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RECORDING REQUESTED BY:)
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EQUITY TITLE OF NEVADA)
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WHEN RECORDED, MAIL TO:)
)
KIMBALL HILL HOMES)
NEVADA, INC.)
8 SUNSET WAY)
SUITE 101)
HENDERSON, NV 89014)
ATTN: MR. STAN GUTSHALL)
_____)

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

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

FOR

TERRASANO

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENT FOR TERRASANO is made by Kimball Hill Homes Nevada, Inc., a Nevada Corporation ("Declarant").

RECITALS

A. Declarant caused to be recorded a COMMUNITY CHARTER FOR TERRASANO on April 4, 2005 in Book 20050404 as Instrument No. 0002342 in the Official Records, Clark County, Nevada ("Community Charter").

B. The Declarant has caused to be recorded multiple "Supplements to the Community Charter for Terrasano" ("Supplement"). The recording information for each Supplement and the legal description of the property included in each Supplement, are included on EXHIBIT "A".

C. In accordance with ARTICLE 20 **Termination and Amendment of Community Charter**, Section 20.2 **Amendment**, (a) **By the Founder**, sub-phrase (ii), the Community Charter and all of the Supplements to the Community Charter for Terrasano hereby Amended and Restated in the form of this Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for TERRASANO to conform said Community Charter Charter, to the current requirement of the Nevada Revised Statutes.

P R E A M B L E:

A. Declarant is the owner of certain real property, located in the City of Las Vegas, Clark County, Nevada and described as follows:

LOT SIX (6), LOT SEVEN (7), LOT EIGHT (8), LOT NINE (9), LOT TEN (10), LOT THIRTEEN (13), LOT FOURTEEN (14), LOT FIFTEEN (15), LOT SIXTEEN (16), LOT SEVENTEEN (17), LOT TWENTY (20), LOT TWENTY-ONE (21), LOT TWENTY-TWO (22), LOT TWENTY-THREE (23), LOT TWENTY-FOUR (24), LOT TWENTY-FIVE (25), LOT TWENTY-SIX (26), LOT TWENTY-SEVEN (27) AND LOT TWENTY-EIGHT (28), IN BLOCK ONE (1), LOT SEVENTY-FIVE (75), LOT SEVENTY-SIX (76), LOT SEVENTY-SEVEN (77), LOT SEVENTY-EIGHT (78), LOT SEVENTY-NINE (79), LOT EIGHTY (80) LOT EIGHTY-ONE (81), LOT EIGHTY-TWO (82), LOT EIGHTY-THREE (83), LOT EIGHTY-FOUR (84), LOT EIGHTY-FIVE (85), LOT EIGHTY-SIX (86), LOT EIGHTY-SEVEN (87), LOT EIGHTY-EIGHT (88), LOT EIGHTY-NINE (89) AND LOT NINETY-ONE (91) IN BLOCK FOUR (4), OF TERRASANO UNIT 1, AS SHOWN BY MAP THEREOF ON FILE IN BOOK 115 OF PLATS, PAGE 54, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA ("Phase One (1)").

LOT FIFTY-ONE (51) AND LOT FIFTY-TWO (52), IN BLOCK ONE (1) OF TERRASANO UNIT 2 AS SHOWN BY MAP THEREOF ON FILE IN BOOK 122 OF PLATS, PAGE 88, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA ("Phase One (1)").

B. It is the desire and intention of Declarant to create a "planned community" of detached residences to be developed in multiple phases with an initial maximum of one hundred seventeen (117) Lots in the above described Property, as said quoted term is defined within the Nevada Revised Statutes and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all of the Lots within the planned community in accordance with the Uniform Common Interest Ownership Act as set forth in the Nevada Revised Statutes Sections 116.1101 et. seq. and any amendments thereto.

C. Declarant hereby declares that all of Phase One (1) as described in Preamble, Paragraph "A" herein, 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, subdivision, maintenance, improvement and sale of the Property 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 having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns.

ARTICLE I

1. Definitions.

Unless otherwise expressly provided, the following words and phrases when used herein shall have the following specified meanings.

1.1. Architectural Committee or Committee.

Architectural Committee or Committee shall mean the Architectural and Landscaping Committee provided for in this Declaration.

1.2. Association.

Association shall mean "TERRASANO HOMEOWNERS ASSOCIATION" Inc., a Nevada nonprofit corporation, its successors and assigns.

1.3. Association Property.

Association Property shall mean all of the real and personal property and Improvements to which the Association shall hold fee title for the common use and enjoyment of the Members as provided herein. There is no Association Property in Phase One (1).

1.4. Beneficiary.

Beneficiary shall mean a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust, as the case may be, and the assignees of such Mortgagee or Beneficiary.

1.5. Board or Board of Directors.

Board or Board of Directors shall mean the Board of Directors of the TERRASANO HOMEOWNERS ASSOCIATION.

1.6. Bylaws.

Bylaws shall mean the Bylaws of TERRASANO HOMEOWNERS ASSOCIATION, as adopted by the Board, as such Bylaws may be amended from time to time.

1.7. City.

City shall mean City of Las Vegas, Nevada, and its various departments, divisions, employees and representatives.

1.8. Close of Escrow.

Close of Escrow shall mean the date on which a deed is Recorded conveying a Lot.

1.9. Common Expenses.

Common Expenses shall mean those expenses for which the Association is responsible under the Declaration, including the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Association Property, unpaid Common Residential Assessments, Supplemental Assessments and Capital Improvement Assessments; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security, and other services benefitting the Association Property; the costs of fire, casualty and liability insurance, workers' compensation insurance, errors and omissions and director, officer and agent liability insurance, worker's compensation insurance, and other insurance covering the Association Property, and the directors, officers and agents of the Association; the costs of bonding of the members of the Board, taxes paid by the Association, including any blanket tax assessed against the Association Property; amounts paid by the Association for discharge of any lien or encumbrance levied against the Property, or portions thereof; and the costs of any other item or items incurred by the Association, for any reason whatsoever in connection with the Association Property, for the common benefit of the Owners.

1.10. Common Elements.

Common Elements, as defined in Nevada Revised Statutes Section 116.017, shall mean the Association Property.

1.11. Declarant.

Declarant shall mean Kimball Hill Homes Nevada, Inc., a Nevada Corporation, its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment.

1.12. Declaration.

Declaration shall mean this instrument, as it may be amended from time to time.

1.13. Deed of Trust.

Deed of Trust shall mean a Mortgage as further defined herein.

1.14. Family.

Family shall mean one or more natural persons related to each other by blood, marriage or adoption, or one or more natural persons not all so related, but who maintain a common household in a Residence.

1.15. FHLMC.

FHLMC shall mean the Federal Home Loan Mortgage Corporation (also known as The Mortgage Corporation) created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporation.

1.16. Fannie Mae.

Fannie Mae shall mean the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

1.17. GNMA.

GNMA shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

1.18. Improvements.

"Improvements" for the purpose of the Association Property shall include sprinkler pipes, landscaping, planted trees, shrubs, private streets and street lights, and perimeter walls.

"Improvements" for the purpose of each Lot shall include all structures and appurtenances thereto of every type and kind.

1.19. Lot.

Lot shall mean any legal subdivision lot or parcel of land shown upon any recorded subdivision map or parcel map of the Project together with the improvements, if any thereon. A Lot shall also mean and refer to a Unit as defined in Nevada Revised Statutes Section 116.093 and any amendments thereto.

1.20. Member, Membership.

Member shall mean any Person holding a membership in the Association, as provided in this Declaration. Membership shall mean the property, voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

1.21. Mortgage.

Mortgage shall mean any Recorded mortgage or deed of trust or other conveyance of one or more Lots or other portion of the Property to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance.

1.22. Mortgagee, Mortgagor.

Mortgagee shall mean a Person to whom a Mortgage is made and shall include the Beneficiary of a Deed of Trust. "Mortgagor" shall mean a Person who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor" and the term "Beneficiary" shall be synonymous with the term "Mortgagee."

1.23. Notice and Hearing.

Notice and Hearing shall mean written notice and a hearing before the Board, at which the Owner concerned shall have an to be heard in person, or by counsel at the Owner's expense, in the manner further provided in the Bylaws.

1.24. Owner.

Owner shall mean the Person or Persons, including Declarant holding fee simple interest to a Lot. The term "Owner" shall include a seller under an executory contract of sale but shall exclude Mortgagees.

1.25. Person.

Person shall mean a natural individual or any other entity with the legal right to hold title to real property.

1.26. Property or Project.

Property or Project shall mean all of the real property described in Paragraph A of the Preamble to this Declaration, together with any and all Annexable Property which is subjected to this Declaration by Annexation Amendment pursuant to Sections 15.3 and 15.4 hereof. The Property is a "common interest community" as defined in Section 116.021 of the Nevada Revised Statutes and any amendments thereto.

1.27. Record, File, Recordation.

Record, File, or Recordation shall mean, with respect to any document, the recordation or filing of such document in the Office of the Clark County Recorder.

1.28. Residence.

Residence shall mean a Lot, intended for use by a single Family.

1.29. Restrictions. Restrictions shall mean and refer to this Declaration of Restrictions, the Articles of Incorporation of the Association, the adopted Bylaws of the Association, and the Rules and Regulations of the Association.

ARTICLE II

2. Association Property.

2.1. Conveyance of Association Property.

The Declarant shall convey the Association Property to the Association prior to or concurrent with the first close of escrow of a Lot in the applicable phase of development.

2.2. Easements for the Association.

The Association shall have an easement over the Association Property for performing its duties and exercising its powers described in this Declaration. The Association's obligations to maintain the Association Property shall commence on the first day of the month following the conveyance of the Association Property to the Association. Until conveyance of the Association Property to the Association, the Association Property shall be maintained by the Declarant.

2.3. Delegation of Use.

Any Owner entitled to the right and easement of use and enjoyment of the Association Property may delegate his right and easement to his tenants, contract purchasers or subtenants who reside in his/her Lot, subject to reasonable regulation by the Board. An Owner who has so delegated his right and easement shall not be entitled to use or enjoyment of the recreational facilities or equipment of the Association Property for so long as such delegation remains in effect.

2.4. Limitations on Easement Rights.

The easements included in this Article II, Sections 2.2 to 2.4, inclusive, are subject to the following limitations:

(a) the right of the Association, acting through the Board of Directors, to mortgage the Association Property subject to such member, mortgagee, and agency approvals as may be provided in this Declaration.

(b) the right of the Association, acting through the Board of Directors, to convey or transfer all or any part of the Association Property, subject to such member, mortgagee and agency approvals as may be provided in this Declaration.

(c) the right of the Association, acting through the Board of Directors, without member, mortgagee and agency approvals unless provided otherwise in this Declaration, to grant easements across the Association Property for any purpose not inconsistent with the use of the Association Property by Members.

(d) the right of the Association, acting through the Board of Directors, without member, mortgagee and agency approvals unless provided otherwise in this Declaration, to adopt regulations governing the use of the Association Property and the personal conduct of owners, occupants, and guests thereon.

(e) the right of the Association, acting through the Board of Directors, without member, mortgagee and agency approvals unless provided otherwise in this Declaration, to charge reasonable admission or other fees for special or extraordinary uses of the Association Property.

(f) the right of the Association, acting through the Board of Directors, without member, mortgagee and agency approvals unless provided otherwise in this Declaration, and consistent with existing local jurisdiction's zoning and subdivision ordinances, to transfer part of the Association Property for the purpose of adjusting Lot lines in accordance with reasonable stated provisions (i.e. does not reduce total open space area below zoning requirements, does not materially affect development plan on file with City of Las Vegas and all Residences previously adjacent to the Association Property remain so located, unless the Owners of the Residences approve the boundary line adjustment).

(g) the right of the Association, acting through the Board of Directors, without member, mortgagee and agency approvals unless provided otherwise in this Declaration, to suspend the right of any member, and the rights of such member's household, tenants, guests, and invitees to use recreational facilities or other portions of the Association Property (to the extent that access and utility service are not impaired) for a period not to exceed sixty (60) days, unless such rights are suspended for failure to pay assessments, in which case such rights may be suspended until the assessments are fully paid.

(h) Special declarant's rights reserved by the declarant, including: (i) the right to use portions of the Association Property for sales and marketing purposes; (ii) reservation of easements across the Association Property for development purposes; (iii) the right to grant, terminate, or vacate easements across the Association Property for limited purposes such as installation and maintenance of utilities, storm water management or provision of services to Lots.

2.5. Waiver of Use.

No Owner may exempt himself from personal liability for assessments duly levied by the Association, or effect the release of the Lot, the liens and charges thereof, by waiving the use and enjoyment of the Association Property or by abandoning the Lot.

2.6. Damage by Member.

To the extent permitted by Nevada law, each Member shall be liable to the Association for any damage to the Association Property not fully reimbursed to the Association by insurance (including without limitation any deductible amounts under any insurance policies against which the Association files a claim for such damage) if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Member, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Association Property from the Member, or his or their respective family and guests, both minor and adult. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the Association further reserves the right, after Notice and Hearing as provided in the Bylaws, to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Member or the Person for whom the Member may be liable as described above. In the case of joint ownership of a Lot, the liability of the owners shall be joint and several, except to the extent that the Association shall have previously contracted in writing with the joint owners to the contrary. After Notice and Hearing as provided in the Bylaws, the cost of correcting the damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against such Member's Lot, and may be enforced as provided herein.

ARTICLE III

3. Architectural Review Committee.

3.1. Members of Committee.

The Architectural Review Committee, sometimes referred to herein as the "Architectural Committee" or the "Committee," shall be comprised of three (3) members. The initial members of the Committee shall be representatives of Declarant until one (1) year after the first Close of Escrow of a Lot to an Owner other than the Declarant subject to this Declaration ("First Anniversary"). After the First Anniversary the Board may appoint and remove one (1) member of the Committee, and Declarant shall have the right and power at all times to appoint or remove a majority of the members of the Committee or to fill any vacancy of such majority, until the earlier to occur of (i) Close of Escrow for the sale of ninety percent (90%) of the Lots then subject to this Declaration, or (ii) expiration of five (5) years following the date of the first Close of Escrow of a Lot to an Owner other than the Declarant, after which the Board shall have the power to appoint and remove all of the members of the Committee. Committee members appointed by the Board shall be from the membership of the Association, but Committee members appointed by Declarant need not be Members of the Association. The Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Property. Board members may also serve as Committee members.

3.2. Review of Plans and Specifications.

The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. No construction, alteration, removal relocation, demolition, repainting, addition, installation, modification, decoration, redecoration or reconstruction of an Improvement, including landscaping, in the Property shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Committee and approved in writing by the Committee; provided, however, that any Improvement may be repainted without Committee approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article III apply to the construction, installation, alteration and modification of solar energy systems, subject to the City Building Code, applicable zoning regulations, associated City ordinances, and NRS 111.239. The Owner submitting the plans and specifications ("Applicant") shall obtain a written, dated receipt therefor from an authorized agent of the Committee. Until changed by the Board, the address for the submission of plans and specifications shall be the principal office of the Association. The Committee shall approve plans and specifications submitted for its approval only if it deems that the installation, construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Property as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Property or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. Declarant, and any Person to which Declarant may assign all or a portion of its exemption hereunder, pursuant to the provisions of Section 6.1 hereof, need not seek or obtain Architectural Committee approval of any Improvements constructed on the Property by Declarant or such Person, as the case may be.

The Committee may condition its approval of proposals or plans and specifications for any Improvement (1) upon the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against the Property as a result of such work, (2) on such changes therein as it deems appropriate, (3) upon the Applicant's agreement to grant appropriate easements to the Association for the maintenance of the Improvements, (4) upon the Applicant's agreement to install (at its sole cost) water, gas, electrical or other utility meters to measure any increased consumption, (5) upon the Applicant's agreement to reimburse the Association for the cost of maintenance, (6) upon the Applicant's agreement to complete the proposed work within a stated period of time, or (7) all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee to accompany each application for approval, or stating additional factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of the fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The Committee may require such detail on plans and specifications submitted for its review as it deems proper, including without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Committee of any required plans and specifications, the Committee may postpone review of any plans submitted for approval. Decisions of the Committee and the reasons therefor shall be transmitted by the Committee to the Applicant at the address set forth in the application for approval within forty-five (45) days after receipt by the Committee of all materials required by the Committee. Any application submitted pursuant to this Section 3.2 shall be deemed approved unless written disapproval or a request for additional information or materials by the Committee

shall have been transmitted to the Applicant within forty-five (45) days after the date of receipt by the Committee of all required materials. The Applicant shall meet any review or permit requirements of the City prior to making any alterations or Improvements permitted hereunder.

3.3. Meetings of the Committee.

The Committee shall meet from time to time as necessary to perform its duties hereunder. The Committee may from time to time, by resolution unanimously adopted in writing, designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the Committee, except the granting of variances pursuant to Section 3.8. In the absence of such designation, the vote or written consent of a majority of the Committee shall constitute an act of the Committee.

3.4. No Waiver of Future Approvals.

The approval of the Committee of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

3.5. Compensation of Members.

The members of the Committee shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

3.6. Inspection of Work.

The Committee or its duly authorized representative may at any time inspect any work for which approval of plans is required under this Article III ("Work"), which right to inspect shall include the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the Committee-approved plans for the Work or with the requirements of this Declaration ("Noncompliance").

(a) Time Limit. The Committee's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60) days after the latest to occur of the following events: (i) submittal of the plans for the Work to the Committee for its approval as provided in this Article III; (ii) completion of the Work as provided in the Committee-approved plans; and (iii) written notice from the Owner to the Committee that the Work has been completed. This time limit for inspection and notification by the Committee shall be extended indefinitely if any of these conditions has not occurred. If the Committee fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

(b) Remedy. If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the Committee, the Committee shall notify the Board in writing of such failure. Upon Notice and Hearing, as provided in the Bylaws, the Board shall determine whether there is a Noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a Noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board, at its option, may Record a Notice of Noncompliance and commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

3.7. Scope of Review.

The Architectural Committee shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations, consistency with this Declaration, and the overall benefit or detriment which would result to the immediate vicinity and the Property generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Committee's approval or disapproval shall be based solely on the considerations set forth in this Article III, and the Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

3.8. Variances.

The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the Committee, and shall become effective upon Recordation. After Declarant has lost the right to appoint a majority of the members of the Committee, the Board must approve any variance recommended by the Committee before any such variance shall become effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the use of his Residence.

3.9. Appeals.

For so long as Declarant has the right to appoint and remove a majority of the members of the Committee, decisions of the Committee shall be final, and there shall be no appeal to the Board of Directors. When Declarant is no longer entitled to appoint and remove a majority of the members of the Committee the Board may, at its discretion, adopt policies and procedures for the appeal of Committee decisions for reconsideration by the Board. The Board shall have no obligation to adopt or implement any such appeal procedures, and in the absence of Board adoption of appeal procedures, all decisions of the Committee shall be final.

3.10. Exemption of Declarant.

The Declarant, as defined herein, shall be exempt from the requirements set forth in Sections 3.1 Members of Committee to 3.9 Appeals, inclusive, of this ARTICLE III.

3.11 Schedule required by the Association.

In accordance with Section 47 of Chapter 116 of the NRS:

1. A Lot's owner shall adhere to a schedule required by the Association for:

(a) The completion of the design of a Lot or the design of an improvement to a Lot;

(b) The commencement of the construction of a Lot or the construction of an improvement to a Lot;

(c) The completion of the construction of a Lot or the construction of an improvement to the Lot; or

(d) The issuance of a permit which is necessary for the occupancy of a Lot or for the use of an improvement to a Lot.

2. The Association may impose and enforce a construction penalty against a Lot's owner who fails to adhere to a schedule as required pursuant to this section 1 if:

(a) The maximum amount of the construction penalty and the schedule are set forth in:

(1) The declaration;

(2) Another document related to the common-interest community that is recorded before the date on which the Lot's owner acquired title to the Lot; or

(3) A contract between the Lot's owner and the Association; and

(4) The Lot's owner receives notice of the alleged violation which informs him that he has a right to a hearing on the alleged violation.

3. For the purposes of this chapter, a construction penalty is not a fine.

3.12. Improvements and Alterations to a Lot.

In accordance with NRS 116.2111:

1. Except as otherwise provided in this section and subject to the provisions of the declaration and other provisions of law, a Lot's owner:

(a) May make any improvements or alterations to his Lot that do not impair the structural integrity or mechanical systems or lessen the support of any portion of the common-interest community;

(b) May not change the appearance of the common elements, or the exterior appearance of a Lot or any other portion of the common-interest community, without permission of the Association; and

(c) After acquiring an adjoining Lot or an adjoining Lot, may remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a common element, if those acts do not impair the structural integrity or mechanical systems or lessen the support of any portion of the common-interest community. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries.

3.13. Access and Additional Improvements.

In accordance with NRS 116.2111:

2. An Association may not:

(a) Unreasonably restrict, prohibit or otherwise impede the lawful rights of a Lot's owner to have reasonable access to his Lot.

(b) Unreasonably restrict, prohibit or withhold approval for a Lot's owner to add to a Lot:

(1) Improvements such as ramps, railings or elevators that are necessary to improve access to the Lot for any occupant of the Lot who has a disability;

(2) Additional locks to improve the security of the Lot;

(3) Shutters to improve the security of the Lot or to aid in reducing the costs of energy for the Lot.

(c) With regard to approving or disapproving any improvement or alteration made to a Lot, act in violation of any state or federal law.

3. Any improvement of alteration made pursuant to subsection 2 that is visible from any other portion of the common-interest community must be installed, constructed or added in accordance with the procedures set forth in the governing documents of the association and must be selected or designed to the maximum extent practicable to be compatible with the style of the common-interest community.

3.14. Out-Building Requirements.

1. The Architectural Committee must approve all "out-buildings" on each Lot. The Architectural Committee, prior to approval of an out-building on a Lot, shall take into consideration the location of the out-building and how the installation of an out-building will affect the surrounding Lots.

2. An "out-building" is defined as a building detached from the residence. The following are included within the foregoing definition of an "out-building": casitas, gazebos, pool cabanas, garages, sheds and carports.

3. All out-buildings must comply with the architecture of the community and the Residence on the Lot. This will include the following:

- a. Design/Style.
- b. Roofing.
- c. Wall construction and texture.
- d. Special architectural features such as "pop-outs" shutters, brick or stone.
- e. Local building permits, codes and special requirements.

ARTICLE IV

4. Maintenance Funds and Assessments.

4.1. Personal Obligation of Assessments.

Declarant, for each Lot owned by it, hereby covenants and agrees to pay, and each Owner, by acceptance of a deed to a Lot whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (1) Annual Assessments for Common Expenses, (2) Special Assessments, (3) Reconstruction Assessments and (4) Capital Improvement Assessments; such assessments to be established and collected as provided herein. The Association shall not levy or collect any Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose for which it is levied. Except as provided in this Section 5.1, all assessments (other than Special Assessments together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the Lot against which such assessment is made. Each such assessment (including Special Assessments), together with interest, costs and attorneys' fees, shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. This personal obligation cannot be avoid by abandonment of the Lot by an offer to waive use of the Association Property. The personal obligation for delinquent assessments shall not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser. Any assessment levied by the Association shall be subject to the requirements of NRS 116.3115.

4.2. Maintenance Funds of Association.

The Board of Directors shall establish no fewer than two (2) separate Association Maintenance Fund accounts into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. The Association Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) an adequate Reserve Fund for capital improvements, replacements, painting and repairs of the Association Property (which cannot normally be expected to occur on an annual or more frequent basis), and for payment of deductible amounts for policies of insurance which the Association obtains as provided in Section 8.1 hereof, and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

4.3. Purpose of Assessments.

The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the Owners and for the operation, replacement, improvement and maintenance of the Association Property and the front yard portion of each Lot subject to this Declaration and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Board of Directors only for the purposes specified in this Article IV. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

4.4. Limitations on Annual Assessment Increases.

The Board shall levy Annual Assessments in accordance with the following provisions:

(a) Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may only levy an Annual Assessment per Lot in an amount which exceeds the amount set forth in the Budget prepared by the Declarant and included with the Public Offering Statement for the Project if the Board first obtains the approval of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented ("Increase Election").

Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 4.4(d).

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years. Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may only levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year as follows:

(1) If the increase in Annual Assessments is less than or equal to twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, or less than or equal to the U.S. Department of Urban Price Index-Consumer Price Index-All Consumers (1982-84=100), then the Board need not obtain the approval of Members casting a majority of votes in an Increase Election;

(2) If the increase in Annual Assessments is greater than either twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, or the U.S. Department of Urban Price Index-Consumer Price Index-All Consumers (1982-84=100), then the Board must obtain the approval of Members casting a majority of votes in an Increase Election.

Notwithstanding the foregoing, this Section does limit limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 4.4(d). In addition, this Section does not limit Annual Assessment increases necessary to pay for increased costs for insurance, taxes, and/or recycling/waste disposal.

(c) Supplemental Annual Assessments. If the Board, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses for the Property for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the limitations described in Sections 4.4(a) and (b) above and (d) below, the Board shall have the authority to levy, at any time by a majority vote, a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Lot.

(d) Emergency Situations. For purposes of Section 4.4(a), 4.4(b) and 4.6, an "Emergency Situation" is any one of the following:

(1) An extraordinary expense required by an order of a court;

(2) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible when a threat to personal safety on the Property is discovered; and

(3) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this subparagraph (3), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the Notice of Assessment.

4.5. Annual Assessments/Commencement-Collection.

The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Lot, as provided herein, by majority vote of the Board. Annual Assessments shall commence on all Lots in the Project on the first day of the first calendar month following the first Close of Escrow for the sale of a Lot in the Project or on the first day of the first calendar month following the conveyance of the Association Property, whichever shall first occur. All Annual Assessments shall be assessed equally against the Members and their Lots based upon the number of Lots owned by each Member. Annual Assessments for fractions of any month involved shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Lots for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. Within thirty (30) days after adoption of the Budget by the Board, the Board shall provide a summary of the budget to all Lot Owners and shall establish a date for a meeting of all Lot Owner's to consider ratification of the Budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless at the meeting, a majority of all Lot Owners reject the Budget, the Budget is ratified, whether or not a quorum is present at the meeting. If the proposed Budget is rejected, the periodic Budget last ratified by the Lot Owners shall continue until such time as the Lot Owners ratify a subsequent Budget proposed by the Board. Notice of change of an Annual Assessment, Special Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. From time to time the Board may determine that all excess funds in the Operating Fund be retained by the Association and used to reduce the following year's Annual Assessment. Upon dissolution of the Association incident to the abandonment or termination of the Association Property, any amounts remaining in any of the Maintenance Funds shall be distributed to or for the benefit of the Members in the same proportions as such monies were collected from the Members.

Each Member shall pay to the Association his Annual Assessment in installments at such frequency and in such amounts as established by the Board. Each installment of Annual Assessments may be paid by the Member to the Association in one check or in separate checks as payments attributable to deposits into specified Association Maintenance Funds. If any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Association Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Member shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

4.6. Capital Improvement Assessments.

The Board of Directors of the Association may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that Fiscal Year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement or other such addition upon the Association Property, including fixtures and personal property related thereto; provided that any proposed Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year, shall require the vote or written consent of Members casting a majority of votes at an Increase Election. Notwithstanding the foregoing, the Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 4.4(d).

4.7. Delinquency.

Any installment of an assessment provided for in this Declaration shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein, shall bear interest commencing thirty (30) days from the due date until paid at the rate of up to eighteen percent (18%) per annum, but in no event more than the maximum rate permitted by law. The Board may also require the delinquent owner to pay a late charge. The Association need not accept any tender of a partial payment of an installment of an assessment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender shall not be deemed to be a waiver of the Association's right to demand and receive full payments thereafter.

4.8. Creation and Release of Lien.

In accordance with and subject to NRS Section 116.3116, the Association shall have a lien on a Lot for any for any construction penalty that is imposed against the Lot's Owner pursuant to Section 47 of Chapter 116, any assessment levied against that Lot or fines imposed against the Lot Owner, from the time the construction penalty, assessment or fine becomes due. Any penalty, fees, charges, late charges, fines, and interest charged in accordance with paragraphs (j), (k) and (l) of subsection 1 of NRS 116.3102 are enforceable as assessments. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. A lien is prior to all other liens and encumbrances on a lot except: (a) liens and encumbrances recorded before the recordation of this Declaration; (b) a first security interest on the Lot recorded before the date on which the assessment sought to be enforced becomes delinquent; and (c) liens for real estate taxes and other governmental assessments or charges against the Lot. The lien is also prior to the first security interest described herein as (b) to the extent of the assessments for common expenses based on the periodic budget adopted by the Association pursuant to NRS 116.3115 which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to enforce the lien. The language provided for herein

does not affect the priority of mechanic's or materialmen's liens, or the priority of liens for other assessments made by the Association. Recordation of this Declaration constitutes record notice and perfection of the lien provided for herein. No further recordation of any claim of lien for assessment is required. A lien for unpaid assessments is extinguished unless proceeding to enforce the lien are instituted within three (3) years after the full amount of the assessments becomes due.

Notwithstanding the language provided for herein, the Association is not prohibited from actions to recover sums provided for herein nor is prohibited from taking a deed in lieu of foreclosure. A judgment or decree in any action brought under this section must include costs and reasonable attorney's fees for the prevailing party.

The Association, upon written request shall furnish to a Lot Owner a statement setting forth the amount of unpaid assessments against the Lot. If the interest of the Lot Owner is real estate or if a lien for the unpaid assessment's may be foreclosed under NRS 116.31162 to 116.31168, inclusive, the statement must be in recordable form. 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 of the Association and each Owner of a Lot.

4.9. Enforcement of Liens.

It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one or more of the alternative means of relief afforded by this Declaration. The lien on a Lot enforced by sale of the Lot conducted by the Association, the Association attorneys, any title insurance company authorized to do business in Nevada, or other persons authorized by the Association to conduct the sale as a trustee, after failure of the Owner to pay any Annual, Capital Improvement or Reconstruction Assessment, or installment thereof, as provided herein. The sale shall be conducted in accordance with the provisions of the Nevada Revised Statutes, applicable to the exercise of powers of sale in mortgages and deeds of trust or in any manner permitted by law. An action may be brought to foreclose the lien of the association by the Board, or by any Owner if the Board fails or refuses to act, after the expiration of at least thirty (30) days from the date on which the Notice of Lien was Recorded; provided that at least ten (10) days have expired since a copy of the Notice of Lien was mailed to the Owner affected thereby. The Association, through its agents, shall have the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting Owner's Unit, and the defaulting Owner shall be required to pay the reasonable rental value for such Unit during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit in law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

4.10. Priority of Assessment Lien.

Subject to the priorities established by NRS 116.3116 Lien for Assessments., the lien of the assessments provided for herein, including interest and costs (including attorneys' fees), shall be subordinate to the lien of any previously Recorded first Mortgage upon one or more Lots. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liens for any assessments thereafter becoming due. When the Beneficiary of a first Mortgage of record or other purchaser of a Lot obtains title pursuant to a judicial or nonjudicial foreclosure of the first Mortgage, such Person, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such Person. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Owners of the Lot including such Person, his successors and assigns.

4.11. Capital Contributions to the Association.

Upon acquisition of a Lot from Declarant, each Owner of a Lot in each Phase of the Project subject to this Declaration shall contribute to the capital of the Association an amount equal to four hundred dollars (\$400.00). This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association or to Declarant if Declarant has previously advanced such funds to the Association, unless such funds were paid by the Declarant to the Association as an Owner of a Lot. The Capital Contribution set forth herein shall apply to re-sales of all Lots subject to this Declaration until such time as the Board of Directors of the Association determines that the capital contributions to the Association is no longer necessary.

4.12. Adequate Reserves.

In accordance with NRS 116.3115, the Association shall establish adequate reserves, funded on a reasonable basis, for the repair, replacement and restoration of the major components of the common elements. The reserves may be used only for those purposes, including, without limitation, repairing, replacing and restoring roofs, roads and sidewalks and must not be used for daily maintenance. The Association must comply with the provisions of this paragraph through 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 if the fund 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.

4.13. Reduction in the Annual Assessment.

In order to maintain the overall financial stability of the Association on a long term basis, the Board of Directors may not, without the approval of fifty-one percent (51%) of the Owners, reduce the annual assessment in excess of five percent (5%) per year.

ARTICLE V

5. Property Easements and Rights of Entry.

5.1. Easements.

(a) Access. Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all of the Association Property including any private driveways currently existing in the Property or subsequently added to it, which easements may be conveyed by the Declarant to Owners and to the Association for so long as the Declarant owns any interest in the Property. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by all Owners and their guests, tenants and invitees residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Lot in the Project.

(b) Maintenance and Repair. Declarant expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements over the Association Property to maintain and repair the Association Property and to perform all other tasks in accordance with the provisions of this Declaration. Such easements over the Association Property shall be appurtenant to and binding upon, and shall pass with the title to, each Lot conveyed.

(c) Utility Easements. Declarant expressly reserves for the benefit of the Association the right of Declarant to grant additional easements and rights-of-way over the Association Property to utility companies and public agencies, as necessary, for the proper development and disposal of the Association Property. Such right of Declarant shall expire upon Close of Escrow for the sale of all Lots in the Project or upon expiration of ten (10) years from the date of close of escrow of the first Lot to an Owner other than the Declarant, whichever comes first.

(d) Encroachments. Declarant and Owners of contiguous Residences shall have a reciprocal easement appurtenant to each of the Residences over the Residences and the Association Property for the purpose of (1) accommodating any existing encroachment of any wall of any Improvement, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the Improvements or any other portion of the Project housing their respective residences. Easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Association Property are specifically reserved for the benefit of the Owners. Declarant expressly reserves for the benefit of the Association Property, and for the benefit of the Owners and the Association, reciprocal nonexclusive easements for drainage of water over, across and upon the Association Property. The foregoing easements shall not unreasonably interfere with each Owner's use and enjoyment of adjoining Residences. No portion of the Association Property, is proposed to be leased by Declarant to the Owners or to the Association.

(e) Completion of Improvements. Declarant expressly reserves for its benefit the right and easement to enter the Association Property to complete any Improvement which Declarant deems desirable to implement Declarant's development plan.

ARTICLE VI

6. Declarant's Rights and Reservations.

6.1. Declarant's General Rights and Reservations.

Nothing in this Declaration of Restrictions shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Property owned solely or partially by Declarant, or to alter the foregoing or its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Property so long as any Lot in the Project remains unsold. The rights of Declarant hereunder shall include, but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Lots by sale, resale, lease or otherwise. Each Owner by accepting a deed to a Lot hereby acknowledges that the activities of Declarant may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Lot in the Project by a purchaser from Declarant to establish on that Lot additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Declarant may use any Lots owned by Declarant in the Project as model home complexes or real estate sales or leasing offices. Declarant need not seek or obtain Architectural Committee approval of any Improvement constructed or placed on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in these Restrictions may be transferred by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Property provided the transfer of rights complies with all of the requirements set forth in NRS 116.3104, NRS 116.31043, and

NRS 116.31046. Notwithstanding any other provision of this Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment to this Article shall be effective. Each Owner hereby grants, upon acceptance of his deed to his Lot, an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article. Declarant and its prospective purchasers of Lots shall be entitled to the nonexclusive use of the Association Property and any recreational facilities thereon, without further cost for access, ingress, egress, use or enjoyment, in order to show the Property to its prospective purchasers and dispose of the Property as provided herein. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property. The use of the Association Property by Declarant shall not unreasonably interfere with the use thereof by other Owners. The Association shall provide Declarant with all notices and other documents to which a Beneficiary is entitled pursuant to this Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefor. The rights and reservations of Declarant set forth in this Article VI shall terminate on the seventh (7th) anniversary of the first Close of Escrow for the sale of a Lot in the Project.

6.2. Declarant's Right to Appoint and Remove Directors. Declarant shall have the right to appoint and remove the members of the Board of Directors, subject to the following limitations:

(a) Not later than sixty (60) days after conveyance by Declarant of twenty-five percent (25%) of the Lots that may be created to Lot Owners other than a Declarant, at least one (1) Director and not less than twenty-five percent (25%) of the total number of Directors must be elected by Owners other than Declarant.

(b) Not later than sixty (60) days after conveyance of fifty percent (50%) of the Lots that may be created to Lot Owners other than a Declarant, not less than one third (1/3) of the total number of Directors must be elected by Owners other than Declarant.

(c) The power reserved to Declarant in this Section 6.2 to appoint or remove a majority of the members of the Board of Directors shall terminate on the earliest of:

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

(ii) Five (5) years after all Declarants have ceased to offer Lots for sale in the ordinary course of business; or

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

ARTICLE VII

7. Residence and Use Restrictions.

All of the Property shall be held, used and enjoyed subject to the following limitations and restrictions and the exemptions of Declarant set forth in this Declaration.

7.1. Single Family Residences.

That portion of the Lot comprising the residence shall be used as a residence for a single Family and for no other purpose. An Owner may rent his residence to a single Family provided that the residence is rented pursuant to a lease or rental agreement which is (a) in writing, (b) for a term of at least thirty (30) days, and (c) subject to all of the provisions of this Declaration. Each Owner of a Lot shall provide the Board of Directors with a copy of the lease or rental agreement for purpose of determining whether the lease or rental agreement complies with the language set forth in this Section 7.1. Except as otherwise provided herein, the Association may not require an unit's owner to secure and obtain any approval from the Association in order to rent or lease his unit. The Association may enforce any provision which govern the renting or leasing of units and which are contained in Chapter 116 of the NRS or in any other applicable federal, state or local laws or regulations.

7.2. Parking and Vehicular Restrictions.

(a) Authorized Vehicles. The following vehicles are Authorized Vehicles: motorized land vehicles designed and used primarily for non-commercial passenger transport, such as automobiles, passenger vans designed to accommodate ten (10) or fewer people, two-wheel motorcycles, and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may be parked in any portion of the Properties intended for parking of motorized vehicles. An Authorized Vehicle may not be parked on either the front lawn or in the rear yard, including the cement slab, of an Owner's Lot.

(b) Prohibited Vehicles. The following vehicles are Prohibited Vehicles: recreational vehicles which exceed twenty-two feet (22') in length and/or exceed eight feet (8') in height (e.g., motorhomes, travel trailers, camper vans, boats, etc.), commercial-type vehicles (e.g., stake bed trucks, tank trucks, dump trucks, step vans, concrete trucks, etc.), buses or vans designed to accommodate more than ten (10) people, vehicles having more than two (2) axles, trailers, inoperable vehicles, unlicensed vehicles, vehicles with an expire licence or parts of vehicles, commercial vehicles, which include advertising and/or ladders, aircraft, other similar vehicles or any vehicle or vehicular equipment deemed a nuisance by the Board. Prohibited Vehicles shall not be parked, stored or kept on any yard setback area or any public street within, adjacent to or visible from the Property unless specifically authorized by the Board. Notwithstanding the foregoing, the parking of a vehicle in the backyard portion of any Owner's Lot is strictly prohibited. "Commercial Vehicles" may be reviewed by the Board of Directors which shall use its reasonable judgement in determining whether the commercial vehicle is permitted to be parked on an authorized portion of a Owner's Lot. In addition to the foregoing, small motorcycles, go-carts, and scooters shall be "Prohibited Vehicles" for this purpose of this Section.

(c) Recreational Vehicle Requirements. The following requirements shall apply to Recreational Vehicles and shall apply only to those Lots that can "reasonably" accommodate a Recreational Vehicle. The Board of Directors shall determine whether a Lot can reasonably accommodate a Recreational Vehicle.

1. One (1) Recreational Vehicle is permitted per Lot.

2. A "Recreational Vehicle" is defined as a vehicle or boat specifically designed by the original manufacturer with its sole purpose being for recreational use.

3. The following are not including within the definition of "Recreational Vehicle": all aircraft, combination recreational vehicle and normal vehicle, recreational vehicle transportation trailers used for items such as dirt bikes, all terrain vehicles, race cars and antique cars.

4. A Recreational Vehicle may not be occupied or used for "habitation" while stored on a Lot.

5. A gate with metal mesh, which obscures the Recreational Vehicle from view, must be in place and closed. The foregoing requires prior approval from the Architectural Committee.

6. A concrete paved access to the Recreational Vehicle gate from the street is required. The foregoing requires prior approval from the Architectural Committee.

a. Preferred access is two (2) paved strips allowing for at the least amount of paving in front landscaping.

b. No parking is permitted on the paved access strip, including Recreational Vehicles and/or normal vehicles.

c. No vehicles are to be driven in the landscaped portion of a Lot at any time.

(d) General Restrictions. Subject to the restriction on Prohibited Vehicles, all vehicles owned or operated by or within the control of an Owner or a resident of an Owner's Lot and kept within the Property shall be parked in the garage of that Owner to the extent of the space available; provided that each Owner shall ensure that any such garage accommodates at least the number of Authorized Vehicles for which it was originally constructed. The Board of Directors has the authority to adopt parking rules and regulations. The Board of Directors may institute a procedure for permit only parking for Owner's or residents of an Owner's Lot which permits parking of a vehicle on a designated portion of any portion of the Association Property designated as a Common Element street. No repair, maintenance or restoration of any vehicle shall be conducted on the Property except within an enclosed garage when the garage door is closed, provided such activity is not undertaken as a business, and provided that such activity may be prohibited entirely by the Board if the Board determines that it constitutes a nuisance.

7.3. Nuisances.

No noxious or offensive activities shall be carried on upon the Property or on any public street abutting or visible from the Property. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, shall be placed or used in any such Residence. Noisy or smoky vehicles, large power equipment or large power tools, off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Project and objects which create or emit loud noises or noxious odors, shall not be located, used or placed on any portion of the Property or on any public street abutting or visible from the Property, or exposed to the view of other Owners without the prior written approval of the Architectural Committee. The Board shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept upon the Property or on any public street abutting or visible from the Property which may increase the rate of insurance on Lots or on the Property, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners nor commit or permit any nuisance thereon or violate any law on any public street abutting or visible from the Property. Each Owner

shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Residence. Each Owner shall be accountable to the Association and other Owners for the conduct and behavior of children and other family members or persons residing in or visiting his residence. Any damage to the Association Property or property of another Owner, caused by such children or other family members shall be repaired at the sole expense of the Owner of the Lot where such children or other family members or persons are residing or visiting. Notwithstanding the foregoing, an Owner of a Lot may install outdoor speaker(s) on the Lot provided the use thereof does not create an unreasonable nuisance to the Owners of the adjacent Lots.

7.4. Signs.

For Sale or For Rent signs are not permitted to be placed in either the window of a Residence or on the front yard landscaping. All other signs must be approved by the Architectural Review Committee in accordance with Article III of this Declaration. This Section shall not apply to any signs used by Declarant or its agents in connection with the sale of Lots, traffic and visitor parking signs installed by Declarant, or traffic and parking control signs installed with the consent of the Board. Notwithstanding the foregoing, nothing contained in this Section shall be construed in such manner as to permit the maintenance of any sign which is not in conformance with any ordinance of the City of Las Vegas.

7.5. Antennas/Satellite Dishes.

No alteration to or modification of a central radio/or television antenna system or cable television system, whichever is applicable, if developed by the Declarant or a cable television franchisee and is maintained by the Association or said franchisee, shall be permitted. No Owner or Invitee may be permitted to construct and/or use and operate his own external radio and/or television antenna, "Citizens Band" (C.B.), amateur radio, microwave transmission, satellite dishes or other similar electronic receiving or broadcasting devices, on any portion of the Association Property or any portion of the Lot without the prior written consent of the Board or its delegated committee, and the necessary approvals and permits obtained from the appropriate local government agency. Notwithstanding the foregoing, neither the Architectural Committee nor the Board of Directors shall impose or enforce any restrictions on Antennas which are inconsistent with the requirements set forth in Section 207 of the Telecommunications Act of 1996 (47 U.S.C. Section 303 et. seq.), any regulations issued pursuant thereto, and/or any successor statute. The Architectural Committee shall consider the location of the Antenna and measures, such as paint and/or screening, to assure the Antenna blends with the background and/or colors of the building on which it is located. The Architectural Committee may require that the owner of a Lot paint the cables of the satellite dish to match the existing color of the residence.

Nothing provided for herein shall obligate the Declarant or the Board to install a master antenna system. All fees for the use of any cable television system shall be borne by the respective Owners, and not by the Declarant or the Association.

7.6. Window Coverings/Window Tinting.

Acceptable window coverings are vertical blinds, mini-blinds draperies, curtains, shutters to be neutral in color. Acceptable window coverings shall also include "solar screens". Prior to the installation of a solar screen, each Owner shall submit the color selection for review and approval by the Architectural Committee. Aluminum foil, newspaper, sheets, cardboard, reflective tint paint, etc. are not permitted. Window tinting must be approved by the Architectural Review Committee and kept in good condition.

7.7. Animal Regulations.

No livestock, reptiles, insects, poultry or other animals of any kind shall be raised, bred or kept in any Residence except that usual and ordinary domestic dogs, cats, fish, and birds inside bird cages, may be kept as household pets within any Residence provided that they are not kept, bred or raised therein for commercial purposes or in unreasonable quantities or sizes. As used in the Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per Residence; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Board shall have the right to limit the size of pets and may prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within the fenced yard portion of each Lot or on a leash held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their families, guests and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by such Owner or by members of his family, his tenants or his guests; and it shall be the duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Property or public street abutting or visible from the Property. The Board of Directors may establish rules and regulations with regard to the imposition of a fine, after notice and an opportunity to be heard as provided in the Bylaws, on the Owner(s) of a Lot who does not comply with any portion of this Section. Notwithstanding the foregoing, the total number of household pets shall not exceed the limit on the number of household pets established by the City of Las Vegas. In determining whether a pet is a "nuisance" to the Owners in the planned development, the Board of Directors shall consider size of the pet, noise created by the pet, the "vicious nature" of the pet and/or whether the pet constitutes a potential safety hazard to the Owners in the planned development.

7.8. Business or Commercial Activity.

No part of the Property shall ever be used for any business commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant, its successors and assigns may use any portion of the Property for a model home site and display and sales offices in accordance with Article VI hereof. The provisions of this Section 7.8 shall not preclude any of the above-described activities without external evidence thereof, provided that all of the following conditions are fulfilled: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not visit the Lot or park automobiles or other vehicles within the Property; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from the outside of the boundaries of the Lot; (d) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (e) such activities are consistent with the residential character of the Property and conform with the provisions of this Declaration.

7.9. Rubbish Removal.

Each Owner of a Lot shall place rubbish for the purpose of removal in a receptacle approved by the Board of Directors of the Association. The receptacle shall be placed on a designated portion of the Lot on the day selected for collection on a weekly basis. No portion of the Property shall be used for the storage of building materials, refuse or any other materials. No clothing, household fabrics or other unsightly articles shall be hung, dried or aired on any portion of the Property, including the interior of any Residence, so as to be visible from other Residences or the street. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor.

7.10. Further Subdivision.

Except as otherwise provided herein, no Owner shall physically or legally further subdivide his Lot in any manner, including without limitation, the division of his Lot into time-share estates or time-share uses; provided, however, that this provision shall not be construed to limit the right of an Owner to (1) rent or lease all of his Lot by means of a written lease or rental agreement subject to the restrictions of this Declaration; (2) to sell his Lot; or (3) to transfer or sell any Lot to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. Any failure by the lessee of the Lot to comply with the terms of this Declaration, the Bylaws of the Association or the Rules and Regulations of the Association shall constitute a default under the lease or rental agreement. Notwithstanding the foregoing, no Lot in the Project may be partitioned without the prior written approval of the Beneficiary of any first Mortgage on that Lot. This Section may not be amended without the prior written approval of the Beneficiaries of at least seventy-five percent (75%) of the first Mortgages of Lots in the Project.

7.11. Drainage.

There shall be no interference with or alteration of the established drainage pattern for each Lot and/or the Association Property, unless an adequate alternative provision is made for proper drainage with the prior written approval of the Architectural Committee. For the purpose hereof, "established" drainage is defined as the drainage which exists at the time of the first Close of Escrow for the sale of a Lot, or that which is shown on any plans approved by the Architectural Committee. Each Owner of a Lot must notify and obtain the prior written approval of the Architectural Committee of any change in the drainage pattern for the Lot.

7.12. Water Supply System.

No individual water supply or water softener system shall be permitted in any Lot unless such system is designed, located constructed and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, and all other applicable governmental authorities and only after approval by the Architectural Review Committee. Any sewage disposal system shall be installed only after approval by the Architectural Review Committee and any governmental health authority having jurisdiction.

7.13. View Obstructions.

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

7.14. Landscaping.

Every Owner shall be responsible for landscaping the Lot with trees, plant materials, ground cover and/or decorative rocks in conformity and harmony with the external design of the Residences and the general plan established by this Declaration for the Property. Every Owner shall maintain the landscaping on the Lot in a sightly and well-kept condition including, but not limited to, keeping the landscaping free of all weeds, trash and other debris. Every Owner shall landscape the portion of the Lot for which landscaping was not installed by the Declarant in accordance with the overall development plan approved by the City within one hundred eighty (180) days of the Close of Escrow for the Lot.

(A) The Board of Directors shall not and governing documents must not prohibit a unit's owner from installing or maintaining "drought tolerant landscaping" within such physical portion of the Project as that Owner has a right to occupy and use exclusively, except that:

(1) Before installing drought tolerant landscaping, the unit's Owner must submit a detailed description or plans for the drought tolerant landscaping for architectural review and approval in accordance with the procedures of this Declaration; and

(2) The drought tolerant landscaping must be selected or designed to the maximum extent practicable to be compatible with the style of the Project.

(B) Installation of drought tolerant landscaping within any common element or conversion of traditional landscaping or cultivated vegetation, such as turf grass to drought tolerant landscaping within any common element shall not be deemed a change of use of the common element unless:

(1) The common element has been designated a park, open play area or golf course on a recorded plat map; or

(2) The traditional landscaping or cultivated vegetation is required by a governing body under the terms of any applicable zoning ordinance, permit or approval or as a condition of approval of any final subdivision map.

(C) As used in this section, "drought tolerant landscaping" means landscaping which conserves water, protects the environment and is adaptable to local conditions.

7.15. Political Signs.

The Board of Directors shall not and the governing documents must not prohibit a unit's Owner or an occupant of a unit from exhibiting a political sign within such physical portion of the Project as that Owner or occupant has a right to occupy and use exclusively if the political sign is not larger than 24" x 36". The provisions of this section establish the minimum rights of a unit's owner or an occupant of a unit to exhibit a political sign. The provisions of this section do not preempt any provisions of the governing documents or the Board of Directors to impose any restrictions on the exhibition of political signs other than those established by other provisions of law. As used in this section, "political sign" means a sign that expresses support or opposition to a candidate, political party or ballot question.

7.16. Walls and Fences.

7.16.1 Walls and Fences.

Any perimeter wall or fence installed by the Declarant shall be properly maintained by the Association or the Owner in accordance with the maintenance responsibilities described hereafter. Any modification of any wall or fence installed by the Declarant shall be submitted to and approved by the Architectural Committee. Any modification of a wall or fence is subject to the regulations imposed by City of Las Vegas for the Property.

7.16.2 Fencing Materials/Adjacent Lot Fences.

Fencing will be installed by the Declarant in accordance with the requirements of the City. The Association will maintain the exterior portion of any installed fencing. The Owner of a Lot will maintain the interior portion of any fencing located on the Lot of the Owner. In the event an Owner of a Lot elects to erect a fence between the Lot Owners lot line and the adjacent Lot, the Owner shall contact the adjacent Lot Owner in writing and request the adjacent Lot Owner agree to share the costs of initial construction and continual maintenance of the fence between the two (2) Lots. In the event the adjacent Lot Owner agrees to the initial construction and the continual maintenance of the fence, a copy of the letter of agreement shall be provided to the management company retained by the Association to manage the Project. In the event the adjacent Lot Owner declines to agree to pay for the initial construction and continual maintenance of the fence between the two (2) Lots or fails to respond within thirty (30) days to the written request by the Lot Owner, then the Lot Owner may request approval of the proposed fence by the Architectural Committee. Upon approval of the proposed fence by the Architectural Committee, the Lot Owner may install the fence on the Lot Owners property. The Lot Owner shall be responsible for maintenance of the fence located on the Lot Owners' property. Any modification of the block walls installed by the Declarant must be approved by the Architectural Committee in accordance with Article III herein.

ARTICLE VIII

8. Insurance.

8.1. Right and Duty of Owners to Insure.

It is the responsibility of each Owner to provide insurance on his Lot and the personal property within his Residence. Nothing herein shall preclude any Owner from carrying any public liability insurance as he deems desirable to cover his individual liability for damage to person or property occurring inside his Lot. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association and duplicate copies of such other policies shall be deposited with the Board upon request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are applied. Each Owner of a Lot shall provide the Board of Directors with a copy of the insurance obtained by the Owner of a Lot in accordance with this Section 8.1.

8.2. Right and Duty of Association to Insure.

The Association shall obtain insurance in accordance with the requirements set forth in NRS 116.3113 to NRS 116.3115, inclusive.

ARTICLE IX

9. Destruction of Improvements.

9.1. Restoration of the Association Property.

Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Association Property, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Section 8.2 hereof for reconstruction or repair of the Association Property shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Association Property shall be reconstructed or rebuilt substantially in accordance with the original construction plans if they are available, unless changes recommended by the Architectural Committee have been approved in writing by sixty-seven percent (67%) of the Owners and by the Beneficiaries of fifty-one percent (51%) of first Mortgages upon the Lots. If the amount available from the proceeds of such insurance policies for such restoration and repair is at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Capital Improvement Assessment shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. If the amount available from the proceeds of such insurance policies for such restoration and repair is less than eighty-five percent (85%) of the estimated cost of restoration and repair, the Board may levy a Capital Improvement Assessment and proceed with the restoration and repair only if both of the following conditions ("Conditions to Reconstruction") have first been satisfied: (a) the levy of a Capital Improvement Assessment to pay the costs of restoration and repair of the Association Property is approved by the affirmative vote or written consent of sixty-seven percent (67%) of the Owners and by the written consent of the Beneficiaries of fifty-one percent (51%) of the first Mortgages on the Lots in the Project;

and (b) within six (6) months after the date on which the destruction occurred, the Board Records a certificate of the resolution authorizing the restoration and repair ("Reconstruction Certificate"). If either of the Conditions to Reconstruction does not occur following a destruction for which insurance proceeds available for restoration and repair are less than eighty-five percent (85%) of the estimated cost of restoration and repair, it shall be conclusively presumed that the Owners have determined not to proceed with restoration and repair and not to allow the Board to levy a Reconstruction Assessment.

9.2. Sale of Property and Right to Partition.

No Owner shall have the right to partition of his interest in a Lot and there shall be no judicial partition of the Project, or any part thereof.

9.3. Interior Damage.

Restoration and repair of any damage to the interior of any individual Residence, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Owner of the Residence so damaged. In the event of a determination to rebuild the Property after partial or total destruction such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee as provided herein.

ARTICLE X

10. Eminent Domain.

The term "taking" as used in this Article shall mean condemnation by exercise of the power of eminent domain or by sale under threat of the exercise of the power of eminent domain. The Board shall represent the Owners, with the exception of the Secretary of the Department of Veterans Affairs, an officer of the United States of America, in any proceedings, negotiations, settlements, or agreements regarding takings. All takings proceeds shall be payable to the Association for the benefit of the Lot Owners and their Mortgagees, and shall be distributed to such Owners and Mortgagees as provided in this Article X.

10.1. Project Condemnation.

If there is a taking of an interest in all or part of the Project such that the ownership, operation and use of the Project in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking the Owners of Lots (a) not taken, or (b) only partially taken but capable of being restored to at least ninety-five percent (95%) of their floor area and to substantially their condition prior to the taking (collectively, the "Remaining Lots") do not by affirmative vote of at least one-third of their voting power approve the continuation of the Project and the repair, restoration and replacement to the extent feasible of the Association Property and the Remaining Lots, then the Board shall proceed with the sale of that portion of the Project which was not taken and distribute the net proceeds of such sale after deducting any incidental fees and expenses, in the same proportion and manner as provided in Section 10.2.

10.2. Condemnation of Association Property.

If there is a taking of all or any portion of the Common Elements, or any interest therein, then the award in condemnation shall be paid to the Association and shall be deposited in the Operating Fund.

10.3. Condemnation of Lots.

If there is a taking of a Lot, the award in condemnation shall be paid to the Owner of the Lot; provided, however, that such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Lot, in order of priority.

10.4. Portions of Awards in Condemnation Not Compensatory for Value of Real Property.

Those portions of awards in condemnation which do not directly compensate Owners for takings of real property (e.g., awards for takings of personal property, relocation expenses, moving expenses, or other allowances of a similar nature intended to facilitate relocation) shall be paid to the Owners whose personal property is taken, or whose relocation is intended to be facilitated.

10.5. Notice to Owners and Mortgagees.

The Board, upon learning of any taking affecting a material portion of the Property, or any threat thereof, shall promptly notify all Owners and those Beneficiaries, insurers and guarantors of Mortgages on Lots in the Project who have filed a written request for such notice with the Association. The Board, upon learning of any taking affecting a Lot, or any threat thereof, shall promptly notify any Beneficiary, insurer or guarantor of a Mortgage encumbering such Lot who has filed a written request for such notice with the Association.

ARTICLE XI

11. Rights of Mortgagees.

Notwithstanding any other provisions of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Beneficiary under any Deed of Trust upon one (1) or more Lots made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Lot(s) shall remain subject to this Declaration, as amended. For purposes of this Declaration, "first Mortgage" shall mean a Mortgage with first priority over other Mortgages or Deeds of Trust on a Lot, and "first Mortgagee" shall mean the Beneficiary of a first Mortgage. For purposes of any provision of this Declaration or the other Restrictions which require the vote or approval of a specified percentage of first Mortgagees, such vote or approval shall be determined based upon one (1) vote for each Lot encumbered by each such first Mortgagee. In order to induce FHLMC, GNMA and Fannie Mae to participate in the financing of the sale of Lots within the Project, the following provisions are added hereto (and to the extent these added provisions conflict with any other these provisions of the Restrictions, these added provisions control):

(a) Each Beneficiary, insurer and guarantor of a first Mortgage encumbering one (1) or more Lots, upon filing a written request for notification with the Board, is entitled to written notification from the Association of:

(1) any condemnation or casualty loss which affects either a material portion of the Project or the Lots(s) securing the respective first Mortgage; and

(2) any delinquency of sixty (60) days or more in the performance of any obligation under the Restrictions, including without limitation the payment of assessments or charges owed by the Owner(s) of the Lot(s) securing the respective first Mortgage, which notice each Owner hereby consents to and authorizes; and

(3) a lapse, cancellation, or material modification of any policy of insurance or fidelity bond maintained by the Association; and

(4) any proposed action of the Association which requires consent by a specified percentage of first Mortgagees.

(b) Each Owner, including each first Mortgagee of a Mortgage encumbering any Lot who obtains title to such Lot pursuant to the remedies provided in such Mortgage, or by foreclosure of the Mortgage, or by deed or assignment in lieu of foreclosure, shall be exempt from any "right of first refusal" created or purported to be created by the Restrictions.

(c) Each first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot, pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Lot free and clear of any claims for unpaid assessments or charges against such Lot which accrued prior to the time such Mortgagee acquires title to such Lot in accordance with Section 4.10.

(d) Unless at least sixty-seven percent (67%) of the first Mortgagees or sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

(1) by act or omission seek to abandon or terminate the Project and/or this Declaration; or

(2) change the pro rata interest or obligations of any Lot in order to levy assessments or charges, allocate distributions of hazard insurance proceeds or condemnation awards or determine the pro rata share of ownership of each Lot in the Project; or

(3) partition or subdivide any Lot; or

(4) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Association Property. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Association Property under this Declaration, and the granting of exclusive easements to Owners over portions of the Association Property to conform the boundaries of the Association Property to the as-built location of Improvements installed or constructed by Declarant shall not be deemed a transfer within the meaning of this clause); or

(5) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design, the exterior appearance or the maintenance of the Lots or the Association Property; or

(6) fail to maintain or cause to be maintained Fire and Extended Coverage insurance on insurable Association Property as provided in Article IX of this Declaration; or

(7) use hazard insurance proceeds for losses to any Lot property (i.e., Improvements to the Lots) for other than the repair, replacement or reconstruction of such Lot property, subject to the provisions of Article X of this Declaration; or

(8) change the method of determining the obligations, assessments, other charges which may be levied any Owner.

(e) All Beneficiaries, insurers, and guarantors of first Mortgages, upon written request to the Association, shall have the right to:

(1) examine current copies of the Association's books, records and financial statements and the Restrictions during normal business hours; and

(2) require the Association to submit an annual audited financial statement without expense to the entity requesting the statement; and

(3) receive written notice of all meetings of Owners; and

(4) designate in writing a representative who shall be authorized to attend all meetings of Owners.

(f) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request, shall be given thirty (30) days' written notice prior to the effective date of (1) any proposed, material amendment to the Restrictions; (2) any termination of an agreement for professional management of the Property following any decision of the Owners to assume self-management of the Project; and (3) any proposed termination of the Property as a Planned Unit Development.

(g) The Reserve Fund described in the Declaration must be funded by regular scheduled monthly, quarterly, semiannual or annual payments rather than by large special assessments.

(h) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to employees of the professional Manager.

(i) The Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the FHLMC, Fannie Mae or GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first Mortgages encumbering Lots. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their residential Lots, if such agencies approve the Property as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Each Owner hereby authorizes his Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

(j) When professional management has been previously required by a Beneficiary, insurer or guarantor of a first Mortgage, any decision to establish self-management by the Association shall require the approval of sixty-seven percent (67%) of the voting power of the Lot Owners and the Beneficiaries of fifty-one percent (51%) of the first Mortgages of Lots in the Project.

(k) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Association Property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Association Property, and First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

ARTICLE XII

12. Duration and Amendment.

12.1. Duration.

This Declaration shall continue in full force for a term of fifty (50) years from the date of Recordation hereof, after which the term shall be automatically extended for successive periods of ten (10) years, unless an Agreement to Terminate which complies with all of the requirements of NRS 116.2118 is Recorded. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Lot from the concomitant Membership in the Association, as long as this Declaration shall continue in full force and effect.

12.2. Approval of Amendment to Declaration by Beneficiaries.

(a) The Beneficiaries of fifty-one percent (51%) of the first Mortgages on all the Lots in the Project who have requested the Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees must approve any amendment to this Declaration which is of a material nature, as follows:

(1) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Beneficiaries, insurers or guarantors of first Mortgages as provided in Article XI hereof.

(2) Any amendment which would necessitate a Mortgagee after it has acquired a Lot through foreclosure, to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(3) Any amendment which would or could result in a Mortgage being canceled by forfeiture, or in a Lot not being separately assessed for tax purposes.

(4) Any amendment relating to the insurance provisions as set out in Article IX hereof, or to the application of insurance proceeds as set out in Article X hereof, or to the disposition of any money received in any taking under condemnation proceedings.

(5) Any amendment which would or could result in partition or subdivision of a Lot in any manner inconsistent with the provisions of this Declaration.

(6) Any amendment which would subject any Owner to a right of first refusal or other such restriction, if such Lot is proposed to be sold, transferred, or otherwise conveyed.

(7) Any amendment concerning:

(A) Voting rights;

(B) Rights to use the Association Property;

(C) Reserves and responsibility for maintenance, repair and replacement of the Association Property;

(D) Boundaries of any Lots;

(E) Owners' interests in the Association Property;

(F) Convertibility of Association Property into Lots or Lots into Association Property;

(G) Leasing of Lots;

(H) Establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;

(I) Annexation or deannexation of real property to or from the Property; or

(J) Assessments, assessment liens, or the subordination of such liens.

(b) Termination of this Declaration shall require approval by the Members as provided in Section 12.1. No such termination shall be effective unless it is also approved in advance either by fifty-one percent (51%) of the Beneficiaries of the first Mortgages on all of the Lots in the Project (if said termination is proposed by reason of the substantial destruction or condemnation of the Project) or by sixty-seven percent (67%) of such Beneficiaries (if said termination is for reasons other than such substantial destruction or condemnation).

(c) Each Beneficiary of a first Mortgage on a Lot in the Project which receives proper written notice of a proposed amendment or termination of this Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the Beneficiary fails to submit a response to the notice within thirty (30) days after the Beneficiary receives the notice.

(d) A copy of each amendment shall be certified by at least two (2) officers of the Association, and the amendment shall be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Owners and mortgagees have either voted for or consented in writing to any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. The certificate reflecting any termination or amendment which requires the written consent of any of the Beneficiaries of first Mortgages shall include a certification that the requisite approval of such first Mortgagees has been obtained.

(e) Notwithstanding any other provisions of this Section 12.2, at any time prior to the first Close of Escrow for the sale of a Lot within the Project, Declarant may unilaterally amend or terminate this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant.

(f) Notwithstanding any other provisions of this Section 12.2, for so long as Declarant owns any portion of the Property, Declarant may unilaterally amend this Declaration by Recording a written instrument signed by Declarant in order to conform this Declaration to the requirements of Fannie Mae, GNMA or FHLMC then in effect.

12.3. Approval of Material Amendment to Declaration and/or Extraordinary Actions by Members.

(a) Sixty-seven percent (67%) of the Owners of the Lots in the Project must approve any amendment to this Declaration which is of a material nature, as follows:

(1) An amendment which includes adding, deleting, or modifying any provision regarding the following:

(a) Assessment basis or assessment liens;

(b) Any method of imposing or determining any changes to be levied against individual Lot Owners;

(c) Reserves for maintenance, repair, or replacement of Association Property improvements;

(d) Maintenance obligations;

(e) Allocation of rights to use the Association Property;

(f) Any scheme of regulation or enforcement of standards for maintenance, architectural design or exterior appearance of improvements on Lots;

(g) Reduction of insurance requirements;

(h) Restoration or repair of Association Property improvements;

(i) The addition, annexation or withdrawal of land to or from the Project;

(j) Voting rights;

(k) Restrictions affecting leasing or sale of a Lot;

(l) Any provision which is for the express benefit of mortgagees.

(2) Any amendment which concerns an "extraordinary action". An extraordinary action includes:

(a) Merger or consolidation of the Association (other than with another non-profit entity formed for purposes similar to the Project Association);

(b) A determination not to require professional management if professional management is required by the Restrictions, a majority of eligible mortgagees, or a majority vote of the Members;

(c) Expansion of the Association to include real property not included in this Declaration as "annexable property", which results in an increase of the real property in the Project or the number of Lots in the Project by more than ten percent (10%).

(d) Abandoning, partitioning, encumbering, mortgaging, conveying, selling or otherwise transferring or relocating the boundaries of the Association Property (except for (i) granting easements which are not inconsistent with or which do not interfere with the intended use of the Association Property; (ii) dedicating Association Property as required by a public authority; (iii) limited boundary line adjustments made in accordance with the provisions of this Declaration; (iv) transferring Association Property pursuant to a merger or consolidation with a non-profit entity formed for purposes similar to the Project Association).

(e) Using insurance proceeds for purposes other than the construction or repair of the insured improvements;

(f) Making capital expenditures (other than for repair or replacement of existing improvements) during any period of twelve (12) consecutive months costing more than twenty percent (20%) of the annual operating budget).

12.4. Protection of Declarant.

Until the seventh (7th) anniversary of the first Close of Escrow for the sale of a Lot in the Project, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or lease Lots therein in accordance with this Declaration shall become effective.

Notwithstanding any other provisions of the Restrictions, until such time as Declarant no longer owns any Lots in the Property, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

(a) Any amendment or action requiring the approval of first Mortgagees pursuant to this Declaration, including without limitation all amendments and action specified in Section 12.2;

(b) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Association Property by Declarant; or

(c) Subject to Article IV regarding limitations on Annual Assessment increases, any significant reduction of Association maintenance or other services.

ARTICLE XIII

13. General Provisions.

13.1. Enforcement of Restrictions.

(a) Violations Identified by the Association. If the Board determines that there is a violation of any provision of the Restrictions, or the Architectural Committee determines that an Improvement which is the maintenance responsibility of an Owner is in need of installation, maintenance, repair, restoration or painting, then the Board shall give written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation including, if applicable, the length of time the Owner has to submit plans to the Architectural Committee and the length of time the Owner has to complete the work proposed in the plans submitted to the Architectural Committee.

If an Owner does not perform such corrective action as is required by the Board and the Architectural Committee within the allotted time, the Board, after Notice and Hearing, may undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment. Such Special Assessment shall be subject to enforcement and collection by the Board in accordance with the procedures provided for in this Declaration.

If the violation involves nonpayment of any type of Assessment, then the Board shall be entitled to collect such delinquent Assessment pursuant to the procedures set forth in Article V.

(b) Violations Identified by an Owner. In the event that an Owner alleges that another Owner, his family, guests or tenants, is violating the Restrictions (other than nonpayment of any type of Assessment), the Owner must first submit the matter to the Board pursuant to the Notice and Hearing procedure established in the Bylaws before the complaining Owner may resort to a court of law for relief with respect to the alleged violation.

(c) Legal Proceedings. Failure to comply with any of the terms of the Restrictions by an Owner, his family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Sections 13.1(a) and (b) above must first be followed, if they are applicable.

(d) Limitation on Expenditures. The Association shall not incur litigation expenses, including without limitation, attorneys' fees, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings without the approval of a majority of the voting power of the Association, excluding the voting power of any Owner who would be a defendant in such proceedings. Such approval shall not be necessary if the legal proceedings are initiated to (i) enforce the use restrictions contained in Article VII hereof, (ii) enforce the architectural control provisions contained in Article III hereof, or (iii) collect any unpaid assessments levied pursuant to this Declaration.

(e) Schedule of Fines. The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Lot, to comply with any provisions of the Restrictions. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

(f) No Waiver. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof.

(g) Right to Enforce. The Board, any Owner (not at the time in default hereunder), or Declarant (so long as Declarant is an Owner) shall be entitled to enforce the Restrictions as described in this Article. Each Owner shall have a right of action against the Association for the Association's failure to comply with the Restrictions. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive. A civil action may be brought for damages caused by a failure or refusal to comply with any provision of Chapter 116 of the Nevada Revised Statutes or the Restrictions in accordance with NRS 116.4117.

(h) Attorneys Fees. Any judgment rendered in any action or proceeding pursuant to this Declaration shall include a sum for attorneys' fees in such amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and costs of court.

13.2. Severability.

The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

13.3. Interpretation.

The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential planned community and for the maintenance of Association Property, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the other, unless the context dictates otherwise.

13.4. No Public Right or Dedication.

Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property to the public, or for any public use.

13.5. Notices.

Except as otherwise provided in this Declaration, notice to be given to an Owner shall be in writing and may be delivered personally to the Owner. Personal delivery of such notice to one or more co-owners of a Lot or to any general partner of a partnership owning a Lot shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Lot. Such notice shall be deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board of Directors in which case the notice provisions of the Bylaws of the Association shall control. Any notice to be given to the Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

13.6. Constructive Notice and Acceptance.

Every person who owns, occupies or acquires any right, title estate or interest in or to any Lot or other portion of the Property does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Property, or any portion thereof.

13.7. No Representations or Warranties.

No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees in connection with the Property, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned development, except as specifically and expressly set forth in this Declaration.

ARTICLE XIV

14. Dispute Resolution.

14.1 Resolution of Claims or Disputes.

Subject to NRS 38.300 et. seq., which provides for resolution of certain claims with a common interest community by arbitration, any claims or disputes between the Declarant (or any director, officer, partner, employee, or agent of the Declarant) and the Association (including any officer, directors, employee or agent of the Association) or any Owner arising from or relating to the Project, the Restrictions or the use or condition of the Association Property or separate interests, including, without limitation, any and all disputes, regarding defects or alleged defects in the construction or design of property within the Project (with the exception of any dispute or action which by its terms specifically provides for an alternative remedy or dispute mechanism), shall be resolved by the submission of the dispute or claim to mediation in accordance with the procedures set forth in this Article and subject to NRS 40.680. In accordance with NRS 40.680, Subsection 3, if the parties to a claim or dispute do not reach an agreement concerning the matter during mediation or if the Declarant fails to pay the required fees and appear, the claimant may commence his action in a court of law. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in any proceeding in a court of law.

14.2 Conduct of the Mediation.

Mediation shall be conducted pursuant to the mediation procedures utilized by the American Arbitration Association, the Nevada Arbitration Association, Nevada Dispute Resolution Services (or such other entity offering mediation procedures as may be mutually acceptable to the parties). No person shall serve as a mediator in any dispute in which the person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances which may create a presumption of bias or prevent a prompt commencement of the mediation process. A party to a claim as provided herein hereby covenants that it shall not commence an action in a court of law against any other party to a claim without complying with the mediation procedures as set forth in this Article XIV.

(a) Each party shall, within fifteen (15) days of the selection of the mediator, submit a brief memorandum to the mediator, which sets forth the position of each party with regard to the issues which shall be subject of the mediation. The mediator shall have the right to schedule a "pre-mediation conference". Unless otherwise approved by the mediator, all parties shall attend the pre-mediation conference. The mediation shall be commenced within thirty (30) days following the submittal of the memoranda. The mediation shall be conducted within Clark County, Nevada or at such other location as is mutually acceptable all the parties to the mediation.

(b) The mediator may conduct the mediation in a manner which is most appropriate to achieve a settlement of the dispute. The mediator may conduct joint and/or separate meetings with the parties and engage in oral and/or written recommendations for settlement. The mediator shall not be authorized to impose a settlement on the parties.

(c) All parties shall, prior to the commencement of the mediation, execute an agreement, which shall exclude the use of any testimony or evidence produced at the mediation in any subsequent dispute resolution forum. The agreement shall specifically provide that evidence of anything said or of any admission made in the course of the mediation is not admissible evidence, and disclosure of any such evidence shall not be compelled in any civil action in which, pursuant to law, testimony by a witness can be compelled. Unless the document otherwise provides, a document prepared for the purpose of, or in the course of, or pursuant to, the mediation, or a copy thereof, shall not be admissible as evidence and disclosure of said document shall not be compelled in any civil action in which, pursuant to law, testimony by a witness can be compelled.

(d) Subject to the approval of the mediator, the parties to the mediation, and their representative, persons, other than the parties, may attend the mediation.

(e) Each party shall be responsible for the expenses incurred by a witness for the party. Unless otherwise agreed by all parties to the mediation, all other expenses of the mediation, including, but not limited to, the fees and costs charged by the mediator, shall be shared equally by the parties.

In the event the parties are unable to resolve a dispute or claim subject to this Article XIV by mediation, a party to the mediation may commence an action in a court of law in accordance with the Nevada Revised Statutes. In accordance with NRS 40.680 Subsection 3 (b), either party may petition the court in which the action is commenced for the appointment of a special master. As further provided in accordance with NRS 40.680 5, upon application by a party to the court in which the action is commenced, any decision or other action taken by a special master appointed pursuant to Subsection 3 of NRS 40.680 may be appealed to the court for a decision.

ARTICLE XV

15. Annexation of Additional Property.

15.1. Annexation of Additional Property by Declarant. Declarant, its successors and assigns, shall have the right to annex all or a portion of the real property described on EXHIBIT "A" and to subject said property to the general plan and scheme of this Declaration without the approval of the Owners of Lots other than the Declarant, provided that the improvements to be constructed thereon are substantially completed prior to annexation. Any improvements on property annexed to this Declaration shall be consistent in terms of quality of construction with the initial improvements on the Lots in Phase One (1). The rights of the Declarant, its successors and assigns, provided for herein, shall terminate on the seventh (7th) anniversary of the recordation of this Declaration.

15.2. Annexation of Additional Property other than by Declarant.

Subject to NRS 116.2122 and any other applicable law, additional real property other than described on EXHIBIT "B" attached hereto may be annexed to the Project and included within the general plan and scheme of this Declaration upon approval of: (a) all owners of such additional real property, and (b) at least sixty-seven percent (67%) of the Owners of Lots subject to this Declaration, provided, however, that the amount of real property annexed pursuant to this Section shall not exceed ten percent (10%) of the original property and the number of Lots in the Project shall not in any event exceed the maximum number of Lots which the Declarant has herein reserved to create.

15.3. Rights and Obligations of Owners of Additional Property.

Subject to the provisions of Section 15.4, upon the recordation of an "Annexation Amendment", all provisions included within this Declaration shall be applicable to the real property described in said Annexation Amendment in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers, and responsibilities of the parties to this Declaration with respect to the additional property shall be the same as with respect to the property described in Phase One (1) herein, and the rights, powers, and responsibilities of the Owners, lessees, and occupants of Lots within the additional property, as well as within the property described as Phase One (1) herein, shall be the same as if the additional property were originally covered by this Declaration. Upon recordation of an Annexation Amendment, the Owners of Lots located in the annexed property shall share in the payment of assessments to the Association. Voting rights attributable to the Lots in the annexed property shall not vest until assessments have commenced as to said Lots. Upon annexation of additional property, all Development Rights (as defined in NRS 116.11034) reserved to such added property shall be deemed to have expired.

15.4. Annexation Amendment.

The addition of Annexable Property authorized herein shall be completed by recording of an Annexation Amendment, in accordance with NRS Section 116.2110 (1), to this Declaration which shall: (a) described the additional property; (b) assign an identifying number to each new Lot created; (c) reallocate the allocated interests among all Lots created to the extent required by NRS 116.2110; (d) describe any Common Areas; and (e) designate the Lots to which any Exclusive Use Areas created thereby are appurtenant. The Annexation Amendment shall be signed by the Declarant in accordance with Section 15.1. The Annexation Amendment shall be signed by the Owner(s) of the additional property and the President of the Association, on behalf of the Owners of Lots subject to this Declaration in accordance with Section 15.2. Upon recordation of this Annexation Amendment and compliance with NRS 116.2109 (6), if applicable, the additional property shall: (a) become part of the Project; (b) be subject to

this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein; (c) be subject to the functions, powers, and jurisdiction of the Association; and (d) the Owners of Lots in the additional property shall automatically become members of the Association.

15.5. Deannexation of Additional Property.

Declarant may deannex all or a portion of the additional property annexed to the Project by recordation of an "Amended Annexation Amendment" provided that: (a) Declarant is the Owner of all of the Lots included within the Amended Annexation Amendment; (b) the Amended Annexation Amendment is recorded in the same manner as the original Annexation Amendment; (c) Declarant has not exercised any Association vote with respect to any portion of the additional property; (d) assessments in accordance with the Declaration have not yet commenced with respect to any portion of the additional property; (e) close of escrow has not occurred for the sale of any Lot in the additional property; and (f) the Association has not made any expenditures or incurred any obligations with respect to any portions of the additional property.

This Declaration is dated January 6, 2006 for identification purposes.

Kimball Hill Homes Nevada, Inc.,
a Nevada Corporation

By: _____
R. Lee Venable

Its: "Secretary"

"Declarant"

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

On this____day of_____, 2005, personally
appeared before me, the undersigned, a Notary Public, **R. Lee
Venable** personally known to me to be the person whose name is
subscribed to the above instrument, who acknowledged that he
executed the instrument.

Notary Public

EXHIBIT "A"

1. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on June 30, 2005 in Book 20050630 as Instrument No. 0002858 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Seven (7) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

2. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on June 30, 2005 in Book 20050630 as Instrument No. 0006237 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty-Five (85) in Block Four (4) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

3. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on July 29, 2005 in Book 20050729 as Instrument No. 0006737 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty-Eight (88) in Block Four (4) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

4. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 2, 2005 in Book 20050802 as Instrument No. 0003251 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Fifteen (15) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

5. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 4, 2005 in Book 20050804 as Instrument No. 0005407 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Thirteen (13) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

6. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 5, 2005 in Book 20050805 as Instrument No. 0004108 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Fourteen (14) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

7. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 8, 2005 in Book 20050808 as Instrument No. 0002755 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty-Nine (89) in Block Four (4) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

8. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 8, 2005 in Book 20050808 as Instrument No. 0002746 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-One (21) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

9. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 12, 2005 in Book 20050812 as Instrument No. 0003367 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Seventeen (17) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

10. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 15, 2005 in Book 20050815 as Instrument No. 0003936 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty (20) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

11. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 18, 2005 in Book 20050818 as Instrument No. 0005428 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Sixteen (16) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

12. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 30, 2005 in Book 20050830 as Instrument No. 0003848 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Three (23) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

13. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 30, 2005 in Book 20050830 as Instrument No. 0006389 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Ninety-One (91) in Block Four (4) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

14. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 31, 2005 in Book 20050831 as Instrument No. 0004393 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eight (8) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

15. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 31, 2005 in Book 20050831 as Instrument No. 0003241 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty-Seven (87) in Block Four (4) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

16. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on August 31, 2005 in Book 20050831 as Instrument No. 0006089 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Two (22) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

17. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on September 12, 2005 in Book 20050912 as Instrument No. 0000561 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Four (24) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

18. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on September 20, 2005 in Book 20050920 as Instrument No. 0002902 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Six (26) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

19. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on September 23, 2005 in Book 20050923 as Instrument No. 0005151 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Five (25) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

20. The Declarant has caused to be recorded a SUPPLEMENT TERRASANO PHASE 3 on September 27, 2005 in Book 20050927 as Instrument No. 0004144 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Seven (27) in Block One (1) and Lot Eighty-One (81) to Lot Eighty-Four (84), inclusive, in Block Four (4), of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

21. The Declarant has caused to be recorded a SUPPLEMENT TERRASANO PHASE 4 on September 27, 2005 in Book 20050927 as Instrument No. 0004145 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty-Six (86), in Block Four (4), of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

22. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on September 28, 2005 in Book 20050928 as Instrument No. 0005990 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Twenty-Eight (28) in Block One (1) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

23. The Declarant has caused to be recorded a SUPPLEMENT TERRASANO PHASE 5 on October 11, 2005 in Book 20051011 as Instrument No. 0003778 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Seventy-Five (75), Lot Seventy-Six (76), Lot Seventy-Seven (77), in Block Three (3), Lot Seventy-Eight (78) and Lot Eighty (80), in Block Four (4), of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

24. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on October 17, 2005 in Book 20051017 as Instrument No. 0004176 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty-Two (82) in Block Four (4) of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

25. The Declarant has caused to be recorded a SUPPLEMENT TO THE COMMUNITY CHARTER FOR TERRASANO on October 27, 2005 in Book 20051027 as Instrument No. 0006351 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Eighty (80), in Block Four (4), of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

26. The Declarant has caused to be recorded a SUPPLEMENT TERRASANO PHASE 6 on November 10, 2005 in Book 20051110 as Instrument No. 0004156 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Seventy-Nine (79), in Block Four (4), of TERRASANO UNIT 1 (common interest community) as shown by map thereof on file in Book 115 of Plats, Page 54 in the Office of the County Recorder of Clark County, Nevada.

27. The Declarant has caused to be recorded a SUPPLEMENT TERRASANO PHASE 8 on November 10, 2005 in Book 20051110 as Instrument No. 0004158 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Fifty-One (51) and Lot Fifty-Two (52), in Block One (1), of TERRASANO UNIT 2 (common interest community) as shown by map thereof on file in Book 122 of Plats, Page 88 in the Office of the County Recorder of Clark County, Nevada.

28. The Declarant has caused to be recorded a SUPPLEMENT TERRASANO PHASE 9 on December 8, 2005 in Book 20051208 as Instrument No. 0000991 in the Official Records, Clark County, Nevada, which includes the following real property on EXHIBIT "A": Lot Forty-Five (45), Lot Forty-Six (46), Lot Forty-Eight (48), Lot Forty-Nine (49), Lot Fifty-Four (54), Lot Fifty-Five (55), Lot Fifty-Six (56), Lot Fifty-Seven (57), in Block One (1), Lot Sixty-Three (63), Lot Sixty-Four (64), in Block Two (2) of TERRASANO UNIT 2 (common interest community) as shown by map thereof on file in Book 122 of Plats, Page 88 in the Office of the County Recorder of Clark County, Nevada.

EXHIBIT "B"

"ADDITIONAL PROPERTY"

ALL REAL PROPERTY, INCLUDING LOTS, PRIVATE STREETS, PUBLIC UTILITY EASEMENTS, CITY OF LAS VEGAS SEWER EASEMENTS AND PUBLIC DRAINAGE EASEMENT AND LETTERED COMMON LOTS ON FINAL MAP OF TERRASANO UNIT 1 AS SHOWN BY MAP THEREOF ON FILE IN BOOK 115 OF PLATS, PAGE 54, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA, WITH EXCEPTION OF THE REAL PROPERTY INCLUDED IN PREAMBLE, PARAGRAPH A AND IN EXHIBIT "A".

LOT 11, IN BLOCK ONE (1), ON AMENDED FINAL MAP OF TERRASANO UNIT 1 AS SHOWN BY MAP THEREOF ON FILE IN BOOK 122 OF PLATS, PAGE 87, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA.

ALL REAL PROPERTY, INCLUDING LOTS, PRIVATE STREETS, PUBLIC UTILITY EASEMENTS, CITY OF LAS VEGAS SEWER EASEMENTS AND PUBLIC DRAINAGE EASEMENT AND LETTERED COMMON LOTS ON FINAL MAP OF TERRASANO UNIT 2 AS SHOWN BY MAP THEREOF ON FILE IN BOOK 116 OF PLATS, PAGE 18, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA, WITH EXCEPTION OF THE REAL PROPERTY INCLUDED IN PREAMBLE, PARAGRAPH A AND IN EXHIBIT "A".

LOT 36, LOT 37, LOT 40, LOT 41, IN BLOCK ONE (1), ON AMENDED FINAL MAP OF TERRASANO UNIT 2 AS SHOWN BY MAP THEREOF ON FILE IN BOOK 122 OF PLATS, PAGE 88, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA,

ALL REAL PROPERTY, INCLUDING LOTS, PRIVATE STREETS, PUBLIC UTILITY EASEMENTS, CITY OF LAS VEGAS SEWER EASEMENTS AND PUBLIC DRAINAGE EASEMENT AND LETTERED COMMON ELEMENTS ON FINAL MAP OF TERRASANO UNIT 3 AS SHOWN BY MAP THEREOF ON FILE IN BOOK 126 OF PLATS, PAGE 43, IN THE OFFICE OF THE COUNTY RECORDER OF CLARK COUNTY, NEVADA, WITH EXCEPTION OF THE REAL PROPERTY INCLUDED IN PREAMBLE, PARAGRAPH A AND IN EXHIBIT "A".

