies referred to above shall name as separately protected insureds Declarant, the Association, the Board and each of its members, the Architectural Committee and



each of its members, and the Manager of the Property, if any, and such policies may also name some or all of the respective officers, employees, and agents of the foregoing;

(iii) Workers' 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; and

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

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

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

(h) Long-Term Financing. The Association may execute mortgages and deeds of trust, both construction and permanent, for construction of facilities, including Improvements, on property owned by or leased to the Association. Such financing may be effected through conventional mortgages or deeds of trust, the issuance and sale of development or other bonds, or in any other form or manner as may be deemed appropriate by the borrower, whether that be Declarant or the Association. The mortgage, deed of trust, or other security interest given to secure repayment of such debt may consist of a first lien or a second or other junior lien, as shall be deemed appropriate by such borrower, whether that be Declarant or the Association, on the Improvement or other facility to be constructed, together with such underlying and surrounding lands as Declarant or the Association, as the case may be, deems appropriate. The debt secured by such mortgage, deed of trust, or other security instrument may be retired from revenues generated by dues, use fees, Assessments of the Members of the Association, or otherwise or any combination thereof as may be deemed appropriate by Declarant or the Association, as the case may be, but subject to the limitations imposed by this Declaration.

(i) Books and Records. The Board shall, upon the request of a Member, make available for review at the business office of the Association or other suitable location during the regular working hours of the Association, the books, records and other papers of the Association, including, without limitation, (i) the financial statement of the Association, (ii) the budgets of the Association, and (iii) the study of the reserves of the Association. The Board shall provide a copy of any of the records to a Member within fourteen (14) days after receiving a

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written request therefor. The Board may charge a fee to cover the actual costs of preparing a copy, but not to exceed twenty-five cents (\$.25) per page. The provisions of this subsection do not apply to the personnel records of the employees of the Association and the records of the Association relating to another Owner.

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

9.06 Powers and Authority of the Association. The Association shall have all of the powers of a non-stock, nonprofit 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, the Bylaws, or 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 that 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 powers and authority to exercise in their discretion:

(a) Right of Entry and Enforcement. The Board and its agents and representatives shall have the power and right to enter upon any Common Area or Four-Plex 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 Four-Plex as provided in this Declaration or if the Owner thereof fails to maintain and repair any portion of a Lot or Four-Plex as required by this Declaration. 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) Civil Actions. Except as otherwise provided herein, the Association may commence a civil action only upon a vote or written agreement of the Members holding at least a majority of the voting power of the Association. The Association shall provide written notice to each Owner of a meeting at which commencement of a civil action is to be considered at least twenty-one (21) days before the meeting. The provisions of this subsection do not apply to a civil action that is commenced: (i) to enforce the payment of an Assessment; (ii) to enforce the provisions of the Declaration, Bylaws, or Rules; (iii) to proceed with a counterclaim; or (iv) to protect the health, safety and welfare of the Members.

(c) Construction Defect Actions. Notwithstanding anything in this Declaration to the contrary, at least sixty (60) days before initiating any action against Declarant for

construction defects, each such action to be brought pursuant to NRS 40.600 through NRS 40.695 inclusive, as may be amended, the Association and any Owner pursuing or bringing such action must give written notice by certified mail, return receipt requested, to the Declarant, at the Declarant's last known address, specifying in reasonable detail the defects and any damages or injuries that are the subject of the complaint. During the thirty-five (35) day period after the Declarant receives the notice, the Declarant shall be entitled, upon written request, to inspect the Four-Plexes, or any portion thereof, and Common Area that are the subject of the complaint to determine the nature and cause of the defect, damage, or injury and the nature and extent of repairs necessary to remedy the defect. The Declarant may take reasonable steps to establish the existence of the defect. If the Four-Plex, or any portion thereof, or Common Area is covered by a warranty or contract of insurance issued by an insurer authorized by the State of Nevada to issue such a warranty or contract, the claimant(s) must diligently pursue a claim under the warranty or contract. Within forty-five (45) days after the Declarant receives the notice, the Declarant may make a written offer of settlement to the claimant. The offer (i) must be served to the claimant by certified mail, return receipt requested, at the claimant's last known address, (ii) must respond to each constructional defect set forth in the claimant's notice, and describe in reasonable detail the cause of the defect, if known, the nature and extent of the damage or injury resulting from the defect, and, unless the offer is limited to a proposal for monetary compensation, the method, adequacy, and estimated cost of the proposed repair; and (iii) may include (A) a proposal for monetary compensation, (B) if the Declarant is licensed to make the repairs, an agreement by the Declarant to make the repairs, or (C) an agreement by the Declarant to cause the repairs to be made, at the Declarant's expense, by another contractor who is licensed to make the repairs, bonded, and insured. The repairs must be made within forty-five (45) days after the Declarant receives written notice of acceptance of the offer, unless completion is delayed by the claimant or by other events beyond the control of the Declarant. The claimant and the Declarant may agree in writing to extend the periods prescribed by this subsection. Any construction defect action that might otherwise be brought against Declarant shall be subject to arbitration pursuant to the terms and provisions of the warranty program(s) issued by Declarant.

(d) Easements and Rights-of-Way. The Board shall have the power to grant and convey to any third party easements, licenses, and rights-of-way, in, on, over, or under any Common Area conveyed or otherwise transferred to the Association or under its jurisdiction.

(e) Employment of Manager. The Board shall have the power to employ, by written agreement and at its sole cost and expense, the services of a professional, duly licensed Property Manager or management company ("Manager"), subject to the direction and control of the 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 the powers of the Board or the officers of the Association. In no event shall any management agreement be for a term greater than one (1) year, except with the approval of a majority of the Members, and any such agreement shall provide for termination without penalty on a minimum of thirty (30) days written notice. Any Manager so appointed must hold either a permit to engage in property management pursuant to NRS Chapter 645 or a certificate issued by the Nevada Real Estate Commission.



(f) Services. The Board shall have the power, by written agreement and at its sole cost and expense, to provide for and engage the services of others for the maintenance, protection, and preservation of the Association Property, including the Common Area, such as grounds keepers, painters, plumbers, and such other maintenance personnel, as the nature and character of the Common Area may require and including any such necessary personnel as the nature and character of any recreational facilities within the Common Area may require; provided, however, that no contract for such services shall be for a duration of more than one (1) year, except with the approval of a majority of the Members, and any such agreement shall provide for termination without penalty on a minimum of thirty (30) days written notice.

(g) Utilities. The Board shall have the power to contract, use, and pay for utility services to the Association Property.

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

(i) Dedication. The Board shall have the power to dedicate any of the Association Property to an appropriate public authority for public use provided that such dedication is subject to the existing easements and rights of use of all of the Members.

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

(k) Improvements. The Board shall have the power to construct new Improvements or additions to the Common Areas, Association Property, and any other property that it is required to maintain hereunder and to demolish existing Improvements thereto, subject to the approval of the Architectural Committee as is required in this Declaration.

(l) Maintenance of Entry and Exit Measures. The Board shall have the power to implement measures regulating entrance and exit at all points of entry and exit to or from the Property, which may or may not be guarded.

(m) Conveyances. The Board shall have the power 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, maintaining, or repairing thereon, therein or thereunder:

- (i) parks, parkways, or other recreational facilities;
- (ii) roads, streets, ways, 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 that would violate applicable zoning or use and occupancy restrictions imposed thereon by other provisions of this Declaration or by the City, county, or other applicable public agency.

(n) Legal and Accounting Services. The Board shall have the power, by written agreement and at its sole cost and expense, to retain and pay for legal and accounting services necessary or proper in the operation of the Association, the operation and management of the Association Property, the enforcement of the Rules, or in the performance of any other duty, right, power, or authority of the Association.

(o) Association Property Services. The Board shall have the power to pay for water, sewer, garbage removal, electricity, telephone, gas, snow removal, landscaping, gardening, and all other utilities, services, and maintenance of the Association Property.

(p) Other Areas. The Board shall have the power to maintain and repair any easements, roads, roadways, rights of way, parks, parkways, median strips, sidewalks, paths, trails, ponds, lakes, entry details, entry houses, or other Common Area whether owned by or leased to the Association and to contribute toward the cost of operation and maintenance of private roads, if any, and any other Improvements or other facilities owned by or leased to the Association. The Board shall also have the power to maintain and repair all other areas of the Property that the Association is responsible to maintain hereunder, regardless of whether such walls or areas are located on Association Property.

(q) Other Services and Properties. The Board shall have the power to obtain and pay for any other property and services and to pay any other taxes or assessments that the Association or the Board is required to secure or to pay for pursuant to applicable law, the Rules, the Articles, or the Bylaws.

(r) Contracts. The Board shall have the power, at its sole cost and expense, 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 Areas, Association Property, or any other property that it is required to maintain hereunder, or any Improvements thereon, or to provide



any other service to the Property (including, but not limited to, cable television and laundry facilities).

9.07 Indemnification.

(a) Indemnification. The Association shall 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, by reason of the fact that it 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 it in connection with such action, suit, or proceeding until and unless it is proved that it acted with willful or wanton misfeasance or with gross negligence and provided it acted in good faith and in a manner it 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 its 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 it 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 its conduct was unlawful.

Board members are not liable to the victims of crimes that 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) Determination. Any indemnification that the Association has elected to provide under this Section 9.07 (unless ordered by a court) shall be made by the Association only as authorized in the specific case by a determination that indemnification of the officer, director, employee, servant, or agent is proper in the circumstances because it has met the applicable standard of conduct set forth in subsection 9.07(a). Such determination shall be made: (i) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding; or (ii) if such a quorum is not obtainable, or even if obtainable and 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 the defense of any action, suit, or proceeding referred to in subsection 9.07(a), or in defense of any claim, issue, or matter therein, then to the extent that the Association has elected to provide indemnification, it shall automatically be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by it in connection therewith without the necessity of any such determination that it has met the applicable standard of conduct set forth in subsection 9.07(a).

(c) Payment in Advance. Expenses incurred in defending a civil or criminal action, suit, or proceeding may, upon action by the Board in accordance with subsection 9.07(b),



be paid by the Association in advance of the final disposition of such action, suit, or proceeding 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 it is entitled to be indemnified by the Association as authorized in this Section 9.07.

(d) Insurance. The Board shall purchase and maintain, at its sole cost and expense, 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 it or incurred by it in any such capacity or arising out of its status as such, whether or not the Association would have the power to indemnify it against such liability hereunder or otherwise.

(e) Other Coverage. The indemnification provided by this Section 9.07 shall not be deemed exclusive of any other rights to which anyone seeking indemnification may be entitled under this Declaration, any agreement, vote of the Members, vote of disinterested directors, Nevada law, or otherwise, both as to action in its 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.

9.08 Diseased Trees. The Association may enter upon any part of the Property at any time to inspect for, prevent, and control diseased and insect infested trees and other plant life. If any diseased or insect infested trees or other plant life are found, the Association may spray, remove diseased trees and other plant life, or take such other remedial measures as it deems expedient. The cost thereof applicable to privately owned property may be levied by the Association as a Special Assessment against such privately owned property pursuant to Section 6.08 hereof.

9.09 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 "Rules" that relate to the management, operation, and control of the Association, the Common Areas, the Association Property, and any other property that the Association is required to maintain hereunder. The Rules 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; 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; standards for Four-Plexes; limitations on the type of furniture, fixtures, equipment, and other objects maintained on Four-Plexes in view of other Owners; limitations on the number and type of animals that may be allowed on the Property; limitations on the display of flags; and any other subject or matter within the jurisdiction of the Association as provided in this Declaration. The Rules may restrict and govern the use of the Common Area by any Member or Lessee, by the family of such Member or Lessee, or by any invitee, licensee, or guest of such Member or Lessee. Declarant retains the



right to establish rules relating to the use of any portion of the Common Area owned by it until annexation and conveyance to the Association and the Association may incorporate such rules in its Rules and Regulations. The right of an Owner or the Board to enforce Rules and is limited to those Owners that are subject to this Declaration.

(b) Notification of Rules and Regulations. 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, but are not required to, be recorded. The adoption of the 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 that materially impair the rights, preferences, or privileges of any Owner as specifically set forth herein.

9.10 Breach of Rules. In the event of a breach of any provision of the Rules or of any of the restrictions contained in this Declaration by an Owner its family, guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of itself and all other Owners, shall have the right to enforce the obligations of each Owner to obey the Rules or the restrictions of this Declaration in any manner provided by law or in equity, including, but not limited to, appropriate hiring of legal counsel, the pursuing of legal action, 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 for a nonrecurring violation of the Rules may not be for a period in excess of thirty (30) days, after notice and hearing as herein provided. Subject to Section 9.13 below and in addition to the other remedies herein set forth, including, without limitation, assessing the cost of repair of any damage resulting from a violation of the Rules, the Board, by majority vote, may levy a fine against such Owner, after appropriate notice and hearing as herein provided. Prior to imposing any penalty provided herein for breach of the Rules or of the restrictions contained in this Declaration, the Board shall provide the Owner with reasonable notice and a hearing before the Board, which notice must specify the nature of the violation. In the event that the Board determines that a violation has occurred and that a penalty shall be imposed, the determination of the Board shall be final, provided that a reasonable opportunity for a hearing before the Board has been provided to the Owner. In the event legal counsel is retained or legal action is instituted by the Board pursuant to this Section, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court costs, and reasonable attorneys' fees.

9.11 Construction Penalties. The Association shall also have the power, in addition to its power to assess fines as set forth in this Declaration, to assess construction penalties upon the failure of a Lot Owner to adhere to any time line relating to the construction of any Improvement within the time periods established by the Board, by the Architectural Committee, or by any other body of the Association authorized by this Declaration, the By-Laws of other Association documents, including for: (a) completion of the design of a Four-Plex or an Improvement to a Four-Plex; (b) commencement of any Improvement to a Four-Plex; (c) the completion of construction of an Improvement to the Four-Plex; or (d) the issuance of any permit which is necessary for the occupancy of a Four-Plex or portion thereof or for the use of any Improvement



to a Four-Plex. The maximum amount that the Association may charge in construction penalties is one hundred dollars (\$100) per each day that each of the time period or time period(s) in question is exceeded, or a total for each violation of one thousand dollars (\$1,000), not inclusive of any interest costs, or charges that may be collected by the Association. If a fine is imposed pursuant to this Section and the violation is not cured within fourteen (14) days or such longer period as the Board may establish, the violation shall be deemed a continuing violation, and the Board may impose additional fines for the violation not to exceed one hundred dollars (\$100) for each seven (7) day period or part thereof that the violation continues uncured. The Association may not assess any fines pursuant to Section 9.12 for failure of an Owner to adhere to any construction schedule.

9.12 Fines. Every fine must be commensurate with the severity of the violation. Additionally, the fine must not exceed one hundred dollars (\$100) for each violation or a total amount of five hundred dollars (\$500), whichever is less; provided, however, that the foregoing limitations do not apply to any interest, charges or costs that may be collected if the fine becomes past due. The Rules may be enforced by the Assessment of a fine only if: (a) the Person alleged to have violated the Rules has received notice of the alleged violation that informs him of his opportunity to request a hearing on the alleged violation; and (b) at least thirty (30) days before the alleged violation, said Person was given written notice of the rule or regulation (or any amendment to the rule or regulation) that the Person allegedly violated. If a fine is imposed pursuant to this Section and the violation is not cured within fourteen (14) days or such longer cure period as the Board establishes, the violation shall be deemed a continuing violation and the Board may thereafter impose additional fines for the violation not to exceed one hundred dollars (\$100) per each seven (7) day period or portion thereof that the violation remains uncured. Any additional fine may be imposed without notice and an opportunity to be heard. Any past due fine: (y) shall bear interest at a rate determined by the Board, not to exceed the legal rate of interest; and (z) may include any collection fee, filing fee, recording fee, referral fee, postage or delivery fee, and any other fee or cost that the Association may reasonably incur for the collection of the past due fine, as well as costs incurred by the Association in bringing a civil action to enforce the payment of the past due fine. If the past due fine is for a violation that does not threaten the health, safety, or welfare of the Owner or a Lessee, the past due rate established by the Association for the costs of collecting the fine: (i) may not exceed \$20, if the outstanding balance of the underlying fine is less than \$200; (ii) may not exceed \$50, if the outstanding balance of the underlying fine is \$200 or more but less than \$500; (iii) may not exceed \$100, if the outstanding balance of the underlying fine is \$500 or more, but less than \$1,000; (iv) may not exceed \$250, if the outstanding balance of the underlying fine is \$1,000 or more, but less than \$5,000; and (v) may not exceed \$500, if the outstanding balance is \$5,000 or more. The Secretary of the Association shall prepare and cause to be hand-delivered or sent prepaid by United States mail to the mailing address of each Four-Plex or to any other mailing address designated in writing by the Four-Plex Owner, a schedule of the fines that may be imposed for particular violations of the Declaration, Rules, and other governing documents of the Association. The Association may not foreclose a lien for the Assessment of a fine for a violation of the Declaration, Bylaws, or Rules, unless the violation is of a type that threatens the health, safety, or welfare of the Owners or Lessees of the Development.



9.13 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 Committee, provided that such Board member has, upon the basis of such information as may be possessed by him or her, acted in good faith.

9.14 Amendment. Notwithstanding anything to the contrary herein, the provisions of Sections 9.01, 9.02, 9.03, 9.04, 9.07, 9.11, 9.12 or this Section 9.14 shall not be amended without the vote or written consent of seventy five percent (75%) of the Owners. Section 9.03(a) and Section 9.06(c) shall not be amended without the written consent of Declarant.

ARTICLE X. MORTGAGEE PROVISIONS

10.01 Application. The following provisions are for the benefit of holders, insurers, and guarantors of first Mortgages on Four-Plexes. The provisions of this Article apply to both this Declaration and to the any other subdivision documents notwithstanding any other provisions contained therein.

10.02 Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides written request to the Declarant or the Association (such request to state the name and address of such requestor and the street address of the Four-Plex to which its interest relates, thereby becoming an "Eligible Holder") will be entitled to timely written notice of:

- (a) Any condemnation loss or any casualty loss that affects a material portion of the Property or that affects any Four-Plex on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;
- (b) Any delinquency in the payment of Assessments or charges owed by an Owner of a Four-Plex subject to the Mortgage of such Eligible Holder when such delinquency has continued for a period of sixty (60) days, or any other violation of this Declaration or the Bylaws relating to such Four-Plex or the Owner that is not cured within sixty (60) days. Notwithstanding this provision, any holder of a first Mortgage is entitled to written notice upon request from the Association of any default in the performance by an Owner of a Four-Plex of any obligation under this Declaration or the Bylaws that is not cured within sixty (60) days;
- (c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Declarant or the Association; or
- (d) Any proposed action that would require the consent of a specified percentage of Eligible Holders.

10.03 Special Provision. Unless at least seventy-five percent (75%) of the Eligible Holders and voting Members representing at least seventy-five percent (75%) of the total Association consent, the Association shall not:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area that the Association owns directly or indirectly. The granting of easements for public utilities or other similar purposes consistent with the intended uses of the Common Area shall not be deemed a transfer within the meaning of this subsection;

(b) Change the method of determining the obligations, Assessments, dues, or other charges that may be levied against an Owner of a Four-Plex;

(c) By act or omission change, waive, or abandon the Subdivision Map or this Declaration or change, waive, or abandon any scheme of regulations or enforcement relating to architectural design, exterior appearance, or maintenance of the Four-Plexes and the Common Area. The issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision;

(d) Fail to maintain insurance as required by this Declaration; or

(e) Use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

Any Mortgagee whose lien is first in priority and not subordinated to any other lien (a "First Mortgagee" and said lien a "First Mortgage") may, jointly or singly, pay taxes or other charges that are in default and that may or have become a charge against the Common Area and may pay overdue premiums of property insurance policies, or secure new property insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

10.04 Other Provisions for First Mortgages: to the Extent Possible Under Nevada Law:

(a) Any restoration or repair of the Property after a partial condemnation or damage due to an insurable hazard shall be performed substantially in accordance with this Declaration and the original plans and specifications unless the approval is obtained of the Eligible Holders on Four-Plexes to which at least fifty-one percent (51%) of the votes of Four-Plexes subject to Mortgages held by such Eligible Holders are allocated.

(b) Any election to terminate the Association after substantial destruction or a substantial taking in condemnation shall require the approval of the Eligible Holders of Four-

Plexes to which at least fifty-one percent (51%) of the votes of Four-Plexes subject to Mortgages held by such Eligible Holders are allocated.

(c) Any election to terminate the Association other than for the causes described herein subsection shall require the approval of the Eligible Holders of Four-Plexes to which at least seventy-five percent (75%) of the votes of the Four-Plexes subject to the mortgages held by such Eligible Holders are allocated.

10.05 No Priority. No provision of the Declaration or the Bylaws gives or should be construed as giving any Owner or another party priority over any rights of the First Mortgagee of any Four-Plex in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

10.06 Notice to Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Four-Plex.

10.07 Applicability. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under this Declaration, the Bylaws, or Nevada law for any of the acts set out in this Article.

10.08 Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Declarant of the Association to respond to or consent to any action shall be deemed to have approved such action if the Declarant or the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of such Mortgagee's receipt of the Declarant's or Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

ARTICLE XI GENERAL PROVISIONS

11.01 Covenants Run With the Land. Each restriction on each Four-Plex shall be a burden on that Four-Plex, shall be appurtenant to and for the benefit of the other Four-Plexes and each part thereof, and shall run with the land.

11.02 Term. This Declaration, including all of the covenants, conditions, and restrictions hereof, shall run until the date fifty (50) years hereafter, unless amended as herein provided. After the date fifty (50) years hereafter, 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 seventy five percent (75%) of the Owners and recorded in the Official Records of the County Recorder of Douglas County, Nevada.

11.03 Resale of Four-Plexes. The seller of any Four-Plex shall furnish to the purchaser before execution of any contract for the sale of the Four-Plex or otherwise before conveyance:

- (a) a copy of this Declaration, the Articles, Bylaws, and Rules;
- (b) a statement setting forth the amount of the annual Assessments for common expenses and any unpaid Assessment of any kind currently due from the selling Owner; and
- (c) a copy of the current operating budget of the Association.

The selling Four-Plex Owner shall also at such time notify the Association of the proposed sale and provide the Association with the name and address of the new Owner and the proposed date of sale. Nothing in this Section 11.02 shall be construed to require any approval by the Association of the sale of any Four-Plex.

11.04 Amendment.

(a) **Majority Vote.** Except as provided herein subsection, no amendment of this Declaration shall be effective unless adopted by a majority of the Members. Notwithstanding the foregoing, the consent of seventy five percent (75%) of the Members entitled to vote and of Declarant, so long as the Declarant owns any land subject to this Declaration, and the approval of Eligible Holders on Four-Plexes to which at least fifty-one percent (51%) of the votes of Four-Plexes subject to a Mortgage shall be required to materially amend any provisions of this Declaration, the Bylaws, Articles, or to add any material provisions thereto that establish, provide for, govern, or regulate any of the following:

- (i) voting;
- (ii) Assessments, Assessment liens, or subordination of such liens;
- (iii) reserves for maintenance, repair, and replacement of the Common Area;
- (iv) insurance or fidelity bonds;
- (v) rights to use the Common Area;
- (vi) responsibility for maintenance and repair of the Property;
- (vii) boundaries of any Four-Plex;
- (viii) imposition of any restrictions on an Owner's right to sell or transfer its Four-Plex;

(ix) establishment of self-management by the Association after professional management has been required by an Eligible Holder;

(x) any provisions in this Declaration, the Bylaws, or Articles that are for the express benefit of Eligible Holders, guarantors, or insurers of first Mortgages on Four-Plexes;

(xi) reallocation of interests in the Common Area; or

(xii) convertibility of Four-Plexes into Common Area or vice versa.

(b) Recording of Amendment. Every amendment of this Declaration must be Recorded in the Official Records of the Douglas County Recorder, and no amendment of this Declaration shall be effective until executed and so Recorded. Every amendment must be indexed in the grantee's index in the name of the Association and in the grantor's index in the name of the party executing the amendment. Every amendment of this Declaration must be prepared, executed, Recorded, and certified on behalf of the Association by the officer of the Association designated in the Bylaws for that purpose, or in the absence of such designation, by the President of the Association.

(c) Restrictions on Amendment. Except as otherwise provided herein, no amendment may change the boundaries of any particular Four-Plex, the allocated interests of a particular Four-Plex, or the uses to which a particular Four-Plex is restricted in the absence of the consent of the Owner of the Four-Plex affected and the consent of a majority of the Owners of the remaining Four-Plexes.

(d) Declarant Amendment. Subject to any other provision of this Declaration, for so long as Declarant owns any portion of the Property, but no later than five (5) years from Recordation of this Declaration, Declarant may unilaterally amend this Declaration by Recording a written instrument signed by Declarant.

(e) Delivery of Amendments to Owners. If any change is made to this Declaration or any of the other governing documents of the Association, the Secretary of the Association shall, within thirty (30) days after the change is made, prepare and cause to be hand-delivered or sent prepaid by United States mail to the mailing address of each Four-Plex or to any other mailing address designated in writing by the Owner, a copy of the change that was made.



11.05 Enforcement and Nonwaiver.

(a) Right of Enforcement. Subject to NRS Chapter 38 and except as otherwise provided herein, any Owner (at its own expense), Declarant, and the Board shall have the right to enforce, by any proceeding at law or in equity and including arbitration proceedings and other forms of mediation, all of the restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration against any property within the Property and the Owners thereof. Such right of enforcement shall include both damages for and injunctive relief against the breach of any such provision.

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

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

(d) Remedies Cumulative. Each remedy provided by this Declaration is cumulative and not exclusive.

(e) Nonwaiver. The failure to enforce any provision of this Declaration at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provision herein.

(f) Attorneys' Fees. In the event the Board engages legal counsel or takes any legal action, including, but not limited to, arbitration proceedings pursuant to NRS Chapter 38, to enforce the provisions of this Declaration, it shall be entitled to its costs, including reasonable attorneys' fees, incurred in connection therewith.

11.06 Successors and Assigns. This Declaration and the covenants and restrictions created hereby shall inure to the benefit of and be binding upon the Owners, their heirs, personal representatives, successors and assigns, and upon any Person acquiring a Four-Plex, or any portion thereof or any interest therein, whether by operation of law or otherwise; provided, however, that if any Owner sells all or any portion of its interest in any Four-Plex, except as otherwise specifically provided in this Declaration such Owner shall thereupon be released and discharged from any and all obligations as Owner arising under this Declaration after the sale and conveyance of title but shall remain liable for all obligations arising under this Declaration

prior to the sale and conveyance of title. The new Owner of any such Four-Plex (including, without limitation, any Owner who acquires its interest by foreclosure, trustee's sale or otherwise) shall be liable for all obligations arising under this Declaration after the sale and conveyance of title.

11.07 Not a Public Dedication. Nothing herein contained shall be deemed to be a gift or dedication of any portion of the Development to the general public or for any public purpose whatsoever, it being the intention of the parties that this Declaration shall be strictly limited to the purposes herein expressed.

11.08 Notices. Any notice or communication to be given under the terms of this Declaration shall be in writing and shall be personally delivered or sent by facsimile, overnight delivery, or registered or certified mail, return receipt requested. Notice shall be effective: (i) if personally delivered, when delivered; (ii) if by facsimile, on the day of transmission thereof on a proper facsimile machine with confirmed answerback; (iii) if by overnight delivery, the day after delivery thereof to a reputable overnight courier service; and (iv) if mailed, at midnight on the third (3rd) business day after deposit in the mail, postage prepaid. Notices shall be addressed to the Person and address designated below or, in the absence of such designation, to the Person and address shown on the then-current real property tax rolls of the County. All notices to Declarant shall be sent to the Person and address set forth below:

Declarant: Elsinore Homes
702 Randolph Suite A
Costa Mesa, California 92626
(714) 557-9004

The Person and address to which notices are to be given may be changed at any time by any party upon written notice to the other parties.

11.09 Attorneys' Fees. In the event any person initiates or defends any legal action or proceeding to enforce or interpret any of the terms of this Declaration, whether or not suit is filed or prosecuted to final judgment, the prevailing party in any such action or proceeding shall be entitled to recover from the non-prevailing party in any such action or proceeding its reasonable costs and attorneys' fees (including its reasonable costs and attorneys' fees on any appeal) in addition to any other damages or relief awarded.

11.10 Severability. Each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

11.11 Estoppel Certificate. For the sale or transfer of the Owner's Four-Plex, in connection with the financing or refinancing of the Owner's Four-Plex by a bona fide mortgage, deed of trust or sale leaseback made in good faith and for value, the Association will deliver a

written notice to the lender certifying that the requesting Owner is not in default in the performance of its obligations under this Declaration, or, if in default, describing the nature and amount of any and all defaults. Association shall execute and return such certificate within thirty (30) days following receipt of such request following the Association's receipt thereof. Any certificate issued pursuant to this Section shall act as a waiver of any claim by the party furnishing it against any such prospective purchaser, lienholder or sale leaseback lessor (but not against the requesting party) to the extent such claim is based upon facts contrary to those contained in the certificate and to the extent such claim is asserted against a bona fide purchaser, encumbrance or sale leaseback lessor for value without knowledge of facts to the contrary of those contained in the certificate and who has acted in reasonable reliance upon such certificate.

11.12 Not a Joint Venture. The provisions of this Declaration are not intended to create, nor shall they be in any way interpreted or construed to create, a joint venture or any other similar relationship between the parties.

11.13 Third Party Beneficiary Rights. This Declaration is not intended to create, nor shall it be in any way interpreted or construed to create, any third party beneficiary rights in any Person not a party hereto unless otherwise expressly provided herein.

11.14 Captions and Heading. The captions and headings in this Declaration are for reference only and shall not be deemed to define or limit the scope or intent of any of the terms, covenants, conditions or agreements contained herein.

11.15 Entire Agreement. This Declaration contains the entire agreement between the parties hereto and supersedes all prior agreements, oral or written, with respect to the subject matter hereof. The provisions of this Declaration shall be construed as a whole and not strictly for or against any party.

11.16 Construction. In construing the provisions of this Declaration, 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. All exhibits referred to in this Declaration are attached to it and incorporated in it by this reference.

11.17 Governing Law. This Declaration and each and every related document are to be governed by, and construed in accordance with, the laws of the State of Nevada. The parties agree that the state courts located in Douglas or Washoe Counties and federal courts located in Washoe County, Nevada shall have exclusive jurisdictions over any dispute arising out of this Declaration, and all of the parties consent to the jurisdiction of such courts.

11.18 Joint and Several Obligations. In the event any party hereto is composed of more than one Person, the obligations of said party shall be joint and several.

11.19 Recordation. This Declaration shall be recorded in the Office of the Recorder of Douglas County, Nevada.

11.20 Priorities, Inconsistencies. If there are conflicts or inconsistencies between this Declaration and either the Articles or the Bylaws, the terms and provisions of this Declaration shall prevail.

EXECUTED as of the day and year first above written.

DECLARANT

Elsinore Homes,
a California Corporation

By: *Douglas P. Rastello*
Name: Douglas P. Rastello
Its: VICE PRESIDENT



On this 23rd day of August, 2005, personally appeared before me, a notary public, Douglas P. Rastello, known (or proved) to me to be the person whose name is subscribed to the above instrument who acknowledged that he executed the instrument.

Notary Public

(SEAL)

STATE OF NEVADA)
)
COUNTY OF DOUGLAS)

On this 23rd day of August, 2005, personally appeared before me, a notary public, Douglas P. Rastello, known (or proved) to me to be the person whose name is subscribed to the above instrument who acknowledged that he executed the instrument.

Notary Public

(SEAL)



Exhibit "A"
(Property)

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

THAT PORTION OF SECTION 30, TOWNSHIP 13, RANGE 20, MOUNT DIABLO BASE AND MERIDIAN, DESCRIBED AS FOLLOWS:

A PARCEL OF LAND LOCATED WITHIN A PORTION OF SECTION 30, TOWNSHIP 13 NORTH, RANGE 20 EAST, MOUNT DIABLO MERIDIAN, SHOWN AS "PARCEL B" ON THAT CERTAIN RECORD OF SURVEY FOR FOOTHILL DEVELOPMENT GROUP, MINDEN IRONWOOD (A COMMERCIAL SUBDIVISION), FILED APRIL 14, 1997, AS DOCUMENT NO. 410525, AND A PORTION SHOWN AS "REMAINDER" ON THAT CERTAIN RECORD OF SURVEY #3 FOR FOOTHILL DEVELOPMENT GROUP, MINDEN IRONWOOD (A COMMERCIAL SUBDIVISION), FILED FEBRUARY 2, 1998, AS DOCUMENT NO. 431794, DESCRIBED AS FOLLOWS:

COMMENCING AT A CENTERLINE MONUMENT AT THE INTERSECTION OF THE CENTERLINES OF IRONWOOD DRIVE AND PINWOOD DRIVE, AS SHOWN ON THAT CERTAIN PLAT OF WESTWOOD VILLAGE UNIT NO. 1, RECORDED OCTOBER 5, 1979, IN BOOK 1079, AT PAGE 440, AS DOCUMENT NO. 37417;

THENCE ALONG THE CENTERLINE OF SAID PINWOOD DRIVE, SOUTH 00°18'00" WEST, 424.00 FEET TO A FOUND 5/8" REBAR WITH CAP, PLS 1586, IN MONUMENT WELL, AT THE INTERSECTION OF SAID CENTERLINE OF PINWOOD DRIVE AND THE CENTERLINE OF TAMARACK DRIVE, AS SHOWN ON SAID PLAT OF WESTWOOD VILLAGE UNIT NO. 1;

THENCE ALONG SAID CENTERLINE OF TAMARACK DRIVE, NORTH 89°42'00" WEST, 15.00 FEET TO THE INTERSECTION OF SAID CENTERLINE OF TAMARACK DRIVE AND THE CENTERLINE OF PINWOOD DRIVE PER DOUGLAS COUNTY ROAD ABANDONMENT (RA) #96-03 AND DOC. NO. 398149;

THENCE ALONG SAID CENTERLINE OF PINWOOD DRIVE, SOUTH 00°18'00" WEST, 837.25 FEET TO THE TERMINUS OF SAID CENTERLINE OF PINWOOD DRIVE;

THENCE EASTERLY ALONG THE SOUTHERLY TERMINUS OF SAID PINWOOD DRIVE, SOUTH 88°47'55" EAST, 25.00 FEET TO A FOUND 5/8" REBAR WITH PLASTIC CAP, PLS 11172, ON THE EASTERLY RIGHT-OF-WAY LINE OF SAID PINWOOD DRIVE, SAID POINT BEING ALSO THE SOUTHWEST CORNER OF SAID A.P.N. 1320-30-211-099, THE POINT OF BEGINNING;

THENCE ALONG SAID EASTERLY RIGHT OF WAY LINE OF SAID PINWOOD DRIVE PER DOUGLAS COUNTY ROAD ABANDONMENT (RA) #96-03 AND DOC. NO. 398149, NORTH 00°18'00" EAST, 320.62 FEET;

THENCE LEAVING SAID EASTERLY RIGHT-OF-WAY LINE, SOUTH 89°42'00" EAST, 172.33 FEET;

THENCE NORTH 00°18'00" EAST, 20.53 FEET
THENCE SOUTH 89°42'00" EAST, 289.66 FEET,
THENCE SOUTH 00°18'00" WEST, 182.85 FEET,
THENCE NORTH 89°42'00" WEST, 26.43 FEET,
THENCE SOUTH 00°18'00" WEST, 165.14 FEET,
THENCE NORTH 88°47'55" WEST, 435.62 TO THE POINT OF BEGINNING.

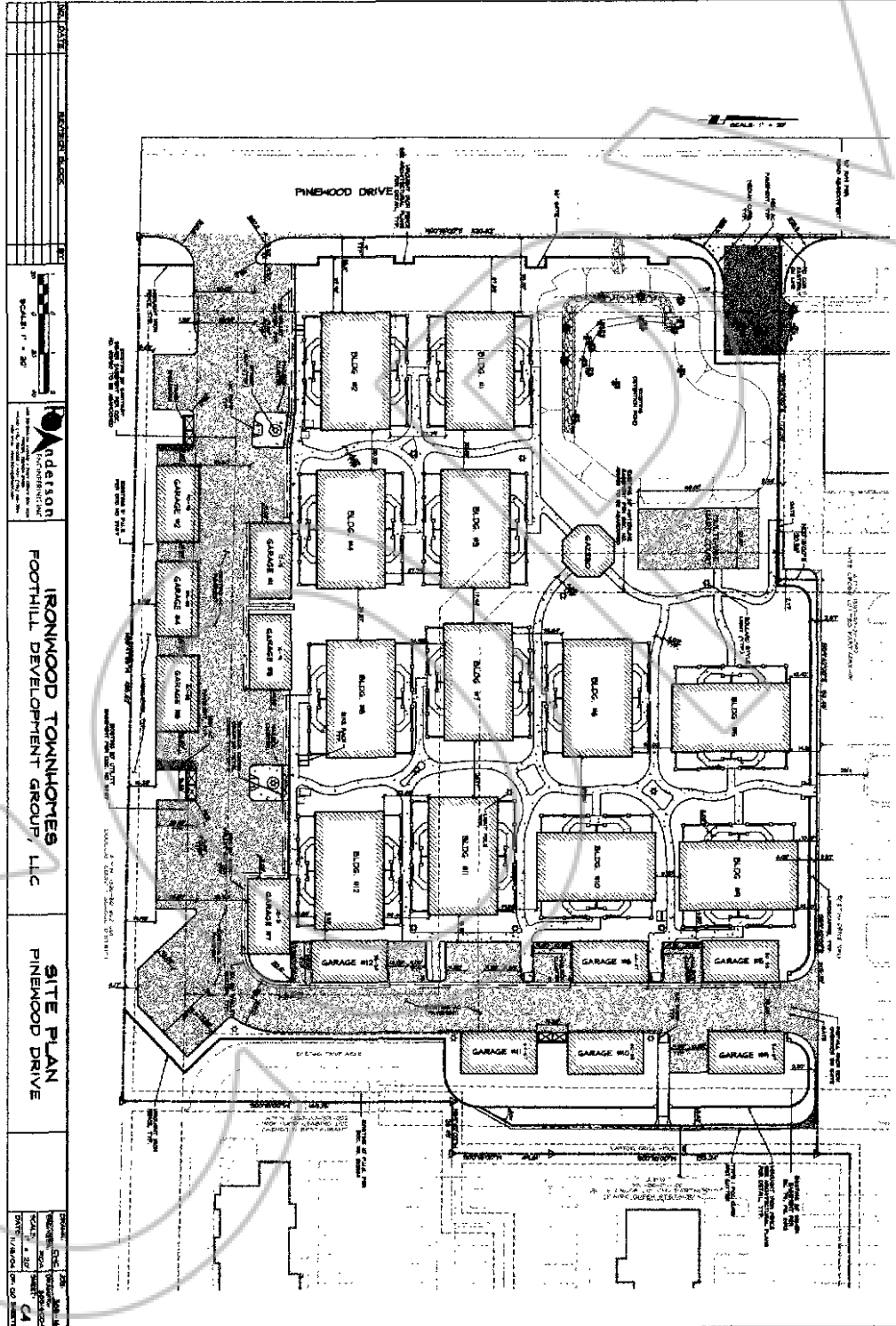
THE ABOVE DESCRIBED LAND IS ALSO DESIGNATED AS ADJUSTED PARCEL B ON THE RECORD OF SURVEY FILED JUNE 25, 2003, AS FILE NO. 581317

NOTE: THE ABOVE METES AND BOUND DESCRIPTION APPEARED PREVIOUSLY IN THAT CERTAIN DOCUMENT RECORDED JUNE 30, 2004, IN BOOK 0604, PAGE 14574, AS INSTRUMENT NO. 0617501.

William Bernard, Title Officer



Exhibit "B"
(Site Plan)



IRONWOOD TOWNHOMES
FOOTHILL DEVELOPMENT GROUP, LLC

SITE PLAN
PINWOOD DRIVE



Exhibit "C"
(Garage Assignment)

- Lot G-1 is assigned to Lot B-1
- Lot G-2 is assigned to Lot B-2
- Lot G-3 is assigned to Lot B-3
- Lot G-4 is assigned to Lot B-4
- Lot G-5 is assigned to Lot B-5
- Lot G-6 is assigned to Lot B-6
- Lot G-7 is assigned to Lot B-7
- Lot G-8 is assigned to Lot B-8
- Lot G-9 is assigned to Lot B-9
- Lot G-10 is assigned to Lot B-10
- Lot G-11 is assigned to Lot B-11
- Lot G-12 is assigned to Lot B-12

