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DEBBIE CONWAY

CLARK COUNTY RECORDER

**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
AND RESERVATION OF EASEMENTS FOR CANYONS**

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR CANYONS

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AND RESERVATIONS OF EASEMENTS FOR CANYONS is made as of this _____ day of _____, 2017, by PARDEE HOMES OF NEVADA, INC., a Nevada corporation ("Declarant").

R E C I T A L S

WHEREAS, Declarant is the owner of or may hereafter acquire that certain real property located in the County of Clark, State of Nevada described in Exhibit "A" attached hereto (the "Initial Property"); and

WHEREAS, Declarant is the owner of or may hereafter acquire that certain real property located in the County of Clark, State of Nevada described in Exhibit "B" attached hereto (the "Annexable Property"); and

WHEREAS, it is the desire and intention of Declarant to create a "planned community" as defined in NRS 116.075, consisting of up to a maximum of One Hundred and Fifteen (115) Units, as hereinafter defined, and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the Units in the common-interest community created pursuant to the provisions of the Act, as hereinafter defined. There is no representation or warranty made or implied that all One Hundred and Fifteen (115) Units will be developed, and this is merely a statement of the maximum number of Units that may be brought into the planned community, except that the foregoing shall not be interpreted as limiting any power of the Declarant or Association to annex additional real property and create additional Units if and as may be permitted by the Act.

NOW, THEREFORE, Declarant hereby declares that all of the Property is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied, and improved subject to the limitations, restrictions, reservations, rights, easements, conditions, and covenants contained in this Declaration, all of which are declared and agreed to be in furtherance of a plan for the protection, maintenance, improvement, and sale of the Property and for the purpose of enhancing the value, desirability and attractiveness of the Property. All provisions of this Declaration, including, without limitation, the easements, uses, obligations, covenants, conditions, and restrictions hereof, are hereby imposed as equitable servitudes upon the Property. All of the limitations, restrictions, reservations, rights, easements, conditions and covenants herein shall run with and burden the Property and shall be binding on and for the benefit of all of the Property and all Persons, as hereinafter defined, having or acquiring any right, title, or interest in the Property, or any part thereof, and their successors in interest and assigns.

ARTICLE I DEFINITIONS

Unless the context otherwise specifies or requires, the terms defined in this Declaration shall have the meanings herein specified.

1.1 **Act:** “Act” shall mean and refer to the State of Nevada’s version of the Uniform Common Interest Ownership Act, codified in NRS Chapter 116, as it may be amended from time to time, or any portion thereof.

1.2 **Allocated Interests:** “Allocated Interests” shall mean the fraction or percentage of the Common Expenses and ownership interest and the portion of the votes in the Association allocated to each Unit as set forth in Article XII, Section 12.1 and Article XIX, Section 19.1 of this Declaration.

1.3 **Annexable Property:** “Annexable Property” is defined in the Recitals.

1.4 **Annexed Property:** “Annexed Property” shall mean the Annexable Property with respect to which a Supplemental Declaration is Recorded, causing an annexation of such property into the Property pursuant to the provisions of Article V, Section 5.1 of this Declaration.

1.5 **Arbitration:** “Arbitration” shall mean the entire dispute resolution process pursuant to the provisions of Article XVIII including without limitation, all the hearings, discovery, conferences, and acts required by the Parties and the Arbitration Panel in order to comply with Article XVIII and carry out the dispute resolution process as set forth in Article XVIII.

1.6 **Arbitration Claim:** “Arbitration Claim” shall mean any claim whatsoever relating to or arising out of a violation, breach or other abrogation of this Declaration, or any alleged failure of Declarant to fulfill its obligations to Association or any Owner arising under this Declaration or Law, but shall expressly exclude however any action brought subject to NRS 38.300 through 38.360, inclusive, in which case those statutes shall apply (provided, however, that any appeal of such proceedings, or proceeding taken after dismissal of such a proceeding shall be an Arbitration Claim, with the intent that to the fullest extent possible Article XVIII shall apply). Any action brought solely to seek injunctive or equitable relief, or any action brought to enforce the provisions of Article XVIII, each of which shall not constitute an Arbitration Claim and may be heard by the courts having appropriate jurisdiction.

1.7 **Arbitration Commencement Date:** “Arbitration Commencement Date” shall mean the date on which the Respondent receives the notice of Arbitration.

1.8 **Arbitration Hearings:** “Arbitration Hearings” shall mean all hearings relating to the Arbitration, including, without limitation, the Arbitration Initial Hearing and the Arbitration Final Hearing.

1.9 **Arbitration Final Hearing:** “Arbitration Final Hearing” shall mean the final hearing as defined in Article XVIII, Section 18.5.

1.10 **Arbitration Initial Hearing:** “Arbitration Initial Hearing” shall mean the initial hearing as defined in Article XVIII, Section 18.5.

1.11 **Arbitration Panel:** “Arbitration Panel” shall mean the three arbitrators as designated pursuant to Article XVIII, Section 18.4.

1.12 Arbitration Panel Formation Date: “Arbitration Panel Formation Date” shall mean the date that the third arbitrator is designated and accepts such designation pursuant to Article XVIII, Section 18.4.

1.13 Articles of Incorporation or Articles: “Articles of Incorporation” or “Articles” shall mean the articles of incorporation of the Association, as they may be amended from time to time.

1.14 Assessment: “Assessment” shall mean Capital Improvement Assessments, Common Expense Assessments, Enforcement Assessments and Special Assessments or other assessments that may be charged against each Owner and Owner’s Unit in accordance with the provisions of this Declaration or the Act.

1.15 Assessment, Capital Improvement: “Capital Improvement Assessment” shall mean a charge against each Owner and the Owner’s Unit representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Elements which the Association may from time to time authorize, pursuant to Article XII, Sections 12.10 of this Declaration.

1.16 Assessment, Common Expense: “Common Expense Assessment” shall mean the annual charge against each Owner and the Owner’s Unit, subject to Article XII, Section 12.5, representing a portion of the total, ordinary costs of maintaining, improving, repairing, replacing, managing and operating the Common Elements or any Improvements thereon or other Common Expenses, which are to be paid by each Owner to the Association as provided in Article XII of this Declaration, or as otherwise authorized by the Act or the Governing Documents.

1.17 Assessment, Enforcement: “Enforcement Assessment” shall mean a charge against a particular Owner and the Owner’s Unit, subject to Article XII, Section 12.8, directly attributable to or reimbursable by the Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of this Declaration (including, if applicable, the amount of any deductible payable in connection with an insured loss), or levied by the Board as a reasonable fine or penalty for non-compliance with the restrictions contained in this Declaration, plus interest and other charges on such Special Assessment that will be imposed in the manner described in Article XII of this Declaration, or as otherwise authorized by the Act or this Declaration.

1.18 Assessment, Special: “Special Assessment” shall mean a charge assessed against all Owners or a subset of Owners for unforeseen or emergency expenditures, subject to Article XII, Section 12.6 plus interest and other charges on such Special Assessment that will be imposed in the manner described in Article XII of this Declaration, or as otherwise authorized by the Act or this Declaration.

1.19 Assessment, Special Allocation: “Special Allocation Assessment” shall mean a charge against fewer than all Owners and their Units pursuant to Article XII, Section 12.7.

1.20 Association: “Association” shall mean Canyons Community Association, a Nevada nonprofit corporation, organized under NRS Chapter 82 as the association of Owners pursuant to the Act.

1.21 **Association Maintenance Areas:** “Association Maintenance Areas” shall mean the Landscape and Slope Maintenance Areas and Storm Drain and Irrigation Maintenance Areas, and streetlights and other Improvements located thereupon, after annexation pursuant to Article V, Section 5.1, any Offsite Maintenance Areas, if any, and specified Improvements located thereon, after identification of such in a Supplemental Declaration, or any other areas designated as Association Maintenance Areas in a Supplemental Declaration.

1.22 **Association Maintenance Manual:** “Association Maintenance Manual” shall mean the manual which may be prepared by Declarant or its consultants and provided to the Association, specifying obligations for maintenance of the Association Property, and certain Common Areas and other areas to be maintained by the Association, as updated and amended from time to time.

1.23 **Association Use Areas:** “Association Use Areas” refers to areas for which the Association will be responsible which include the streets, sidewalks, and private drives, each as may be located within or adjacent to the Property; and all other parts of the Property designated by Declarant (through the Final Map or a supplemental Declaration) as Association Use Areas and existing for the use and enjoyment of one or more of the Owners, now existing or hereafter built by Declarant, as well as, as specifically mentioned here, easements across specified Units or other property, and other areas identified as such in a Supplemental Declaration. Without limiting the generality of the foregoing, the following shall be initially included among the Association Use Areas: the Private Streets, and that portion or those portions of Common Element “A” improved (or to be improved) for use as a community park, only. Except as noted above, no Unit or portion of a Unit shall be considered as Association Use Areas. Declarant shall have the right to designate additional Association Use Areas in a Supplemental Declaration.

1.24 **Association Maintenance Manual:** “Association Maintenance Manual” refers to the manual which may be prepared by Declarant or its consultants and provided to the Association, specifying obligations for maintenance of the Common Elements and other areas to be maintained by the Association, as updated and amended from time to time.

1.25 **Association Property:** “Association Property” means all the real property owned from time-to-time, in fee title by the Association.

1.26 **Board of Directors or Board:** “Board of Directors” or “Board” shall mean the board of directors of the Association.

1.27 **Budget:** “Budget” shall mean the Operating Budget and the Reserve Budget for the Association as defined in Article XII Section 12.5 of this Declaration.

1.28 **Business Day:** “Business Day” shall mean a Monday, Tuesday, Wednesday, Thursday, or Friday, on which banking institutions are open for business in Las Vegas, Nevada.

1.29 **Bylaws:** “Bylaws” shall mean the Bylaws for Canyons Community Association, as they may be amended from time to time.

1.30 **Claimant:** “Claimant” shall mean the Party initiating the Arbitration.

1.31 **Commercial Vehicle:** "Commercial Vehicle" shall mean any dump truck, cement mixer truck, delivery truck, oil or gas truck, or any other vehicle that meets at least two (2) of the following:

- (a) Such vehicle is designed, maintained or used primarily for the transportation or property or passengers in furtherance of any commercial purpose. For purposes of this Section, "commercial purpose" shall mean any task in furtherance of a business enterprise that is required to hold a business licenses issued by pertinent government authorities;
- (b) Such vehicle weighs over Eight Thousand Five Hundred (8,500) pounds gross when unloaded;
- (c) Such vehicle bears commercial insignia, names or other common indicia indicating that the vehicle is used for commercial purposes; or
- (d) Such vehicle is larger than a nineteen foot (19') foot long van or a three-quarter (3/4) ton pickup truck.

1.32 **Common Elements:** "Common Elements" shall have the meaning ascribed to such term in NRS 116.017, and as used herein shall include the Association Maintenance Areas, the Association Use Areas, and Offsite Maintenance Areas.

1.33 **Common Expenses:** "Common Expenses" shall have the meaning ascribed to such term in NRS 116.019 and shall include the expenses or financial liabilities for the operation of the Property and the Association, together with any allocations to reserves and shall include:

- (a) Expenses of administration, insurance, operation, maintenance, repair and replacement of the Common Elements except to the extent such repairs and replacements are the responsibility of a particular Owner pursuant to the terms of this Declaration, and except to the extent certain Units are exempt from paying such costs pursuant to the terms of this Declaration, including without limitation pursuant to Article XII, Section 12.5;
- (b) Expenses declared to be Common Expenses under the Governing Documents or the Act;
- (c) Expenses agreed upon as Common Expenses by the Members of the Association;
- (d) Allocation for reserves established by the Association for repair, replacement and restoration of the major components of the Common Elements pursuant to the Act;
- (e) Expenses, fees, and other charges imposed upon the Association by any governmental entity because the Property is a common interest community pursuant to the Act;
- (f) Costs of management and administration of the Association, including but not limited to compensation paid to managers, accountants, attorneys and other employees;

- (g) Costs of fire, casualty, and liability insurance, workers compensation insurance, errors and omissions insurance, and other insurance covering the Common Elements;
- (h) Costs of bonding members of the Board;
- (i) Taxes paid by the Association, including any blanket tax levied against the Common Elements;
- (j) Amounts paid by the Association for the discharge of any lien or encumbrance against the Common Elements;
- (k) Costs incurred with regard to any cost sharing agreement duly adopted by the Board, including without limitation, and as applicable, any agreement relating to the maintenance of street lights located along Canyon Highlands Drive, if and when finalized and executed; and
- (l) The costs of any other item or items incurred by Association in connection with the Common Elements, for the benefit of the Owners.

1.34 **Cost Center Budget:** "Cost Center Budget" means the elements of the Budget for the Association which itemize the cost components to be assessed against portions of the Property within a Cost Center, if any, as provided in this Declaration and the Bylaws.

1.35 **Cost Centers:** "Cost Centers" means the portions of the Property which may directly receive a special benefit (which benefit may be in the form of amenities provided or maintenance or other services offered) and for which additional Assessments may be imposed on the Owners who receive such special benefits pursuant to the provisions of this Declaration. Those Units identified within the Parcel C/D Final Map constitute a Cost Center and may be charged a Cost Center Assessment as to certain categories of expenses pertaining to certain Common Elements, as outlined in the Budget. Any additional Units located within a Cost Center, or additional clarification as to the Costs Centers and to the categories of costs and expenses to be charged exclusively within a Cost Center may be contained in one or more Supplemental Declarations.

1.36 **Counterclaim:** "Counterclaim" shall mean any Claim associated with, related to or arising from a breach, default, any other matter or any other controversy or dispute with respect to the terms, subject matter or application of this Agreement and/or the transactions arising therefrom or relating thereto asserted by a Party in response to an Arbitration Claim.

1.37 **County:** "County" shall mean Clark County, Nevada and its various departments, divisions, employees and representatives.

1.38 **Cross Unit Drainage Facilities:** "Cross Unit Drainage Facilities" means any certain subterranean and surface drainage facilities installed by Declarant within certain Units to provide for drainage between such Units, which are to be maintained as provided herein or in a Supplemental Declaration. Those specific Cross Unit Drainage Facilities are to be maintained, repaired, and reconstructed by Association pursuant to the terms and provisions of this Declaration. Additional Cross Unit Drainage Facilities or their location, together with who is responsible for their maintenance and repair, may be more specifically designated on a Supplemental Declaration.

1.39 **Deannexation Declaration:** "Deannexation Declaration" shall mean the declaration described in Article V, Section 5.1 of this Declaration whereby all or a portion of the Annexable Property is deannexed from the Property and is no longer subject to the provisions of this Declaration.

1.40 **Decision:** "Decision" shall mean the final determination and ruling of the Arbitration Panel with respect to any Arbitration Claim.

1.41 **Declarant:** "Declarant" shall mean Pardee Homes of Nevada, Inc., a Nevada corporation and any person or entity acquiring all or any portion of Declarant's interest in the Property (including all or any portion of Declarant's rights and obligations as created and established herein) pursuant to written assignments from Declarant which are Recorded in the Official Records. A successor Declarant shall also be deemed to include the beneficiary under any deed of trust securing an obligation from a then existing Declarant encumbering all or any portion of the Property, which beneficiary has acquired any such Property by foreclosure, power of sale or deed in lieu of such foreclosure or sale.

1.42 **Declarant Control Period:** "Declarant Control Period" shall mean the period of time during which the Declarant is entitled to appoint a majority of the members of the Board of Directors as set forth more specifically in Article II, Section 2.02 of the Bylaws.

1.43 **Declaration:** "Declaration" shall mean this Declaration of Covenants, Conditions, and Restrictions and Reservations of Easements for Canyons, Recorded in the Office of the County Recorder, Clark County, Nevada, as may be amended from time to time.

1.44 **Design Review Committee:** "Design Review Committee" or "DRC" shall mean the committee that is appointed or that may be appointed to review written requests from Owners pertaining to additions, alterations, or Improvements that Owner wishes to construct in the Property.

1.45 **Design Review Guidelines:** "Design Review Guidelines" shall mean the rules adopted by the Design Review Committee and approved by the Board of Directors, pursuant to Article VIII, Section 8.6 of this Declaration.

1.46 **Developmental Rights:** "Developmental Rights" shall mean those rights reserved by Declarant in Article V, Section 5.1 of this Declaration.

1.47 **Director:** "Director" shall mean and refer to a member of the Board of Directors.

1.48 **Discovery Conference:** "Discovery Conference" shall mean the conference at which the Parties meet with the Arbitration Panel for the purpose of exchanging discovery materials.

1.49 **Discovery Cut-Off Date:** "Discovery Cut-Off Date" shall mean the fifteenth (15th) Business Day before the Arbitration Final Hearing.

1.50 **Eligible Insurer:** "Eligible Insurer" shall mean an insurer or guarantor of a First Security Interest in a Unit, which has notified the Association in writing of its name and address and informed the Association that it has insured or guaranteed a First Security Interest in a Unit, has

provided the Association with the Unit number and address of the Unit on which it is the insurer or guarantor of a Security Interest, and has requested that the Eligible Insurer be given the notices and other rights described in Article XI of this Declaration.

1.51 **Eligible Mortgagee:** "Eligible Mortgagee" shall mean the holder of a First Security Interest in a Unit, which has notified the Association in writing of its name and address and that it holds a first Security Interest in a Unit, has provided the Association with the Unit number and address of the Unit on which it is the holder of a first Security Interest, and has requested that the Eligible Mortgagee be given the notices and other rights described in Article XI of this Declaration.

1.52 **Emergency:** "Emergency" means any situation, condition or event which threatens substantial imminent damage or injury to person or property.

1.53 **Final Maps:** "Final Map, Parcel C/D" shall mean the Final Map of Canyons at MacDonald Ranch Parcel C/D a Common Interest Community Recorded May 18, 2016 in the Official Records for the County as Instrument No. 3335 of Official Records, Book No. 20160518, and Book 151 Page 90 of Plats, all as amended by that certain Amended Final Map of Canyons at MacDonald Ranch Parcel C/D a Common Interest Community Recorded December 15, 2016 in the Official Records for the County as Instrument No. 00641 of Official Records, Book No. 20161215, and Book 153 Page 0005 of Plats. "Final Map, Parcel R" shall mean the Final Map of Canyons at MacDonald Ranch Parcel R a Common Interest Community Recorded _____ in the Official Records for the County as Instrument No. _____ of Official Records, Book No. _____, and Book _____ Page _____ of Plats.

1.54 **Final Maps, Additional:** "Additional Final Maps" shall mean that shall mean those certain additional final maps that may be of record with respect to the Property, including any Annexable Property, from time to time. When any Additional Final Map is Recorded and when such Annexable Property is annexed, any references to the Final Map shall include such Additional Final Map.

1.55 **First Security Interest:** "First Security Interest" means a Security Interest which has priority under the Laws over all other Security Interests encumbering a specific Unit.

1.56 **Fiscal Year:** "Fiscal Year" shall mean the twelve (12) month period used by the Association for preparing its annual financial reports. Unless otherwise specified by the Board of Directors, the Fiscal Year for the Association shall commence on July 1st and end on June 30th.

1.57 **Governing Documents:** "Governing Documents" shall mean the Declaration, the Articles, the Bylaws, and any Rules or Design Review Guidelines that may be adopted or approved by the Board, as they may be amended from time to time, including any exhibits, schedules or certifications attached thereto.

1.58 **Guest Builder:** "Guest Builder" shall mean any Person which acquired or has entered into a purchase agreement to acquire from Declarant a portion of the Property for the purpose of improving such portion of the Property with Residences and conveying such Residences to purchasers.

1.59 **Homeowners Maintenance Manual:** “Homeowners Maintenance Manual” refers to any manual which may be prepared by Declarant or its consultants and provided to each Owner, specifying obligations for maintenance of the Units and Residences by the Owners.

1.60 **Improvements:** “Improvements” shall mean as applicable (i) all buildings and structures and appurtenances thereto of every type and kind, including without limitation, Residences and other buildings, outbuildings, walkways, trails, utility installations, swimming pools and other recreational facilities, garages, roads, sidewalks, walkways, driveways, parking areas, fences, screening walls, block walls, retaining walls, awnings, patio and balcony covers, stairs, decks, balconies, trellises, landscaping, irrigation systems, hedges, slopes, windbreaks, the exterior surfaces of any visible structure, paintings, planted trees and shrubs, antennae, poles, signs, solar or wind powered energy systems or equipment, and water softener, heater or air conditioning and heating fixtures or equipment; (ii) the grading, excavation, filling or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed; landscaping, planting, clearing or removing of trees, shrubs, grass or plants; and (iii) change or alteration of any previously installed Improvement including any change of exterior appearance color or texture. None of the foregoing shall expressly or impliedly authorize the construction of any of the specified types of Improvements in the Project or constitute an express or implied representation that such Improvements shall exist or be constructed.

1.61 **Initial Property:** “Initial Property” is defined in the Recitals.

1.62 **Invitee:** “Invitee” shall mean a tenant, guest, contractor, occupant, employee, family member, agent, or any other Person on the Property at the request of, with the consent or approval of, or for the benefit of Owner.

1.63 **Landscape and Slope Maintenance Areas:** “Landscape and Slope Areas” shall include areas of the Common Elements intended for and are used for plants, trees, and other improvements and which are intended to be maintained by the Association, as identified in the pertinent Final Map. Without limiting the generality of the foregoing, it is anticipated that the Landscape and Slope Maintenance Areas will include, when such are annexed and made subject to the Declaration:

(a) Common Element (“C.E.”) “A” (excepting that portion improved or to be improved for use as a community park), Common Element (“C.E.”) “B”, Common Element (“C.E.”) “C”, Common Element (“C.E.”) “D”, Common Element (“C.E.”) “E”, Common Element (“C.E.”) “H”, all as shown on the Parcel C/D Final Map.

(b) Rockery walls and other similar decorative and supporting structures located on any of the foregoing identified Common Elements;

(c) Any additional landscape common element identified as such on any Final Map, including but without limitation the Parcel R Final Map; and

(d) Additional Landscape and Slope Maintenance Areas may be designated by Declarant in a Supplemental Declaration.

1.64 **Law:** “Law” means any statutes, regulations, case law, and other legal authority to which the Property or any Person or Owner may be subject.

1.65 **Liability for Common Expenses:** “Liability for Common Expenses” shall mean the liability for common expenses allocated to each Unit pursuant to Article XII, Section 12.1 and Section 12.3 of this Declaration.

1.66 **Maintenance Obligations:** “Maintenance Obligations” shall mean the Association’s obligations and each Owner’s obligations to perform (a) all reasonable maintenance consistent with the terms of the Association Maintenance Manual and Homeowner Maintenance Manual, respectively, any maintenance obligations and schedules in any warranty offered by Declarant or any manufacturer, and any maintenance obligations and schedules otherwise provided to the Association or the Owners by Declarant or any manufacturer, as applicable; (b) any commonly accepted maintenance practices intended to prolong the life of the materials and construction of the Association Property and Unit as applicable in the area to be maintained; and (c) any maintenance obligations and requirements set forth in this Declaration, as updated and amended from time to time.

1.67 **Manager:** “Manager” shall mean a Person, firm or corporation possessing all pertinent licenses and certifications required to engage in management work on the Association’s behalf, including all permits and/or certifications required by the Act, as may be amended from time to time.

1.68 **Member:** “Member” shall mean a Person entitled to membership in the Association as provided in the Governing Documents. A “Member in Good Standing” is defined in Article II, Section 2.02 of the Bylaws.

1.69 **Membership:** “Membership” shall mean the Members of the Association.

1.70 **Merchant Builder:** “Merchant Builder” shall mean a Person in the business and activity of developing real property who has purchased or intends to purchase a portion of the Property for that purpose.

1.71 **Model Units:** “Model Units” shall mean any Units in the Property being used by Declarant for sales activities or model homes at any given time, as may be identified in a Supplemental Declaration.

1.72 **Notice and Hearing:** “Notice and Hearing” shall mean written notice and a hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person or by counsel at Owner’s expense, in the manner provided in the Bylaws.

1.73 **NRS:** “NRS” shall mean the Nevada Revised Statutes, as it may be amended from time to time. Any reference to any particular section of the NRS shall be deemed to include that section of the NRS, as well as any amendment thereto from time to time and any successor statute.

1.74 **Official Records:** "Official Records" shall mean the Official Records of the County Recorder of Clark County, Nevada.

1.75 **Offsite Maintenance Areas:** "Offsite Maintenance Areas" shall include such areas that fall outside of the Exterior Wall(s) that are the express maintenance responsibility of the Association, if any. The only initial Offsite Maintenance Area initially identified is that Association is or may be responsible for certain costs relating to the repair, maintenance, or replacement of certain street lights located along Canyon Highlands Drive (though it is anticipated that the City of Henderson or one or more other governmental entities will do the actual repair, maintenance, or replacement work). Further, it is anticipated that Association may enter into one or more agreements with one or more neighboring homeowners' associations or community associations to share the costs pertaining to such obligations. Declarant reserves the right to identify additional Offsite Maintenance Areas by Supplemental Declaration.

1.76 **Operating Budget:** "Operating Budget" is defined in Article XII, Section 12.5 of this Declaration.

1.77 **Owner:** "Owner" shall mean the Declarant or other Person who owns a Unit, however, Owner does not include a Person merely having a Security Interest in a Unit.

1.78 **Storm Drain and Irrigation Maintenance Areas:** "Storm Drain and Irrigation Maintenance Areas" refers to those parkways, private storm drain improvements and private irrigation improvements located within the Property which are to be maintained by the Association as provided in Article IV, Section 4.1 of this Declaration. Without limiting the generality of the foregoing, it is anticipated that the initial Storm Drain and Irrigation Maintenance Areas will be located as follows: areas identified as "X1", "X2", "E1", and "E2", and all of Common Element ("C.E.") "B" and Common Element ("C.E.") "C" as shown on the Parcel C/D Final Map, and any other drainage easements and areas that are a part of the Property as shown on any Final Map. The location of other Storm Drain and Irrigation Maintenance Areas may be depicted in a Supplemental Declaration.

1.79 **Person:** "Person" shall include an individual, corporation, business trust, estate, trust, partnership, association, joint venture, government, government subdivision or agency or other legal or commercial entity.

1.80 **Phase:** "Phase" shall mean a portion of the Property made subject to by annexation from time to time.

1.81 **Private Property Association Landscape Areas:** "Private Property Association Landscape Areas" shall mean those locations which are designated hereunder or pursuant to the Final Map or a Supplemental Declaration as including a portion of landscaping planted and installed by Declarant, a Merchant Builder, or Association, but intended for maintenance by the individual Unit Owner, if any. The location of Private Property Association Landscape Areas may be identified on a Supplemental Declaration.

1.82 **Project:** "Project" shall mean the Canyons community and the Property and Improvements thereupon as may be annexed and made part of the Property from time to time.

1.83 **Property:** “Property” shall refer to the Property as a whole, including the Units and Common Elements, which may be annexed and made subject to this Declaration, as restricted by and marketed and sold to third parties in accordance with this Declaration.

1.84 **Public Offering Statement:** “Public Offering Statement” shall mean the public offering document pertaining to the Property prepared pursuant to the Act, as the same may be amended from time to time, and provided to purchasers prior to the time of execution of a binding purchase agreement for the purchase of a Unit.

1.85 **Record, Recording, Recorded, or Recordation:** “Record,” “Recording,” “Recorded,” or “Recordation” (including any derivation or tense thereof), unless otherwise specifically provided, shall mean or signify to file or have filed with the Office of the County Recorder, Clark County, Nevada.

1.86 **Recreational Vehicle:** “Recreational Vehicle” shall mean any motorized and wheeled scooter, camper unit, house car, motor home, motor coach, trailer, trailer coach or camp trailer, watercraft, jet ski, canoe, kayak or boat, four-wheel, all-terrain vehicle, dune buggy, or any other vehicle that is ordinarily used for purposes other than ordinary commuting.

1.87 **Reserve Budget:** “Reserve Budget” is defined in Article XII, Section 12.5 of this Declaration.

1.88 **Residence:** “Residence” shall mean a single family dwelling and related Improvements located upon a Unit.

1.89 **Respondent:** “Respondent” shall mean the Party against whom an Arbitration Claim is being made.

1.90 **Rules:** “Rules” shall mean the rules and regulations adopted by the Board of Directors from time to time pursuant to this Declaration and the Bylaws.

1.91 **Security Interest:** “Security Interest” shall mean an interest in real estate or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a lien on a Unit created by a mortgage, deed of trust, trust deed, security deed, contract for deed, land sales contract, lease intended as security, assignment of lease or rents intended as security, pledge of an ownership interest in an Association, or any other consensual lien or title retention contract intended as security for any obligation.

1.92 **Special Declarant Rights:** “Special Declarant Rights” shall mean those rights reserved for the benefit of Declarant as described in Article V, Section 5.2 of this Declaration.

1.93 **Street, Private:** “Private Streets” shall mean the streets located within the Property from time to time, which shall include, as they may be annexed from time to time Summit Mesa Lane, Sky Point Ridge Drive, Skyline Heights Lane, Ledge Rock Lane, and Overlook Canyon Lane (all on the Parcel C/D Final Map), Skyline Canyon aka Street A (tentative names), Skyline Ridge aka Street B (tentative name), Overlook Rise aka Street C (tentative name) (all as shown on the Parcel R Final Map), and any street that may be designated as a private street on a Final Map or any

Supplemental Declaration. The Private Streets shall also include any gate and related entranceway area serving the Property.

1.94 **Subsidy Agreement:** “Subsidy Agreement” shall mean an agreement between Declarant and the Association of the type described in Article XII, Section 12.18 of this Declaration.

1.95 **Supermajority of Owners or Supermajority of Members:** “Supermajority of Owners” or “Supermajority of Members” shall mean the Owners (including, as applicable, Declarant) of more than sixty-six percent (66%) of the total number of Units contained in the Property.

1.96 **Supplemental Declaration:** “Supplemental Declaration” shall mean those certain declarations of covenants, conditions and restrictions, or similar instruments, which may be Recorded by Declarant without the consent of any Owner while Declarant owns any portion of the Property or any Annexable Property and thereafter by the Association or any Owner do any or all of the following: (a) annex all or a portion of the Additional Property and/or designate Units as a phase of development; (b) identify areas referenced in this Declaration to be maintained by the Association and/or make modifications or supplements to any areas designated for maintenance by the Association or any Owner; (c) make such other complementary additions and/or modifications necessary to reflect the different character of the Additional Property, (d) impose additional covenants and restrictions on the Annexable Property; (e) conform this Declaration or any previously Recorded Supplemental Declarations to Law or any conditions of approval imposed by any governmental agency; or (f) make corrections to the provisions of this Declaration or previously Recorded Supplemental Declaration(s).

1.97 **Unit:** “Unit” shall mean the real property within the Property, excluding the Common Elements, shown on the Final Map as individual numbered separate legal parcels, and including any Residence and any other Improvements erected, constructed or located thereon. The boundaries of each Unit created by this Declaration are the lot lines depicted on the Final Map.

1.98 **Wall:** “Wall” shall mean any and all of the block walls (or their replacements or modifications approved by the DRC pursuant to Article VIII) installed by Declarant or other parties for the purpose of physically separating one Unit from another or Common Elements or the Property from adjacent property.

1.99 **Wall, Exterior:** “Exterior Wall” shall mean any Wall that forms an outside boundary for the Property, and shall include without limitation the Walls constructed and located adjacent to Canyon Highlands Drive, Sunridge Heights Parkway, all walls abutting neighboring properties outside of the Property, and any other Exterior Walls as may designated in a Supplemental Declaration.

ARTICLE II ASSOCIATION

: The Association is charged with the duties and vested with the powers prescribed by the Act and by Law and set forth in the Governing Documents. None of the Governing Documents shall, for any reason, be amended or otherwise changed so as to be inconsistent with this Declaration. If any ambiguity exists in any provision of the Governing Documents, then such provision shall be construed in such a way that it is consistent with the provisions of this Declaration.

ARTICLE III ASSOCIATION PROPERTY

3.1 Conveyance of Common Elements: Declarant hereby covenants for itself, its successors, and assigns, that no later than the time that Declarant has no further right to appoint any member of the Board of Directors under the Act and the Bylaws, that it will convey title to the Common Elements to the Association (but only to the extent Declarant owns or holds title to such Common Elements and has the power to convey the same as of such date) 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 and the Final Map. Declarant may, at its election, and from time to time, convey such Common Elements to the Association prior to the point in time it is required to do so hereunder if it so elects, and the Association agrees to accept the same. It is anticipated, but not represented or warranted, that certain Common Elements physically associated with Units becoming Annexed Property from time to time, will likewise become Annexed Property and will from time to time be conveyed to the Association.

3.2 Ownership of Common Elements: The Common Elements shall be owned by the Association in fee simple (except for those Common Elements in which the Association holds easement or other property rights, in which case such other property rights or interest shall be held) for the use, enjoyment, and convenience of the Owners and shall include all portions of the Property. Each Unit and its Owner shall have an easement over all of the Association Use Areas, and such easement is hereby granted, transferred, and conveyed to all Owners by the Declarant for the benefit of the Units, the Owners, and each of them, and for their respective Invitees, subject however to Article III, Section 3.3 below.

3.3 Use of Association Use Areas: Each Owner and Owner's Invitees shall be entitled to use the Association Use Areas, subject to the following:

- (a) The right of the Association to charge reasonable dues, use fees, and other fees for those facilities or amenities for which such fees are normally charged or assessed;
- (b) The right of the Association to suspend the rights of an Owner and/or an Owner's Invitees to use the Association Use Areas, excluding any vehicular or pedestrian ingress or egress to or from a Unit, and any area used for parking, for any period during which any Assessment against the Owner's Unit remains past due and unpaid, and after notice and hearing by the Board in accordance with the provisions of this Declaration;
- (c) 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, for those facilities or amenities for which such fees are normally charged or assessed;
- (d) Such rights to use and encumbrances with respect to the Common Elements as may have been granted by the Association to others or that may exist of record;
- (e) Such Rules for the use of the Association Use Areas as may be imposed by the Association from time to time in accordance with the Act;

- (f) The right of Declarant to use the Common Elements or some of them for sales, development, marketing, and related activities pertaining to the Property or neighboring projects;
- (g) The right of Declarant and the Association to limit access to portions of the Common Elements for the benefit of or health, safety, and welfare of the Property any Persons or in order to comply with requirements of Law;
- (h) With the exception of the Owners of certain Units which are entitled and obligated to enter upon and maintain Private Area Landscape Areas located thereupon pursuant to Article IV, Section 4.10, and except for the Board or the Association or its designated agents, no Owner or Person shall have any right to enter upon, maintain, plant, or engage in any other maintenance or other activities in any Common Elements, including but not necessarily limited to Landscape and Slope Maintenance Areas, intended for maintenance by Association;
- (i) The right of Declarant or Association to identify, and the identification under this Declaration of various areas of Common Elements as “no parking” areas, or to make rules with respect to the parking of vehicles, pursuant to Article VI, Section 6.3; and
- (j) The right of Declarant or Association to take any other action with respect to the Common Elements as may be contemplated by the Act.

ARTICLE IV MAINTENANCE

4.1 Common Elements: The Association shall maintain and repair all of the Common Elements, the Offsite Maintenance Areas, and other areas for which Association is responsible, including as set forth in a Supplemental Declaration. All maintenance to be performed in accordance with the Maintenance Obligations, in all respects. Such duty to maintain and repair includes, but is not limited to, the following:

- (a) Periodic trimming and/or pruning of any trees or shrubbery located on or comprising part of the Common Elements;
- (b) Replacement of injured or diseased shrubbery, trees or other vegetation located on or comprising part of the Landscape and Slope Maintenance Areas or other Common Elements to the extent that the Board, in its sole and absolute discretion, deems necessary for the conservation of water and soil, and for aesthetic purposes;
- (c) Periodic repair and maintenance of any non-exclusive use and/or utility easements designated on the Final Map or granted by this Declaration or a Supplemental Declaration;
- (d) Maintenance and repair of any Improvements located on the Common Elements;

- (e) Maintenance and repair of the streets located within the Property; provided further that such Private Streets shall be re-sealed at minimum on such frequency as prescribed on any reserve study pertaining to the Property, or as conditions may require;
- (f) Maintenance and repair of lights located within the Property or the Common Elements, but not on any Unit, except as provided in Article XIII, Section 8.12;
- (g) Maintenance and repair of all rockery walls and similar support structures, entry signage, waterfall features, and similar features located within the Common Elements;
- (h) Removal of all papers, debris, and refuse from the Common Elements; and
- (i) Compliance with any other Maintenance Obligations for which Association is responsible.

4.2 Units: Each Owner shall, at Owner's sole cost and expense and subject to the limitations set forth in this Declaration, maintain, repair, replace, and restore the Residence and any landscaping and Improvements located on the Owner's Unit, and comply with any Maintenance Obligations for which an Owner is responsible hereunder. Furthermore, each Owner shall keep the Unit, Residence, and Improvements in a neat, sanitary, and attractive condition and in accordance with all restrictions contained in this Declaration. If any Owner permits the Residence, and any Improvements on the Unit or the Unit itself to fall into disrepair or to become unsafe, unsightly or unattractive as determined by the Board in its sole and absolute discretion, or permits any Residence, Improvements or Unit to otherwise violate the restrictions contained in this Declaration, or Rules adopted by the Association pursuant to this Declaration, the Association shall have the right to seek any remedies at law or in equity it may have. In addition, and without limitation, the Board shall have the right, but not the obligation, if such unacceptable maintenance is not corrected within fifteen (15) days' written notice from the Association (or such longer period if reasonably necessary under the circumstance, provided that Owner is diligently performing such repairs or maintenance), to enter upon Owner's Unit and make such repairs and perform such maintenance and charge the costs thereof to Owner. The foregoing restrictions shall not be interpreted as creating any right or obligation of Association to enter into or perform any maintenance or inspection whatsoever of the interior of any Residence, or contrary to the provisions of any Law. Such costs shall be enforced, including penalty fees and costs, as an Enforcement Assessment on the Unit pursuant to Article XII, Section 12.9 of this Declaration.

4.3 Manufactured Products: Each Owner, by acceptance of a deed to a Unit, acknowledges and understands that (1) there are certain appliances and other equipment included in or exclusively benefiting the Owner's Unit which are manufactured by third parties (e.g., the dishwasher, heating, ventilation and air conditioning equipment, etc.) ("Manufactured Products"); (2) the only warranties for such Manufactured Products are those provided by the manufacturer; and (3) the Owner shall be responsible for activating any and all manufacturer's warranties, including, without limitation, by completing and submitting to the applicable manufacturers any registration cards included with the manufacturer's materials. Owner shall also be responsible for performing any and all manufacturer maintenance requirements and/or recommendations.

4.4 Preventative Maintenance Requirements:

Each Owner, by acceptance of a deed to a Unit, acknowledges and agrees that such Owner is responsible to properly maintain such Owner's Unit and Residence (including all Manufactured Products therein) in accordance with the requirements of this Declaration and the Homeowner's Maintenance Manual. In addition, to the extent that Declarant, the Association, or any manufacturer of any Manufactured Product(s) provides the Owner with any Maintenance Obligations, schedules, and/or practices, including the Homeowners Maintenance Manual, (collectively, "Maintenance Requirements"), the Owner shall comply with same. Each Owner, by acceptance of a deed to a Unit, acknowledges that such Maintenance Requirements may be set forth in the Home Builder's Limited Warranty and/or any Homeowner's Maintenance Manual, operating instructions, and/or other owner's manual(s) provided by Declarant, the Association, and/or any manufacturer(s) of any Manufactured Product(s).

4.5 Home Builder's Limited Warranty; No Additional Representation or Warranties: It is recognized that Declarant, as part of the initial sale of a Unit, will include an express limited warranty known as and referred to herein as the "Home Builder's Limited Warranty." The Association and each Owner of a Unit developed by Declarant have agreed and/or hereby agree to register for and be bound by the terms of the Home Builder's Limited Warranty. Nothing herein is intended, nor shall be applied to limit the Association's or an Owner's right to enforce the terms of such Home Builder's Limited Warranty. Except for the Home Builder's Limited Warranty, 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 and Unit, or any portion thereof, its physical condition, zoning, compliance with Laws, fitness for intended use or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a residential project, except as specifically and expressly set forth in this Declaration.

4.6 Right of Access: In addition to all other easements reserved or granted herein, there is hereby reserved to the Association an easement across each Unit (but not within a Residence) as is necessary to permit a reasonable right of entry onto each Unit (but not within any Residence) for the purpose of performing emergency repairs or to do other work reasonably necessary for the proper maintenance of the Property, or any other work that the Association is authorized to perform pursuant to this Declaration, or any visual inspection or observation pertaining thereto. Without limiting the generality of the foregoing, there is hereby reserved a permanent right of access with respect to the maintenance, repair, replanting, and reconstruction of the Private Streets and the Landscape and Slope Maintenance Areas, Storm Drain and Irrigation Maintenance Areas, and the Cross Unit Drainage Facilities, for which Association is responsible under this Declaration, to the extent these are constructed upon an easement area within on or more of the Units.

4.7 Repairs Resulting From Negligence: Each Owner will reimburse the Association for any damages to any other Unit or to any Common Elements caused intentionally, negligently or by the Owner's or the Owner's Invitee's failure to properly maintain, repair or make replacements to his or her Unit or any property. If such damage is caused by misconduct, it will be imposed as an Enforcement Assessment to the Association account of the Owner deemed to be responsible for such misconduct, following notice and hearing, and may include attorneys' fees and costs.

4.8 Professional Management: The Board of Directors, on behalf of the Association, may contract with one or more Managers to conduct certain activities on behalf of the Association, as

may be determined by the Board. Each such contract shall provide for the termination by the Association without cause and without payment of a termination fee upon at least thirty (30) days' written notice to the Manager.

4.9 Maintenance of Walls:

(a) Association Maintenance Obligations. Except as provided in Section 4.9(c), Association shall maintain, in a good condition of maintenance and repair, and replace if necessary any Wall situated exclusively on Association Property. The Association shall also be responsible for the prompt removal of all graffiti from Walls situated within or visible from the Common Elements or from Exterior Walls. For the sake of clarity and without limitation, Association shall be solely responsible for maintenance and repair of any rockery walls, support walls, entry signs, water features, and similar features located exclusively on the Association Property or within the Landscape and Slope Maintenance Areas.

(b) Owner Maintenance Obligations. Each Owner shall maintain, in a good condition of maintenance and repair, any Wall situated on an Owner's Unit. Each such Owner shall also have the obligation to periodically rebuild or replace, as may be necessary, such Wall.

(c) Wall Between Two or More Residential Units. For any Wall which separates two (2) or more Units, each affected Owner shall have the obligation to maintain the interior of the Wall and the affected Owners shall share, on an equitable basis, the cost of replacing such Wall. The Owner of each affected portion of the Property upon which a party Wall is located shall have a reciprocal non-exclusive easement to the Property immediately adjacent to the interior Wall for the limited purpose of maintaining the party Wall.

(d) Wall Between Residential Units and Common Element or Association Maintenance Area. If any interior Wall separates a Unit from Common Element or an Association Maintenance Area, the Owner shall each maintain the interior portion of the Wall facing the Owner's Unit and the Association shall maintain the portion facing the Association Property or Association Maintenance Area. The Association shall be responsible for the prompt removal of any graffiti on the portion of the Wall facing the Common Element or Association Maintenance Area.

(e) Wall Between Residential Unit or Association Property and Property in Other Community. For any Wall which separates any Unit from any property located outside of the Project, each affected Owner shall have the obligation to maintain the interior of the Wall and the affected Owners shall share, on an equitable basis, the cost of replacing such Wall as a party wall under applicable Law. The affected Owner shall have the sole obligation to negotiate with and resolve any dispute with the neighboring property owner(s). In the event that the Exterior Wall separates Association Property and an adjacent landowners' property, the Association shall have the maintenance obligation. The Association retains the right, but not the obligation, to enter into one or more agreements, in form and substance which it deems appropriate, with any adjacent landowner with respect to the maintenance of any Exterior Wall, and subject to the limitations of the Act, such agreement shall control.

Failure to Maintain Walls. In the event of any failure of any Owner to maintain any Wall for which that Owner is responsible pursuant to this Section, the remedies of Article IV, Section 4.2 shall apply. In the event of any proposed modification or rebuilding of a Wall, the provisions of Article VIII shall apply. However, in the event that the failure of the Owner to maintain a Wall creates an immediate and substantial risk to the health, safety and welfare of the Property or the Owners, including but not limited to a immediate and substantial risk of bodily injury or death to any person or destruction of property of the Association or any Owner, as may be reasonably determined by the Board, the notice and cure period shall be excused. Without limiting the generality of the foregoing, failure of any Owner to maintain any Wall that results in or is of a nature to result in a failure to properly secure any swimming pool or swimming pool area, spa, water feature, or similar Improvement, or that results in or is of a nature to result in a failure to secure any dog or other animal that reasonably poses a threat of injury or death to any Person, or that results inadequate physical support for the Wall or any of its component parts, is presumed to be of a nature to pose an immediate and substantial risk of bodily injury or death or destruction of property pursuant to the foregoing sentence.

4.10 Maintenance of Private Association Landscape Areas: Without limiting the generality of anything contained in this Declaration, or Section the Owners of Units subject to Private Association Landscape Areas shall be responsible, at each such Owner's sole cost, for the maintenance, repair and watering of landscaping planted or to be planted by Declarant and/or Association on those affected Units, subject however to Association's right and power to effect such maintenance and repairs upon failure of the Owner to do so, and right to charge the Owner for the cost pursuant to Article IV, Section 4.2. However, the time for notice and cure by the Owner shall be reduced to five (5) days. Notwithstanding anything in this Declaration to the contrary, the Owner is not entitled or authorized to remove or modify any landscaping installed or mandated by Declarant, Association, or DRC, except only to replace any dead or diseased plants with replacements of the same species, quality, and appearance. As of the date of this Declaration, there are identified no Private Association Landscape Areas. Additionally, and for purposes of clarification, it is the intention that various landscaped areas for private maintenance as currently identified on the Final Map be treated as Landscape and Slope Maintenance Areas to be maintained by the Association, subject to the terms and provisions of this Declaration.

ARTICLE V DEVELOPMENTAL RIGHTS AND OTHER SPECIAL DECLARANT RIGHTS

5.1 Reservation of Developmental Rights: Declarant reserves the following Developmental Rights:

- (a) Improvements. The right, but not the obligation, to construct Improvements on the Common Elements and complete the Units and Residences and associated Improvements.
- (b) Utilities. The right, but not the obligation, to construct underground utility lines, pipes, wires, ducts, conduits and other facilities upon the real property in the Property, for the purpose of furnishing utility and other services to buildings and Improvements to be constructed in the Property. Declarant also reserves the right to withdraw and grant easements to public utility companies and to convey Improvements within those easements

anywhere in the Property not occupied by buildings, for the purposes mentioned above. If Declarant grants any such easements, the Final Map will be amended to include reference to the Recorded easement.

(c) Amendment. The right, but not the obligation, to unilaterally amend this Declaration at any time prior to the close of the first sale of a Unit and to further amend thereafter pursuant to this Declaration.

(d) Annexation. The right, but not the obligation, to add additional property to the Property and create Common Elements as follows:

(i) Property Subject to Annexation: Declarant hereby reserves unto itself for a period of seven (7) years after this Declaration has been Recorded, the right to cause to be annexed to this Declaration as part of the Property from time to time all or a portion of the Annexable Property, provided that, if required by Law, a subdivision map shall have been Recorded for the real property to be annexed. No assurances are made by Declarant prior to the annexation of any Annexable Property as to the size or configurations of such portion, or the order in which any such portion may be annexed. If any portion of the Annexable Property is annexed to the Property, there are no assurances that any other portion or all of such Annexable Property will be annexed.

(ii) Manner of Annexation: The Annexable Property shall be annexed by Recording a Supplemental Declaration executed by Declarant describing the real property to be so annexed and declaring that such property shall thereafter be deemed to be Annexed Property as defined in this Declaration and declaring that such Annexed Property shall be held, conveyed, sold, encumbered, leased, rented, used, occupied, improved or otherwise affected in any manner subject to the provisions of this Declaration. Such Supplemental Declaration may set forth any additional restrictions or covenants which may be applicable to such Annexed Property, provided that such additional restrictions shall not be in any manner inconsistent with the provisions of this Declaration.

(iii) Additional Property: The right to annex additional unspecified real property as and to the extent permitted by the Act, including without limitation, NRS 116.2122.

(iv) Effect of Annexation: Upon Recordation of any Supplemental Declaration, the real property described in the Supplemental Declaration shall become Annexed Property as defined herein and shall be subject to all of the provisions of this Declaration.

(e) Deannaxtion. The right to deannex all or a portion of the Annexable Property by Recordation of a Deannexation Declaration executed by Declarant, describing the real property to be de annexed and declaring that such property shall no longer be a part of the Property and no longer subject to the provisions of this Declaration.

(f) Other. The right to exercise any other Developmental Rights authorized under the Act, including without limitation those set forth in NRS 116.039.

5.2 Special Declarant Rights: Declarant reserves the following Special Declarant Rights, to the maximum extent permitted by Law, which may be exercised, where applicable, anywhere within the Property and Additional Property:

(a) Complete Improvements. The right to complete any Improvements indicated on the Final Map, including the Units, Residences, and any Improvements;

(b) Developmental Rights. The right to exercise any Developmental Right reserved in this Declaration or allowed by the Act;

(c) Sales Offices. The right to maintain sales offices, management offices, signs advertising the Property and models which are reasonably necessary to market the Residences or any other real property owned by Declarant regardless of whether such real property is part of the Property or Additional Property;

(d) Easements. The right to use easements through the Common Elements for the purpose of making Improvements within the Property or any other real property owned by Declarant or the marketing of same regardless of whether such real property is part of the Property (and the associated right to obtain gate access to Declarant and to its guests, invitees, and licensees, for purposes of fulfilling any rights reserved hereunder;

(e) Appointment. Subject to the limitations in the Governing Documents, the right to appoint or remove any officer of the Association or a Board of Directors member during the Declarant Control Period;

(f) Specified Rights. The right to exercise rights identified in Article V, Sections 5.3, 5.4, and 5.5; and

(g) Other. The right to exercise any other Special Declarant Rights described in the Act, including without limitation those set forth in NRS 116.089.

5.3 Models, Sales Offices and Management Offices: For so long as Declarant is an Owner, Declarant, its duly authorized agents, representatives and employees reserve the right to use a portion of any Unit, including but not limited to any Model Unit, for sales offices and/or management offices for Units in the Property or other properties. Declarant further reserves the right to maintain any Unit owned by Declarant or any portion of the Common Elements as a model, sales office, construction or management office.

5.4 Signs and Marketing: For so long as Declarant is an Owner, Declarant reserves the right to post signs and displays and related items (e.g., banners, balloons, flyers) in the Common Elements in order to promote sales of Units or of any Property. Declarant also reserves the right to conduct general sales activities in a manner which Declarant reasonably determines will not unreasonably disturb the rights of Owners.

5.5 Declarant's Personal Property: Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the Property that has not been represented in this Declaration as becoming property of the Association. Declarant reserves the right to remove from the Property (promptly after the sale and close of escrow of the last Unit) any and all such goods and improvements used in development, marketing and construction, whether or not they have become fixtures.

5.6 Limitations on Special Declarant Rights: Unless terminated earlier by an amendment to this Declaration executed by Declarant, and subject to applicable Law, any Special Declarant Right, including any exercise of a Developmental Right, may be exercised by Declarant so long as any of the following conditions are satisfied: Declarant holds a Developmental Right to create additional Units or Common Elements; Declarant owns any Unit; or Declarant holds any Security Interest in any Unit.

5.7 Interference with Special Declarant Rights: Neither the Association nor any Owner may take any action or adopt any rule, or enforce any restriction contained herein, in such manner that will interfere with or diminish any Special Declarant Right without the prior written consent of Declarant. While any Special Declarant Right remains unexercised, Article V cannot be amended without the written consent of Declarant.

5.8 Priority of Declarant's Rights and Reservations: Declarant shall have, and hereby retains and reserves, certain rights as set forth in this Declaration with respect to the Association and the Property. The rights and reservations of Declarant set forth in this Declaration shall be deemed excepted and reserved in each Recorded Supplemental Declaration or annexation amendment, in each conveyance of property by Declarant in each deed or other instrument by which any property encumbered hereby is conveyed by Declarant, whether or not specifically stated therein. The rights, reservations and easements of Declarant set forth in this Declaration shall be prior and superior to any other provisions of this Declaration and may not, without Declarant's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration, including any amendment of this Section. Declarant's consent to any one such amendment shall not be construed as consent to any other or subsequent amendment.

5.9 Assignment of Declarant's Rights: Any and all of the rights, powers and reservations of Declarant herein contained may be assigned by Declarant to any Person as defined in this Declaration, who will assume any or all of the duties of Declarant hereunder, if any, and upon any such Person evidencing his consent in writing to accept such assignment, said assignee shall, to the extent of such assignment, assume Declarant's duties hereunder, if any, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by Declarant herein, if any. Upon such assignment, and to the extent thereof, Declarant shall be relieved from all liabilities, obligations, and duties hereunder, if any. The foregoing shall be subject to NRS 116.31043(4).

ARTICLE VI RESTRICTIONS ON USE, ALIENATION, AND OCCUPANCY

6.1 **Use Restrictions:** Subject to the Special Declarant's Rights reserved under Article V, the following use restrictions set forth in this Article VI apply to all Units and to the Common Elements.

6.2 **Single Family Residence.** The use of each Unit and Residence is restricted to that of a single-family Residence and accessory uses as permitted herein. Except for those activities conducted as a part of the marketing and development activities of Declarant, no industry, business, trade or commercial activities shall be conducted, maintained or permitted on a Unit. The provisions of this Section 6.2 shall not preclude certain limited business, trade, or commercial activities so long as such activities cannot be observed from the Common Elements and provided that all of the following conditions are fulfilled:

- (a) Such activities are conducted in conformance with all applicable Law;
- (b) The patrons or clientele of such activities do not park automobiles or other vehicles within the Property, except during brief and limited drop-off and pick-up periods and within areas specified for that purpose;
- (c) No such activity increases the liability or casualty insurance obligation or premium of the Association;
- (d) Such activities are consistent with the residential character of the Property and conform with all provisions of the Governing Documents; and
- (e) There shall be no externally visible evidence of the carrying on of a business, including but not limited to the existence of any external commercial signage or similar Improvements.
- (f) The intent of the foregoing, in all respects, is that the Property must retain its residential character and appearance, and the provisions above shall be interpreted toward those ends.

6.3 **Parking:** The Board has the right to designate "no parking" areas within streets within the Property, and no parking shall be permitted along the street in any such areas. Additionally, no parking shall be permitted where prohibited by Law or restrictions of record, or in the street along any "hammer head" area or terminus of a street where parking cars on the street would be dangerous or cause difficulty in traffic flows. Additionally Declarant may designate no parking areas by Supplemental Declaration. The Board has the right to designate additional parking restrictions by rule, including without limitation, restrictions on time, manner, and place of the regular parking of vehicles by the owner of any Unit. Without limiting the generality of the foregoing, the Board has the right, by rule, to mandate that vehicles be regularly parked first within an enclosed garage, secondarily, on a driveway once a specified number of vehicles are parked within an enclosed garage, and lastly on a street once a specified number of vehicles are regularly parked within an enclosed garage and a specified number of vehicles are regularly parked on a driveway.

6.4 Nuisances: No noxious, offensive, dangerous or unsafe activity shall be conducted anywhere in the Property, nor shall anything be done, either willfully or negligently, which may be or become an annoyance or nuisance to, or poses a threat to the health, safety, and/or welfare of the other Owners or Invitees of Units. No Owner or Invitee of a Unit shall make or permit any disturbing noises nor do or permit anything to be done by others that will interfere with the rights, quiet use and enjoyment of other Owners or Invitees. No use that is reasonably deemed immoral, improper, offensive or unlawful by the Board of Directors may be made of the Property or any portion thereof. Owners shall comply with and conform to all applicable Laws. The violating Owner shall hold harmless the Association and other Owners from all fines, penalties, costs and prosecutions for any violation or noncompliance.

6.5 Pets: Only domestic animals that are kept as household pets and are not kept, bred, or raised for commercial purposes are permitted to be maintained within the Units. Domestic reptiles, birds, rodents, and fish shall be permitted so long as such animals are kept in the interior of a Residence. No animal shall be permitted, at any time, within any portion of the Association Property or Common Elements other than the Private Streets. Notwithstanding the foregoing, the Association Rules may further limit or restrict the keeping of pets and the Board shall have the power to prohibit the keeping or maintenance of any animal, which, in the opinion of the Board, after Notice and Hearing, is deemed by the Board to constitute a nuisance to any other Owner or which constitutes a threat to the personal safety of any Owner in the sole and absolute opinion of the Board. Each person bringing or keeping a pet within the Project shall be absolutely liable to other Owners and their Invitees for any damage to persons or property caused by any pet brought upon or kept upon the Project by such person or any Invitee of such person. Each Owner shall clean up after such animals that have deposited droppings or otherwise used any portion of the Project. When outside the confines of the Unit, animals belonging to Owners or Invitees of any Owner must be kept on a leash or reins held by a person capable of controlling the animal. Nothing contained herein shall constitute a restriction on seeing-eye or service dogs.

6.6 Garbage: No rubbish, trash, garbage or other waste shall be kept on any Unit except in sanitary containers. All garbage bags must be placed in receptacles with lids. No rubbish, trash, garbage or other waste shall be permitted to accumulate on any Unit in a manner which may permit the spread of fire, odors, seepage or encouragement of vermin. All equipment for the storage or disposal of waste materials shall be kept in a clean and sanitary condition and shall be stored so as not to be visible from any public street or from any other Unit or the Common Elements. Waste containers may be placed on the sidewalks no sooner than twelve (12) hours prior to a scheduled pick-up and must be stored out of sight no later than (12) hours after pick up.

6.7 Additions, Alterations, and Improvements: No Owner may make any structural addition, alteration or Improvement to his or her Unit or to the Property without the prior written consent of the Board or the DRC. The procedures for obtaining approval from the Board or DRC are explained in detail in Article VIII of this Declaration. Changes to landscaping are subject to approval by the DRC.

6.8 Signs: No signs, window displays or advertising visible from any other Unit, any public street or the Common Elements may be placed on any Unit without the prior written consent of the Board. Owners may display one (1) sign in the front yard of a Unit advertising the Unit for sale or rent, provided that such sign does not exceed twenty-four (24) inches by twenty-four (24)

inches. In addition, one political sign may be placed in the front yard of a Unit but may not exceed twenty-four (24) inches by thirty-six (36) inches. As used herein, "political sign" means a sign that expresses support for or opposition to a candidate, political party or ballot question. No signs shall be displayed anywhere on the Common Elements. Subject to applicable Law, including without limitation the First Amendment of the United States Constitution, the Board may adopt additional Rules pertaining to signs, displays, and advertising, including without limitation Rules that are more restrictive than the foregoing. This may include without limitation, Rules pertaining to time and manner of placement of any Sign.

6.9 Flags(i) Except as otherwise provided in subsection (ii) below, the Association shall not prohibit an Owner from engaging in the display of the flag of the United States within such physical portion of the Association as the Owner has a right to occupy and use exclusively.

(ii) The provisions of subsection (i) do not apply to the display of the flag of the United States for commercial advertising purposes or preclude the Association from adopting Rules that reasonably restrict the placement and manner of the display of the flag of the United States by an Owner.

(iii) As used in this section, "display of the flag of the United States" means a flag of the United States that is made of cloth, fabric, or paper; displayed from a pole or staff or in a window; and displayed in a manner that is consistent with 4 U.S.C. Chapter 1. The term does not include a depiction or emblem of the flag of the United States that is made of balloons, flora, lights, paint, paving materials, roofing, siding, or any other similar building, decorative, or landscaping component.

(iv) Any flag displayed on a Unit may not exceed four (4) feet by six (6) feet. In addition, if pole is used to display the flag, the pole may not exceed ten (10) feet in length.

6.10 Laws and Insurance Requirements: Nothing shall be done to or kept on any Unit that might increase the rate of, or cause the cancellation of, insurance for the Property, or any portion of the Property, without the prior written consent of the Association. No Owner shall permit anything to be done or kept in that Owner's Unit that violates any of the restrictions contained in this Declaration or any laws.

6.11 Mineral Exploration: No Property within the Project shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance or other mineral of any kind. No well for the production of, or from which there is produced, water, oil or gas shall be operated within the Property, nor shall any machinery, appliance or structure be placed, operated or maintained thereon for use in connection with any trading, manufacturing or repairing business. No slant drilling shall be permitted.

6.12 Slope Control, Use and Maintenance: Each Owner shall keep, maintain, water, plant and replant all slopes located on such Owner's Unit, so as to prevent erosion, flooding, sliding, or similar problems, and to create an attractive appearance. It shall be the duty of all Owners to conduct all construction and installation of improvements on such slopes in accordance with any guidelines or rules adopted by the Board for maintenance of such slopes. Thereafter each Owner shall keep, maintain, water, and replant all in such a manner as to protect the integrity of such

Owner's Unit and all adjoining Units and the structural improvements thereon. No structure, planting or other material shall be placed or permitted to remain or other activities undertaken on such slopes that may damage or interfere with established slope ratios, create erosion, flooding, or sliding problems, or that may change the direction of flow of drainage channels or obstruct or retard the flow of water through drainage channels.

6.13 Rental of Residential Units: An Owner shall be entitled to rent the Residence subject to the restrictions contained in the Governing Documents, any contractual agreement between Declarant and each original Owner for such Owner's Unit as to such parties, any other restrictions of record applicable to such Owner's Unit and all Applicable Laws. Any rental or lease agreement shall be in writing, shall provide that the lease is subject to the Governing Documents and shall provide that any failure to comply with any provisions of the Governing Documents, shall be a default under the terms of the rental or lease agreement. A copy of the rental or lease agreement shall, upon request, be provided to the Association. The Owners shall, at all times, be responsible for their tenant's or lessee's compliance with all of the provisions of this Declaration pursuant to the occupancy and use of the Residence. A lessee shall have no obligation to the Association to pay assessments imposed by the Association nor shall any lessee have any voting rights in the Association. No Owner may lease such Owner's Residence for hotel, motel or transient purposes. Any lease which is either for a period of fewer than thirty (30) days or pursuant to which the lessor provides any services normally associated with a hotel shall be deemed to be for transient or hotel purposes.

6.14 Time Sharing: A Unit may not be divided or conveyed on a time increment basis (commonly referred to as "time sharing") of measurable chronological periods. The term "time sharing" as used herein shall be defined to include, but shall not be limited to, any agreement, plan, program or arrangement under which the right to use, occupy or possess the Unit or any portion thereof in the Project rotates among various persons, either corporate partnership, individual or otherwise, on a periodically recurring basis for value exchanged, whether monetary or like-kind use privileges, according to a fixed or floating interval or period of time sixty (60) consecutive calendar days or less.

6.15 Antenna Restrictions: Owner shall install any antenna, satellite dish, or other over-the-air receiving device ("Antenna") (i) on any real property which such Owner is not entitled to exclusively use or control, as provided in Title 47 U.S.C. §§ 1 et seq., 47 CFR § 1.4000 and any other Applicable Laws, rules and decisions promulgated thereunder (collectively "Antenna Laws"), (ii) in a particular location if, in the Board's opinion, the installation, location or maintenance of such Antenna unreasonably affects the safety of the Owners or any other Person, or for any other safety-related reason established by the Board, or (iii) that is of a size larger than is permitted under the Antenna Laws. If an Owner is entitled to install an Antenna under the foregoing requirements, such Owner shall provide the Board with written notice that such Owner has installed or is about to install the Antenna. If an Owner desires to install an Antenna, other than as described in (i) through (ii) above, such Owner may do so only upon the prior approval by DRC in accordance with this Declaration. Association shall not impose or enforce any restrictions upon Antennae that are inconsistent with the Antenna Laws. Notwithstanding any provision hereof, this Section shall be interpreted to comply with state and federal laws applicable to antennas in effect at the time of enforcement of this Section. In that regard, this Section shall not be interpreted or enforced in a manner which would (i) unreasonably delay or prevent installation,

maintenance or use of such Authorized Antenna, (ii) unreasonably increase the cost of installation, maintenance or use, or (iii) preclude reception of an acceptable quality signal.

6.16 Roof Mounted Equipment: No mechanical equipment, tank, duct, elevator enclosure, cooling tower, mechanical ventilator or air conditioner shall be erected, constructed, converted, established, altered or enlarged on the roof of any building, unless such equipment has been approved in accordance with Article VIII, and provided such equipment is completely enclosed in an architecturally integrated structure whose top and sides may include grillwork, louvers and latticework.

6.17 Roof Storage: No merchandise, material or equipment shall be stored on the roof of any Residence.

6.18 Exterior Lighting: Any exterior electrical, gas or other artificial lighting installed within the Project shall be positioned, screened, or otherwise directed or situated and of such controlled focus and intensity so as to fall on the same property on which such lighting is located in accordance with Law and the Design Review Guidelines. Further rules regarding exterior lighting may be promulgated by the Board.

6.19 Outside Drying and Laundering: No exterior clothesline shall be erected or maintained within the Project and there shall be no exterior drying or laundering of clothes on any Unit.

6.20 Window Coverings: Temporary window coverings ("Temporary Window Coverings") in a design and color that does not conflict with the surrounding Improvements (but excluding aluminum foil, newspapers, or any other contrasting material) shall be permitted for a maximum period of sixty (60) days from the date that a Unit is conveyed to an Owner by Declarant. Except as specifically provided above, no Temporary Window Coverings shall be used to cover any door or window of any Residence.

6.21 Fences, Etc.: No fences, awnings, ornamental screens, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the Project except those that are installed in accordance with the original construction of the Project or as are authorized and approved in accordance with Article VIII. In no event shall any fences, gates or walls installed by Declarant be altered in any way unless such alteration has been approved in accordance with the provisions set forth in Article VIII below. All fences and walls within the Project shall be installed and maintained in accordance with the Design Review Guidelines and any pertinent Association Maintenance Manual.

6.22 Not Binding on Declarant: The restrictions set forth in this Article shall not apply to Declarant so long as Declarant is exercising any rights or powers or easements reserved to Declarant under this Declaration.

ARTICLE VII EASEMENTS AND LICENSES

7.1 Easements of Record: The Property is presently subject to all easements and licenses of Record, including those shown on the Final Map or otherwise contained herein. The Property contains easements which have been granted to the County, or other interested parties. Easements

for open space, landscaping, street lights, drainage, utilities, future streets, etc. may have some restricting effect on the use of the Common Elements within the Property. Known easements of this sort as of the date of Recordation of the Final Map are referenced on the same. In addition, the Property may be subject to other easements or licenses granted by Declarant pursuant to its powers under Article V of this Declaration and liens created under Article XII of this Declaration.

7.2 Encroachment Easement: The Property, and all portions thereof, shall be subject to an easement from the Unit's or Common Element's boundaries for the actual extent of encroachments created by construction as designed or constructed by Declarant and for settling, shifting, and movement of any portion of the Property, except that no such easement is created for an encroachment which is the result of willful conduct on the part of Declarant, an Owner, Owner's Invitee, the Association, or any other Person. A valid easement for said encroachments and for the maintenance thereof shall exist. Such encroachments shall not be considered to be encumbrances upon any part of the Property. Encroachments referred to herein include, but are not limited to, encroachments caused by error in the original construction of Improvements constructed on any Unit, by settling, rising, or shifting of the earth, or by changes in position caused by repair or reconstruction of any Improvements on the Property.

7.3 Association Easement: The Association shall have an easement over the Common Elements for performing its duties and exercising its powers described in this Declaration. In addition, the Association shall have an easement over each Unit for the purpose of maintaining or repairing the Common Elements, including any portion of the Common Elements that may encroach upon a Unit. The Association has an easement reserved across those areas identified as easement common elements pursuant to Exhibit "C" for the purposes of planting and maintaining such areas as easement Common Elements, and for ingress and egress and utility use in conjunction therewith.

7.4 Member's Easement in Association Use Areas: Subject to the provisions of this Declaration, including without limitation, Article VII, Section 7.5 and Article III, Section 3.3, every Owner shall have a non-exclusive easement of access, ingress, egress, use and enjoyment of, in and to the Association Use Areas.

7.5 Delegation of Use: Any Owner entitled to the right any easement of use and enjoyment of the Common Elements may delegate his right and easement to his tenants, contract purchasers, or subtenants who reside in the Unit, subject to reasonable regulation by the Board. Any Owner who has so delegated his right and easement shall not be entitled to the use and enjoyment of any Common Elements constituting recreational facilities for so long as the delegation shall remain in effect; provided however that no such Common Elements are contemplated for the Property.

7.6 Drainage: No planting or other material or structure (including patios or other hardscape) shall be constructed, altered, placed or permitted to remain upon a Unit which may change the direction or flow of the established drainage on the Unit or which may damage or alter any drainage system installed by Declarant and serving the Unit or which may obstruct, interfere or retard the flow of water through such system, except as may be approved in accordance with Article VIII.

7.7 Cross Unit Drainage Facilities: There is hereby reserved and granted for the benefit of each Unit upon which Cross Unit Drainage Facilities are located, if any, a nonexclusive reciprocal

easement over those Units that are part of the same cross lot drainage system for the purpose of (a) drainage through the Cross Unit Drainage Facilities, and (b) performing maintenance obligations on the Unit as required under Article IV, Section 4.1 of this Declaration.

7.8 **Light, Air and View:** No Owner shall have an easement for light, air or view over the Unit of another Owner and no diminution of light, air or view by any Improvement now existing or hereafter erected shall entitle the Owner or any Invitee to claim any easement for light, air or view within the Property.

7.9 **Right of Access:** Every Owner shall have the right to enjoy free and unobstructed passage between every such Owner's Unit, through the Association Use Areas to all publicly dedicated streets bordering the Property, subject to any restrictions or Laws imposed by any City, county or state and subject to any reservations in the deed, Final Map and Governing Documents.

7.10 **Easements for Drainage and Runoff:** Each Unit shall have an easement for drainage through the established drainage pipes and facilities and an easement for runoff of surface water on, over, through and across the other Units and the Common Elements.

7.11 **Easement to Declarant:** Declarant shall have and hereby expressly reserves the easements necessary for Declarant and its agents, employees and independent contractors, to exercise Declarant's rights and to perform its obligations under any warranty provided by Declarant to an Owner and/or to exercise any repair rights. In addition to the foregoing, Declarant hereby reserves an easement for maintenance purposes on, over through and across the Association Property, as may be necessary to satisfy any Laws related to Declarant's maintenance responsibilities.

ARTICLE VIII ADDITIONS, ALTERATIONS, AND IMPROVEMENTS

8.1 **Requisite Approvals and Procedures for Owner Alteration:** No Owner may make or commence any structural addition, alteration or Improvement on his or her Unit or anywhere in the Property, including without limitation, the alteration or construction of any building, fence, wall or structure, or the planting of any tree, shrubbery, or other foliage, without the prior written consent of the Board of Directors or the DRC.

(a) Any request for approval of anything prohibited under Section 8.1 or Section 8.1(b) must be submitted in writing to the Board of Directors or the DRC, as applicable. The Board of Directors or the DRC shall answer any written request for approval within sixty (60) days after the request. Failure to answer the request within this time shall constitute a denial by the Board of Directors or the DRC of the proposed action. Any such request shall be reviewed in accordance with any Design Review Guidelines then in effect, this Declaration.

(b) Any member or authorized consultant of the Board of Directors or the DRC, or any authorized officer, employee or agent of the Association may enter upon any Unit at any reasonable time after notice to the Owner, without being deemed guilty of trespass, in order to inspect any structural addition, alteration or Improvement constructed or under construction on the Unit to determine whether the work has been or is being built in

compliance with the plans and specifications approved by the Board of Directors or the DRC. Notwithstanding the foregoing, the Association shall not have the right or obligation to enter into any Residence or to perform any inspection contrary to Law.

(c) All additions, alterations and Improvements to the Units and Common Elements shall not, except pursuant to prior approval by the Board of Directors, cause any increase in the premiums of any insurance policies carried by the Association or by the Owners of any Units other than those affected by such change.

8.2 Construction Timelines: Upon approval by the Board or the DRC of an architectural request submitted by an Owner, but subject to Section 8.10, the Owner shall have sixty (60) days from the date that he or she receives the written approval from the Board or DRC within which to construct the alteration or Improvement, unless the Board agrees in writing to extend the time period. Failure by an Owner to construct an addition or Improvement within the prescribed timeframe shall result in the assessment of a penalty of up to One Hundred Dollars (\$100.00) per day (which amount may be adjusted for inflation over time, by the Board, by means of resolution) until construction has been completed. The Board or DRC shall not assess any penalties until the Owner has been provided with Notice and Hearing in accordance with Article XIV of this Declaration.

(a) Prior to installing any landscaping on an Owner's Unit, the Owner shall be responsible for ensuring that there is no runoff from the Owner's Unit and the Owner shall be required to take such action as may be reasonably necessary to prevent any runoff onto other property. During landscaping of an Owner's Unit, landscaping and construction materials must be stored only upon the Owner's Unit. Such materials must be properly contained to prevent spillover into the Common Elements. Should spillover occur, spilled material must be swept and containerized. Spilled materials shall not be washed into the storm water curb drain inlets. Temporary erosion or sediment control devices may have been installed by Declarant during construction of the Property. Owners shall not remove any temporary erosion or sediment control devices installed by Declarant until Owner's Unit is landscaped and the plantings are established. Owner is responsible for preventing sediment leaving Owner's Unit. Each Owner shall be liable to Declarant for any damage resulting from failure to prevent sediment from leaving the Owner's Unit, shall indemnify, protect, defend and hold Declarant and Association entirely free and harmless from any and all liability, actions, penalties or damages arising from or attributable to any such runoff or construction activities.

8.3 Members of the Committee: The DRC shall consist of at least three (3) members, all of whom may initially be appointed by Declarant. There shall also be two (2) alternate members of the DRC who shall be designated by the regular members of the DRC to act as substitutes on the DRC in the event of absence or disability of any member. Each member of the DRC shall hold office until such time as he or she has resigned or has been removed or his or her successor has been appointed, as provided herein. Members of the DRC may be removed at any time without cause. Until seventy-five percent (75%) of all Units have been sold, Declarant shall have the sole power to appoint and remove the members of the DRC. Declarant shall have the right, but not the obligation, at any time, to relinquish its power to appoint members to the DRC, by providing written notice unequivocally waiving that right and power. Thereafter, the Board shall have the

power to appoint and remove all members of the DRC. Members of the DRC need not be Members of the Association.

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

8.5 Limitation on Liability of Design Review Committee: Provided that the DRC or a particular member of the DRC has acted in good faith on the basis of the information as may be possessed by the DRC or the member, as the case may be, then neither the DRC nor any member thereof shall be liable to the Association, to any Owner, or any other Person for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings, and specifications, whether or not defective; (b) the construction or performance of any work, whether or not pursuant to approved plans, drawings, and specifications; or (c) the development of any property subject to this Declaration. Without limiting the generality of the foregoing, the DRC and any member thereof may, with the approval of the Board, consult with knowledgeable third parties with respect to any plans, drawings, specifications, or any other proposal submitted to the DRC.

8.6 Design Review Guidelines: The DRC may, upon request of the Board of Directors and subject to the approval of the Board of Directors, prepare and promulgate Design Review Guidelines containing guidelines and review procedures on behalf of the Association. The Design Review Guidelines shall be those of the Association, and the DRC shall have sole and full authority to prepare and to amend the Design Review Guidelines, provided the Design Review Guidelines are otherwise in compliance with the Articles, the Bylaws, and this Declaration. The DRC shall make copies of the Design Review Guidelines available to Owners upon request.

8.7 Board of Directors and Design Review Committee Discretion: Except as may be expressly provided in this Declaration, any consent or approval of the Board of Directors, DRC or Association that is required under the provisions hereof may be granted or withheld in the sole and absolute discretion of the Board of Directors, DRC, or Association, as applicable. In that regard, the granting or withholding of such consent or approval shall not be subject to any objective standards of "reasonableness" or otherwise; provided, however, that the decision of the Board of Directors, DRC, or Association shall be consistent with the Governing Documents, including the Design Review Guidelines, as may be in effect at the time of such granting or withholding of consent or approval. Furthermore, the approval of or consent to any matter shall not be deemed to be a waiver of the right to disapprove the same or similar matters in subsequent requests for consents or approvals from the same or other parties.

8.8 No Applicability to Construction by Declarant or its Successors: The provisions of this Article VIII shall not apply to construction by Declarant or its successors in ownership of the Property or assigns, and neither the Board of Directors nor any DRC appointed by the Board of Directors shall have any authority or right to approve or disapprove or take any other action in

connection with regard to any previous or future construction by Declarant or its successors in ownership to the Property.

8.9 No Applicability to Board of Directors: Subject to the express limitations in this Declaration or the Act, the Board of Directors may make any additions, alterations or improvements to the Common Elements which, in its judgment, it deems necessary, and the provisions of this Article VIII shall not apply to such work.

8.10 Yard Installation: Notwithstanding Section 8.2, not later than the date that is one hundred and eighty (180) days after the sale of a Unit to an owner Other than Declarant or any Guest Builder, the then- Owner shall submit all materials and plans, and pay all fees necessary for DRC approval for the initial construction of rear yard improvements with respect to the Unit. This shall include, but without limitation, all rocks, desert landscaping, xeriscape, turf, sidewalk, plants, bushes, trees, and other improvements consistent with the Rules, the Design Review Guidelines, the Bylaws, and this Declaration. Not later than the date that is three hundred and sixty five (365) days after the sale of such Unit to such Owner, the then-Owner shall cause to be completed all initial construction of all rear yard improvements consistent with approved plans. The DRC may consider and, upon good cause shown, grant variance requests on a case by case basis in its discretion with respect to this timing. Notwithstanding Section 8.2, not later than the date that is ninety (90) days after the sale of a Unit to an owner Other than Declarant or any Guest Builder, the then- Owner shall submit all materials and plans, and pay all fees necessary for DRC approval for the initial construction of front yard improvements with respect to the Unit. This shall include, but without limitation, all rocks, desert landscaping, xeriscape, turf, sidewalk, plants, bushes, trees, and other improvements consistent with the Rules, the Design Review Guidelines, the Bylaws, and this Declaration. Not later than the date that is one hundred and eighty (180) days after the sale of such Unit to such Owner, the then-Owner shall cause to be completed all initial construction of all front yard improvements consistent with approved plans. The DRC may consider and, upon good cause shown, grant variance requests on a case by case basis in its discretion with respect to this timing.

8.11 RV Parking: No Recreational Vehicle or similar equipment or vehicle may be parked, maintained, constructed, reconstructed or repaired on any Unit or Common Element or on any street so as to be visible from any neighboring Unit or from any Common Element without the prior written approval of the DRC pursuant to this Article VIII, except for (i) the temporary parking of any such vehicle or equipment on the paved driveway of a Unit for a period of not more than forty-eight (48) hours within any seven (7) day period for the purpose of loading, unloading or cleaning during that time; (ii) temporary construction trailers or facilities maintained during, and used exclusively in conjunction with, the construction of any Improvement approved by the DRC; (iii) Recreational Vehicles parked in fully enclosed garages on Units, provided that such Recreational Vehicles can fully fit within the garage and the garage doors may be fully closed, as long as such vehicles are in good working order and are not under repair. A passenger aircraft (e.g., plane, helicopter, ultralight) is not considered a Recreational Vehicle for purposes of the foregoing, and the temporary parking or storage of any aircraft on any Unit or Common Element is not permitted pursuant to the foregoing provisions. There is no permitted outdoor long term Recreational Vehicle parking permitted.

ARTICLE IX AMENDMENTS TO DECLARATION

9.1 **In General:** Except in cases of amendments that may be executed: (a) by Declarant under Article XIX, Section 19.15 of this Declaration or otherwise in the exercise of its Developmental Rights; (b) by Declarant as authorized under any provision of the Act, including, without limitation, NRS 116.1107, NRS 116.2106(4), NRS 116.2112(1), NRS 116.2113, NRS 116.21175, and NRS 116.2122; or (c) by certain Owners under the Act, including, without limitation, NRS 116.2113(2), NRS 116.21175, and NRS 116.2118, and except as limited by Articles IX and XI of this Declaration, this Declaration, including the Final Map, may be amended only by vote or agreement of a majority of Owners. The procedure for amendment must follow the procedures set forth in NRS 116.2117 and as applicable, NRS 116.21175.

9.2 **Limitation of Challenges:** An action to challenge the validity of an amendment adopted by the Association pursuant to this Article may not be brought more than one (1) year after the amendment is Recorded.

9.3 **Recordation of Amendments:** Each amendment to this Declaration must be Recorded and the amendment is effective only upon being Recorded.

9.4 **Unanimous Consent:** Except to the extent expressly permitted or required by other provisions of this Declaration or the Act, no amendment may change the boundaries of any Unit, the Allocated Interests of a Unit or the uses to which any Unit is restricted in the absence of unanimous consent of only those Owners affected and consent of a majority of Owners of the remaining Units. For purposes of this Section 9.4, "change in the use to which a Unit is restricted" refers to an amendment that would alter the land use designation or classification of a Unit or would alter the character of the Property (for example, changing a Unit from residential use to commercial use or changing the Property from single-family residential use to commercial use). However, it does not include any amendment to an existing use restriction set forth in Article VI of this Declaration or any new restriction that does not affect the designation or classification of a Unit or the Property.

9.5 **Execution of Amendments:** An amendment to this Declaration required by the Act to be Recorded by the Association, which has been adopted in accordance with this Declaration and the Act, must be prepared, executed, Recorded and certified on behalf of the Association by an officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

9.6 **Special Declarant Rights:** Provisions in this Declaration creating Special Declarant Rights may not be amended without the consent of Declarant.

9.7 **Consent of Holders of Security Interests:** Amendments are subject to the consent requirements of Article XI of this Declaration.

9.8 **Amendments to Create Units:** Declarant must Record an amendment to this Declaration to create additional Units within the Property. Declarant shall also Record a new Final Map to the extent as necessary to conform to the requirements of Law or the Act.

9.9 **Consent of Declarant:** For so long as Declarant owns any Unit, and to the fullest extent permitted by Law, no amendment to this Declaration shall be permitted without the prior written consent of Declarant.

ARTICLE X TERMINATION

Termination of the Property may be accomplished upon the approval of the Owners of Eighty Percent (80%) of the total number of Units within the Property, and then in accordance with the provisions of the Act. Additionally, if substantially all of the Units in the Association have been destroyed or are inhabitable, the Board or any person holding an interest in Property or any portion thereof may commence an appropriate action in the Nevada State District Court seeking to terminate the Project, pursuant to the requirements of Nevada law.

ARTICLE XI MORTGAGEE PROTECTIONS

11.1 **Introduction:** This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain Security Interests. This Article is supplemental to, and not a substitution for, any other provisions of the Governing Documents, but in the case of conflict, this Article XI shall control.

11.2 **Percentage of Eligible Mortgagees:** Wherever in this Declaration the approval or consent of a specified percentage of Eligible Mortgagees is required, it shall mean the approval or consent of Eligible Mortgagees holding First Security Interests in Units which in the aggregate have allocated to them that specified percentage of votes as compared to the total votes allocated to all Units in the Association then subject to Security Interests held by all Eligible Mortgagees.

11.3 **Notice of Actions:** The Association shall give prompt written notice to each Eligible Mortgagee and Eligible Insurer of:

- (a) Any condemnation loss or any casualty loss which affects a material portion of the Property or any Unit in which there is a First Security Interest held, insured or guaranteed by that Eligible Mortgagee or Eligible Insurer, as applicable;
- (b) Any delinquency in the payment of Common Expense Assessments owed by an Owner which remains uncured for a period of sixty (60) days and whose Unit is subject to a First Security Interest held, insured or guaranteed by that Eligible Mortgagee or Eligible Insurer, as applicable;
- (c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and
- (d) Any proposed action which would require the approval of a specified percentage of Eligible Mortgagees as specified in Section 11.4 below.

11.4 **Consent and Notice Required:**

(a) Document Changes: Notwithstanding any requirement permitted by this Declaration or the Act, no amendment of any material provision of this Declaration by the Association or Owners described in this Section may be effective without notice to all Eligible Mortgagees and Eligible Insurers, as required by Section 11.3 above, without the vote of at least the Supermajority of Owners and without approval by at least a majority of the Eligible Mortgagees (or any greater Eligible Mortgagee approval required by this Declaration). The foregoing approval requirements do not apply to amendments effected by the exercise of any Developmental Right. A change to or attempted addition of any of the following would be considered material:

- (i) Any provision of this Declaration pertaining to voting rights;
- (ii) Any provision of this Declaration pertaining to Assessments, assessment liens or priority of assessment liens;
- (iii) Any provision of this Declaration pertaining to reserves for maintenance, repair and replacement of Common Elements;
- (iv) Any provision of this Declaration pertaining to responsibility for maintenance and repairs;
- (v) Any provision of this Declaration pertaining to expansion or contraction of the Property, the addition, annexation or withdrawal of property to or from the Property, or the allocation of interests in the Property;
- (vi) Any provision of this Declaration pertaining to the amount or type of insurance or fidelity bonds to be maintained;
- (vii) Any provision of this Declaration pertaining to leasing of Units;
- (viii) Any provision of this Declaration conditioning or limiting rights to use the Common Elements;
- (ix) Any provision of this Declaration that expressly benefits holders, insurers or guarantors of Security Interests;
- (x) Any provision of this Declaration pertaining to the convertibility of Units into Common Elements or Common Elements into Units;
- (xi) Any provision of this Declaration pertaining to the imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey the Owner's Unit;
- (xii) Any provision of this Declaration pertaining to the establishment of self-management where professional management has previously been required;
- (xiii) Any changes to the boundaries of any Unit;

(xiv) Any provision of this Declaration pertaining to the restoration or repair of the Property;

(xv) Any provision regarding the termination of the Property;

(xvi) Any provision requiring a holder of a Security Interest who acquires a Unit through foreclosure to pay more than its proportionate share of any unpaid Assessments accruing after foreclosure;

(xvii) Any provision which could result in a mortgage being canceled by forfeiture or in a Unit not being assessed separately for tax purposes; or

(xviii) Any provision which could result in a partition or subdivision in a manner not consistent with this Declaration.

(b) Actions. Notwithstanding any lower requirement permitted by this Declaration or the Act, the Association may not take any of the following actions, other than rights reserved to Declarant as Special Declarant Rights, without notice to all Eligible Mortgagees and Eligible Insurers, as required by Section 11.3 above, and approval of at least a majority (or the indicated percentage, if higher) of the Eligible Mortgagees:

(i) Any restoration or repair of any part of the Property after partial condemnation or damage due to an insurable hazard in a manner not in substantial compliance with this Declaration and the original Subdivision Map;

(ii) Any election to terminate the Property after occurrence of substantial destruction or condemnation;

(iii) Any reallocation of Allocated Interests resulting from partial destruction or condemnation; or

(iv) The termination of the Property, for which approval of at least Sixty-Seven Percent (67%) of Eligible Mortgagees is required.

(c) Implied Approval. The failure of an Eligible Mortgagee or Insurer to respond within Sixty (60) days to any written request for approval of an addition or amendment to the Document wherever Eligible Mortgagee or Insurer approval is required, or any other matter pursuant to this Declaration, when such request is delivered by certified or registered mail, return receipt requested, shall conclusively constitute an implied approval of the addition or amendment. If any holder, insurer or guarantor of any First Security Interest has not requested, in writing, notice of any proposed amendment or matter, the approval of such holder, insurer or guarantor shall be deemed given.

11.5 Inspection of Books: The Association must maintain current copies of the Governing Documents, books, records, and financial statements of the Association. The Association shall permit any Eligible Mortgagee or Eligible Insurer or other first mortgagee of Units to inspect the books and records of the Association during normal business hours and subject to the provisions of the Act.

11.6 Financial Statements: The Association shall provide any Eligible Mortgagee or Eligible Insurer, or any agency or corporation that has a prospective interest in the Property, with a copy of a reviewed or audited financial statement, prepared in accordance with the requirements of the Act. The financial statement shall be for the preceding Fiscal Year and will be provided within a reasonable amount of time to any Eligible Mortgagee or Eligible Insurer upon written request to the Association.

11.7 Enforcement: The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors and may be enforced by any of them by any available means, at law or in equity.

11.8 Appointment of Trustee: In the event of damage or destruction under Article XVI of this Declaration or condemnation of all or a portion of the Property, any Eligible Mortgagee may require that such proceeds be payable to a Trustee established pursuant to this Declaration. This Trustee may be required to be a corporate trustee licensed by the State of Nevada. Proceeds will then be distributed pursuant to Article XVI of this Declaration or pursuant to a condemnation award. Unless otherwise required, the members of the Board of Directors, acting by majority vote through the president, may act as Trustee.

ARTICLE XII ASSESSMENT AND COLLECTION OF COMMON EXPENSES

12.1 Liability for Common Expenses: The percentage of liability for Common Expenses allocated to each Unit (except as otherwise set forth herein, including without limitation, Article XII, Section 12.3) is a fraction, the numerator being one (1) and the denominator being the total number of Units within the Property. Nothing contained in this Section shall prohibit certain Common Expenses from being apportioned to particular Units under this Declaration, including without limitation allocation of Cost Center Assessments to certain Units as herein provided.

12.2 Common Expenses Attributable to Fewer than all Units; Exempt Property: Any Common Expense or portion thereof benefiting fewer than all of the Units shall be assessed exclusively against the Units benefited.

(b) The costs of insurance and shall be assessed equally amongst all Units.

(c) An Assessment to pay a judgment against the Association may be made only against the Units in the Property at the time the judgment was entered, in proportion to the respective Liability for Common Expense.

(d) If a Common Expense is caused by the misconduct of an Owner, the Association may assess that expense exclusively against that Owner's Unit.

(e) If the Liability for Common Expenses is reallocated, Common Expenses Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated liabilities.

12.3 Model Units.

In no event shall any sale or leaseback to Declarant of any Unit being used as a model home, sales office, design center, construction office or similar purpose and which are not occupied by a homeowner cause the commencement of assessments in a Phase for which assessments have not otherwise commenced through a sale of a Unit in such a Phase to an Owner who will occupy such Unit.

12.4 Lien:

(a) The Association has a lien on a Unit for an Assessment levied against the Unit or fines imposed against its Owner from the time the Assessment or fine becomes due. Fees, charges, late charges, fines, attorneys' fees, and interest charged pursuant to the Act and the Governing Documents are enforceable as Assessments under this Section; provided, however, that unless otherwise permitted by law, the Association may not foreclose upon a lien for unpaid Assessments which is comprised solely of fines levied against an Owner for violation of the Governing Documents unless the violation is of a type that poses an imminent threat of causing a substantial adverse effect on the health, safety and/or welfare of the Owners or Invitees of the Property. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment becomes due.

(b) Except to the extent permitted under the Act, a lien under this Section is prior to all other liens and encumbrances on a Unit except: (1) liens and encumbrances Recorded before the Recordation of this Declaration; (2) a first Security Interest on the Unit Recorded before the date on which the Assessment sought to be enforced became delinquent, except that a lien under this Section is prior to such Security Interests to the extent of the Assessments for Common Expenses based on the periodic budget adopted by the Association pursuant to the Act which would have become due in the absence of acceleration during the nine (9) months immediately preceding institution of an action to enforce the lien (or such longer period as specified under the Act); and (3) liens for real estate taxes and other governmental assessments or charges against the Unit. This subsection does not affect the priority of mechanics' or materialmen's liens or the priority of a lien for other Assessments made by the Association.

(c) Recording of the Declaration constitutes Record notice and perfection of the lien. Further Recording of a claim of lien for Assessment under this Section is not required.

(d) A lien for an unpaid Assessment is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the full amount of the Assessment becomes due, except that if an Owner of a Unit subject to a lien under this section files a petition for relief under the United States Bankruptcy Code ("Bankruptcy Code"), the time period for instituting proceedings to enforce the Association's lien shall be tolled until the later of the time period allowed hereunder or thirty (30) days after the automatic stay of proceedings under Section 362 of the Bankruptcy Code is lifted.

(e) This section does not prohibit an action to recover sums for which subsection (a) of this section creates a lien or prohibit the Association from taking a deed in lieu of foreclosure.

(f) A judgment or decree in any action brought under this Section shall include costs and reasonable attorneys' fees for the prevailing party.

(g) The Association's lien may be foreclosed by the same procedure set forth in the Act, including without limitation NRS 116.31162 through NRS 116.31168.

(h) In any action by the Association to collect Assessments or to foreclose a lien for unpaid Assessments, the court may appoint a receiver for the Owner to collect all sums alleged to be due to that Owner from third parties prior to or during the pendency of the action. The court may order the receiver to pay any sums held by the receiver to the Association during the pendency of the action to the extent of the Association's Common Expense Assessments, based on a periodic budget adopted by the Association pursuant to Section 12.5 below.

(i) If a holder of a First Security Interest in a Unit forecloses that Security Interest, the purchaser at the foreclosure sale is not liable for any unpaid Assessments against that Unit which became due before the sale, other than the Assessments which are prior to that Security Interest under Subsection (b) of this section of this Declaration and as provided in the Act, including without limitation NRS 116.3116(2)(c). Any unpaid Assessments not satisfied from the proceeds of sale become Common Expenses collectible from all the Owners, including the purchaser.

(j) Any Person who has or claims any right, title or interest in, or lien or charge upon a Unit or any other Person who is or may be held liable for any debt secured by a lien on the Unit may request a copy of a Notice of Default and Sale. Such request must be Recorded in accordance with Law, including without limitation NRS 107.090, and shall apply to the foreclosure of an Association lien. The request must identify the lien by stating the names of the Owner and the Property.

(k) In accordance with the Act, including without limitation NRS 116.31162 through NRS 116.31168, the Association shall provide notice of its intent to foreclose a lien to each lien holder of the affected Unit known to the Association.

(l) Any payments received by the Association in the discharge of an Owner's obligation may be applied to the oldest balance due; provided, however, that the Association may not apply any Assessment, fee or other charge that is paid by an Owner toward a fine imposed against the Owner by the Association unless otherwise directed by the Owner or as permitted by law.

12.5 Budget Adoption and Ratification:

Prior to the commencement of each Fiscal Year, the Board shall determine the Budget for the Association for such Fiscal Year in the following manner:

(a) The Board shall, not less than thirty (30) days nor more than sixty (60) days before the beginning of each Fiscal Year of the Association, prepare and distribute to each Owner a copy of the budget for the daily operation of the Association (the "Operating Budget"). The Operating Budget must include, without limitation, the estimated annual revenue and

expenditures of the Association and any contributions to be made to the reserve fund established by this Article XII. In lieu of distributing copies of the Operating Budget, the Board may distribute summaries of the Operating Budget, accompanied by a written notice that the Operating Budget is available for review at the business office of the Association or other suitable location and that copies of the Operating Budget will be provided upon request.

(b) The Association shall also establish adequate reserves, funded upon a reasonable basis, for the repair, replacement, and restoration of the major components of the Common Elements. The reserve funds may be used only for those purposes and not for daily maintenance. Money in the reserve accounts may not be withdrawn without the signatures of at least two (2) members of the Board or the signatures of at least one (1) member of the Board and one (1) officer of the Association who is not a member of the Board.

(c) The Board shall, not less than thirty (30) days or more than sixty (60) days before the beginning of the Fiscal Year of the Association prepare and distribute to each Owner a copy of the reserve budget (the "Reserve Budget"). In lieu of distributing copies of the Reserve Budget, the Board may distribute summaries of the Reserve Budget, accompanied by a written notice that the Reserve Budget is available for review at the business office of the Association or other suitable location and that copies of the budget will be provided upon request.

The Reserve Budget must include, without limitation: (a) the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of the Common Elements; (b) as of the end of the Fiscal Year for which the Reserve Budget is prepared, the current estimate of the amount of cash reserves that are necessary, and the current amount of accumulated cash reserves that are set aside, to repair, replace, or restore the major components of the Common Elements; (c) a statement as to whether the Board has determined or anticipates that the levy of one or more Assessments will be required to repair, replace, or restore any major component of the Common Elements or to provide adequate reserves for that purpose; and (d) a general statement describing the procedures used for the estimation and accumulation of cash reserves, including, without limitation, the qualifications of the Person responsible for the preparation of the reserve study required under this Section.

The Board shall cause to be conducted at least once every five (5) years, or on such frequency as required by the Act, a study of the reserves required to be maintained by this Section, review the results of that study at least annually to determine if those reserves are sufficient, and make any adjustments it deems necessary to maintain the required reserves. The reserve study must be conducted by a Person licensed to conduct such a study (as determined pursuant to the Act). The study must include, without limitation: (i) a summary of an inspection of the major components of the Common Elements that the Association is obligated to repair, replace, or restore; (ii) an identification of the major components of the Common Elements that the Association is obligated to repair, replace, or restore which have a remaining useful life of less than thirty (30) years; (iii) an estimate of the remaining useful life of each major component so identified; (iv) an estimate of the cost of repair, replacement, or restoration of each major component so identified; (v) an estimate of the total Common Assessments that may be required to cover the cost of repair, replacement, or restoration of the major components so identified after subtracting the reserves of

the Association as of the date of the study; and (vi) an estimate of the funding plan that may be necessary to provide adequate funding for the required reserves. As used herein, "major component" shall mean any component of the Common Elements, including, without limitation, any amenity, improvement, furnishing, fixture, finish, system or equipment, that may, within 30 years after its original installation, require repair, replacement or restoration in excess of routine annual maintenance which is included in the annual operating budget of the Association.

In the event a reserve study shows a deficiency in the reserve account for the Association, the Association may establish a funding plan that is designed to allocate the costs for the repair, replacement and restoration of the major components of the Common Elements over a period of years; provided the funding plan is designed in an actuarially sound manner which will ensure that sufficient money is available when the repair, replacement and restoration of the major components of the Common Elements are necessary.

(d) Upon determination of the Budget for a Fiscal Year, the Board shall furnish a copy of the Budget to each Owner as herein provided (which Budget shall separately identify amounts attributable to the Operating Budget and the Reserve Budget) together with a written statement of the amount of the Common Assessment to be assessed against the Owner's Residence for the applicable Fiscal Year. The Board shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after the mailing of the budget. Unless at that meeting a majority of all Owners reject the Budget, the Budget is ratified, whether or not a quorum is present. If the proposed Budget is rejected, the periodic Budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent Budget proposed by the Board.

(e) The amount to be raised by Common Assessments during a Fiscal Year shall be equal to (a) the Operating Budget for such period, plus (b) the Reserve Budget to be set aside for said period, less the amount attributable to the Operating Budget collected but not disbursed in the immediately preceding Fiscal Year or partial Fiscal Year; provided, however, that in lieu of such subtraction the Board may elect to refund said surplus to the Owners or deposit the funds into the reserve account.

If the Board fails to determine or cause to be determined the total amount to be raised by Common Assessments in any Fiscal Year and/or fails to notify the Owners of the amount of such Common Assessments for any Fiscal Year, then the amounts of Common Assessments shall be deemed to be the amounts assessed in the previous Fiscal Year.

Except as emergencies may require, the Association shall make no commitments or expenditures in excess of the funds reasonably expected to be available to the Association.

12.6 Special Assessments. If the Association determines that the estimated total amount of funds necessary to defray the Common Expenses of the Association for a given Fiscal Year is or will become inadequate to meet expenses for any reason, including, without limitation, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements on, damage and destruction or condemnation of, the Association Property or Common Elements, the Board may levy a special assessment ("Special Assessment"). Special Assessments shall be subject to the limitations set forth in Section 12.9 below. The Board may, in

its discretion, prorate such Special Assessment over the remaining months of the Fiscal Year or levy the Assessment immediately against each Residential Unit.

12.7 Special Allocation Assessments. The Association may establish a special allocation assessment ("Special Allocation Assessment") for reconstruction, Capital Improvements, extraordinary maintenance, or any other cost or expense not otherwise provided for in this Declaration which will benefit less than all of the Owners. A Supplemental Declaration shall be Recorded to designate any Units which are subject to a Special Allocation Assessment. Such a Special Allocation Assessment may be imposed only by a vote of a majority of the Owners of the Units benefited by the Special Allocation Assessment.

12.8 Enforcement Assessments. The Association may levy an Enforcement Assessment against any Owner for bringing an Owner or its Unit into compliance with the provisions of the Governing Documents, and/or any other charge designated an Enforcement Assessment in the Governing Documents, together with attorneys' fees, interest and other charges related thereto as provided in this Declaration. If the Association undertakes to provide materials or services which benefit individual Owners, then such Owners in accepting such materials or services agree that the costs thereof shall be an Enforcement Assessment. The Board shall have the authority to adopt a reasonable schedule of Enforcement Assessments for any violation of the Governing Documents. If, after Notice and Hearing as required by the Governing Documents and which satisfies the Act, the Owner fails to cure or continues such violation, the Association may impose an additional fine each time the violation is repeated, and may assess such Owner and enforce the Enforcement Assessment as herein provided for nonpayment of an assessment. A hearing committee may be established by the Board to administer the foregoing.

12.9 Limitations on Assessments: From and after the end of the Fiscal Year immediately following the conveyance of the first Unit to an Owner, other than Declarant, the maximum annual Regular Assessment may not, except in the case of an Emergency (as hereinafter defined), be increased by an amount greater than thirty five percent (35%) of the Common Expense Assessments for the preceding approved budget, without the consent of the Owners, constituting a quorum and casting a majority of the votes at an election of the Association conducted in accordance with the provisions of the Bylaws. For the purpose of this Section, an Emergency shall mean any one of the following: (a) an extraordinary expense required by an order of a court; (b) an extraordinary expense necessary to repair or maintain the Common Elements which is the responsibility of the Association to maintain where a threat to personal safety on the Property is discovered; or (c) an extraordinary expense necessary to repair or maintain the Common Elements that could not have been reasonably foreseen by the Board in preparing and distributing the Budget required under this Declaration and the Bylaws; provided, however, that prior to the imposition or collection of a Common Expense Assessment under this Section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense which is involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Owners with the notice of Regular Assessment. Special Assessments and Capital Improvement Assessments shall not be imposed that in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that Fiscal Year, without the consent of the Members, constituting a quorum and casting a majority of the votes at a vote of the Members in accordance with the Law and Governing Documents.

12.10 Capital Improvement Assessments: If the Board of Directors votes to levy a Capital Improvement Assessment, the Owners shall be provided with written notice of a meeting at which the Capital Improvement Assessment is to be considered or action is to be taken on such Assessment at least twenty-one (21) days before the date of the meeting. The Board of Directors shall submit the Assessment to the Owners for ratification in the same manner as a budget under Section 12.5. A Capital Improvement Assessment levied pursuant to this Section 12.10 shall include: (a) an assessment not included in the current Budget, other than one enumerated in Section 12.2 of this Declaration, in an amount greater than fifteen percent (15%) of the current operating budget; or (b) an assessment for the cost of construction, reconstruction, repair or replacement of a new capital improvement upon the Common Elements.

12.11 Certificate of Payment of Common Expense Assessments: The Association, upon written request, shall furnish an Owner with a statement, in Recordable form, setting out the amount of unpaid Assessments against the Unit. The statement must be furnished within ten (10) business days after receipt of the request and is binding on the Association, the Board of Directors and each Owner.

12.12 Monthly Payment of Common Expenses: Subject to Board decision, all Common Expense Assessments assessed under Sections 12.1 and 12.2 of this Declaration shall be due and payable monthly, at 1/12th of the annual total (in cases where an annual total is applicable).

12.13 Acceleration of Common Expense Assessments and Late Fee: In the event of default in which any Owner does not make the payment of any Common Expense Assessment levied against his or her Unit within ten (10) days after the date due, the Board of Directors shall have the right, after Notice and Hearing, to declare all unpaid Assessments for the pertinent Fiscal Year immediately due and payable. A late fee and other charges in amounts to be established from time to time, along with other assessment and collection procedures, shall be established by the Board through resolution will be imposed against the Owner's association account if a Common Expense Assessment is not received by 5:00 PM on the tenth (10th) calendar day of the month. In addition, if a Common Expense Assessment is not paid by the 5:00 PM on the last calendar day of a particular month, interest charges in the maximum amount permitted by the Act will be imposed against the Owner's association account.

12.14 Commencement of Common Expense Assessments: The Common Expense Assessments provided for herein shall begin as to all Units then included in any Phase of construction and subject to this Declaration (other than unsold Units owned by Declarant if a Subsidy Agreement is in effect) on the first day of the month following the first conveyance of a Unit in that Phase to an Owner other than Declarant or a Guest Builder. The first assessment shall be adjusted according to the number of months remaining in the calendar year. If a Subsidy Agreement is in effect, Common Expense Assessments as to all unsold Units owned by Declarant shall commence upon the sale seventy-five percent (75%) of the Units within the Project to an Owner not the Declarant or a Guest Builder.

12.15 No Waiver of Liability for Common Expenses: No Owner may become exempt from liability for payment of the Common Expense Assessments by waiver of the use or enjoyment of the Common Elements or by abandonment of the Units against which the Assessments are made.

12.16 Personal Liability of Owners: The Owner of a Unit, at the time a Common Expense Assessment or portion thereof is due and payable, is personally liable for the Common Expense Assessment. Additionally, the Owner of a Unit, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or such other instrument, is deemed to covenant and agree to pay to the Association: (a) annual Common Expense Assessments; (b) Capital Improvement Assessments; and (c) Special Assessments, such assessments to be established and collected as herein provided. All Assessments, together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Unit against which such Assessment is made.

(a) No Owner may be exempt from the personal liability for any Assessments described in this Declaration, nor release the Unit owned by the Owner from the liens and charges thereof by waiver of the use or enjoyment of any of the Common Elements or by abandonment of the Owner's Unit.

(b) Personal liability for the Assessment shall not pass to a successor in title to the Unit unless the successor agrees to assume the obligation. The successor in title shall be personally liable for any Common Expense Assessments thereafter due.

12.17 Capitalization of Association: A working capital fund is to be established. A mandatory contribution to the working capital fund in the amount of One Thousand Dollars (\$1,000), or two times the regular monthly assessments chargeable to a Unit, whichever is higher, shall be collected from the Owner of each Unit upon the time of Closing of the sale of that Unit by Declarant to Owner. Similarly, upon the closing of any subsequent sale or conveyance of the Unit by the then-Owner to any new Owner shall also trigger a mandatory contribution to the working capital fund, payable upon closing of that subsequent transaction, in the amount of One Thousand Dollars (\$1,000), or two times the regular monthly assessments chargeable to a Unit, whichever is higher. Such amounts may be increased or adjusted as to initial Owners by Declarant providing notice to same from time to time in conjunction with their purchase. Such amounts may be increased or adjusted as to subsequent Owners by the Board by providing notices to the Owners from time to time; provided, however, that the intent of any such adjustments shall be to reasonably account for inflation. Specifically excluded from the mandatory contributions set forth in this Section are all or any of the following: (a) any transfer of a Unit to Declarant or one of its affiliated or subsidiary entities, (b) any transfer from an Owner to a spouse or direct lineal descendent, (c) any transfer from an Owner to a trust for estate planning purposes, (d) any transfer to an entity in which the Owner owns, directly or indirectly, not less than 51% of the ownership interests; (e) a mortgagee acquiring title pursuant to a foreclosure or deed in lieu of foreclosure, or (f) any transfer for which the Declarant or the Association, each acting in its sole and exclusive discretion, waives in writing the required capital contribution. Any transaction or series of transactions having the practical effect of transferring ownership or beneficial use of a Unit from one person to another shall trigger this requirement, including by way of illustration but not of limitation, any transfer of equitable interests or control in any business or corporate entity holding Record title a Unit. Notwithstanding the foregoing, a transfer of property by a trust settler into a revocable trust for estate planning purposes shall not, in and of itself, trigger the payment requirement. Any amounts paid into the working capital fund shall not be considered as advance payment of Assessments. Each Unit's share of the working capital fund may be collected and then contributed to the Association by Initial Declarant, as to each initial sale to an Owner, or at the time the sale of the Unit is closed as

to each subsequent change in ownership. Until paid to the Association, the contribution to the working capital shall be considered an unpaid Common Expense Assessment, with a lien on Declarant's unsold Units pursuant to the Act. Until termination of the Declarant Control Period, the working capital fund shall be deposited without interest in a segregated fund. During the Declarant Control Period, Declarant cannot use any of the working capital funds to defray its expenses, reserve contributions, or construction costs or to make up budget deficits. Each capital contribution owing upon a subsequent sale shall be due and payable immediately to the Association, and until paid shall be a lien upon the Unit to which the capital contribution payment relates.

12.18 Subsidy Agreements: 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 Units 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 and/or the performance of certain other services which are Common Expenses of the Association. Any such agreement shall automatically terminate after conveyance of seventy-five percent (75%) of the Units in the Property to an Owner not the Declarant.

12.19 Cost Centers. Subject to the restrictions set forth in this Article XII, Declarant and/or the Association shall have the power to form and administer Cost Centers in accordance with the terms and provisions of this Declaration and the Bylaws. In connection with the administration of Cost Centers, the Association shall have the power to establish advisory committees for any Cost Center, comprised of Owners whose Units are within the applicable Cost Center. Such advisory committees may propose special rules and regulations with respect to Cost Centers or Cost Center Maintenance Areas which may be adopted by the Board. The Board shall also adopt special election procedures for the election of members of such advisory committees.

12.20 Cost Center Administration. The Association shall administer and perform any obligations associated with any Cost Center created pursuant to this Declaration.

12.21 Formation of Cost Centers: Cost Centers may be created with respect to portions of the Property which directly receive a special benefit and may levy Regular Assessments with a component for such Cost Center as provided in this Article XII, upon a vote by a majority of the Owners of the Units benefited by the proposed Cost Center. Upon its approval, the Cost Center shall be described in a Supplemental Declaration Recorded by the Association. From and after the formation of such a Cost Center, it shall be administered by the Association in the same manner as all other Cost Centers provided for in this Declaration. Nothing contained herein shall give the Association any rights to approve Cost Centers established by the Declarant upon the recordation of this Declaration or the Recordation of a Supplemental Declaration. The Property described in Parcel C/D Final Map constitute a Cost Center as to certain elements of costs specific to those Units, as more particularly specified in the Budget.

12.22 Cost Center Assessment Component: The portion of the Regular Assessments budgeted exclusively to any particular Cost Center in the Cost Center Budget shall be assessed solely to the Owners of Units within the applicable Cost Center, at a uniform rate determined by dividing the amount of the assessment by the total number of Units within the Cost Center. The Cost Center

Budget may include, without limitation, estimated or actual costs and expenses incurred by the Association for administering and maintaining the Cost Center, obtaining and maintaining insurance coverage related to the Cost Center, providing utility service to the Cost Center and funding reasonable reserves for the repair or replacement of the Cost Center. The Association shall provide for a separate accounting for the funds which are collected and expended on behalf of a Cost Center. The Association shall also provide for a reserve study and the annual review and disclosure of the reserves applicable to a Cost Center to the same extent required for the other budgetary components.

12.23 Allocation of Assessments to Residential Units Upon Establishment of Cost Centers: The provisions of this Section 12.23 shall be applicable only upon the Recordation by Declarant or the Association of a Supplemental Declaration establishing a Cost Center. Upon the Recordation of such Supplemental Declaration, the Assessments shall be allocated to each assessable Unit as set forth below.

(a) General Assessment Component. The Regular Assessments exclusive of the Common Expenses included within the Cost Center Budget shall be allocated among the Owners and their respective Units as provided in the Budget.

(b) Cost Center Assessment Component. The portion of the Regular Assessments budgeted exclusively to any particular Cost Center in the Cost Center Budget shall be assessed solely to the Owners of Units within the applicable Cost Center, at a uniform rate determined by dividing the amount of the assessment by the total number of Units within the Cost Center. The Cost Center Budget may include, without limitation, estimated or actual costs and expenses incurred by the Association for administering and maintaining the Cost Center, obtaining and maintaining insurance coverage related to the Cost Center, providing utility service to the Cost Center and funding reasonable reserves for the repair or replacement of the Cost Center. The Association shall provide for a separate accounting for the funds which are collected and expended on behalf of a Cost Center. The Association shall also provide for a reserve study and the annual review and disclosure of the reserves applicable to a Cost Center to the same extent required for the other budgetary components.

ARTICLE XIII RIGHT TO ASSIGN FUTURE INCOME

The Association may assign its future income, including its right to receive Common Expense Assessments, only upon the approval of a majority of Owners, at a meeting called for that purpose, and, as applicable, with Eligible Mortgagees' consent described in Article XI.

ARTICLE XIV PERSONS AND UNITS SUBJECT TO GOVERNING DOCUMENTS

14.1 Compliance with Governing Documents: All Owners and Invitees of Units shall comply with the Governing Documents. The acceptance of a deed or the exercise of any incident of ownership or the entering into of a lease or the occupancy of a Unit constitutes agreement that the provisions of the Governing Documents are accepted and ratified by that Owner or Invitee. All

provisions of the Governing Documents that are Recorded are covenants running with the land and shall bind any Persons having at any time any interest or estate in any Unit.

14.2 No Separate Conveyance: The interest of each Owner in the use and benefit of the Association Property shall be appurtenant to the Unit owned by the Owner. No Unit shall be conveyed by the Owner separately from the right to use the Association Property. Any conveyance of any Unit shall automatically transfer the interest in the Owner's right to use the Association Property as provided in this Declaration without the necessity of express reference in the instrument of conveyance.

14.3 Delegation of Use: Any Owner entitled to the right and easement of use and enjoyment of the Association Property may delegate such Owner's rights provided in this Declaration to use and enjoyment of the Association Property to its other tenants, contract purchasers or subtenants who reside in such Owner's Unit, subject to reasonable regulation by the Board. An Owner who has made such a delegation of rights shall not be entitled to use of the Association Property for so long as such delegation remains in effect, other than such access rights as are directly related to the Owner's rights and duties as landlord.

14.4 Responsibility for Violations: Consistent with the Governing Documents and the Act, an Owner is responsible for the actions and conduct of his or her Invitees. Violations of the Governing Documents by an Owner or any Invitees shall subject the Owner and the Unit to fines and penalties in accordance with the Act and the fine policies established by the Association from time to time. By acceptance of a deed to the Unit, the Owner agrees to be so bound.

14.5 Adoption of Rules: The Board of Directors may adopt reasonable Rules regarding the Project generally as well the activities of Owners and Invitees thereupon. Such Rules shall be binding upon all Owners and Invitees unless and until overruled, cancelled, or modified.

ARTICLE XV INSURANCE

15.1 Coverage: To the extent reasonably available, the Board of Directors shall obtain and maintain insurance coverage as set forth in this Article. If such insurance is not reasonably available, and the Board of Directors determines that any insurance described in this Article will not be maintained, the Board of Directors shall promptly cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Owners and Eligible Mortgagees at their respective last known addresses.

15.2 Property Insurance Coverage:

(a) Coverage. Property insurance will cover:

(i) The Common Elements, and Improvements thereon, insuring against all risks of direct physical loss commonly insured against. Property insurance coverage specifically excludes the Units for which an Owner is required to obtain insurance pursuant to Section 15.6 below.

(ii) All personal property owned by the Association.

(b) Amounts. The insurance will be for an amount (after application of any deductions) equal to one hundred percent (100%) of the actual replacement value of the covered items at the time the insurance is purchased and at each renewal date, excluding the cost of land, foundations, or excavations.

The Board of Directors is authorized to obtain appraisals periodically for the purpose of establishing replacement cost of the insured items, and the cost of such appraisals shall be a Common Expense.

(c) Risks Insured Against. The insurance shall afford protection against "all risks" of direct physical loss commonly insured.

(d) Other Provisions. Insurance policies required by this Section and to the extent available shall provide that:

(i) Each Owner is an insured Person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.

(ii) The insurer waives the right to subrogation under the policy against an Owner or member of the household of an Owner.

(iii) An act or omission by an Owner, unless acting within the scope of the Owner's authority on behalf of the Association, will not void the policy or be a condition of recovery under the policy.

(iv) If, at the time of a loss under the policy, there is other insurance in the name of an Owner which covers the same risk covered by the policy, the Association's policy provides primary insurance.

(v) Losses must be adjusted with the Association.

(vi) Insurance proceeds shall be paid to any insurance trustee designated in the policy for that purpose, and otherwise to the Association, but, in any case, it is to be held in trust for each Owner and the Owner's mortgagee.

(vii) The insurer may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, to each Owner and to each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

(viii) The name of the insured shall be substantially as follows:

Canyons Community Association for the use and benefit of the individual Owners.

(ix) Such policy of insurance shall contain a standard mortgage clause, or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in the area in which the Property is located.

(x) Such policy of insurance shall be unacceptable where: (a) under the terms of the insurance carrier's charter, by-laws, or policy, contributions or assessments may be made against borrowers, FNMA, FHLMC, or the designee of FNMA or FHLMC; (b) by the terms of the carrier's charter, loss payments are contingent on action by the carrier's board of directors, policy holders, or members; or (c) the policy includes any limiting clauses (other than insurance conditions) that could prevent FNMA, FHLMC or the borrowers from collecting insurance proceeds.

(xi) Such policy of insurance shall include "agreed amount endorsements" and, if available, an "inflation guard endorsement."

(xii) Such policy of insurance shall include coverage for losses or perils by fire or other perils covered by the standard extended coverage endorsement.

(xiii) The maximum deductible under any policy of insurance regarding Association property shall be the lesser of Ten Thousand Dollars (\$10,000.00) or one percent (1%) of the face amount of policy coverage; provided, however, that for individual Units covered by a blanket policy of insurance, the deductible should be the higher of One Thousand Dollars (\$1,000.00) or one percent (1%) of the replacement cost of the Residence.

15.3 Flood Insurance: If the Property or portions thereof are identified as being within a flood hazard area and if flood hazard insurance is available under the National Flood Insurance Program, the Association shall be required to acquire such insurance, as a Common Expense, in an amount not less than: (a) the maximum coverage available; or (b) one hundred percent (100%) of the replacement costs of all buildings and other property. The maximum deductible allowed with such policy shall be the lesser of five thousand dollars (\$5,000.00) or one percent (1%) of the face amount of coverage.

15.4 Liability Insurance: Liability insurance, including medical payments insurance, will be maintained as determined by the Board of Directors, the minimum amount of insurance coverage per occurrence shall be Three Million Dollars (\$3,000,000.00). This insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements and the activities of the Association.

Insurance policies carried pursuant to this Section shall provide that:

(a) Each Owner is an insured Person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association;

(b) The insurer waives the right to subrogation under the policy against an Owner or member of the household of an Owner.

(c) An act or omission by an Owner or the Association will not void the policy or be a condition to recovery under the policy.

(d) If, at the time of a loss under the policy, there is other insurance in the name of an Owner covering the same risk covered by the policy, the policy of the Association provides primary insurance.

(e) Losses must be adjusted with the Association.

(f) Insurance proceeds shall be paid to any insurance trustee designated in the policy for that purpose, and otherwise to the Association, but, in any case, it is to be held in trust for each Owner and the Owner's mortgagee.

(g) The insurer issuing the policy may not cancel or refuse to renew it until thirty (30) days after notice of the proposed cancellation or nonrenewal has been mailed to the Association, each Owner and each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued at their last known addresses.

15.5 Crime Insurance: The Board shall maintain crime insurance which includes coverage for dishonest acts by Board Members and the officers, employees, agents, directors, and volunteers of the Association and which extends coverage to any business entity that acts as Manager of the Association and the employees of that entity. Such insurance may not contain a conviction requirement, and the minimum amount of the policy must not be less than an amount equal to three (3) months of aggregate assessments on all Units plus reserve funds or \$5,000,000, whichever is less.

15.6 Owner Policies: As Owner is required to obtain a separate insurance policy to provide coverage for the Owner's Unit. The amount of insurance coverage obtained must be sufficient to repair or replace any Residence or Improvements located on the Unit.

15.7 Workers' Compensation Insurance: The Board of Directors shall obtain and maintain Workers' Compensation Insurance to meet the requirements of the laws of the State of Nevada.

15.8 Directors' and Officers' Liability Insurance: The Board of Directors shall obtain and maintain directors' and officers' liability insurance, if available, covering all of the directors and officers (including without limitation the members of the DRC) of the Association. This insurance will have limits determined by the Board of Directors.

15.9 Other Insurance: The Association may carry other insurance which the Board of Directors considers appropriate to protect the Association and/or the Owners, and any insurance necessary to comply with minimum HUD requirements.

15.10 Premiums and Deductibles: Insurance premiums for insurance carried or to be carried by the Association shall be a Common Expense. Any policy to be maintained hereunder may be subject to reasonable deductibles.

15.11 Insurer Ratings: With regard to any insurance policy for the Common Elements or any master or blanket insurance coverage described hereunder, an insurer shall have a "B" or better

general policyholder's rating or a "6" or better financial performance index rating in Best's Insurance Reports, an "A" or better general policyholder's rating and a financial size category of "VIII" or better in Best's Insurance Reports, International Edition, an "A" or better rating in Demotech, Inc's Hazard Insurance Stability Ratings, a "BBB" quality rating in Standard and Poor's Insurer Solvency Review, or a "BBB" or better claims-paying ability rating in Standard and Poor's International Confidential Rating Service.

15.12 Compliance with Federal Regulations: Notwithstanding any other provisions contained herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the minimum insurance and fidelity bond requirements established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"), or any successor to those entities, if any, so long as any of the above is a Mortgagee or an Owner of a Unit, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA, and FHLMC as applicable. If the FNMA or FHLMC requirements conflict, the more stringent requirements shall be met.

ARTICLE XVI DAMAGE TO OR DESTRUCTION OF PROPERTY

16.1 Damage and Destruction to the Common Elements: In the case of destruction of or damage to the Common Elements, including any Improvements thereon, by fire or other casualty, the Board shall have the following rights and privileges:

(a) Liberty to Reconstruct. If the cost to repair or replace the Common Elements, including any Improvements thereon, over and above all insurance proceeds, is less than Twenty Thousand Dollars (\$20,000.00), 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.

(b) Decision to Reconstruct. If the cost to repair or replace the Common Elements, over and above all insurance proceeds, is equal to or greater than Twenty Thousand Dollars (\$20,000.00) and the Board determines to rebuild any Common Elements destroyed or damaged in the form substantially the same as those that were destroyed or damaged, it shall prepare plans and obtain bids and shall submit the plans and bids to the Members for approval, which approval shall require the affirmative vote of a Supermajority of Members. The Board will modify the plans until the required vote is obtained or the restoration becomes subject to subsection (c) below. If approved, the Board shall cause the repairs or replacements to be done and assess the Members for the costs as a Special Assessment.

(c) Decision Not to Reconstruct. If the Board determines not to rebuild any Common Elements 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, after notice and a hearing, the Board shall proceed to repair or rebuild the damaged or destroyed facility

pursuant to subsections (a) or (b) above; provided, however, that such reconstruction work shall be performed in any event to not restrict ingress to and egress from any Unit.

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

(e) Damage or Destruction by Owner. In the event any portion of the Common Elements is damaged or destroyed by an Owner or by Owner's Invitee(s), the Board may repair said damaged area. In the event the Board determines to repair said damage, the amount necessary for such repairs shall be paid by the Owner or Owner's Invitee, 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 Article XII hereof for collection and enforcement of Assessments.

16.2 Replacement of Less Than Entire Property: The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Property.

16.3 Insurance Proceeds: The Trustee, or if there is no Trustee, then the Board of Directors of the Association, acting by the President, shall hold any insurance proceeds in trust for the Association, Owners and lien holders as their interests may appear. The proceeds shall be disbursed first for the repair or restoration of the damaged Property. The Association, Owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus after the Property has been completely repaired or restored, or unless the Project is terminated. In the event of a surplus after the Property has been completely repaired or restored, the proceeds shall be distributed to the Owners or the Eligible Mortgagees as their interests appear and in proportion to the liabilities of all the Units for Common Expenses.

16.4 Certificates by Board of Directors: The Trustee, if any, may rely on the following certifications in writing made by the Board of Directors:

(a) Whether or not damaged or destroyed Property is to be repaired or restored; and

(b) The amount or amounts to be paid for repairs or restoration and the names and addresses of the parties to whom such amounts are to be paid.

16.5 Certificates by Title Insurance Companies: If payments are to be made to Owners or mortgagees, then the Board of Directors and the Trustee, if any, shall obtain and may rely on a title insurance company's certificate or a title insurance policy based on a search of the Records in the Office of the County Recorder, Clark County, Nevada, from the date of the Recording of the original Declaration, stating the names of the Owners and the mortgagees.

ARTICLE XVII CONDEMNATION

If part or all of the Property is taken by any Person or entity having the authority of eminent domain, all compensation and damages for and on account of the taking shall be payable in accordance with the Act. The Association shall represent the Owners in any such proceeding or negotiations, settlements and agreements with the condemning authority for acquisition of the Common Elements, or part thereof, by the condemning authority. Each Owner appoints the Association as attorney-in-fact for such purpose. The Association may appoint a trustee to act on behalf of the Association to carry out the Associations functions under this Article XVII. Except as otherwise provided herein, in the event of a taking or acquisition of part or all of the Common Elements by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee, to be held in trust for the Owners and their first mortgage holders, as their interests may appear.

ARTICLE XVIII MANDATORY ARBITRATION

18.1 Arbitration: Any Arbitration Claim shall be decided by Arbitration. A Decision shall be final and binding on both Parties and shall bar any suit, action or proceeding instituted by either of the Parties in any court or administrative tribunal of any jurisdiction, except for a Decision on enforcement proceedings.

18.2 Jurisdiction: The Arbitration Panel shall have original and exclusive jurisdiction over any Arbitration Claim. A Party must object to the jurisdiction of the Arbitration Panel or to the arbitrability of an Arbitration Claim or Counterclaim no later than the filing of a responsive statement to such Arbitration Claim or Counterclaim, as provided in Section 18.10, and the only objection to jurisdiction must be that the subject matter of the Arbitration Claim or Counterclaim does not arise in relation to the subject matter of this Agreement. The Arbitration Panel shall rule on such objections as a preliminary matter.

18.3 Procedure to Initiate Arbitration:

(a) The Claimant shall give written notice (pursuant to and consistent with the provisions of Section 18.10) of Arbitration to the Respondent. Arbitration shall be deemed to commence on Arbitration Commencement Date. If the notice of Arbitration is sent in conformance with Section 18.10, then no Arbitration Claim shall be upheld as to improper or ineffective notice. The notice of Arbitration shall contain a statement of Arbitration Claim including, without limitation, the following:

(b) A statement as to the nature of the Arbitration Claim that is going to be referred to Arbitration and a clarification as to whether or not other aspects of that Arbitration Claim shall be the subject of injunctive relief through a court of competent jurisdiction;

(c) The names and addresses of all interested Persons with respect to the nature of the Arbitration Claim;

(d) A description of the Arbitration Claim and an indication of the facts supporting it;

- (e) The relief or remedy sought and the amount claimed; and
- (f) A request for a hearing location within the city of Las Vegas, Nevada.

18.4 Selection of Arbitration Panel:

(a) Each Party shall designate one (1) arbitrator within fifteen (15) Business Days of the Arbitration Commencement Date. These two arbitrators shall cooperate in good faith to designate a third arbitrator within thirty (30) Business Days after the Arbitration Commencement Date to serve as Chairperson over the Arbitration, who will be solely responsible for all procedural determinations of the Arbitration after consultation with the other members of the Arbitration Panel. In the event that these two arbitrators cannot agree upon a third arbitrator, each Party shall replace the Party's arbitrator with one (1) replacement arbitrator and the two replacement arbitrators shall cooperate in good faith to designate the third arbitrator within fifteen (15) Business Days thereafter. In the event these replacement arbitrators cannot agree upon a third arbitrator, the Party's shall each designate two (2) prospective arbitrators and the Respondent shall randomly select the third arbitrator from the pool of prospective arbitrators.

(b) Each arbitrator shall have a Juris Doctorate Degree and any of the following: (a) at least five (5) years of legal practice in an homeowners association or similar group of a well-established law firm practicing in the United States of America, or (b) shall have served for at least five (5) years as a judge in the United States of America with substantial experience in homeowner association matters. Each arbitrator shall also not have an affiliation or relationship with either Party, nor shall they have any interest in or benefit from the outcome of the Arbitration. The Arbitration Panel's fees shall not commence or accrue until the Arbitration Panel Formation Date.

18.5 Initial Hearing: The Arbitration Panel shall convene the initial hearing ("Arbitration Initial Hearing") within ten (10) Business Days after the Arbitration Panel Formation Date. The Arbitration Panel shall set the date and location in the city of Las Vegas, Nevada for the Arbitration Initial Hearing and for all hearings. The Arbitration Panel and the Parties shall use their best efforts to resolve the Arbitration Claim at the Arbitration Initial Hearing. In the event that a resolution of the Arbitration Claim cannot be reached at the Arbitration Initial Hearing, the Arbitration Panel shall set the Discovery Conference within ten (10) Business Days after the date of the Arbitration Initial Hearing, and the Arbitration Panel shall set the date and time of the Discovery Conference. In the event that the Arbitration Claim is not resolved at the Discovery Conference, then the Arbitration Panel shall convene the Arbitration Final Hearing within ninety (90) Business Days from the Discovery Conference. The Arbitration Panel shall send notice of the hearing to the Parties at least thirty (30) Business Days in advance of the hearing date. At least fifteen (15) Business Days before the final hearing ("Arbitration Final Hearing"), each Party shall give the Arbitration Panel and the other Parties the names and addresses of any witnesses it intends to present, and the subject of their testimony. The Arbitration Panel shall apply the governing law of this Agreement.

18.6 Discovery Conference: At the Discovery Conference, the Parties shall:

- (a) Exchange all documents then reasonably available to the Parties at the time of the Discovery Conference that the Parties contemplate to be used in support of their Arbitration Claims, Counterclaims or defenses, including rebuttal and impeachment documents;
- (b) Request in writing and with reasonable specificity all other documents that may support the Party's Arbitration Claims, Counterclaims or defenses from the opposing Party, subject to the limitation that such documents must be relevant to the subject matter of the Arbitration, are not privileged, and are admissible as evidence at the Arbitration Hearings or reasonably calculated to lead to such admissible evidence;
- (c) Identify in writing, describe in writing or produce all tangible things which constitute or contain matters that may support the Party's Arbitration Claims, Counterclaims or defenses to the opposing Party and, upon request, arrange for the opposing Party to inspect and copy, test or sample the same;
- (d) Request in writing to inspect and copy, test or sample any tangible things that may support the Party's Arbitration Claims, Counterclaims or defenses from the opposing Party, subject to the limitation that such tangible things must be relevant to the subject matter of the Arbitration, are not privileged, and are admissible as evidence at the Arbitration Hearings or reasonably calculated to lead to such admissible evidence;
- (e) Propose a plan for the taking of additional discovery, including a plan for taking any depositions, prior to the Discovery Cut-Off Date;
- (f) Discuss settlement of the action; and
- (g) Discuss such other matters as may aid in the disposition of the action.

18.7 Discovery Conference Joint Report: Within five (5) Business Days of the Discovery Conference, the Parties must file with the Arbitration Panel a joint report which includes the following sections:

- (a) A brief description of the nature of the Arbitration and each Arbitration Claim, Counterclaim and defense;
- (b) A written list of all documents to be exchanged at the Discovery Conference pursuant to Section 18.6;
- (c) A copy of any requests served pursuant to Section 18.6;
- (d) A written list of all tangible things identified in writing, described in writing or produced pursuant to Section 18.6;
- (e) A written list of persons (other than expert witnesses or consultants) who are known or reasonably believed to have knowledge of any facts relevant to any Arbitration Claim, Counterclaim or defense, including persons having knowledge of rebuttal or impeachment evidence. Such lists shall identify each person by name, last known address last known telephone number and by the subject matter of the person's relevant knowledge.

18.8 Disagreement as to Discovery Conference Joint Report: If the Parties cannot agree on the on the filing of a joint report within the time limit set herein, each Party shall file its own written report which includes the sections identified in Section 18.7 within five (5) Business Days of the Discovery Conference.

18.9 Private Hearings: The hearings shall be private. Witnesses, who are not a Party, shall be required to recuse themselves from the hearings at all times, except for the time period when they are testifying. The Parties and the Arbitration Panel shall keep forever confidential all matters relating to the Arbitration and/or the Decision.

18.10 Written Submissions:

(a) Within fifteen (15) Business Days after receipt of a notice of Arbitration, a Respondent shall submit a written statement of defense, responding to the issues raised in the notice of arbitration, to the Claimant. Any ancillary or pendent Arbitration Claim must arise out of the same nucleus of operative facts and shall be made within fifteen (15) Business Days after the Arbitration Commencement Date. At the time a Respondent submits its statement of defense, a Respondent may make Counterclaims or assert set offs as to any Arbitration Claim. The Claimant shall within fifteen (15) Business Days of receipt of any Counterclaims submit a written statement of defense to the Respondent. The Arbitration Panel may extend any of the time limits established in this Section if such an extension is justified.

(b) Within five (5) Business Days after the Arbitration Panel Formation Date, or by such other time limit as may be set by the Arbitration Panel, the Claimant shall submit to the Arbitration Panel three (3) copies of its notice of Arbitration Claim, the Respondent's statement of defense and Counterclaims, and the Claimant's statement of defense to any Counterclaim. Parties shall always otherwise give prompt written notice of any pleadings, motions or Arbitration Claims to the Arbitration Panel.

(c) During the Arbitration, any Party may promptly and reasonably amend or supplement its Arbitration Claim, Counterclaim or defense, subject to the approval of the Arbitration Panel.

(d) If a Party fails to file a statement of defense within the time established in this Article or by the Arbitration Panel, a Decision will be issued against them. If a Party, duly notified under these provisions, fails to appear at a hearing without showing sufficient cause for such failure, as determined by the Arbitration Panel, the Arbitration Panel shall enter a Decision against them. If a Party, duly invited to produce evidence or take any other steps in the proceedings, fails to do so within the time established by the Arbitration Panel without showing sufficient cause for such failure, as determined by the Arbitration Panel, the Arbitration Panel shall make a Decision on the evidence before it.

(e) The Arbitration Panel shall fix the periods of time for submitting any written statements, research, memoranda, briefs, arguments of law, statements of Arbitration Claims and Counterclaims, statements of defense, and for the presentation of oral arguments, if required. The periods of time fixed by the Arbitration Panel for the

communication of such materials should not exceed forty-five (45) Business Days unless the Arbitration Panel considers an extension of time justified.

(f) The Parties must serve any written notice of Arbitration Claim or statement of defense (including, without limitation, any Counterclaim) to the opposing Party by facsimile and by overnight delivery set forth in this Section 18.10. Such overnight delivery must be performed by Federal Express, UPS or DHL delivery service. Where service in a manner not provided herein gives actual, timely and sufficient notice to the appropriate Party, such service shall not be deemed defective.

18.11 Discovery and Discovery Disputes:

(a) The Arbitration Panel shall conduct the Arbitration using their best judgment while ensuring that each Party is heard and is given a fair opportunity to present its case. It is the Arbitration Panel's discretion to determine the manner of the Arbitration Final Hearing, including the method of witness examination and evidence presentation, and the admissibility or exclusion of evidence. The Arbitration Panel is further vested with authority to resolve all discovery disputes.

(b) The Arbitration Panel has discretion to establish the parameters of discovery in order to facilitate the broadest discovery of the truth. Discovery shall take place within the time limits provided in this Agreement. All discovery must be completed on or before Discovery Cut-Off Date. Discovery may only be conducted after the Discovery Cut-Off Date upon a showing of good cause why the discovery could not have otherwise been completed earlier and upon approval by the Arbitration Panel.

(c) The Parties hereby agree that discovery by oral testimony and testimony at the Arbitration Final Hearing may be provided telephonically. At the request of a Party, said testimony may be taken stenographically at the expense of the requesting Party.

18.12 Location of Hearing: Any Arbitration shall be conducted in the city of Las Vegas, Nevada at a location mutually agreed to by the Parties or if they are unable to agree upon such location, then at a location to be selected by the Arbitration Panel.

18.13 Language: The Arbitration, discovery requests, or opinions associated with the adjudication of any rights, liabilities, obligations, duties and other matters with respect to this Agreement, arising out of this Agreement or relating to this Agreement shall be in the English language.

18.14 Arbitration Decisions: Decisions shall be made in writing and communicated to the Parties by the Arbitration Panel within thirty (30) Business Days of the Arbitration Final Hearing. The Parties shall comply with the Decision without delay. The Decision shall include a statement of the reasons upon which the Decision is based. The Decision shall contain the date and the place where the Decision was made.

18.15 Arbitration Awards: The Arbitration Panel shall grant the remedies and relief in sole and absolute discretion; including, without limitation, where appropriate, attorney's fees, punitive damages, and/or injunctive relief (if not granted pursuant to this Agreement) and so long as it is in

accordance with the provisions of this Agreement. A monetary Decision shall be in United States Dollars.

18.16 Claims Against Declarant: The Association, and Owner, as applicable, shall comply with the provisions of the Act, including without limitation NRS 116.31088 and the provisions of NRS 40.600 to 40.770, inclusive, prior to bringing any arbitration claim against Declarant or Guest Builder under this Article XVIII or as applicable, the filing of any civil action by the Association against Declarant or Guest Builder of the Property (in the event that the arbitration provisions are deemed unenforceable or inapplicable) for either alleged damage to or constructional defect with respect to the Common Elements or other property within the Project that the Association is obligated to maintain or repair, or alleged damage to or constructional defect with respect to any other portion of the Property that arises out of, or is integrally related to, such damage to the Property or Common Elements that the Association is obligated to maintain or repair. Such notice shall specify all of the matters set forth in NRS 116.31088 and NRS 40.600 to 40.770, inclusive, as applicable.

18.17 Legal Actions: All legal actions initiated by a Claimant shall be brought in accordance with, and subject to the term of this Article as hereinafter set forth. In the event a Claimant initiates any legal action, cause of action, proceeding, reference or arbitration against Declarant or Declarant's Agent alleging damages (i) for the costs of repairing or the replacement of all or any portion of the Project (including any Repair Issue), (ii) for the diminution in value of any real or personal property resulting from such Repair Issue, or (iii) for any consequential damages resulting from such Repair Issue, any judgment or award in connection therewith shall first be used to correct and or repair such Repair Issue or to reimburse the Claimant for any costs actually incurred by such Claimant in correcting and/or repairing the Repair Issue. Any excess funds remaining after repair of such Repair Issue shall be paid into the Association's applicable reserve fund.

18.18 Federal Arbitration Act: Because many of the materials and products incorporated into the Project are manufactured in other states, the development and conveyance of the Property evidences a transaction involving interstate commerce and the Federal Arbitration Act (9 U.S.C. §1, et seq.) now in effect and as it may be hereafter amended will govern the interpretation and enforcement of the arbitration provisions of this Declaration.

18.19 Final and Binding Award: The decision of the arbitrator or, if an appeal is heard, the decision of the appeal arbitrators, shall be final and binding. A petition to confirm, vacate, modify or correct an award may be filed in any court of competent jurisdiction in the county in which the Property is located, but the award may be vacated, modified or corrected only as permitted by the Federal Arbitration Act.

18.20 NOTICE: EACH OWNER, BY ACCEPTANCE OF A DEED TO A UNIT AGREES TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION ENTITLED "ARBITRATION OF DISPUTES" DECIDED BY NEUTRAL, BINDING ARBITRATION IN ACCORDANCE WITH THE FEDERAL ARBITRATION ACT AND THE NEVADA ARBITRATION ACT (NRS CHAPTER 38), TO THE EXTENT THE NEVADA ARBITRATION ACT IS NOT INCONSISTENT WITH THE FEDERAL ARBITRATION ACT, AND SUCH OWNER IS GIVING UP ANY RIGHTS IT MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL OR OTHER PROCEEDING. EACH

OWNER, BY ACCEPTANCE OF A DEED TO A UNIT, IS GIVING UP ITS JUDICIAL AND/OR STATUTORY RIGHTS TO DISCOVERY AND APPEAL, EXCEPT TO WHATEVER EXTENT ANY RIGHTS ARE SPECIFICALLY INCLUDED IN THIS ARBITRATION AGREEMENT, IF AN OWNER OR THE ASSOCIATION REFUSES TO SUBMIT TO ARBITRATION, (I) SUCH PARTY MAY BE COMPELLED TO ARBITRATE UNDER THE FEDERAL ARBITRATION ACT AND THE NEVADA ARBITRATION ACT, AND/OR (II) ARBITRATION MAY GO FORWARD IN THE ABSENCE OF THE REFUSING PARTY.

18.21 Severability: In the event any portion of this Article XVIII, or the entirety thereof, is found to be unenforceable, such unenforceability shall not affect the enforceability of this Declaration as a whole, and the unenforceable provisions shall be treated as though they are not a part of this Declaration. Without limiting the generality of the foregoing, in the event that mandatory arbitration, or any of the policies and procedures specified in this Article are deemed unenforceable, any dispute that would be the subject of arbitration under this Article XVIII shall be tried in the Courts pursuant to applicable rules of civil procedure, or as applicable, arbitration shall proceed without the unenforceable provisions toward the end of the parties proceeding to the fullest extent possible under the rules and procedures outlined in this Article XVIII.

ARTICLE XIX MISCELLANEOUS PROVISIONS

19.1 Voting Rights of Members: Each Member shall be entitled to cast one (1) vote per Unit as set forth more specifically in Article II, Section 2.02 of the Bylaws.

19.2 Views: Declarant makes no representation or warranty with respect to any existing views from any Unit, and by purchasing any Unit an Owner shall have no claim or right of recovery from Declarant or Association relating to or arising out of any claimed change in views, and agrees to waive and release any such claims.

19.3 Neighboring Properties; Entry Gate: Declarant makes no representation or warranty that any nearby property adjacent to the Property will be used for any particular purpose or purposes, or will be constructed or reconstructed with any particular appearance. Declarant further notes that although Declarant anticipates the construction of an entry gate and related video and other systems, that neither Declarant nor Association nor any party is providing live security monitoring or a manned guard area. The entry gate and related systems are to be constructed for the benefit and convenience of Owners within the Project. However such systems are not designed to, cannot, and do not guaranty that unauthorized entries will not occur. Further, neither Declarant nor Association anticipates providing manned security with respect to the Project. Owners therefore must be and remain vigilant as to any unauthorized entries or criminal activities in the Project. Declarant disclaims all liability arising from or relating to any unauthorized entry or criminal activity that may affect the Project in the future and by taking title to his, her, or its Unit, each Owner releases Declarant of any such liability. In the event of any unauthorized entry, Owners are directed to seek assistance from the appropriate governmental authorities.

19.4 Additional Association Responsibilities Regarding Roots and Trees: In order to prevent damage to: (a) structure located on the Common Elements and/or the private streets within

the Property; (b) structures located on a Unit; and (c) other landscaping within the Property, the Board of Directors of the Association shall obtain the services of a landscape company which will agree to trim, prune, cull, remove, lace, thin, and maintain the landscaping and trees within the Common Elements in a vigilant manner. Said vigilance shall be focused specifically on the issue of damage caused by the roots of trees. In order to prevent such damage, the Board of Directors shall require that the landscape company visually inspect all of the trees and landscaping within the Property every ninety (90) days or sooner if directed by the Board of Directors and advise the Board of Directors of the need to take immediate action with regard to the landscaping and/or the trees, if necessary to prevent damage caused by the roots of trees and/or other potential damage which may be caused by the roots of trees or other landscaping.

19.5 Additional Owner Responsibilities Regarding Roots and Trees. It is the responsibility of each Owner, to consider, examine and select trees and plant materials for the Owner's Unit with growth characteristics that do not have the potential to create root, branch or other intrusion problems. Each Owner will plant trees only in locations at a sufficient distance from structures, hardscape, other improvements and the property lines of such Owner's Unit to minimize possible branch and root intrusion and damage. Each Owner shall consider the mature size of all plant material in choosing plants and their locations on such Owner's Unit.

The foregoing responsibilities may include, but are not necessarily limited to the following:

- (a) Each Owner's installation of root barriers (However, use of root barriers does not ensure that roots will not grow under or through such barriers and into areas where unwanted.); and
- (b) Each Owner's establishment and adherence to a regular schedule of pruning and other maintenance of trees and other plant materials on such Owner's Unit to minimize root, branch and other growth intrusion; and
- (c) The removal by each Owner of problem trees/plant material planted upon such Owner's Unit that may impair homeowner warranties and create significant damage to the Unit and to Improvements thereon, neighboring Units and/or Common Elements or improvements thereon.

Each Owner is responsible, at such Owner's expense, to repair or replace damage from root and other intrusion from trees planted.

Each Owner shall inspect such Owner's Unit for branches, surface roots and root intrusion from the Common Elements as the same may be defined by applicable state law and report such conditions to the Association for corrective action.

With respect to any such intrusion onto an Owner's Unit from any neighboring property which is not a Common Element as the same may be defined by applicable state law, each Owner will coordinate with the owner of the property on which the intruding plant is planted rather than the Association.

19.6 Association Responsibilities Regarding Roots and Trees: It is the responsibility of Association, to consider, examine and select trees and plant materials for the Landscape and Slope

Areas with growth characteristics that do not have the potential to create root, branch or other intrusion problems. Association will plant trees only in locations at a sufficient distance from structures, hardscape, other improvements and the physical boundaries of the Landscape and Slope Areas to minimize possible branch and root intrusion and damage. Association shall consider the mature size of all plant material in choosing plants and their locations on such Landscape and Slope Areas.

The foregoing responsibilities may include, but are not necessarily limited to the following:

- (a) Association's installation of root barriers (However, use of root barriers does not ensure that roots will not grow under or through such barriers and into areas where unwanted.); and
- (b) Association's establishment and adherence to a regular schedule of pruning and other maintenance of trees and other plant materials on the Landscape and Slope Maintenance Area to minimize root, branch and other growth intrusion; and
- (c) The removal by Association of problem trees/plant material planted upon the Landscape and Slope Maintenance Areas of a nature to homeowner warranties and create significant damage to any Unit and to Improvements thereon, neighboring Units and/or "common elements" as the same may be defined by applicable state law and to improvements thereon.

19.7 Enforcement: The Association or an Owner, including Declarant, shall have the right to enforce by any proceedings at law or in equity, each covenant, condition, restriction and reservation now or hereafter imposed by the provisions of the Governing Documents. Failure by the Association or an Owner to enforce any covenant, condition, restriction or reservation contained herein shall not be deemed a waiver or the right to do so thereafter.

- (a) In the event the Association or Owner shall commence litigation or arbitration to enforce any of the covenants, conditions, restrictions or reservations contained in the Governing Documents, the prevailing party in such litigation or arbitration shall be entitled to costs of suit and such attorney's fees as the Court or arbitrator may adjudge reasonable and proper.
- (b) In accordance with the Act, in the event that the Association does not institute litigation or arbitration proceedings for the enforcement of the Governing Documents but retains counsel or otherwise incurs expenses to enforce a violation of the Governing Documents, any attorneys' fees incurred by the Association for such enforcement shall be paid for by the Person responsible for the claimed violation of the Governing Documents.

19.8 Captions: The captions contained in this Declaration are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of this Declaration or the intent of any provision thereof.

19.9 Gender: The use of the masculine gender refers to the feminine gender, and vice versa, and the use of the singular includes the plural, and vice versa, whenever the context of this Declaration so requires.

19.10 Waiver: No provision contained in this Declaration is abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

19.11 Invalidity: The invalidity of any provision of this Declaration does not impair or affect in any manner the validity, enforceability or effect of the remainder, and if a provision is invalid, all of the other provisions of this Declaration shall continue in full force and effect.

19.12 Conflict: This Declaration is intended to comply with the requirements of the Act applicable to common-interest communities and the Declaration shall be interpreted, if at all possible, so as to be consistent with the Act. If there is any conflict between this Declaration and the provisions of the Act, the provisions of the Act shall control, without any requirement express or implied to amend or modify this Declaration (though amendment by Declarant consistent with the Act and Section 19.15 for purposes of making the Declaration match the Act is not hereby limited or prohibited). In the event of any conflict between this Declaration and any of the Governing Documents, this Declaration shall control.

19.13 Notification of Sale of Unit: Concurrently with the consummation of the sale of any Unit under circumstances whereby the transferee becomes an Owner thereof, or within five (5) Business Days thereafter, the transferee shall notify the Board in writing of such sale. Such notification shall set forth the name of the transferee and its Mortgagee and transferor, the common address of the Unit purchased by the transferee, the transferee's and the Mortgagee's mailing address, and the date of sale. Prior to the receipt of such notification, any and all communications required or permitted to be given by the Association, the Board or the manager shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor.

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

19.15 Unilateral Amendment by Declarant: Declarant may unilaterally amend this Declaration if such amendment is: (a) necessary to bring any provision into compliance with any Laws or the Act; (b) necessary to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) required by an institutional or governmental lender or purchaser of mortgage loans, to enable such lender or purchaser to make or purchase mortgage loans on the Units; (d) necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on the Units; (e) otherwise necessary to satisfy the requirements of any governmental agency; (f) to correct any scrivener's error in the drafting of the Declaration or Governing Documents; or (g) to make any non-material change or clarification to the content of this Declaration. No such amendment shall adversely affect the title to any Unit. So long as Declarant still owns any portion of the Property or Annexable Property, it may unilaterally amend this Declaration for any other purpose without meeting the requirements herein, provided the

amendment has no material adverse effect upon right of any Owner. Prior to the closing on the sale of any Unit to an Owner other than a Guest Builder, Declarant may unilaterally amend this Declaration.

19.16 Term: This Declaration, including all of the covenants, conditions and restrictions hereof, shall run with and bind the Property for a term of fifty (50) years from the date this Declaration is recorded. After such time, the covenants, conditions and restrictions contained herein, shall be automatically extended for successive periods of ten (10) years, unless an instrument is signed by the Owner(s) of at least eighty percent (80%) of the total number of Residences in the Property and recorded in the Office of the County Recorder, Clark County, Nevada, within the year preceding the beginning of each successive period of ten (10) years, agreeing to change the terms of this Declaration, in whole or in part, or to terminate the same, in which case this Declaration shall be modified or terminated as specified therein.

SIGNATURES ON NEXT PAGE

IN WITNESS WHEREOF, Declarant has caused this Declaration to be executed as of this 23rd day of February 2017.

DECLARANT:

PARDEE HOMES NEVADA, Inc.,
A Nevada corporation

By: Dan Hale
Name: Dan Hale

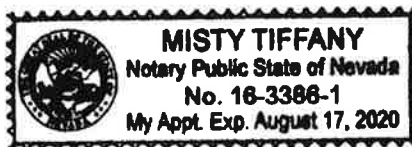
By: Brenda Williams
Name: Brenda Williams

STATE OF Nevada)
)ss.
COUNTY OF Clark)

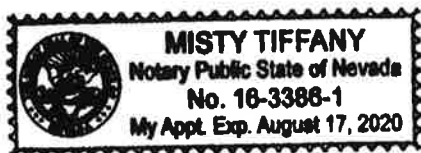
On this 23rd day of February, 2017, before me the undersigned Notary Public, in and for said County and State, personally appeared Dan Hale, known or proved to me to be the Vice President, who executed the foregoing instrument, and who acknowledged to me that he did so freely and voluntarily and for the uses and purposes therein provided.

Misty Tiffany
NOTARY PUBLIC

STATE OF Nevada)
)ss.
COUNTY OF Clark)



On this 23rd day of February, 2017, before me the undersigned Notary Public, in and for said County and State, personally appeared Brenda Williams, known or proved to me to be the Asst. Secretary, who executed the foregoing instrument, and who acknowledged to me that he did so freely and voluntarily and for the uses and purposes therein provided.



Misty Tiffany
NOTARY PUBLIC

EXHIBIT "A"
CANYONS
INITIAL PROPERTY
LEGAL DESCRIPTION

None.

EXHIBIT "B"

CANYONS

ANNEXABLE PROPERTY

LOTS 7A, 8A, 9A, 19A, 31A, 43A, 44A, 48A, 51A, AND 65A OF THAT CERTAIN FINAL MAP ENTITLED "AMENDED FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 153 OF PLATS, PAGE 0005 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 2.53 ACRES, MORE OR LESS.

C.E. "B" AND C.E. "C" OF THAT CERTAIN FINAL MAP ENTITLED "AMENDED FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 153 OF PLATS, PAGE 0005 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 9.67 ACRES, MORE OR LESS.

LOTS 1-6, 10-18, 20-30, 45-47, 49, 50, 52-64 AND 66-78 OF THAT CERTAIN FINAL MAP ENTITLED "FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 151 OF PLATS, PAGE 90 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 14.58 ACRES, MORE OR LESS.

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///

C.E. "A", C.E. "D", C.E. "E", C.E. "F", C.E. "G" AND C.E. "H" OF THAT CERTAIN FINAL MAP ENTITLED "FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 151 OF PLATS, PAGE 90 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 1.85 ACRES, MORE OR LESS.

PARCEL (R) OF AMENDED PARENT FINAL MAP OF THE CANYONS, AS SHOWN BY MAP THEREOF ON FILE IN BOOK 128 OF PLATS, PAGE 27, IN THE OFFICE OF THE COUNTY RECORDED OF CLARK COUNTY, NEVADA.

EXHIBIT "C"

EASEMENT/COMMON ELEMENT AREAS

All common elements identified on the Final Maps, and on Exhibit "B".

APN Nos.: 178-32-114-001 through -069,
inclusive, 178-31-520-001 through -024, inclusive,
178-32-111-005

When Recorded Return to:

Holley, Driggs, Walch,
Fine, Wray, Puzey & Thompson
400 South Fourth Street, Third Floor
Las Vegas, NV 89101
Phone: (702) 791-0308
Attn: Dean S. Bennett, Esq.

Inst #: 20170303-0002471

Fees: \$21.00

N/C Fee: \$0.00

03/03/2017 12:50:55 PM

Recorded For: 20170303-0002471

Requestor:

NEVADA TITLE LAS VEGAS

Recorded By: RNS Pgs: 5

DEBBIE CONWAY

CLARK COUNTY RECORDER

(Space above this line for Recorders Use)

FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND GRANT OF RESERVATION OF EASEMENTS FOR CANYONS

This First Amendment to Declaration of Covenants, Conditions, and Restrictions for Canyons (this "Amendment") is executed as of the day and date written below by PARDEE HOMES OF NEVADA, INC., a Nevada corporation ("Declarant"), and amends and modifies that certain Declaration of Covenants, Conditions and Restrictions and Grant of Reservation of Easements for Canyons (the "Declaration") recorded February 24, 2017, as Instrument #20170224-0002241, Official Records, Clark County, Nevada.

RECITALS

A. Authority. Pursuant to Section 19.15 of the Declaration, the Declaration may be amended by Declarant unilaterally to correct scrivener's errors or to make non-material amendments.

B. Intent. Declarant intends to amend the Declaration pursuant to the terms specified in this Agreement, in order to list an additional ten (10) Units that Declarant intended to include as annexable area but that were not originally listed. All capitalized terms contained in this Amendment not otherwise defined shall have the meanings ascribed to them in the Declaration.

Now, therefore, in consideration of the recitals and the terms and conditions set forth in this Amendment, Declarant hereby amends the Declaration as follows.

ARTICLE I

AMENDMENTS

1.01 Annexable Area. Exhibit "B" to the Declaration is replaced with Exhibit "B" attached to this Amendment.

1.02 No Other Changes. Except as modified hereby, the Declaration shall remain in full force and effect as written.

DATED this 28th day of February, 2017.

DECLARANT

PARDEE HOMES OF NEVADA, INC.,

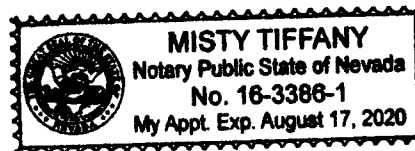
By: Dan Hale
Name: Dan Hale
Title: Vice President

By: Brenda Williams
Name: Brenda Williams
Title: Asst. Secretary

STATE OF NEVADA)
) ss:
COUNTY OF CLARK)

On this 28th day of February, 2017, personally appeared before me, a notary public, Dan Hale, Brenda Williams of PARDEE HOMES OF NEVADA, INC., a Nevada corporation, personally known (or proved) to me to be the person whose name is subscribed to the above instrument and acknowledged to me that he executed the above instrument.

Misty Gibbons
Notary Public in and for said State



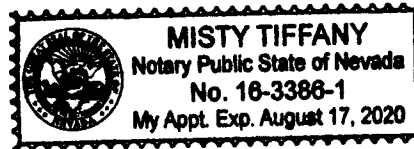
NO 16-3386-1
EXP Aug. 17, 2020

STATE OF NEVADA)
) ss:
COUNTY OF CLARK)

On this 28th day of February, 2017, personally appeared before me, a
notary public, Dan Hale, Brenda Williams of
PARDEE HOMES OF NEVADA, INC., a Nevada corporation, personally known (or
proved) to me to be the person whose name is subscribed to the above instrument and
acknowledged to me that he executed the above instrument.

Misty Tibbels

Notary Public in and for said State



NO 16-3386-1
Exp. Aug 17, 2020

EXHIBIT "B"

CANYONS

ANNEXABLE PROPERTY

LOTS 7A, 8A, 9A, 19A, 31A, 43A, 44A, 48A, 51A, AND 65A OF THAT CERTAIN FINAL MAP ENTITLED "AMENDED FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 153 OF PLATS, PAGE 0005 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 2.53 ACRES, MORE OR LESS.

C.E. "B" AND C.E. "C" OF THAT CERTAIN FINAL MAP ENTITLED "AMENDED FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 153 OF PLATS, PAGE 0005 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 9.67 ACRES, MORE OR LESS.

LOTS 1-6, 10-18, 20-30, 32-42, 45-47, 49, 50, 52-64 AND 66-78 OF THAT CERTAIN FINAL MAP ENTITLED "FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 151 OF PLATS, PAGE 90 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 14.58 ACRES, MORE OR LESS.

///

///

C.E. "A", C.E. "D", C.E. "E", C.E. "F", C.E. "G" AND C.E. "H" OF THAT CERTAIN FINAL MAP ENTITLED "FINAL MAP OF THE CANYONS AT MACDONALD RANCH PARCEL C/D" ON FILE IN BOOK 151 OF PLATS, PAGE 90 OF OFFICIAL RECORDS, CLARK COUNTY, NEVADA, SITUATED WITHIN THE NORTHEAST QUARTER (NE1/4) OF SECTION 31, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA AND THE NORTHWEST QUARTER (NW1/4) OF SECTION 32, TOWNSHIP 22 SOUTH, RANGE 62 EAST, M.D.M., CITY OF HENDERSON, CLARK COUNTY, NEVADA.

CONTAINING 1.85 ACRES, MORE OR LESS.

PARCEL (R) OF AMENDED PARENT FINAL MAP OF THE CANYONS, AS SHOWN BY MAP THEREOF ON FILE IN BOOK 128 OF PLATS, PAGE 27, IN THE OFFICE OF THE COUNTY RECORDED OF CLARK COUNTY, NEVADA.

A.P.N.: 178-32-114-001 through
-069, inclusive, 178-31-520-001 through -024,
inclusive, 178-32-111-005

Escrow No.: 17-04-0112-MR

Return to:
Dean S. Bennett, Esq.
Holley, Driggs, Walch,
Fine, Wray, Puzey & Thompson
400 South Fourth Street, Third Floor
Las Vegas, NV 89101

Inst #: 20170519-0001004

Fees: \$20.00

N/C Fee: \$25.00

05/19/2017 09:48:18 AM

CONFIRM COPY 366

Requestor:

NEVADA TITLE LAS VEGAS

Recorded By: OSA Pgs: 4

DEBBIE CONWAY

CLARK COUNTY RECORDER

**SECOND AMENDMENT TO DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND RESERVATION OF
EASEMENTS FOR CANYONS**

This page added to provide additional information required by NRS 111.312 Sections 1-2
(Additional recording fee applies).

This cover page must be typed or printed clearly in black ink only.

APN Nos.: 178-32-114-001 through -069,
inclusive, 178-31-520-001 through -024, inclusive,
178-32-111-005

WHEN RECORDED, MAIL TO:

Dean S. Bennett, Esq.
Holley, Driggs, Walch,
Fine, Wray, Puzey & Thompson
400 South Fourth Street, Third Floor
Las Vegas, NV 89101

SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR
CANYONS

This Second Amendment to Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Canyons (the "Second Amendment") is made this 17th day of May, 2017, by Pardee Homes of Nevada, a Nevada corporation (the "Declarant"), pursuant to Article 12, Section 12.3 of the Declaration of Covenants, Conditions and Restrictions and Reservations of Easements for Canyons, Recorded as Instrument No. 20170224-0002241, Official Records, Clark County, Nevada, as amended by that certain First Amendment To Declaration of Covenants, Conditions, and Restrictions and Grant of Reservation of Easements for Canyons, Recorded as Instrument No. 20170303-0002471, Official Records, Clark County, Nevada (the "Declaration").

RECITALS

WHEREAS, Section 19.15 of the Declaration authorizes Declarant to unilaterally amend the Declaration to add additional property thereto; and

WHEREAS, Declarant wishes to correct a certain scrivener's error and to clarify the date of the Declaration

NOW, THEREFORE, Declarant hereby amends the Declaration as follows:

1. The date of the Declaration for reference purposes (previously left blank) is February 23, 2017.

2. The references contained in Section 12.17 of the Declaration regarding the mandatory contributions to the working capital fund, both upon Closing and upon subsequent resale, are hereby amended to read Five Hundred Dollars (\$500.00).

...

...

3. All other provisions of the Declaration remain in full force and effect and as written.

DATED as of the date first above written.

PARDEE HOMES OF NEVADA,
a Nevada corporation

By: Dan Hale

Name: Dan Hale

Title: Vice President

By: Brenda Williams

Name: Brenda Williams

Title: Asst. Secretary

STATE OF NEVADA)
) ss
COUNTY OF CLARK)

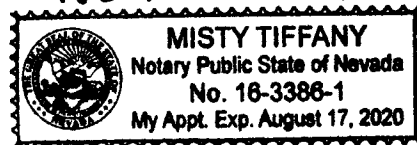
On this 17th day of May, 2017, before me, the signed Notary Public in and for said County and State, appeared Dan Hale as Vice President of Pardee Homes of Nevada, known to me to be the person who executed the above and foregoing instrument, and who acknowledged to me that he did so freely and voluntarily and for the purposes therein mentioned.

Misty Tibbans

Notary Public

NO 16-3386-1

STATE OF NEVADA)
) ss
COUNTY OF CLARK)

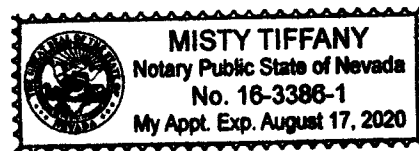


Exp 8.17.20

On this 17th day of May, 2017, before me, the signed Notary Public in and for said County and State, appeared Brenda Williams as Asst. Secretary of Pardee Homes of Nevada, known to me to be the person who executed the above and foregoing instrument, and who acknowledged to me that he did so freely and voluntarily and for the purposes therein mentioned.

Misty Tibbans

Notary Public



NO 16-3386-1

Exp. 8.17.20