When Recorded Mail to:
Incline Crest II Association
c/o Incline Property Management
848 Tanager Street, Suite M
Incline Village, NV 89451

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02/28/2008 10:14:38 AM
Requested By
ALLAN ECKLE
Washoe County Recorder
Kathryn L. Burke - Recorder
Fee: $49.00 RPTT: $0.00
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CONFORMED COPY

AMENDED DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS OF INCLINE CREST ASSOCIATION NUMBER TWO

THIS AMENDED DECLARATION is made this 16 day of January, 2008 by INCLINE CREST ASSOCIATION NUMBER TWO, a Nevada non-profit corporation as Declarant, for purposes of complying with the provisions of Nevada's Uniform Common-Interest Ownership, Chapter 116 of Nevada Revised Statutes.

RECITALS

A. Declarant is the Unit-Owner's Association responsible for that certain real property located in Washoe County, Nevada, described in Exhibit A hereto.

B Declarant acknowledges herein that certain Declaration of Covenants, Conditions and Restrictions recorded by Tahoe Incline Homes, Inc. as Declarant at Book Number 306, beginning at page 40, Document Number 109353 on February 27, 1968 in the office of the Washoe County Recorder and any amendments thereto of record, all of which are incorporated herein by this reference as though fully set forth herein and encumbering the real property of the Association, the legal description of which is attached as Exhibit A hereto, which property consists of Thirty Two (32) Townhomes and certain common area as set forth in Exhibit B, the official plat map of Incline Crest Association Number Two.

C. Association, in its capacity as Declarant herein, intends to continue to subject all of said property to these amended covenants, conditions and restrictions and this Declaration shall supercede any other Declaration or amendment applicable to the real property described in Exhibit A.

D. Declarant, in the original filing referenced above, was originally known as Incline Crest Subdivision II therein but is currently known as Incline Crest Association Number Two and has been so known since August 1, 1969, as a corporate entity on file with the Nevada Secretary of State. In compliance with NRS 116.3101, the name of the Declarant shall be Incline Crest Association Number Two for purposes of this document and is one in the same as the filing with the Secretary of State for all purposes.

DECLARATION

NOW, THEREFORE, Declarant Association hereby declares that the property described in Exhibit A is and shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved only subject to said covenants, conditions and restrictions, easements and limitations, each of which are declared and agreed to be in furtherance of the plan for the division, protection, preservation, maintenance, improvement and sale of the property within the Project for the purposes of enhancing the value and desirability of said property. All of the covenants, conditions, restrictions, easements and limitations herein shall run with the land and shall be binding on and for the benefit of all the property and all parties having or acquiring any right, title or interest in the property or any part thereof and shall be for the benefit of each owner of any portion of said real property, or any interest therein and shall inure to the benefit and be binding upon each successor in interest, grantee, heir, executor, administrator, devisee, legatee and assign of the owners thereof as an equitable servitude upon the property and shall constitute benefits and burdens to the Declarant and its assigns and to all persons hereafter acquiring or owning any interest in such property, however such interest may be obtained.

ARTICLE I
DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases when used herein shall have the meanings set forth in this Section.

Allocated Interests. The "allocated interests" means the undivided interest in the common elements, the liability for common expenses and votes in the Association.

Articles. "Articles" mean the articles of incorporation of the Association.

Assessments. "Assessments" are the financial means by which the Association raises funds to operate, maintain the common area, fund operating and reserve accounts and includes dues, special assessments, reserve assessments, capital improvement assessments and such other levies as the Board and Association may impose upon its members from time to time.

Association. "Association" means Incline Crest Association Number Two and its predecessor, Incline Crest Subdivision II, a Nevada non-profit corporation created for purposes of complying with the provisions of Nevada's Uniform Common-Interest Ownership, Chapter 116 of Nevada Revised Statutes.

Beneficiary. "Beneficiary" means a beneficiary under a deed of trust or a mortgagee under a mortgage, and/or the assignee of such beneficiary or mortgagee.

Board. "Board" means the elected or appointed Board of Directors of the Association.

Bylaws. "Bylaws" mean the duly adopted and amended Bylaws of the Association.

Common Area. "Common Area", including the term Common Elements or Facilities, means the entire Project including all facilities serving more that one individual residence and includes but is not limited to, drives, walks, designated parking areas, sewers, utilities service systems, enclosures for equipment or storage and open space areas. Common Areas are the entire Project excepting all Lots represented in Exhibit B.

Common Assessments. "Common Assessments" means that portion of the cost of maintaining, improving, repairing or managing the project and all such costs to be paid by each Townhouse Owner to the Association for the Owners share of such expenses.

Common Expenses. "Common expenses" means expenditures made by and financial liabilities of the Association, together with any allocations to reserves.

County. "County" means Washoe County, Nevada.

Declarant. "Declarant" means Incline Crest Association Number Two, formerly known as Incline Crest Subdivision II, a Nevada non-profit corporation, which has made and executed this Amended Declaration, and any of its corporate successors, agents, assigns and designees.

Declaration. "Declaration" means this instrument and amendments thereto.

Deed of Trust. "Deed of Trust" means a deed of trust or a mortgage encumbering any portion of the Project.

First Deed of Trust. A "first deed of trust" means a deed of trust or a mortgage having priority over all other deeds of trust encumbering any Townhouse or portion of the Project.

Foreclosure. "Foreclosure" means a foreclosure of a mortgage or exercise of power of sale pursuant to a deed of trust.

Governing Document(s). The "governing documents" of the Association are the Articles of Incorporation, the Declaration also known as the CC&R's, the Rules and Regulations and By Laws of the Association and any other documents that govern the operation of the common-interest ownership community, as adopted and amended by the Association Members or its Board of Directors from time to time.

Improvement. An "improvement" means any addition to or improvement upon or within the Common Area and change or alteration to the exterior appearance of or visible from the exterior of any Townhouse or lot within the Project.

Institutional Holder. An "institutional holder" means a mortgagee that is a bank, savings and loan association, established mortgage company, or other entity chartered under federal or state laws, or any corporation or insurance company, or federal or state agency.

Lease. A "lease" means any agreement for the leasing or rental of any Townhouse or portion of the Project.

Liability for Common Expenses. "Liability for common expenses" means the liability for common expenses allocated to each Townhouse by this Declaration, any amendments thereto and NRS 116.2107.

Manager. "Manager" means the person or entity designated by the Board to manage designated physical, financial or administrative affairs of the Association and to perform various other duties assigned by the Board or by the provisions of any governing document of the Association and currently licensed by the State of Nevada to do so.

Member. "Member", also Owner, means every person or entity that holds a membership in the Association by virtue of a recorded Ownership interest in a Townhouse within the Project.

Owner. "Owner", includes Member, and means any person, persons, or entity on record as owning a Townhouse.

Plat. "Plat" includes Map and means the development map of Incline Crest II Subdivision as referenced in Exhibit B attached hereto and filed in the Office of the Washoe County Recorder on February 27, 1968 as File No. 109352.

Project. "Project" is the same as Property and Development and refers to the real property described in Exhibit A, including the land, buildings, and other improvements now or hereafter located thereon, together with all easements, rights, and appurtenances belonging thereto, and all real and personal property used in connection therewith, all or part of which may be jointly owned now or hereafter by the Owners.

Rules and Regulations. "Rules and Regulations" means the written restrictions as the Association Board or Membership from time to time may adopt and amend, relative to conduct and use of the property within the Project or any part thereof.

Self Insurance. "Self insurance and self insured" means those insurance obligations that individual Owners must assume relative to the interior of and the contents of their Units, which are not protected by Association insurance coverage of the common areas and elements.

Special Assessment. "Special Assessment(s)" mean those assessments, other than common expenses or assessments, imposed by the Board or Association Membership from time to time.

Townhouse. "Townhouse" includes the term Unit or Condominium in Nevada state law as the designation Townhouse appears nowhere in Nevada law but, as used herein, means the physical dwelling portions of the Project that are subject to individual ownership.

Unit Boundaries. In this development, the Owner owns the lot upon which the residence is built and no part of the residential structure is Common Area.

ARTICLE 2
PROPERTY RIGHTS

2.1 **Legal Description.** The real property subject to this Declaration is set forth in Exhibit A. Each Townhouse and the Common Area is hereby restricted against any further subdivision unless and until a new Townhouse Plan is recorded in the Office of the County Recorder of Washoe County with the consent of all Townhouse Owners within the project.

2.2 **Ownership of Townhouse.** Ownership of each Townhouse within the Project shall be determined by review of the title document recorded as a matter of public record with the Office of the Washoe County recorder and shall include a fee interest in the Townhouse, a proportionate 1/32nd ownership interest in the Common Elements, any exclusive or nonexclusive easements appurtenant to such Townhouse, and membership in the Association.

2.3 **Allocated Interests.** The undivided interest in the Common Elements is allocated as follows: 1/32nd to each Townhouse. The votes in the Association are one vote per Townhouse owned.

2.4 **Owner's Non-Exclusive Easement of Enjoyment.** Every Owner of a Townhouse shall have a non-exclusive easement of use and enjoyment in, to, and throughout the Common Elements and for ingress, egress, and support over and through the Common Elements. Such non-exclusive easements shall be subordinate to, and shall not interfere with, exclusive easements for use and enjoyment of any Common Area appurtenant to any Townhouse. Each such non-exclusive easement shall be appurtenant to and pass with title to each Townhouse, subject to the following rights and restrictions:

(a) The right of the Board, to adopt, amend, and enforce the Rules and Regulations of the Association;

(b) The right of the Association to borrow money to improve, repair, or maintain the Common Elements;

(c) The right of the Association to dedicate or transfer all or any part of the Common Elements to any person, agency, authority, or entity for such purposes, subject to all applicable legal conditions and such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer has been executed by Owners having not less than 80% of the voting rights of the Members and said agreement has been recorded.

2.5 **Easements for Encroachments.** If any part of the Common Elements encroaches or shall hereafter encroach upon a Townhouse, an easement for such encroachment and for the maintenance of the same does and shall exist. If any part of a Townhouse encroaches or shall hereafter encroach upon the Common Elements, or upon an adjoining Townhouse, an easement for such encroachment and for the maintenance of the same is hereby established. Such encroachment shall not be considered to be an encumbrance either on the Common Elements or the Townhouses. Encroachments referred to herein include, but are not limited to, those caused by initial construction settling, rising or shifting of the earth, inaccurate descriptions of lot or property lines, or by changes in positions caused by repair or reconstruction of the Project or any part thereof.

2.6 **Easements of Access for Repair, Maintenance, and Emergencies.** Some of the Common Elements may be conveniently accessible only through the Townhouse. The Owners of Townhouses shall have the irrevocable right, to be exercised by the Association Board or its agent, to have access to a Townhouse and to all Common Areas from time to time, during such reasonable hours as may be necessary for the maintenance, repair, or replacement of any of the Common Elements located therein or accessible there from or for making emergency repairs necessary to prevent damage to the Common Elements or to any another Townhouse. The Association or its agents may exercise such rights independent of any agency relationship. Except as otherwise provided in any Association governing document, damage to any part of a Townhouse resulting from acts of maintenance, repair, emergency repair, or replacement of any of the Common Elements or as a result of emergency repairs made within another Townhouse at the instance of the Association or of Owners shall be an expense of the Association. If such maintenance, repair, replacement or damage is the result of negligence of any Townhouse Owner, contract purchaser, guest or tenant, then such Owner shall be financially responsible for all of such damage. The property of the Association shall be subject to all easements granted at any time for the installation and maintenance of utilities, drainage facilities or other items or systems reasonably necessary for operation of the Association.

2.7 **Utility Easements.** There is reserved for the benefit of each Townhouse, easements for location, maintenance, and replacement, including necessary excavation and other construction activities, utility services over, under, or through such portions of the Common Elements and other Townhouses where such utilities are constructed. In addition, Declarant Association reserves the right to establish and convey subsequent utility easements and each Owner, in accepting a deed to a Townhouse, expressly consents to such easements. However, no such easement can be granted by the Association if it would interfere with the use, occupancy, or enjoyment by any Owner of his Townhouse.

2.8 **Easements Deemed Created.** All conveyances of Townhouses hereafter made shall be construed to grant and reserve such reciprocal easements as shall give effect to the above-referenced provisions, even though no specific reference to such easements or to those provisions may appear in any such conveyance.

2.9 **Non-Severability of Component Parts.** No part of a Townhouse, its allocated interest in the Common Elements, its easements and other appurtenant rights created by law or by this Declaration shall be severed from the other and such components shall always be conveyed, devised, encumbered, or otherwise affected only together. Every gift, devise, bequest, transfer, encumbrance, conveyance, or other disposition of a Townhouse, or any interest therein, shall be presumed to be a gift, devise, bequest, transfer, encumbrance, or conveyance, respectively, of the entire Townhouse, its allocated interest in the Common Elements, and all easements and other appurtenant rights created by law or by this Declaration.

2.10 **Taxes and Assessments.** Each Owner shall pay the taxes or assessments assessed against the Owner's Townhouse. The Association shall pay all taxes, and assessments levied against the Common Elements, unless the County Assessor allocates such taxes proportionately among the Townhouses.

2.11 **Delegation of Use; Contract Purchasers; Tenants**. Any Owner may delegate his rights to use and enjoyment of the Project, including any recreational facilities, to the members of his family, guests, tenants and invitees, and to such other persons as may be permitted by the Bylaws and the Rules and Regulations, subject, however, to all provisions and restrictions of the governing document of the Association. If an Owner has sold his Townhouse to a contract purchaser ("contract" refers to an instrument creating a security interest, not to a marketing agreement) or rented it to a Tenant, then the Owner, members of his family, his guests, and his invites shall not be entitled to use and enjoy recreational facilities of the Project while the Owner's Townhouse is occupied by such contract purchaser or Tenant. Instead, the contract purchaser or Tenant, while occupying such Townhouse, shall be entitled to use and enjoy the Common Elements, and during the period of his occupancy, can delegate the rights of use and enjoyment in the same manner as if such contract purchaser or Tenant were an Owner. Each Owner shall, as requested, notify the Association or Manager of the names of any contract purchasers or Tenants of the Owners Townhouse. Each Owner, contract purchaser or Tenant shall also notify the Association or Manager, upon request, of the names of all persons to whom such Owner, contract purchaser or Tenant has delegated any rights of use and enjoyment in the Townhouse and the relationship that each such person bears to the Owner. All such delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of Owners and the Owner shall at all times remain solely responsible for any and all activities of his Guest(s) or Tenant(s) in the use of the Townhouse and Common Area.

2.12 **Subject to Prior Restrictions.** All of the real property described in Exhibit A is subject and subordinate to this Amended Declaration and any previous Declarations of Covenants, Conditions and Restrictions recorded in the Office of the County Recorder of Washoe County, Nevada.

2. 13 **Conveyance of Title**. There shall be conveyed to each Townhouse Owner within the project, his specific Townhouse together with an undivided 1/32nd interest on the Common Area or Common Elements of the Association.

2.14 **Quiet Enjoyment.** All Owners, Guests, and Tenants have a right to quiet enjoyment in their Townhouse. Activity creating noise that disturbs the quiet enjoyment of the premises for the Owners, Tenants or their Guests shall not be permitted. Owners, Tenants and Guests shall maintain minimal noise levels before 7:00a.m. and after 10:00p.m. Citizen complaints may be made to the Association's manager or to the Washoe County Sheriff's Department substation at Incline Village regarding any noise violations. Repeated complaints regarding noise may also result in sanctions being imposed by the Association against the offending party and/or the Townhouse Owner and may include the full range of penalties and enforcement provisions available to the Association under its governing documents and the laws of the State of Nevada.

ARTICLE 3
USE RESTRICTIONS

3.1 **Residential Use.** Each Townhouse shall be used solely as a dwelling for personal, family, or household members, their guests and invitees. No Townhouse shall be primarily used to generate or attempt to generate commercial income or to provide services to the public, but may contain a home business office only to the extent that such activity does not generate any increase in pedestrian or vehicular traffic, subject to licensing and regulation by Washoe County. Townhouses may be rented or leased out by their Owners. Any rental or lease agreement shall be in writing, shall provide that such tenancy is subject to all the provisions of the Association's governing documents and shall be provided to the Manager upon request. No Townhouse shall be rented for hotel, group living, hostel, boarding house, residential treatment of any illness or physical or mental condition or transient purposes at any time. No Owner shall subdivide any Townhouse or lease/rent less than the entire Townhouse at any time.

3.2 **Commercial Use.** Except as otherwise provided in this Declaration, no part of the Project or part of any Townhouse shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other non-residential purpose. Any vehicle that is not owned by a Tenant, Guest or Unit Owner shall not be repaired within the Project nor shall any vehicle repair business be conducted anywhere within the Project.

3.3 **Use of Common Elements.** All use of the Common Elements shall be in accordance with all Association governing documents and any restrictions or limitations contained therein. No Owner shall obstruct any portion of the Common Area without having first obtained written consent of the Association Board and no Owner, guest, tenant, invitee or contract purchaser may remove, alter or make any use of the Common Area other than that approved by the Association, its Board of Directors or Members.

3.4 **Improvements and Alterations.** No Owner shall make or cause to be made any structural alterations to the exterior of the improvements on his Lot or to the Common Area, or paint, decorate, change any item or add any item to or visible from the exterior portion of the improvements constructed on the Owner's Lot or any other improvement within the Project without first obtaining written approval or consent of the Board. Replacement windows, doors and screen doors are specifically excluded from this limitation.

3.5 **Maintenance and Repair of Townhouses.** Except as otherwise provided herein, each Owner shall at his own expense, maintain his own Townhouse subject to the provisions contained within the Association's Rules and Regulations. Said Rules and Regulations including provisions about structural and exterior alterations, appearances of Townhouses and Lots, refuse disposal, signage limitations, exterior lighting provisions, fire hazard limitations and additional information applicable to Townhouses and Lots within the Project. Heat within an unoccupied Townhouse must be maintained while the Townhouse is vacant to prevent pipes from freezing and bursting.

3.6 **Parking Restrictions.** Subject to additional restrictions in the Rules and Regulations, all vehicles shall be parked only in the designated paved parking area. No trailer, recreational vehicle, mobile home, motor home or camper shall be parked or left within the Project for more than 72 consecutive hours. No automobile that is in disrepair, inoperable or not currently licensed and insured, no mobile home, truck larger than a three quarter ton pickup, equipment, or commercial vehicle shall be kept, repaired, permitted to be parked or stored within the Project. Parking by commercial vehicles providing services to Owners or the Association shall be permitted in accordance with the Rules and Regulations but only for the duration necessary to provide such services.

No boat shall be parked or left within the Project more than 72 consecutive hours other than in a parking area approved by the Board and as addressed in the Rules and Regulations. No boat, truck, trailer, camper, recreational vehicle or tent shall be used as a living area while located within the Project.

3.7 **Utility Installations.** Subject to additional restrictions in the Rules and Regulations, no antenna, satellite dish or other device for transmission or receipt of electric current, telephone, television or radio signals, pipe for conduit of water, gas, or sewer and no air conditioning or other machinery or equipment of any kind shall be constructed, placed, or maintained anywhere upon the exterior of any Townhouse or to protrude through the walls, roof or windows of any Townhouse within the Project without Board approval prior to such installation. Nothing herein shall be deemed to forbid the erection and use of temporary power or telephone services incidental to the construction of improvements, as long as such installation is approved in writing by the Board prior thereto. The Association shall not be liable for any failure of the water supply or water service to the Project or for any injury or damage to persons or property caused by said elements or by another Owner or person in the project. No diminution or abatement of common expense assessments shall be claimed or allowed for inconvenience or discomfort arising from the making or repairs or improvements to the Common Area or from any action taken to comply with any laws, ordinances or orders of any governmental authority.

3.8 **Trash Containers and Collection.** Subject to additional restrictions in the Rules and Regulations, all garbage, trash and other waste materials shall be kept only in sanitary containers. No Owner shall permit or cause any trash or refuse to be dumped on any portion of the Project other than in the receptacles customarily used for it, which shall be located only in places specifically designated for such purpose by the Board.

3.9 **Clothes Drying Facilities.** Subject to additional restrictions in the Rules and Regulations, no outside clothes lines or other outside clothes drying or airing facilities shall be maintained on or about any Townhouse or in the Common Area.

3.10 **Fences**. Subject to additional restrictions in the Rules and Regulations, no fences, hedges, or walls shall be erected or maintained on any Common Area or Townhouse other than those approved by the Board.

3.11 **Fires.** Association property is in a traditionally drought prone, high fire danger area, subject to substantial risk of loss by fire. Outdoor cooking with electric or charcoal grills, propane or natural gas may be conducted only if safe under all of the circumstances. No such cooking may be done under overhanging eaves or other structures that may catch fire.

3.12 **Signs.** Subject to signage required to be permitted or allowed by Nevada law, no signs visible from the exterior of any Townhouse may be placed anywhere within the property, unless first approved in writing by the Board.

3.13 **Animals**. Subject to additional restrictions in the Rules and Regulations, no reptiles, rodents, birds, fish, livestock, poultry, or other animals shall be kept in any Townhouse or elsewhere within the Project, except that domestic dogs, cats, fish, or birds (inside bird cages) may be kept as household pets within any Townhouse, if they are not kept, bred, or raised for commercial purposes. The Rules and Regulations may prohibit or limit in number the keeping of any household pets in any Townhouse and may prohibit the keeping of any animal that constitutes a nuisance to any other Owner, in the opinion of the Board. Each person bringing or keeping a pet upon the Project shall be absolutely liable to other Owners, their family members, guests, invitees, tenants, or contract purchaser for any damage to persons or property caused by any pet brought upon or kept upon the Project by such person, his family, guests, or invitees.

3.14 **Nuisances.** Subject to additional restrictions in the Rules and Regulations, no rubbish or debris of any kind shall be placed or permitted to accumulate. No odors shall be permitted to arise from the Project so as to render any portion of the Project unsanitary, unsightly, offensive, or detrimental to any other portion of the Project in the vicinity thereof or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Project so as to be offensive or detrimental to any other portion of the Project in the vicinity thereof or to its occupants. No exterior speakers, horns, whistles, bells, or other sound devices (other than security systems used exclusively for security purposes) shall be located, used, or placed on the Project without the prior written approval of the Board. No noxious or offensive activities, including but not limited to, repair of automobiles or other motorized vehicles, shall be conducted or permitted within the Project. Nothing shall be done on or within the Project that may be or become an annoyance or nuisance to the residents of the Project, that in any way interferes with the quiet enjoyment of occupants of Townhouse or that would tend to or does increase the insurance ratings or premiums paid by the Association to provide insurance coverage to the Common Area of the Association.

3.15 **Compliance with Laws and Governing Documents; Prohibition of Certain Activities.** No Owner shall permit anything to be done or kept in his Townhouse that violates any law, ordinance, statute, rule, or regulation of any local, county, regional, state, or federal body. No Owner shall allow furniture, furnishings, or other personal property belonging to such Owner to remain within any portion of the Common Area unless otherwise permitted by the Board. Without prior written consent from the Board, nothing shall be done or kept on or in any Townhouse, the Common Area or any part thereof that has or may result in an increase in the rating or premium paid for insurance or the cancellation of the insurance on the Project. No Owner shall participate in or allow any violation of the rules and regulations of the Association to occur in the use of the Common Area. Owners shall promptly discharge and satisfy any lien filed or placed upon his Townhouse at any time by the Association.

3.16 **Operation of Motor Vehicles.** Subject to additional restrictions in the Rules and Regulations, motor vehicles within the project shall be operated in a safe and prudent manner, observing all posted speed limits and traffic control signs posted or set within any governing document of the Association.

3.17 **Indemnification**. Each Owner shall be liable to the other Owners for any damage to the Common Elements that may be sustained by reason of the negligence of such Owner, members of his family, his contract purchasers, tenants, guests, or invites, but only to the extent that any such damage is not covered by insurance. Each Owner, by acceptance of his deed, agrees for himself and for the members of his family, his contract purchaser, tenants, guest, or invites, to indemnify the other Owners, to hold them harmless from and to defend them against any claim of any person for personal injury or property damage occurring within the Townhouse of that particular Owner. Each Owner agrees to defend, at his own expense, other Owners who may be sued because of alleged injury or damage within the Townhouse of such Owner.

3.18 **Right of Entry.** Upon reasonable notice and during reasonable hours, any member of the Board or any authorized representative of the Board, shall have the right to enter upon and inspect any Lot for the purposes of ascertaining whether or not the provisions of the Association governing documents have been or are being violated or for any other valid purpose, such as maintenance or in an emergency. No such persons shall have committed a trespass by reason of any such entry. Such right of entry does not apply to any dwellings constructed on the Lot. Only in emergency situations will individuals or agents of the Association be allowed access to the interior of a Townhouse.

3.19 **Emergency Entry.** For purposes of emergency responses, each Owner is strongly encouraged to make available to the Manager a duplicate key to the front door of the Townhouse. Fire Department officials who need immediate entry to any Townhouse for fire-fighting purposes may knock down the front door of any Townhouse in the event no key or knock box is available to them for entry purposes.

3.20 **Taxes.** Townhouse Owners are obligated to pay all taxes or assessments assessed by Washoe County, Nevada, against the Townhouse, the personal property in the Townhouse and any interest in the Common Areas. Owners shall promptly pay any assessment imposed for the portion of any taxes or other charges so assessed by Washoe County against the entire project as part of their annual dues and assessments in proportions equal to an Owners interest in the Common Area, such payment to be made to the Association as least 30 days prior to the delinquency of any such tax or assessment.

3.21 **Chimney and Heating Maintenance.** Each Owner is responsible for regular inspection and maintenance of fireplaces, chimneys, flues, wood stoves, pellet stoves, furnaces or other heating units. Owners are responsible to other Owners for damage resulting from improperly maintained fireplaces, chimneys, flues, wood stoves, pellet stoves, furnaces or other heating units.

3.22 **Non-Waiver.** The failure of the Association to insist upon the strict performance of any of the terms, conditions, covenants and restrictions of any governing document, to exercise any right or option contained herein, to serve any notice, to institute any right or option available to it shall not be construed as a waiver or relinquishment of any future right to institute compliance actions.

ARTICLE 4
THE ASSOCIATION

4.1 **Formation.** The Association is a nonprofit corporation, formed under the laws of the State of Nevada for the purposes aforesaid.

4.2 **Membership.**

4.2.1 **Membership Qualifications.** The membership of the Association at all times shall consist exclusively of the Owners of record. Persons or entities who hold an interest in a Townhouse merely as security for performance of an obligation are not Members; however, a contract of sale buyer of a Townhouse shall be a Member (contract of sale herein is defined to be the "security interest" document and not a "marketing" document).

4.2.2 **Members' Rights and Duties.** Each Member shall have the rights, duties, and obligations set forth in the governing documents of the Association as the same may from time to time be amended.

4.2.3 **Transfer of Membership.** The Association membership of each person or entity who owns a Townhouse(s) shall be appurtenant to each Townhouse, and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except on a transfer of title to the Townhouse or interest in it and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Townhouse or interest in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new Owner. Immediately after any transfer of title to a Townhouse, either the transferring Owner or the acquiring Owner shall give notice to the Board of such transfer, including the name and address of the acquiring Owner and the date of transfer.

Upon transfer of a membership to another, a transfer fee in an amount set by the Board of Directors shall be payable to the Association or its agent. This charge is payable by the transferor upon close of escrow, but if not paid by the transferor, is payable by the transferee. This charge may be enforced against either transferor or transferee in the same manner as a special assessment.

4.3 **Meetings of Members**. A meeting of the Association membership must be held at least once each year, within a calendar year of the last meeting thereof and within 90 days of the end of the fiscal year of the Association. Special meetings of the Association may be called by the president, a majority of the Board or by Owners having at least 10 percent of the votes in the Association, unless the By Laws allow a smaller percentage. The Board shall set the date for any special meeting so that it is held not less than 15 nor more than 60 days after the petition is received calling for the same, as required by NRS 116.3108. Not less than 15 nor more than 60 days in advance of any meeting, the Association secretary or other officer specified in the Bylaws shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each Townhouse or to any other mailing address designated in writing by the Owner, or sent by e-mail to any address designated by Owner. The notice of any meeting must state the time and place of the meeting, the agenda, notice that an Owner may have a copy or summary of the minutes thereof provided to him upon request and payment of any cost thereof, and notice that the Owner may speak to the Association or Board unless the Board is in executive session.

4.3.1 **Minutes of Meetings.** The Association Secretary or other officer so designated by the Board shall cause the minutes to be recorded or otherwise taken at each meeting. Not more than 30 days after each meeting, the Association shall cause the minutes or a summary of the minutes to be made available upon request. Members may be required by the Board to pay any charges associated with providing the copy or summary. The minutes must include the date, time and place of the meeting, the substance of all matters proposed, discussed or decided at the meeting, and the substance of remarks made by any Owner at the meeting if the Owner so requests or if he has supplied written remarks for inclusion in the minutes. The Association shall maintain the minutes of each meeting with its official records.

4.3.2 **Limitations.** The Board may establish reasonable limitations on materials, remarks or other information to be included in the minutes. The restrictions shall be uniformly applied and shall be noticed to Owners prior to their enforcement at any meeting.

4.3.3 **Executive Sessions of the Board.** The Board may meet in executive session to discuss violations of the governing documents, including the failure of any Owner to pay an assessment, to consult with attorneys on matters privileged, relating to pending or proposed litigation, on attorney contract matters, to discuss the character, alleged misconduct, professional competence, physical or mental health of the Manager or any Association employee or to discuss any failure of an Owner which may subject the Owner to a construction penalty. No other items may be the subject of such a closed executive session, but an Owner facing possible sanctions may make a written request that the meeting be open. The Board must keep general minutes of executive sessions and must provide a copy of any decision made therein to the person who was subject to being sanctioned.

4.4 **Voting Rights**. Only Members of the Association shall be entitled to vote. There shall be one vote for each Townhouse. If only one of several Owners of a Townhouse is present at a meeting of the Association, that Owner is entitled to cast all the votes allocated to that Townhouse. If more than one of the Owners of any Townhouse are present at any meeting, the votes allocated to that Townhouse may be cast only in accordance with the agreement of a majority in interest of the Owners. There is majority agreement if any one of the Owners casts the votes allocated to that Townhouse without protest made promptly to the person presiding over the meeting by any of the other Owners of the Townhouse. No vote for any Townhouse may be cast on a fractional basis. To avoid duplicate voting and to ensure the integrity of any Association election, if the joint owners of a Townhouse are unable to agree among themselves as to how their voting rights shall be cast, then they shall forfeit the vote on the matter in question. If more than one person or entity exercises the voting rights for a particular Townhouse, none of their votes shall be counted; and their votes shall be deemed void.

(a) Proxies. Votes allocated to a Townhouse may be cast pursuant to a proxy executed by an Owner of such Townhouse. Before a vote may be cast pursuant to a proxy, the proxy must be dated, must not purport to be revocable without notice, the proxy must designate the meeting for which it is executed, must designate each specific item on the agenda of the meeting for which the proxy is granted, except that an Owner may execute the proxy without designating any specific items on the agenda of the meeting only if the proxy is to be used solely for determining whether or not a quorum is present for the meeting. If the proxy designates one or more items on the agenda for which the proxy is executed, the proxy must indicate for each item designated, whether the holder of the proxy must cast a vote in the affirmative or negative on behalf of the Owner. Absent the affirmative or negative designation, the proxy vote as to that item must be treated as if the Owner were present but did not vote on that item. The holder of a proxy may not cast a vote on behalf of the Owner who executed a proxy contrary to the proxy instructions and must disclose at the beginning of the meeting for which the proxy is executed, the number of proxy votes the holder will be casting. An Owner may revoke a proxy only by actual notice of revocation to the person presiding over the meeting. A proxy terminates immediately after the conclusion of the meeting for which it is issued and held. No proxy vote may be cast at any time for election or removal of a Board member of the Association.

4.5 **Members' Approval.** All matters requiring the approval of Members shall be deemed approved if Members holding the appropriate percentage of votes required for such action assent to them by vote, oral or written consent, consent in lieu or in other affirmative manner. Except as otherwise provided in the Association's governing documents, all matters requiring the approval of Members shall be deemed approved if Members holding a majority of the total voting rights assent to them by written consent as provided in the Bylaws or if approved by a majority vote of a quorum of Members at any regular or special meeting held in accordance with the Bylaws.

4.6 **Board of Directors and Officers.** The affairs of the Association shall be conducted by and through the elected Board of Directors and by such officers, designees, agents, members and committees as may be appointed thereafter by the Board.

(a) Qualifications. The elected members of the Board must be Owners of record and may be elected to 2 year terms of office. An officer, employee, agent, or director of a corporate owner of a Townhouse, a trustee or designated beneficiary of a trust that owns a Townhouse, a partner of a partnership that owns a Townhouse, and a fiduciary of an estate that owns a Townhouse may be an officer or member of the Board. In all events where the person serving or offering to serve as an officer or member of the Board is not the Owner of record of a Townhouse, he/she may be required to file proof of ownership with the Association prior to being placed upon the ballot for a Board position or vacancy. Every person placed on the ballot for a Board position must make a good faith effort to disclose any financial, business, professional or personal relationship or interest that would result or would appear to a reasonable person to result in a potential conflict of interest for the candidate, if he/she were to be elected. The candidate must make the disclosure in writing to each member of the Association in any manner established or required by the Board. No person who is related to Association Management through a spouse, parents, child, by blood, marriage or adoption may serve on the Board. The remainder of the qualifications necessary to be a Director or Officer may be set forth in the By Laws of the Association.

(b) Election of Board Members: The election of any Board member must be conducted by secret written ballot only; no proxy votes are allowed in this process. The Association Secretary or other designated officer shall cause a secret ballot and return envelope to be sent postage prepaid in the US mail, to the mailing address of each Townhouse or Owner. Each Owner must have at least 15 days after the mailing date within which to return the secret ballot. No quorum is required for the election of Board members and only the secret written ballots returned may be counted to determine the outcome of the election. The ballots must be opened and counted at an Association meeting and no quorum is required to be present at such a meeting. No candidate for an open position or vacant office shall possess, be given access to or participate in the opening or counting of the ballots before they have been opened or counted at an Association meeting. Elected Board members shall, within 30 days of their election, certify in writing to the Association on a form prescribed by the State of Nevada, that they have read and understand the governing documents of the Association and the provisions of NRS Chapter 116 to the best of their ability and provide the completed form to the State of Nevada upon request.

(c) **Removal.** Owners holding at least 35% of the votes in the Association may, by secret ballot vote at a duly called removal election of Members, remove any Member of the Board with or without cause, upon a secret ballot vote and procedure as required by NRS 116.31036.

(d) Limitations on Authority of the Board. Board members may not vote by proxy at Board meetings or on Board agendized action matters. The Board may not act on behalf of the Association to amend the Declaration, to terminate the corporate existence of the Association, to elect members of the Board, to determine their qualifications, powers, duties or terms of office, or to pay compensation to members of the Board or officers for services performed in the conducting of Association business.

Neither a member of the Board nor an officer of the Association shall solicit or accept any form of compensation, gratuity or other remuneration that would improperly influence or would appear to a reasonable person to improperly influence the decisions to be made by such person or would result or appear to a reasonable person to result in a conflict of interest for such persons.

Neither a member of the Board nor an officer of the Association shall take, direct, or encourage another person to take any retaliatory action against a Townhouse Owner because the Owner has made a good faith complaint about an alleged violation of any NRS or Association governing document provision or has made a good faith request to review the books, records or papers of the Association at any time.

The Association may not:

(a) Unreasonably restrict, prohibit or otherwise impede the lawful rights of a Townhouse Owner to have reasonable access to his Townhouse;

(b) Unreasonably restrict, prohibit or withhold approval for a Townhouse Owner to add to the Townhouse improvements such as ramps, railings or elevators that are necessary to improve access to the Townhouse for any occupant who has a disability, additional locks to improve the security of the Townhouse.

(c) Any improvement or alteration made pursuant to the above that is visible from any other portion of the development must be installed, constructed or added in compliance with all requirements of Association governing documents and styled or designed to the maximum extent possible to be compatible with the style of the surrounding development, as determined by the Board.

(d) Neither a member of the Board nor an officer of the Association shall enter into a contract or renew a contract with the Association to provide goods and services to the Association or otherwise accept any commission, personal profit or other compensation of any kind from the Association for providing any goods or services to the Association.

(e) Fiduciaries. In the performance of their duties, the members of the Board are fiduciaries and are subject to the insulation from liability provided for directors of corporations by the laws of the State of Nevada. The officers of the Board are required to exercise the ordinary and reasonable care of directors of a corporation, subject to Nevada's reasonable business judgment rule in the review of their actions.

(f) Personal Liability; Indemnification. No officer of the Board, or any committee member or any officer of the Association, or any Manager, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct. When a member of the Board is sued for liability for actions undertaken in his role as a member of the Board, the Association shall indemnify him for any losses or claims, and shall undertake all costs of defense, until and unless it is proven that he/she acted with willful or wanton misfeasance or with gross negligence. After such proof, the Association is no longer liable for the ongoing costs of defense, and may recover costs already expended from the member of the Board who so acted. Members of the Board are not personally liable to the victims of crimes occurring on the Project. Punitive damages may not be recovered against the Association, but may be recovered from persons whose activity gave rise to any harm claimed.

4.7 **Bylaws**. The Bylaws of the Association shall contain at a minimum, the following provisions:

(a) The number of members of the Board and the titles of the officers of the Association;

(b) Provisions for election by the Board of its president, treasurer, secretary, and any other officers of the Association the Bylaws may specify;

(c) The qualifications, powers, and duties, terms of office, and manner of electing and removing officers of the Association and members of the Board and filling vacancies;

(d) Which powers, if any, that the Board or the officers of the Association may delegate to other persons or to a Manager;

(e) Which of its officers may prepare, execute, certify, and record amendments to the Declaration on behalf of the Association;

(f) Procedural rules for conducting meetings of the Association;

(g) A method for amending the Bylaws; and

(h) Procedural rules for conducting elections.

4.8 **Rules and Regulations**. The Association, acting through its Board of Directors or upon affirmative vote of the Membership, may adopt Rules and Regulations for the benefit of all Owners, their families, guests, invitees, or by any contract purchaser, or tenant, or their respective family members, guests, or invites. Rules and Regulations to be adopted must meet the following criteria:

(a) The rules must be reasonably related to the purpose for which they are adopted;

(b) The rules must be sufficiently explicit in their prohibition, direction or limitation to inform a Townhouse's Owner, tenant or guest of any action or omission required for compliance;

(c) The rules must not be adopted to evade any obligation of the Association;

(d) The rules must be consistent with the governing documents of the Association and must not arbitrarily restrict conduct or require the construction of any capital improvement by a Townhouse's Owner that is not required by the governing documents of the Association;

(e) The rules must be uniformly enforced under the same or similar circumstances against all Townhouse Owners (rules not subject to uniform enforcement may not be enforced against anyone); and

(f) The rules may be enforced by assessment of a fine only if the person alleged to have violated the rules has received notice of the alleged violation that informs them of their opportunity to request a hearing on the alleged violation, and at least 30 days before the alleged violation, the person alleged to have violated the rule was given written notice of the rule or any amendment to the rule.

Rules shall be proposed and adopted by the Board in the course of the regular business of the Association and adopted rules shall be signed by the Secretary of the Association, noting the date of their adoption and their effective date. After adoption, duly enacted Rules and Regulations and amendments or additions thereto shall be mailed by the Association to each Owner of record and are effective 30 days from the date of notification. Fines for violation of any governing document, including the Rules and Regulations, may be imposed but the Board may also undertake the following sanctions:

(1) The Board may prohibit, for a reasonable time, the Owner, Tenant or Guest from voting on matters related to the common ownership interest community;

(2) The Board may prohibit, for a reasonable time, the Owner, Tenant or Guest from using the common elements of the Association but may not prohibit reasonable pedestrian or vehicular ingress or egress to and from the Unit or its parking areas.

In case of any conflict between any provision of the Rules and Regulations and any provisions of this Declaration, the Articles, or Bylaws, then the conflicting provision of the Rules and Regulations shall be deemed to be superseded by the provisions of this Declaration, the Articles, or the Bylaws.

4.9 **Inspection of Association Books and Records.** The books, records and papers of the Association, including financial records, all contracts to which the Association is a party and all records filed with a Court relating to any civil or criminal action to which the Association is a party, minutes of meetings of the Members, the Board, and committees of the Board or the Association, shall be made reasonably available for review by any Member of the Association upon written request at any reasonable time, at the office of the Association or at such other place as the Board may determine. No personnel records other than the number of hours worked, salaries and benefits of Association employees are required to be made available.

The Board shall maintain a general record concerning each sustained violation of the governing documents, other than for failure to pay an assessment, for which a fine was imposed, including imposition of a construction penalty or other sanction. This general record must contain a general description of the nature of the violation and the type of sanction imposed. If a fine was imposed, the amount thereof must be kept in the record. The record must not contain the name and address of the person against whom the sanction was imposed or any other personal information that could be used to identify the person or location of the Townhouse associated with the violation. This general record must be maintained in an organized and convenient filing or data system that allows an Owner to search and review the general records concerning violations of the governing documents.

Not more than 30 days after any meeting, the secretary or other officer designated by the Board shall cause the minutes or a summary of the minutes of the meeting to be made available to the Owners. A copy of the minutes or a summary of the minutes must be provided to any Owner who pays the Association the cost of providing the copy to him that the Association elects to impose.

ARTICLE 5
POWERS AND DUTIES OF THE ASSOCIATION

5.1 **Powers**. The Association may exercise those powers provided for by NRS 116.3102, as though set forth in full herein, including retaining for itself the ability to assign future income in the event a loan may be needed for any purpose.

5.2 **Duties.** The Association shall act at all times through its Members and its duly constituted Board of Directors, in compliance with the provisions of NRS Chapter 116.

ARTICLE 6
ASSESSMENTS

6.1 **Purpose**. The assessments levied by the Association shall be the amount estimated to be required and shall be used exclusively, to pay the common expenses, including a working capital and adequate reserve fund for the operation of the Association. Each Townhouse's share of the annual Association budget shall be collected by regular or special assessment.

6.2 **Uniform Rate of Assessment.** All regular and special assessments shall be fixed at a uniform rate for all Townhouses. Regular assessments shall be collected on a monthly basis while special assessments may be collected at such intervals as may be approved by the Board upon passage, approval and imposition of the assessment.

6.3 **Regular Assessments.** Not less than 30 nor more than 60 days before the Association's fiscal year begins, the Board shall prepare and distribute to each Townhouse Owner the following information:

a) a copy of the budget for the daily operation of the Association, including estimated annual revenue and expenditures and the contributions to be made to the Association reserve account;

b) the budget proposed to maintain an adequate reserve for the Association, including from the reserve study, the current estimated replacement cost, estimated remaining life and useful life of each major component of the Common Elements, current cash reserves accumulated and set aside to repair, replace or restore the major components of the common elements;

c) a statement as to whether the Board has determined or anticipates any special assessment levies will be required to repair, restore or replace any major component of the common elements or to provide adequate Association reserves; and

d) a general statement describing the procedures used to estimate and accumulate the cash reserves, including the qualification of the person responsible for the preparation of the reserve study.

The Board may elect, in lieu of distributing copies of the budget to the Owners, to distribute a summary of the budget and reserve information along with notice that copies may be provided individually upon request. Within 60 days after adoption of the proposed budget by the Board, it must set an Owner's meeting date not less than 14 nor more than 30 days after mailing of the summary. Unless at that meeting a majority of the Owners reject the budget, the budget shall be ratified, without regard to the presence of a quorum. If the proposed budget is rejected, the budget last ratified by the Owners must be continued until such time as the Owners ratify any subsequent budget proposed by the Board.

6.4 **Special Assessments**. If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason then the Board shall determine the approximate amount necessary to defray such expenses. The Board may impose a special assessment upon the Owners in a maximum amount of up to $1,500.00 per Townhouse at any time, without vote of the Members. Except with respect to a capital improvements assessment, if the amount of any such proposed special assessment is in excess of $1,500.00 per Townhouse, it must first be approved by a simple majority vote (17) of the Owners before it can become a special assessment. The Board may, in its discretion, pro-rate such special assessment over the remaining months of the fiscal year or immediately levy the assessment against each Townhouse or its appurtenant Limited Common Area.

Additionally, the Association shall have the power to incur expenses for maintenance and repair of the exterior of any Townhouse or any portion thereof visible from the exterior thereof, provided such maintenance and repair is necessary, in the opinion of the Board, to protect the Common Elements or any other portion of the Project, provided the Owner of such Townhouse has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of such maintenance or repair has been delivered by the Board to such Owner. The Board shall levy a special assessment against the Owner of any such Townhouse to pay for the cost of such maintenance, repair, and any other costs or expenses arising out of or incident to such maintenance and repair, and may take a lien upon the Townhouse to secure the repayment thereof.

6.5 **Capital Improvement Assessments.** Upon approval of any proposed capital improvement and the estimated cost thereof, said costs shall be assessed to the Owners in equal amounts. If any such assessment appears or proves to be inadequate or insufficient or if Owners do not pay their proportionate shares thereof, the Board may, without obtaining any further approval or vote, levy an additional capital improvement assessment to cover such deficiency and assess this supplemental assessment equally upon the Owners. If such supplemental assessment shall exceed the original capital improvement assessment by more than 5%, a majority vote of the Association membership shall be first required prior to such assessment being implemented. These capital improvement assessments shall be due and payable by all Owners in those installments and during those periods determined or designated by the Board.

6.6 **Allocation of Assessments**. All common expenses shall be assessed against all the Townhouses as follows:

(a) Any common expense associated with the maintenance, repair, or replacement of any Townhouse must be assessed against the Townhouse to which that expense is assigned;

(b) Assessments to pay a judgment against the Association may be made only against the Townhouse in the Project at the time the judgment was entered, in proportion to their liabilities for common expenses;

(c) If any common expense is caused by the misconduct or negligence of any Owner, the Association may assess that expense exclusively against that Owner and Townhouse ;

(d) The Association shall provide written notice to each Townhouse Owner of any meeting at which an assessment for a capital improvement or the commencement of a civil action is to be considered or taken at least 21 calendar days before the meeting.

6.7 **Notice of Assessments; Time for Payment.** The Association must give written notice of assessments to each Owner, which notice shall specify the amount of the assessment and the due date for payment of each assessment. No payment shall be due fewer than 30 days after such written notice has been given. An assessment payment is delinquent if not paid within 30 days after such due date and no grace period is allowed.

6.8 **Statement of Account.** The Association, upon written request, shall furnish to an Owner a statement setting forth the amount of any assessment imposed against the Townhouse. The statement may be in recordable form, furnished within 10 business days after receipt of any such request.

6.9 **Use of Assessment Funds**. Assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Townhouse Owners, and, in particular, for the maintenance, management and improvements to the property, services and facilities within the project and related to the use and enjoyment of the common areas and the occupants of the project.

6.10 **Assessment Period.** The regular assessment period shall initially commence on January1 of each year and shall terminate on December 31 of such year unless and until the Board shall change said period by affirmative vote. Regular assessments shall be payable in monthly installments, unless the Board changes this requirement regarding any specific assessment. If necessary, all special assessments may be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments, unless the Board adopts some other schedule for collection.

ARTICLE 7
COLLECTION/LIENS FOR ASSESSMENTS

7.1 **Agreement to Pay**. Each Townhouse Owner, by accepting title to a Townhouse within the Project, thereby covenants and agrees to pay to the Association those regular, special, reserve and capital improvement assessments as are established, made, and collected as provided in this Declaration. Association assessments shall be made at least annually, based upon the approved Association budget.

7.2 **Personal Obligation**. Each assessment or installment, together with any late charge, interest, collection costs, and reasonable attorneys' fees, as established by the Board, shall be the personal obligation of the person or entity who was an Owner at the time such assessment or installment became due and payable. If more than one person or entity is the Owner of record of a Townhouse, the personal obligation to pay such assessment or installment respecting such Townhouse shall be both joint and several. A purchaser of a Townhouse shall be jointly and severally liable with the seller for all unpaid assessments against the Townhouse up to the time of the grant or conveyance, without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such assessments. No Owner may avoid or diminish such personal obligation by waiver of the use and enjoyment of any of the Common Elements or by abandonment of his Townhouse.

7.3 **Collection of Assessments.** The right to collect and enforce assessments is vested in the Board acting for and on behalf of the Association. The Board or its authorized representative, including any Management entity, may enforce the obligations to pay assessments by any means available, including by maintenance of a suit at law or in equity, lien filing, lien foreclosure or through the exercise of any power of sale available, as long as such efforts comply with the provisions of NRS Chapter 116.

7.4 **Lien Possibilities:** The Association has a lien for any construction penalties imposed, unpaid assessments or fines. Any penalties, fees, charges, late charges, fines and interest charged pursuant Paragraphs j, k, l and m of subsection 1 of NRS 116.3102, are each enforceable as assessments by the Association.

7.5 **Lien for Assessments**. From the time any assessment becomes due, all sums assessed to any Townhouse pursuant to this Article, together with interest thereon, fees, charges, late charges and unpaid fine amounts are enforceable as assessments and may be secured by a lien on such Townhouse in favor of the Association. 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 under this Section is prior to all other liens and encumbrances on a Townhouse except:

(a) Liens and encumbrances recorded before the recordation of the Declaration;

(b) A first security interest in or on the Townhouse recorded before the date on which the assessment sought to be enforced became delinquent;

(c) Liens for real estate taxes, other governmental assessments or charges against the Townhouse.

The Association's lien is also prior to all security interests set forth above to the extent of the assessments for common expenses based on the budget adopted by the Association which would have become due in the absence of acceleration during the 6 months immediately preceding institution of any action to enforce the lien. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within 3 years after the full amount of the assessments becomes due. The existence of the lien does not prohibit the Association from taking action to recover sums secured by the lien or from taking a deed in lieu of foreclosure. Recordation of the Declaration constitutes record notice and perfection of the lien and no further recordation of any lien claim for assessments is required.

7.6 **Delinquency, Notice and Foreclosure of Lien by Sale**. An Association lien may be foreclosed pursuant to and upon compliance with the affirmative provisions of NRS 116.3116 to 116.31168.

7.7 **Election of Remedies.** The Association Board may elect to institute legal action against any Member whose payments or assessment are delinquent. In the event an attorney is employed by the Association for these purposes, whether or not a lawsuit is filed, the delinquent Owner shall be liable for the payment of reasonable attorney's fees, costs, late charges and interest incurred by virtue of such collection activities. An action to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving any lien securing the same.

ARTICLE 8
CAPITAL IMPROVEMENTS

8.1 **Petition; Board Approval.** A majority of the Townhouse Owners may petition the Association for the construction, installation, or acquisition of a capital improvement in or to the Common Elements. As used herein, "capital improvement" relates only to a new capital improvement. Such petition shall be in writing and be in such form and shall contain such information as the Board may require, including, without limitation, preliminary plans and costs estimates. The Board may move for the construction, installation, or acquisition of a capital improvement by placing such matter on its agenda. The Board may approve the agenda item if it determines that the proposed capital improvement is desirable for the beneficial use and enjoyment of the Common Elements by the Owners. Upon the approval of such petition by the Board, the Board shall obtain bids on the total cost of constructing, installing, or acquiring the proposed capital improvement. The lowest acceptable bid or bids shall be deemed the estimated total cost of such capital improvements.

8.2 **Costs of Petition.** If for any reason the construction, installation, or acquisition of the proposed capital improvement is not approved by the Board, all expenses incurred with respect to the proposed capital improvement shall be paid proportionately by the petitioning Owners; and the Board may levy a special assessment against such Owners for the purpose of paying such expenses.

8.3 **Owner Approval.** If the estimated total cost of the proposed capital improvement exceeds the sum of $5,000.00 in any one fiscal year, the Board shall present the proposed capital improvement and the estimated total cost thereof to all Owners. Such improvements shall be deemed approved if at least 51 percent of Members vote to approve such capital improvement.

8.4 **Construction of Improvements**. After the levy of any capital improvement assessment and at such time and upon such terms and conditions as the Board may deem appropriate, the Board shall cause the proposed capital improvement to be constructed, installed, or acquired.

ARTICLE 9
INSURANCE/SELF INSURANCE BY OWNERS

9.1 **Insurance.** In this Association, the lots and Townhouse are all individually owned and the individual Owners thereof are obligated to obtain and maintain the following insurance coverage from companies duly licensed and authorized to do business in Nevada:

Liability Insurance. Owners shall cause to be obtained and maintained broad form comprehensive liability coverage, including insurance for medical payments, in such amounts as they determine to be adequate, covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of their Townhouse.

Property Fire & Casualty Insurance. Owners shall cause to be obtained and maintained insurance covering and insuring against all risks of direct physical loss commonly insured against fire and extended coverage perils relative to the Townhouse. The total amount of such insurance coverage, after application of any deductibles, must be in an amount not less than 80 per cent of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, foundations, excavations and other items normally excluded from property policies.

Directors Fidelity Insurance/Errors and Omissions Coverage. The Association shall purchase and maintain in force at all times and in such amounts and forms as the Board shall deem appropriate, insurance coverage for any person or entity handling funds of the Association, including but not limited to officers, directors, trustees, employees and agents of the Association and employees of any Management entity or person employed or volunteering such services to the Association against dishonesty of employees, destruction or disappearance of money or securities, forgery, and errors and omissions made. Such insurance shall be in an amount not less than the estimated maximum of funds, including reserve funds, readily available to the Association or Management during the course of a fiscal year of the Association.

Repair or Reconstruction. Any portion of the Common Elements (driveways and walkways) for which the Association has obtained insurance that is damaged or destroyed must be repaired or replaced promptly by the Association unless:

The Project is terminated or repair or replacement would be illegal under any state, regional, or local statute or ordinance governing health or safety. Any cost of repair or replacement in excess of insurance proceeds and reserves is a common expense.

Use and Distribution of Association Insurance Proceeds. If the Common Elements (driveways and walkways) are not repaired or replaced with the insurance funds or proceeds received, the remainder of the proceeds must be distributed to all the Owners or lien holders, as their interests may appear, in proportion to their liability for common expenses.

9.2 **Premiums and Review.** Premiums for any insurance carried by the Association shall be a common expense and shall be included in the assessments or charges made by the Association. The Board shall review the limits of all insurance policies of the Association at least once a year and may adjust the limits as the Board deems necessary or appropriate.

Each Owner shall receive certificates of insurance and may be asked to provide them to the Association or its managers upon request. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or non-renewal has been mailed to the Owner, who shall notify the Association of any such cancellation.

9.3 **Adjustment of Claims/Losses.** Individual townhouse owners will be required to handle any claims and adjust any losses claimed against any policy and with the company from whom they have purchased the insurance.

ARTICLE 10
CONDEMNATION

10.1 **Consequences of Condemnation.** If at any time all or any part of the Project shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the following provisions shall apply.

10.2 **Association's Authority.** The Association is designated to represent the Owners in any proceedings relating to condemnation. The Association may act in the capacity of attorney-in-fact for the Owners, acting under an irrevocable power of attorney that each Owner grants to the Association by accepting ownership within the common ownership interest community. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award', shall be payable to the Association.

10.3 **Complete Taking.** In the event that the entire common ownership interest community is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, individual Townhouse ownership shall terminate. In the event of an act of condemnation, the Condemnation Award shall be apportioned among the Owners as follows:

Either separately or in the context of the condemnation proceedings, the Board shall hire one or more independent appraisers to determine the fair market value of the respective interests of Owners, as well as the fair market value of the Common Areas. If more than one appraiser is utilized, the fair market value determined shall be the average of the determinations of all appraisers. The respective interest of Owners shall be the fair market values of Owner's Townhouse, any allocated interests and any limited common area interests in existence immediately before the condemnation proceedings were undertaken. The proportion of interest of any Owner to that of all Owners shall be determined by dividing the fair market value of that Townhouse and any of its allocated interests by the total fair market values of all the Townhouses and their allocated interests, plus the fair market value of the common areas. The proportional interest of the Common Area to the entire development shall be divided equally among the Owners. On the basis of the foregoing, the Board shall as promptly as practicable thereafter, determine the share of the Condemnation Award to which each Owner is entitled. Such shares shall be disbursed as soon as practicable to the Townhouse Owners.

10.4 **Partial Taking**. In the event that less than the entire common ownership interest community is taken, condemned, sold or otherwise disposed of, the common ownership interest community shall not terminate. Each Owner shall be entitled to a share of any Condemnation Award to be determined in the following manner: As soon as practicable, the Association shall, reasonably and in good faith, allocate the Condemnation Award as compensation, damages, or other proceeds, and shall apportion the amounts so allocated among the Owners as follows:

(a) The total amount allocated to taking of or injury to Common Elements shall be apportioned equally among Owners;

(b) The total amount allocated to severance damages shall be apportioned to those Townhouses that were not taken or condemned;

(c) The respective amounts allocated to the taking of or injury to a particular Townhouse and/or improvements an Owner has made within his own Townhouse shall be apportioned to the particular Townhouse involved; and

(d) The total amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Board determines to be equitable in the circumstances.

If an allocation of the Condemnation Award has been established by negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award, the Board shall employ such allocation to the extent it is relevant and applicable.

10.5 **Reorganization.** In the event a partial taking results in the taking of a complete Townhouse, the Owner thereof automatically shall cease to be a Member of the Association. Thereafter, the Association shall reallocate the allocated interests as set forth above and shall submit such reallocation to the Owners of remaining Townhouses for amendment of this Declaration.

ARTICLE 11
TERMINATION OF COMMON-INTEREST OWNERSHIP COMMUNITY

11.1 **Agreement to Terminate.** Except in the case of a taking of all of the Townhouses by eminent domain, termination of the Association may be accomplished by agreement and vote of **80 percent of the Townhouse Owners.** An agreement to terminate must be evidenced by the execution of an agreement to terminate, or ratifications thereof, in the same manner as a deed, by the requisite number of Owners. The agreement must specify a date after which the agreement will be void unless it is recorded before that date. An agreement to terminate and all ratifications thereof must be recorded in every County in which property of the common ownership interest community is found and is effective only upon recordation. The agreement to terminate may provide that all of the Common Elements and Townhouses of the project must be sold following termination. If, pursuant to the agreement, any real estate in the Association is to be sold following termination, the agreement must set forth the minimum terms of such sales. Following termination of the Association, the proceeds of any sale of real estate, together with the assets of the Association, shall be held by the Association in trust for the Owners and holders of liens on the Townhouses.

11.2 **Interests of Owners Following Termination.** Following termination, the respective interests of Owners are as follows: The respective interests of Owners are the fair market values of their Townhouses, allocated interests in the Common Area, and any Limited Common Area immediately before the termination, as determined by one or more independent appraisers selected by the Association. The decision of the independent appraisers must be distributed to the Owners and becomes final unless disapproved within 30 days after distribution by affirmative vote of 25% of the Owners. The proportion of interest of any Owner to that of all Owners is determined by dividing the fair market value of that Townhouse and its allocated interests by the total fair market values of all the Townhouses and their allocated interests.

ARTICLE 12
PROTECTION OF LENDERS

12.1 **General.** Notwithstanding any other provisions in this Declaration to the contrary, in order to induce institutional lenders to participate in the financing of sales of Townhouses in the Project, the following provisions are included. To the extent that the provisions of this Article conflict with any other provisions in this Declaration, these provisions shall control.

12.2 **Encumbrance of Units Permitted.** Any Owner may encumber his Townhouse with a deed of trust or mortgage. The beneficiary of the deed of trust or mortgage is the lender.

12.3 **Subordination.** Any lien created or claimed under this Declaration is subject and subordinate to the lien of any first deed of trust encumbering any Townhouse or other property in the Project and recorded before the date on which the assessment sought to be enforced became delinquent, unless the priority of such first deed of trust is expressly subordinated to such assessment lien. It is expressly understood that any such lender shall be liable for all such assessments during any period of time the lender holds title to the Townhouse.

12.4 **Non-Liability for Unpaid Assessments.** Any beneficiary of a first deed of trust who comes into possession or ownership of a Townhouse pursuant to the remedies provided in the deed of trust shall take such Townhouse free of any claims for unpaid assessments or charges against the encumbered Townhouse that accrued prior to the time such beneficiary came into possession or ownership of the Townhouse. Upon the foreclosure of any deed of trust or conveyance of any Townhouse to a beneficiary by deed in lieu of foreclosure, the Townhouse shall remain subject to the Declaration and the amount of all regular and special assessments, to the extent they related to expenses incurred subsequent to such foreclosure, shall be assessed hereunder to the grantee or purchaser at such foreclosure sale.

12.5 **Breach of Covenants.** No breach of any of the provisions of this Declaration or re-entry by reason of any such breach shall defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value as to any Townhouse; provided, however, the provisions of the Declaration shall be binding upon the Owners whose title thereto is acquired under foreclosure, trustee's sale, or otherwise.

12.6 **Notice of Default.** Upon written request to the Association, the beneficiary of a first deed of trust encumbering a Townhouse shall be entitled to written notification from the Association of any default or violation by the trustor of an governing document provision that is not cured within 30 days of a demand or request relative thereto.

12.7 **Other Notices.** Any Institutional Holder, insurer, or guarantor of a first deed of trust encumbering a Townhouse shall be entitled to timely written notification from the Association of: any condemnation or casualty loss that affects either a material portion of the Project or the Townhouse securing its deed of trust; a lapse, cancellation, or material modification of any insurance policy maintained by the Association; and any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders. Such holder, insurer, or guarantor may send a written request for such information to the Association and state its name, address, and number or address of the Townhouse that such deed of trust encumbers or may appear and attend any meeting of the Board or Association at any time.

12.8 **Insurance Proceeds and Condemnation Awards.** Except as otherwise provided by state law, no provision in any governing documents shall give an Owner, or any other party, priority over any rights of a beneficiary pursuant to its deed of trust in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of the encumbered Townhouse or Common Elements.

12.9 **Non-Curable Breaches:** Any lender who acquires title by foreclosure or deed in lieu of foreclosure shall not be obligated to cure any breach of the CC&R's which is non-curable or of a type which is not practical or feasible to cure. Any lender who loans money to facilitate the resale of any Townhouse after foreclosure or deed in lieu of foreclosure is a loan made in good faith, for value and is entitled to all rights and protections afforded to other lenders.

12.10 **Amendments/Conflicts:** No amendments to Article 13 shall affect the rights of the holder of a mortgage or deed of trust recorded prior to the recording of said amendment if the holder does not join in the amendment. In the event of a conflict between any provision of this Article and any other CC&R provision, the Article 13 provisions shall control.

12.11 **Books, Records, Loan Status**: Any lender or mortgage holder of a Townhouse within the project may ask to examine the books and records of the Association during normal business hours and may, upon request, be entitled to receive an annual financial statement or budget of the Association. A lender or mortgage holder is authorized to furnish information to the Board of Directors of the Association concerning the status of any loan encumbering a Townhouse at any time.

ARTICLE 13
AMENDMENTS

13.1 **Association, Owner, Lender Approval.** Except in case of amendments that may be executed by the Association or by certain Owners pursuant to NRS 116.2108(2), this Declaration may be amended only by vote of 51% (17 members voting in the affirmative) of the Association members.

13.2 **Restrictions on Amendments.** No amendment may change the boundaries of any Townhouse, the allocated interests of a Townhouse, or the uses to which any Townhouse is restricted, in the absence of unanimous consent of the Owners affected and the consent of a majority of the Owners of the remaining Townhouses in addition to strict compliance with NRS 116.2111 through NRS 116.2114. No amendment to this Declaration shall be effective to eliminate the perpetual funding for maintenance of the Common Elements and for reserves required to be maintained by the Association.

13.3 **Form.** Amendments to the Declaration shall be prepared, executed, and certified on behalf of the Association by the Association Secretary, President or by any two other Board members.

13.4 **Effective upon Recordation.** Every amendment to the Declaration shall be recorded with the Washoe County Recorder and shall be effective immediately upon such recordation.

ARTICLE 14
SANCTIONS/ENFORCEMENT

14.1 **Enforcement and Waiver.**

14.1.1 **Right of Enforcement by Association.**

(a) The Association in its own name and on its own behalf, or on behalf of any Owner, may commence and maintain actions for damages, or to restrain and enjoin any actual or threatened breach of any provision of the governing documents or any resolutions of the Board, or to enforce by mandatory injunction or other legal means available, all of such provisions.

(b) Before invoking any sanction for violation of any governing document, the Board shall provide the alleged violator with written notice of the alleged violation, the proposed sanction and the ability to request a hearing on the notice of violation. Each Owner accused of a violation of any governing document provision can appeal any such action by filing written notice of appeal with the Board within 10 days after receipt of the notice of violation. The action imposing the fine or suspension shall then be held in abeyance until the sanction(s) imposed in the notice is reviewed by the Association Board of Directors at any regular or special meeting of the Board at which all Board members are present. The Owner or other person to be sanctioned can appear, be represented by counsel and be heard at the meeting and can request that the session be an open rather than a closed, executive session. The Board may impose a special assessment against such Owner's Townhouse to collect any fine that remains unpaid for a period of ten days or more.

(c) Any violation of any state, regional, municipal, county or local law, ordinance or regulation pertaining to the ownership, occupation or use of any portion of the project is hereby declared to be a violation of the governing documents of the Association and subject to any or all of the enforcement procedures available. Except as otherwise provided herein, the Association and any Owner shall have the right (but not the duty) to enforce, by any and all means legally available, all of the provisions of the governing documents of the Association.

14.1.2 **Violations and Nuisance; Fines as a Sanction.**

Every act or omission whereby any of the provisions of the governing documents of the Association is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by the Association or any Owner. The fine imposed must be commensurate with the severity of the violation but shall not exceed $100.00 per violation, up to a maximum of $500.00 per violation, whichever is less. If the fine is imposed and the violation not cured within 14 days or any longer period set by the Board, the violation shall be considered a continuing violation. Thereafter, the Board may impose an additional fine for the violation for each 7 day period or portion thereof that the violation is not cured, without further notice or opportunity to be heard. Past due fines bear interest at the rate set by the Association (1.5% per month, not to exceed the legal rate per annum) and may include the costs of collection pursuant to the sliding scale set by Nevada law. Costs of collecting includes any collection fee, filing fee, recording fee, referral fee, fee for postage, delivery and any other fee or cost that an Association may reasonably charge.

No fine may be imposed unless the following conditions are satisfied and compliance with NRS 116.31065 has been accomplished by the Association:

(a) Not less than 30 days before the violation, the person against whom the fine will be imposed has been provided with written notice of the applicable provisions of the governing documents that form the basis of the violation;

(b) Within a reasonable time after the discovery of the violation, the person against whom the fine will be imposed has received written notice specifying the details of the violation, the amount of the proposed fine, the date, time and location of the hearing on the violation, and

(c) Provided a reasonable opportunity to contest or explain the violation at the hearing. The Board must schedule the hearing on the violation so that the person against whom the sanction is sought is provided with a reasonable chance to prepare and attend.

The person being sanctioned may pay the fine, file a written waiver of hearing with the Association or simply not attend the hearing. In any such instances, the Board need not hold a further hearing on the same matter. The Association may not apply any assessment, fee or other charge paid toward a fine imposed by the Association.

14.1.3 **Violations and Nuisance; Suspension as a Sanction.** The Association shall have the right to suspend the Townhouse Owner's right to vote on matters relating to the common-interest community and right to use the common areas and recreational facilities by an owner, family, tenants, guests:

(a) For any period during which a Townhouses Owner is not in compliance with any provision of the governing documents of the Association; and,

(b) For any reasonable period of time in relation to the seriousness and/or severity of the violation for any infraction of any provisions of the governing documents of the Association, or for any period during which such infraction persists, after reasonable notice and an opportunity to be heard (orally or in writing) by the Board of Directors of the Association. Every act or omission of any provision of the governing documents of the Association that constitutes a violation thereof is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action.

14.1.4 **Health and Safety Violations.** The Board shall have the authority to seek all immediately available remedies to stop or abate any violation, act, conduct or neglect of conduct which poses a health and safety risk to the Association or any Townhouse Owner.

14.1.5 **Violation of Law.** Any violation of any state, regional, municipal, or local law, ordinance, or regulation pertaining to the ownership, occupation, or use of any portion of the Project is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures herein set forth.

14.1.6. **Remedies Cumulative.** Each remedy provided herein is cumulative and not exclusive.

14.1.7 **Non-waiver.** The failure to enforce any of the provisions of the governing documents of the Association shall not constitute a waiver of any right to enforce any such provisions or any other provision.

ARTICLE 15
MISCELLANEOUS

15.1 **Notices.** All notices hereunder to the Association or the Board shall be sent by registered or certified mail to the Board at the address of the Association's management, or to such other address as the Board may designate from time to time by notice in writing to the Owners. All notices hereunder to any Owner shall be sent by registered or certified mail to the Owner at his Townhouse, or to such other address as the Owner may give from time to time in writing to the Board. All notices shall be deemed to have been given when mailed except notices of change of address, which shall be deemed to have been given when received, and except as otherwise provided herein.

15.2 **Construction of the Declaration.**

15.2.1 **Restrictions Construed Together.** All of the provisions of the governing documents of the Association shall be liberally construed together to promote and effectuate the fundamental concepts set forth herein.

15.2.2 **Restrictions Severable.** All of the provisions of the governing documents of the Association shall be deemed independent and severable. The invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

15.2.3 **Singular Includes Plural.** The singular shall include the plural and the plural the singular unless the context requires the contrary. The masculine, feminine, or neuter shall each include the masculine, feminine, and neuter, as the context requires.

15.2.4 **Captions.** All captions or titles used herein are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

15.3 **Default.** A breach of any one of the provisions of the governing documents of the Association, or the recording of any lien or assessment hereunder, or the pursuit of any remedy provided for in the CC&R's shall not defeat or render invalid the lien of any mortgage made by an Owner in good faith and for value upon the interest, right or title to the property.

15.4 **Binding Agreements**. All agreements and determinations lawfully made by the Association in accordance with the voting rights established in the governing documents of the Association shall be deemed to be binding on all Owners, their successors and assigns.

15.5 **Financial Review/Audit Requirement.** As soon after the close of the fiscal year of the Association as is possible, the Board shall cause an independent financial review to be made by a certified public accountant and an annual operating statement reflecting income and expenditures of the Association for its fiscal year shall be prepared. A full audit shall be performed on the Association financial affairs, books and records no later than every 5 years.

15.6 **Waiver/NonWaiver.** The failure of the Association or any Owner to enforce any of the provisions of the governing documents to which any property is subject shall in no event be deemed a waiver of the right to so enforce them at some future time or upon some future occurrence.

15.7 **Titles.** All titles in the governing documents are intended solely for the convenience of terms and reference and the same shall not affect what is set forth in the Article, Section or Subsection nor of any of the terms or provisions of the governing document nor the meaning thereof.

15.8 **Legal Proceedings.** Any judgment rendered in any action or proceeding undertaken to enforce any provision of the Association governing documents shall include a sum for attorney's fees in such amount as the Court may deem reasonable, in favor of the prevailing party.

15.9 **Reserves.** The Association shall establish an adequate reserve, funded on a reasonable basis, for the repair, replacement and restoration of the major components of the common elements. The reserve funds may only be used for those purposes, including but without limitations, maintenance, repair or replacing of roads and sidewalks but must not be used for daily maintenance. At least every five years, the Board must conduct a study of the reserves and the Board must annually review the reserves to determine if the reserves are sufficient and for purposes of making any adjustments necessary to maintain the required reserves. The reserve study must be conducted by a qualified person in compliance with state law.

15.10 **Surplus Funds.** Surplus funds of the Association remaining after payment of or provision for common expenses and any prepayment of reserves may be retained in the Association bank and reserve accounts, may be paid to the Owners in proportion to their liabilities for common expenses or may be credited to them to reduce their future assessments for common expenses, in an appropriate situation as determined by the Board.

IN WITNESS WHEREOF, this Declaration has been executed on the day and year first above written.

INCINE CREST ASSOCIATION NUMBER TWO
a Nevada non-profit corporation.

IN WITNESS WHEREOF, we being the President and Secretary of INCLINE CREST ASSOCIATION NUMBER TWO, a Nevada non-profit corporation have hereunto set our hands

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this 16 day of January, 2008.

BY: Jeff Whitt
Jeff Whitt
ITS: SECRETARY

BY: Janet Eckle
Janet Eckle
ITS: PRESIDENT

State of Nevada
County of Washoe

***Signed and Sworn* to (or affirmed) before me**
On 20 **day of** February **, 2008**
By JEFF WHITT

WILLIAM F. MCALLISTER
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 99-51180-2 - Expires January 13, 2011

Notary Public

State of Nevada
County of Washoe

***Signed and Sworn* to (or affirmed) before me**
On 25 **day of** February **, 2008**
By Janet Eckle

PATRICIA GLENN
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 99-58179-2 - Expires September 17, 2011

Notary Public

CERTIFICATION

WE, the undersigned President and Secretary of INCINE CREST ASSOCIATION NUMBER TWO, a Nevada non-profit corporation, do hereby certify that the foregoing AMENDED DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS OF INCLINE CREST ASSOCIATION NUMBER TWO, a Nevada non-profit corporation, was duly adopted by the Members thereof upon their written assent by ballot voting, which such votes and ballots were counted and certified by the Board of Directors thereof on January 16, 2008; that a 75% vote of the members voted in favor thereof, as required by law and the governing documents of the Association.

INCLINE CREST ASSOCIATION NUMBER TWO
a Nevada non-profit corporation

BY: Jeff Whitt
Jeff Whitt
ITS: SECRETARY

State of Nevada
County of Washoe

***Signed and Sworn* to (or affirmed) before me**
On 20 **day of** February **, 2008**
By JEFF WHITT

WILLIAM F. MCALLISTER
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 99-51180-2 - Expires January 13, 2011

William F. McAllister
Notary Public

BY: Janet Eckle
Janet Eckle
ITS: PRESIDENT

State of Nevada
County of Washoe

***Signed and Sworn* to (or affirmed) before me**
On 25 **day of** February **, 2008**
By Janet Eckle

PATRICIA GLENN
Notary Public - State of Nevada
Appointment Recorded in Washoe County
No: 99-58179-2 - Expires September 17, 2011

Patricia Glenn
Notary Public