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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

OF

MILLSTREAM

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DECLARATION OF CONVENANTS, CONDITIONS AND RESTRICTIONS
OF
MILLSTREAM - A PLANNED UNIT DEVELOPMENT

THIS DECLARATION is made this 19th day of June 1987, by DiLoretto Construction & Development, Inc., hereinafter referred to as "Declarant.

W I T N E S S E T H

WHEREAS, Declarant is the owner of that certain real property situated in the City of Las Vegas, County of Clark, State of Nevada, which is more particularly described as follows:

PHASE 1:

Lots 31 through 70 and 80 through 83, and all of the Common Area as shown and describe on the Final Map of MILLSTREAM recorded in the office of the County Recorder of Clark County, Nevada in Book 36, page 97.

The development of the Planned Unit Development is the first phase of a planned three phase Planned Unit Development. Phases 2 and 3 are described as follows:

PHASE 2:

Lots 1 through 30 as shown and described on the Final Map of MILLSTREAM recorded in the office of the County Recorder of Clark County, Nevada in Book 36, page 97.

PHASE 3:

Lots 71 through 79 and 84 through 120 as shown and described on the Final Map of MILLSTREAM recorded in the office of the County Recorder of Clark County, Nevada in Book 36, page 97.

The recreational facilities and amenities to be included in the "Common Area" are described as follows:

Pool, spa, amenities building, green areas, and all private streets.

Development of each Phase of this Planned Unit Development will be consistent with the overall development plan submitted to and approved by the Veterans Administration.

NOW, THEREFORE, Declarant hereby declares that all of the property in Phase 1 described herein and such additional property in phases 2 and 3 as may be annexed hereto, shall be held, sold and conveyed subject to the following Easements, Restrictions, Covenants and Conditions which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding upon all parties having or acquiring any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I

DEFINITIONS

1.1. "Association" shall mean and refer to MILLSTREAM, a Nevada non-profit corporation, its successors and assigns.

1.2. "Board and/or Board of Directors" shall mean the Board of Directors of the Association as established by its Articles of Incorporation.

1.3. "Common Area" shall mean all real property (including all improvements thereon) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association shall be all common areas of MILLSTREAM as shown by map thereof on file in Book 36 of Plats, Page 97, in the Office of the County Recorder of Clark County, Nevada. Common Areas in each phase are further described in Exhibits A through C attached hereto.

1.4. "Declarant" shall mean and refer to DiLoretto Construction & Development, Inc., its successors and assigns, if such successors and assigns should acquire more than one undeveloped Lot from Declarant for the purpose of development.

1.5. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, as the same may be amended and/or supplemented from time to time.

1.6. "FHA" shall mean and refer to the Federal Housing Administration.

1.7. "First Mortgage" shall mean and refer to a mortgage or deed of trust secured by and encumbering a Lot, which mortgage or deed of trust has priority as to all other mortgages or deeds of trust encumbering the Lot and is held by a bank or savings and loan association or established mortgage company or other entity chartered or licensed under federal or state laws whose principal business is lending money on the security of real property, or any insurance company or any federal or state agency. A "First Mortgagee" is the holder of a First Mortgage.

1.8. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties, with exception of the Common Area.

1.9. "Member" shall mean and refer to an "Owner" as defined in of this Article I. Association incorporators are also Members.

1.10. "Owner" shall mean and refer to the record owner whether one or more persons or entities, of fee simple title to any Lot which is part of the Properties, including contract sellers but excluding those having such interests merely as security for the performance of an obligation.

1.11. "Properties" shall mean and refer to that certain real property located in the City of Las Vegas, County of Clark, State of Nevada, hereinbefore described as Phase I in "Witnesseth" herein. The term "Property" shall also mean and refer to Phase II and Phase III described in "Witnesseth" herein which may hereafter be annexed and subjected to this Declaration.

1.12. "Property Subject to Annexation" shall mean and refer to that certain real property located in the County of Clark, State of Nevada, and more particularly described as:

PHASE 2:

Lots 1 through 30 as shown and described on the Final Map of MILLSTREAM recorded in the office of the County Recorder of Clark County, Nevada in Book 36, page 97.

PHASES 3:

Lots 71 through 79 and 84 through 120 as shown and described on the Final Map of MILLSTREAM recorded in the office of the County Recorder of Clark County, Nevada in Book 36, page 97.

1.13. "VA" shall mean and refer to the Veterans Administration.

ARTICLE II

PROPERTY RIGHTS IN COMMON AREA

2.1. Title to Common Area. Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the Common Area in Phase I to the Homeowners Association free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record, including those set forth in this Declaration. Said conveyance shall be made to the Association prior to the conveyance of the first residential Lot in the Properties to an Owner.

2.2. Owners' Easements of Enjoyment. Every Owner shall have a right and easement of ingress, egress and of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Board to suspend the voting right and rights to use of recreational facilities located in the Common Area by an Owner for any period during which any assessment against his Lot remains unpaid/and for a period not to exceed thirty days (30) for any infraction of its published rules and regulations, after reasonable written notice and an opportunity for a hearing before the Board of Directors. Should the Board believe grounds may exist for any such suspension the Board shall give the Member believed to be in violation, at least fifteen (15) days' prior written notice of the intended suspension and the reasons therefor. The Member shall be given an opportunity to be heard before the Board either orally or in writing, no fewer than five (5) days before the effective date of the suspension. The notice required hereby may be given by any method reasonably calculated

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to provide actual notice. Any notice given by mail shall be given by first class or registered mail sent to the last address of the Member shown on the Association's records. No such suspension shall affect the rights of such Member to access to his residential Lot.

(b) The right of the Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Common Area to any public agency, authority or utility as may be approved by the Members. Notwithstanding any contrary provision in the Articles of Incorporation or the By-laws of the Association, no such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer is signed by Members having two-thirds (2/3) of the voting power of each class of membership and thereafter recorded.

(c) The right of the Association, in accordance with its Articles and By-laws, to borrow money for the purpose of improving the Common Area, and in aid thereof and with the assent of Members having two-thirds (2/3) of the voting power of each class membership, to hypothecate any and all real or personal property owned by the Association.

(d) So long as Declarant shall own any of the real property which is now or may hereafter be subject to this Declaration, Declarant shall have the following easements and rights:

(i) Easements over, through, in and to all of the Common Area for ingress, egress, parking and enjoyment for itself, its agents, employees and prospective purchasers of Lots, which rights and easements shall be for purpose of (a) construction of improvements in connection with the initial development of the project in accordance with plans approved by the City of Las Vegas and/or County of Clark; and (b) activities in furtherance of Declarant's sales and promotional program with respect to the project and projects being developed by Declarant in locations within the State of Nevada, including but not limited to, use and operation of model homes, sales offices and signs;

provided, that such use by Declarant shall not unreasonably interfere with the use of the Common Area by the Class A Members of the Association and

(ii) The rights to make modifications in materials, specifications, plans and designs in the Common Area without prior notice.

(e) The rights of the Declarant set forth in this Article 2 are subject to a time limitation not exceeding five (5) years from the date the Declaration is recorded.

2.3. Delegation of Use. Any Owner may delegate his rights of ingress egress and of enjoyment in and to the Common Area and facilities to members of his family, his tenants or contract purchasers who reside on his Lot.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

3.1. Membership. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Except as to the Association incorporators, membership shall be appurtenant to and may not be separated from membership of any Lot which is subject to assessment.

3.2. Voting Rights. The Association shall have two (2) classes of voting membership as follows:

(a) Class A Members shall be all Owners with the exception, initially, of Declarant and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event, shall more than one vote be cast with respect to any Lot.

(b) The only Class B Member shall be Declarant, which shall be entitled to three (3) votes for each Lot owned. The Class B Membership shall cease and be

converted to Class A Membership on the happening of the earliest of the following to occur:

- (i) When the total votes outstanding in the Class A membership equal the total votes outstanding the Class B membership;
- (ii) On December 31, 1991;
- (iii) When the Declarant waives in writing its right to Class B membership.

When more than one person holds an interest in any Lot, the vote for such Lot, shall be exercised as they among themselves determine, but in no event shall more than one person vote with respect to any Lot as defined herein.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

4.1. Creation of Lien and Personal Obligations for Assessments. Declarant, for each Lot owned within the Properties, hereby covenants, and each owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed therefor is deemed to covenant and agrees to pay to the Association (i) annual assessments or charges which shall include adequate reserve funds for the periodic maintenance, repair and replacement of improvements located in the Common Area and (ii) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided.

The annual and special assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made.

Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successor in title unless expressly assumed by such successor in title.

4.2. Purpose of Assessments. These assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Properties, for other matters, and such actions and activities of the Board of Directors as may be either required or authorized by this Declaration or the Association's Articles of Incorporation or By-laws.

4.3. Maximum Amount of Annual Assessment. Until January 1st of the year immediately following the year of conveyance of the first Lot by Declarant to another Owner, the maximum annual assessment shall be Nine hundred & eighty four DOLLARS (\$ 984.00) per Lot.

(a) From and after January 1st of the year immediately following the year of conveyance of the first Lot by Declarant to another Owner, the maximum annual assessment may be increased each year by not more than TEN PER CENT (10%) without approval of the membership.

(b) From and after January 1st of the year immediately following the year of conveyance of the first Lot by Declarant to another Owner, the maximum annual assessment may be increased above the TEN PER CENT (10%) amount provided in Subsection 4.3 (a) above by the vote or written assent of FIFTY-ONE PER CENT (51%) of the voting power of the Member of each class of membership who are voting in person or by proxy, at a meeting duly called for such purpose.

(c) The Board may fix the annual assessment at an amount not in excess of the maximum.

4.4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto; provided that any such assessment shall either be authorized by Article IX or authorized by the vote or written assent of two-thirds (2/3) of the voting power of Members of each class membership who are voting in person or by proxy at a meeting called for this purpose.

4.5. Notice and Quorum for Any Action Authorized Under Sections 4.3 and 4.4. Any action authorized under Section 4.3 or 4.4 above shall be taken at a meeting called for that purpose. A quorum for such meeting shall be Fifty Percent (50%) of each class of members. If a quorum is not present, another meeting may be called and held within thirty (30) days of the preceding meeting subject to the same notice requirements. Quorum for such resumed meetings shall be deemed to exist with the presence in person or by proxy of twenty-five (25%) of the total voting power of the Association.

4.6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly or other regular basis.

4.7. Date of Commencement of Annual Assessments. The annual assessments for all Lots in Phase I shall commence on the first day of the month following the conveyance of a Lot in Phase I to an Owner, or on the first day of the month following the conveyance of the Common Area in Phase I to the Association. The annual assessments for all lots in a Phase annexed to the Declaration shall commence on the first day of the month following the conveyance of a Lot in the Phase to an Owner or on the first day of the month following conveyance of the Common Area in the Phase to the Association, whichever shall first occur.

The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Association, through its Board, shall fix the amount of the annual assessment against each Lot at least sixty (60) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto.

4.8. Subordination of Lien. The lien for assessments provided for herein shall be subordinate for lien of any first mortgage upon any Lot. Sale or transfer of any Lot shall not effect said lien for assessments; provided, however, each first mortgagee who comes into possession of a Lot by virtue of foreclosure or any purchaser at a foreclosure sale of a first mortgage, shall take the Lot free of any claim for unpaid assessments and charges against the Lot which accrue prior to the time the holder or purchaser acquires title to the Lot. No transfer of the Lot as a result of a foreclosure or exercise of a power of sale shall relieve the new Owner, whether it be the former First Mortgagee or

another person, from liability for any assessments thereafter becoming due or from the lien thereof.

4.9. Estoppel Certificate. The Association shall furnish or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association, stating whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding on the Association as of the date it is issued.

4.10. Personal Liability of Owners. No Owner may exempt himself from personal liability for assessments or any part thereof, levied by the Association, nor may he release his Lot from the liens and charges thereof by waiver of the use and enjoyment of his Lot.

4.11. Exempt Property. All properties dedicated to and accepted by a local public authority and all properties owned by a charitable or non-profit organization exempt from taxation by the laws of Nevada shall be exempt from the assessment created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

4.12. Enforcement of Lien and Other Remedies. Any assessment not paid within thirty (30) days after the due date shall bear interest from its original due date at the rate of TEN PER CENT (10%) per annum. If an Owner does not pay in full, within thirty (30) days after the due date, any assessment or any installment thereof, or any interest accrued thereon, the Association may record, in the Office of the County Recorder of Clark County, Nevada, a Notice of Assessment describing the Lot or Lots owned by the defaulting Owner. Such notice of Assessment shall state the amount of the assessment, interest, attorneys' fee and other cost of collection; the Owner's name and a description of the applicable Lot or Lots against which the assessment has been made and, shall be signed by an authorized representative of the Association. Upon payment or other satisfaction of the assessment, the Association shall cause to be recorded a further notice stating the satisfaction and the release of the lien. If, after recording of the notice of Assessment, the Owner fails to pay or otherwise satisfy the assessment, the Association may, at any time within two (2) years after such recordation, (which two-year period may be extended for an additional two (2) years if the Association records a written extension thereof within the

original two-year period) enforce the lien by sale of the applicable Lot or Lots. In exercising its power of sale, the Association shall have such rights, shall comply with such requirements and conditions and shall follow such procedures as are set forth in Section 278A.150 and 278A.160 of Nevada Revised Statutes as they may, from time to time, be amended. Should said Sections be eliminated or revoked by legislative or judicial action, then the Association shall have such rights, shall comply with such requirements and conditions and follow such procedures as may be established under the other laws of the State of Nevada relative to the enforcement of such liens. In the absence of any such laws, said lien may be enforced by sale conducted in accordance with laws of the State of Nevada for foreclosure of deed of trust. The foregoing remedies shall be in addition to any other remedies provided by law or in equity for the enforcement of such obligations, including the institution of legal proceedings against the applicable Owner or Owners personally.

4.13. Capitalization of Association. Upon acquisition of record title to any Lot from Declarant, each Owner shall contribute to the capital of the Association an amount equal to one-sixth (1/6) the amount of the then annual assessment for that Lot as determined by the Board. This amount shall be deposited by the buyer in the purchase and sale escrow and disbursed therefrom to the Association. This amount shall not be construed as payment in any part of the monthly assessment due to the Association by each owner, but as a capital contribution to the Association.

ARTICLE V

ARCHITECTURAL CONTROL

5.1. Restrictions. No building, fence, wall or other structure or improvement and no planting of trees or shrubs which would obstruct the view of or from any other Lot shall be commenced, erected, placed, altered or maintained on any Lot by any Owner until the location and complete plans and specifications showing the nature, kind, shape, height and materials (including the color scheme) have been submitted to and approved in writing as to the harmony of external design and location in relation to surrounding structures and topography by the Board or by an architectural committee appointed by the Board and composed of three (3 Members).

5.2. Approval. In the event the Board or its designated committee fails to approve or disapprove such location, plans and specifications, or other requests within thirty (30) days after submission thereof to it, then such approval shall not be required so long as any structure or improvement so erected or altered conforms to all of the conditions and restrictions herein contained; provided that, grade level and drainage characteristics of a Lot or any portion thereof shall not be altered without the prior written consent of the Board or its designated committee.

ARTICLE VI

OBLIGATION TO MAINTAIN

6.1. Owner's Obligation to Maintain. Each Owner of a Lot shall be obligated to maintain, in good repair, landscaping of the fenced rear portion of the owner's lot commonly known as "Back Yard" which lies within the confines of his lot from the rear of his dwelling to the property lines, which said area is confined by a fence. Said maintenance shall be in conformance with the requirements set forth in Section 8.7. In the event an Owner of any lot should fail to maintain this area in a manner satisfactory to the Board, the Board, after approval by two-thirds (2/3) vote of the Directors, shall have the right, through its agents and employees, to enter on said Lot and repair, maintain and restore the same. The cost of such maintenance shall be added to and become a part of the assessment to which the Lot is subject.

6.2. Restriction on Right of Entry. No entry into the interior of a dwelling unit may be made without the consent of the Owner or occupant, and such entry shall be made only after not less than seventy-two (72) hours' notice has been given to the Owner or the Owner and occupant, if possible, and any damage resulting therefrom shall be repaired and paid for by the Association.

6.3. Association's Obligation to Maintain. The Association shall be obligated to maintain, in good repair, all of the Common Area and the facilities thereon including, without limitation, all landscaped areas and recreational facilities located thereon, the whole exterior of an Owner's lot (excepting therefrom the area set forth in Section 6.1) and the exterior of the improvements situated thereon, including, without limitation, the roof of the Owner's unit, the exterior paint thereon, and landscaping.

ARTICLE VII

PARTY WALLS

7.1. General Rules of Law to Apply. Each wall which may be built as part of the original construction of a dwelling on the Properties and placed on a dividing line between Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article VII, the general rules of law regarding partywalls and liability for damage due to negligence or willful acts or omissions, shall apply thereto.

7.2. Sharing of Repair and Maintenance. The costs of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

7.3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

7.4. Weatherproofing. Notwithstanding any other provisions of this Article VII, an Owner who by his negligent or willful act, causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

7.5. Right to Contribution Runs with the Land. The right of any Owner to contribution from any other Owner under this Article VII shall be appurtenant to the land and shall pass to such Owner's successors in title.

7.6. Arbitration. In the event of any dispute arising concerning a party wall or under the provisions of this Article VII, said dispute shall be settled by arbitration. Each party shall select one arbitrator and such arbitrators shall select one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

ARTICLE VIII

USE RESTRICTIONS

8.1. No Discrimination. The Association shall not adopt any by-law, regulation or rule prohibiting the ownership or occupancy of any Lot by a family with children. Further, no Owner shall execute or record any instrument which imposes a restriction on the sale, lease or occupancy of his Lot on the basis of race, color, creed, sex, physical disability, marital status, religion, national origin or ancestry.

8.2. Residential Purpose Only. Subject to the provisions of Subsection 2.2 (d), no Lot shall be used except for residential purposes, and nothing shall be done on any Lot which may become an annoyance or nuisance to the neighborhood.

8.3. Animal Restrictions. No turkeys, geese, chickens, ducks, pigeons, or fowl of any kind, goats, rabbits, hares, horses or animals usually termed "farm animals", reptiles or rodents shall be kept or allowed to be kept on any Lot. Usual and ordinary domestic dogs, cats, fish and birds (in inside bird cages) may be kept as household pets on any Lot, provided they are not kept, bred or raised for commercial purposes.

8.4. No Wells. No wells for the production of or from which there is produced water, oil, gas or minerals shall be operated on any Lot, nor shall any machinery, appliance or structure be placed, operated or maintained thereon for use in connection with any trading, manufacturing or repairing business. No slant drilling shall be permitted above a plane of five hundred feet (500') below the surface of the land.

8.5. Signs. The Owner of a Lot, or his agent, may display a sign advertising his Lot for sale or lease, which sign shall be of a professional type, of dignified appearance and placed in a location on the Lot designated by the Board. No other signs shall be placed on a Lot without approval of the Board.

8.6. Leasing. Each Owner shall have the right to lease his Lot, provided that any lease or rental agreement shall be in writing, and any tenant shall abide by and be subject to all Association rules. Any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Failure by an Owner to take legal action,

including the institution of proceedings in unlawful detainer against his tenant who is in violation of this Declaration, the Articles, By-laws or Association rules, within the ten (10) days after receipt of written demand to do so from the Board, shall constitute a breach hereof by said Owner. A tenant shall have no obligation to the Association to pay assessments imposed by the Association against the Owner and his Lot, nor shall any tenant have any voting rights in the Association. No Owner shall rent, lease or let his Lot for transient or hotel purposes. Any lease which is for a period of fewer than thirty (30) days shall be deemed to be for transient purposes. Other than the foregoing, there shall be no restriction on the right of any Owner to lease his Lot.

8.7. Owner Landscape Maintenance. The Owner of each Lot shall water, weed, maintain and care for the landscaping located on his Lot as defined in Section 6.1 as the "Back Yard" so that the same presents a neat and attractive appearance.

8.8. Garages. Garages are intended for use for vehicle parking and may not be converted, altered, utilized or modified in any fashion that would prevent their use for vehicle parking. Except for purposes of immediate ingress and egress, garage doors must be closed at all time. No trailer, boat, recreational vehicle, mobile home or similar vehicle shall be permitted to be parked on a Lot outside of the designated parking areas, (on any street bordering either the Common Area or any Lot, or in the Common Area), without prior written consent of the Board, except as so designated by the Board.

ARTICLE IX

DESTRUCTION OF COMMON AREA IMPROVEMENTS

9.1. Destruction. In the event of total or partial destruction of improvements on the Common Area, and if the available proceeds of insurance carried by the Association are sufficient to pay for not less than EIGHTY-FIVE PER CENT (85%) of the cost of repair or reconstruction thereof, the same shall be promptly repaired and rebuilt, unless within ninety (90) days from the date of such destruction, SEVENTY-FIVE PER CENT (75%) or more of the votes of each class of Members which are cast by Members present and entitled to vote in persons or by proxy at a duly constituted meeting, are cast for the proposition that such reconstruction

shall not take place. If reconstruction is to take place, that Board shall be required to execute and record, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention to rebuild.

9.2. Insufficiency of Insurance Proceeds. If the proceeds of such insurance are less than EIGHTY-FIVE PER CENT (85%) of the cost of reconstruction, such reconstruction may, nevertheless, take place if, within ninety (90) days from the date of destruction, SEVENTY-FIVE PER CENT (75%) or more of the votes of each class of Member which are cast by Members present and entitled to vote in person or by proxy at a duly constituted meeting, are cast for the proposition to rebuild. If the Members determine to rebuild pursuant to Section 9.1 or this Section 9.2, the cost of reconstruction over and above the insurance proceeds shall be assessed to the Owners as a special assessment under Section 4.4 above.

9.3. Rebuilding Procedures. If the Members determine to rebuild, the Board shall obtain bids from at least three (3) reputable Nevada-licensed contractors and shall award construction work to the lowest responsible bidder. The Board shall have authority to enter into a written contract with the contractor for such reconstruction, and the insurance proceeds held by the Board shall be disbursed to the contractor in accordance with the terms of the contract. It shall be the obligation of the Board to take all steps necessary to ensure commencement and completion of such reconstruction at the earliest possible time.

9.4. Vote Insufficient to Authorize Rebuilding. If the Members fail to authorize reconstruction pursuant to Section 9.1 or 9.2 above, any insurance proceeds available for reconstruction shall remain the property of the Association to be used or distributed by the Association in a manner in conformance with this Declaration.

ARTICLE X

INSURANCE

10.1. Types. The Association shall obtain and continue in effect the following insurance:

(a) A master fire insurance policy with glass coverage and extended coverage endorsement for the full insurable value of all

of the improvements within the project. "Improvements" means and refers to the Common Area together with those appliances and improvements located within the Living Units provided by Declarant to the initial Owners of the Units and does not include items not provided by Declarant. The form and content of such policy must be satisfactory to all institutional first mortgagees and shall meet the maximum standards of the various institutional first mortgagees whose loan(s) encumber any of the units.

(b) A public liability and property damage insurance policy (with cross liability endorsement if such endorsement is available at reasonable cost) insuring the Association, any manager, Declarant and the Owners against liability incident to ownership or use of the Common Area. The limits of such liability and property damage insurance shall not be less than ONE MILLION DOLLARS (\$1,000,000.00) single limit coverage, covering all claims for death, personal injury and property damage arising out of a single occurrence. A casualty and fire insurance policy with extended coverage endorsement, including, if available at reasonable cost, vandalism and malicious mischief coverage, in an amount equal to ONE HUNDRED PER CENT (100%) of the full replacement value (replacement cost new, including debris removal and demolition) of the landscaping facilities and improvements in the Common Area shall be maintained by the Association and persons in the Common Area with permission of a Member.

As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims (including subrogation rights and claims) against the Association, the Board, any management agent retained by the Association, Declarant and agents and employees of each, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only. The Association may purchase such other insurance as the Board may deem necessary or advisable including, without limitation, workmen's compensation and officers and directors liability insurance. The Board shall annually determine whether the amounts and types of insurance it has obtained provides adequate coverage.

10.2. Premiums and Proceeds. Insurance premiums for any insurance coverage obtained by the Association pursuant to Section 10.1 and such other insurance deemed necessary or advisable by the Board shall be a common expense to be included in the annual

assessment levied by the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in Article IX. The Board is hereby granted authority to negotiate loss settlements with appropriate insurance carriers. A majority of the Directors may sign loss claim forms and release forms in connection with the settlement of loss claims, and such signatures shall be binding upon the Association and the Members.

10.3. Fidelity Bond. The Association shall maintain a fidelity bond in an amount equal to the maximum funds that will be in the custody of the Association or its management agent at any time while the bond is in force and must at least equal the sum of three (3) months' assessments on all Lots plus the Association's reserve funds, which names the Association as obligee and insures against loss by reason of the acts of members of the Board, officers and employees of the Association, any management agent and its employees, and anyone else who either handles or is responsible for funds held or administered by the Association, whether or not such persons are compensated for their services.

10.4. Payment of Premiums (of Taxes) by First Mortgagees. First Mortgagees may jointly or singly pay taxes or other charges which are in default and which may or have become a charge against the Common Area unless such taxes or charges are separately assessed against the Owners, in which case the rights of First Mortgagees shall be governed by the provisions of their First Mortgages.

First Mortgagees may jointly or singly pay overdue premiums on hazard insurance policies or a secure new hazard insurance coverage on the lapse of a required policy for the Common Area, and First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

10.5. FHLMC/FNMA/GNMA Insurance Requirements. Notwithstanding the foregoing provisions of this Article X, the Association shall continuously maintain in effect such casualty and liability insurance and fidelity bonds meeting the insurance requirements for residential projects established by the Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA") or Government National Mortgage Association ("GNMA") so long as any of said parties is a First Mortgagee or an Owner, except to the extent such coverage is not available or has been waived in writing by the applicable entity or entities.

ARTICLE XI

RIGHTS OF LENDERS

11.1. Written Notice. Upon written request to the Board, a First Mortgagee shall be entitled to written notice from the Board of any default in the performance of an individual Lot mortgagor of any obligation under this Declaration, the Articles of By-laws ("management documents" hereinafter) which is not cured within thirty (30) days.

Further, upon written request to the Board from a First Mortgagee, the Board shall give such First Mortgagee notice of all meetings of the Association. While each such First Mortgagee shall have the right to be represented at such meetings, it shall have no voting rights unless it has succeeded to title to one or more of the Lots. Further, upon written request, the Board shall deliver a copy of the Association's annual statement to the requesting First Mortgagee.

11.2. Exemption from Right of First Refusal. Any right of first refusal contained in the management documents shall not (1) impair the rights of First Mortgagee to foreclose or take title to a Lot pursuant to the remedies provided in the mortgage, or (2) interfere with a subsequent sale or lease of a Lot so acquired by the First Mortgagee.

11.3. Subordination of Assessment Lien. Each First Mortgagee which comes into possession of a Lot by virtue of foreclosure of its First Mortgage, or any purchaser at a foreclosure sale of a First Mortgage, shall take the Lot free of any claim for unpaid assessments and charges against the Lot which accrue prior to the time such party acquires title. The assessment liens provided for in the management documents shall be subordinate to the lien of any First Mortgage now or hereafter placed on a Lot subject to assessment; provided that such subordination shall apply only to assessments which become due prior to a sale or transfer of the Lot pursuant to a decree of foreclosure or trustee's sale. Such sale or transfer shall not relieve the Lot from liability for any assessments thereafter becoming due or from the lien of any subsequent assessments.

11.4. No Priority. No provision in the management documents shall give an Owner or any other party priority over any rights of a First Mortgagee of his Lot in contravention of its First

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Mortgage relative to a distribution of insurance proceeds or a condemnation award for loss to or taking of a Lot and/or the Common Area.

11.5. Examination of Books and Records. First Mortgagee shall have the right, at all reasonable times, to examine the books and records of the Association.

11.6. No Obligation to Cure Breach. Any First Mortgagee which acquires title to any Lot pursuant to the remedies provided in its First Mortgage or through foreclosure thereof, shall not be obligated to cure any breach of this Declaration which is non-curable or not practical or feasible to cure.

11.7. No Breach of Declaration. Neither the breach of any of the provisions contained in this Declaration nor the enforcement of any lien created hereby shall affect, impair, defeat or render invalid the lien or any First Mortgage made in good faith and for value.

11.8. Prior Approval by First Mortgagees. Except as otherwise provided by statute in the case of condemnation or substantial loss to the individual Lots and/or the Common Area of the project, unless at least FIFTY-ONE PER CENT (51%) of First Mortgagees which have given written notice to the Board of their desire to vote on the following issues (based on the one vote for each Lot on which such a First Mortgagee has a lien) have given their written approval, the Association shall not:

(a) Terminate professional management, if any, and assume self-management of the project;

(b) By act or omission seek to abandon or terminate the planned unit development regime;

(c) Change the method of determining the obligations, assessments or other charges which are levied against the Lots or Owners;

(d) Except as permitted in Subsection 2(c); by act or omission seek to abandon, partition, subdivide encumber, sell or transfer the Common Area;

(e) By act or omission change, waive or abandon any scheme of regulations or enforcement thereof;

(f) Except as provided in Section 9.4, use hazard insurance proceeds for losses in any Common Area property for other than the repair, replacement or reconstruction thereof;

(g) Fail to maintain fire and extended coverage insurance on insurable Common Area property on a current replacement cost basis in an amount equal to ONE HUNDRED PER CENT (100%) of the insurable value;

(r) Make any material amendment to the management documents. The term "material amendment" as used herein shall mean amendments to provisions governing; (i) voting; (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair replacement of the Common Areas; (iv) insurance or fidelity bonds; (v) rights to use the Common Areas; (vi) responsibility for maintenance and repair within the Properties; (vii) annexation or withdrawal of property to or from the Properties; (viii) boundaries of any Lot; (ix) interests in the Common Area; (x) convertibility of Lots into Common Areas or Common Areas into Lots; (xi) leasing of Lots; (xii) any provision which is for the express benefit of First Mortgagees. An amendment of the management documents shall not be considered "material" if it is for the purpose of correcting technical errors or for clarification only.

A First Mortgagee which is sent a written request by the Board to approve an amendment or other action set forth above, on which it has a right to vote pursuant to this Section, which does not deliver or mail the Association a negative response within thirty (30) days shall be deemed to have approved the amendment or action.

11.9. Conflicts. If there are any conflicts between any provisions of this Article XI and any other provisions of this Declaration or the By-laws or Articles, the provisions of this Article XI shall control.

ARTICLE XII

ENFORCEMENT RIGHTS

12.1. Enforcement of Management Documents. The Association or any Owner shall have the right to enforce by any proceeding at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration, the Articles or By-laws. Failure by the Association or any Owner to enforce any covenants, conditions in the Articles or By-laws, shall in no event be deemed a waiver of the right to do so thereafter.

The Association or any Owner shall be entitled to enjoin any violation of the provisions of the management documents and shall be entitled to prosecute any other legal or equitable action that may be necessary to protect the development. If any legal or equitable action is initiated for the protection of the development against any Owner, the prevailing party shall be entitled to reasonable attorneys' fees and costs of the action for expenses incurred.

12.2 Limitation on Association Enforcement Rights. Notwithstanding the foregoing enforcement rights, the Association is not empowered to cause a forfeiture or abridement of an Owner's right to the full use and enjoyment of his individually owned Lot because of the failure by the Owner to comply with the provisions of this Declaration, the By-Laws, Articles or duly enacted Association rules and regulations for the operation and use of the Common Area and facilities, except by judgment of a court or a decision arising out of arbitration, or because of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association. Except as provided in Section 6.1, a monetary penalty imposed by the Association as a disciplinary measure for failure of an Owner to comply with the provisions of the management documents or duly enacted association rules and regulations for the operation and use of the Common Area and facilities, or as means of reimbursing the Association for costs incurred in the repair of damage to the Common Area and facilities for which Owner was allegedly responsible, or in bringing the Owner and his Lot into compliance with the management document cannot be characterized or treated as an assessment enforceable by a sale of the Lot in accordance with provisions of Nevada law governing powers of sale. However, the immediately preceding prohibition does not apply to charges imposed against the Owner consisting of interest and/or reasonable rate payment penalties for delinquent assessments and/or charges to reimburse the Association for costs reasonably incurred (including attorney's fees) in its efforts to collect delinquent assessments.

ARTICLE XIII

GENERAL PROVISIONS

13.1. Severability. Should any provision in this Declaration be void or become invalid or unenforceable in law or in equity by judgment or court order, the remaining provisions hereof shall be and remain in full force and effect.

13.2. Extension of Declaration. The covenants, conditions and restrictions set forth in this Declaration shall run with the land for a term of twenty (20) years from the date this Declaration is recorded in the Clark County Recorder's Office, after which date, they shall automatically be extended for successive periods of ten (10) years.

13.3. FHA and VA Approval. As long as there is a Class B membership, the following action shall require the prior approval of the Federal Housing Administration and the Veterans Administration: annexation or de-annexation of additional properties to this Declaration, any merger or consolidation of the association, dedication or mortgaging of Common Area, any special assessment, any Amendment to this Declaration, a draft of which shall be submitted to and approved by the Veterans Administration prior to recordation.

13.4. Encroachment Easements. In the event any improvement to a Lot encroaches on the Common Area as a result of the initial construction, or as the result of repair, shifting, settlement or movement of any portion thereof, an easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists. Further, each Lot Owner is hereby granted an easement over all adjoining Lots for the purposes of accommodating any minor encroachment (not to exceed one foot) due to engineering errors, errors in original construction, settlement or shifting of the buildings, roof overhangs and architectural or other appendants.

ARTICLE XIV

ANNEXATION

14.1 Annexation of Additional Property.

(a) All or any portion of the real property described in ARTICLE 1.12 "Property Subject to Annexation" may be annexed by Declarant, without the consent of the Association or any

members of Owners, within seven (7) years after the date this Declaration is recorded, provided that the improvements to be constructed thereon are substantially completed prior to any such annexation. Declarant shall be under no obligation to develop or annex such additional phases and real property and Declarant makes no representation with respect to whether or not such additional real property will ever be developed or annexed. Prior to any annexation under this Section 14.1, plans for the development of the additional property must be submitted to the Veterans Administration and the Veterans Administration must determine that such plans are in accordance with the previously submitted and approved overall general plan and so advise Declarant.

(b) Upon approval in writing of the Association, pursuant to two-thirds (2/3) of the voting power of each class of Members of the Association, the Owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may file or record a Declaration of Annexation which shall extend the scheme of this Declaration to such property. After conversion of the Class B membership to Class A membership, this action shall require the vote or written consent of i) two-thirds (2/3) of the voting power of the Members of the Association; and ii) two-thirds (2/3) or more of the voting power of the Members of the Association other than the Declarant.

ARTICLE XV

AMENDMENT

15.1. Amendment During First Twenty (20) Years. This Declaration may be amended during the first twenty (20) years following the recording hereof upon the approval and consent of Members holding not less than Two-Thirds (2/3) of the voting power of the Association. As long as there are Class B voting rights, any amendment of this Declaration shall also require the prior approval of the FHA and VA. Amendments of a material nature must also be approved by certain First Mortgagees pursuant to Section 11.8.

15.2. Amendment Subsequent to the First Twenty (20) Years. Subsequent to the expiration of the first twenty (20) years following the recording of this Declaration, this Declaration may be amended upon the approval and consent of Members holding not

