

MONTECITO

PUBLIC OFFERING STATEMENT AND INFORMATION BROCHURE

THIS PUBLIC OFFERING STATEMENT AND INFORMATION BROCHURE, WITH ALL ATTACHMENTS, IS DELIVERED BY DECLARANT TO THE PURCHASER OF A UNIT AS OF THE DATE OF THE PURCHASE AGREEMENT. THIS PUBLIC OFFERING STATEMENT IS CURRENT AS OF THE DATE OF THE PURCHASE AGREEMENT.

**PLANNED
COMMUNITY:**
("Neighborhood")

MONTECITO
Somerset Hills Avenue & Grosetto Way
Clark County, Nevada

DECLARANT:
("Builder")

WILLIAM LYON HOMES, INC.,
a California corporation,
fka PRESLEY HOMES
500 Pilot Road, Suite G
Las Vegas, Nevada 89119

GENERAL DESCRIPTION OF NEIGHBORHOOD:

MONTECITO is a detached, single-family Nevada residential common-interest planned community neighborhood ("Neighborhood"), consisting of one (1) residential unit ("Unit") in its first phase, which later may be expanded to an aggregate total of not to exceed two hundred twenty-one (221) Units, if all annexable area is annexed and all subsequent phases are completed by Declarant. A "Unit" consists of a residential lot ("Lot") within the Neighborhood, encumbered by the Declaration and platted as the site for a dwelling ("Dwelling") (whether or not the Dwelling has yet been constructed), together with any and all improvements on the Lot.

— The first phase will include one (1) Unit, and non-exclusive easements for enjoyment and use of Common Elements, including private entry gate area and monumentation, private streets, curbs and gutters.

— Subsequent phases, subject to the "Additional Disclaimers" below, may include additional Units, not to exceed an aggregate incremental total of two hundred twenty (220) additional Units, non-exclusive easements as set forth below, and certain Common Elements.

The estimated maximum total number of Units which may be constructed in this Neighborhood is two hundred twenty-one (221) Units.

PURCHASER INITIALS _____ / _____

Master Declarant and Master Association are not responsible for the design, construction or workmanship of the Units or other improvements within the Neighborhood, which are solely the responsibility of the Builder.

DECLARATION OF NEIGHBORHOOD COVENANTS, CONDITIONS AND RESTRICTIONS:

The Neighborhood is or will be subject to a Supplemental Declaration of Covenants, Conditions and Restrictions and Reservation of Easements ("Declaration"), a copy of which is attached hereto. Each purchaser ("Purchaser") of a Lot should thoroughly review the Declaration, which provides, among other items, for management of the Neighborhood, voting, maintenance and repair of the Properties, powers and duties of the Association, use and enjoyment of the Properties, assessments to Owners, and certain special and developmental rights reserved by Declarant, including, but not limited to, Declarant's right to control all entry gates until the Close of Escrow of the last Unit in the Properties. A copy of the Declaration is attached to this Public Offering Statement (which Declaration, by not later than the date of the close of escrow of the first Unit in the Neighborhood, shall be duly recorded in the Office of the County Recorder of Clark County, Nevada).

NEIGHBORHOOD HOMEOWNERS ASSOCIATION:

The owner(s) ("Owner") of each Unit will automatically be a member of the MONTECITO HOMEOWNERS ASSOCIATION, a Nevada non-profit corporation ("Association" or "Neighborhood Association"), established to maintain the Common Elements of the Neighborhood and to administer the Declaration. Each Owner will be entitled to cast one vote (per Unit owned) on Association matters, as further provided in the Association's Articles of Incorporation and Bylaws, copies of which are attached hereto.

MASTER ASSOCIATION:

The Neighborhood also is subject to any and all applicable provisions of the Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Southern Highlands ("Master Declaration"), recorded by Southern Highlands Development Corporation, a Nevada corporation ("Master Declarant") and the Southern Highlands Community Association ("Master Association") Articles of Incorporation, Bylaws, and Rules (all, collectively, "Master Association Documents"). Copies of the Master Association Documents are attached hereto. Pursuant to the Master Declaration, each Owner shall also be a member of the Master Association, and shall be entitled to the benefits, and subject to the obligations (including the obligation to pay Master Association assessments, capital contributions, transfer fees, and any other amounts which may be assessed under the Master Declaration) arising from such membership. Further information regarding the Master Association may be obtained therefrom.

GENERAL DESCRIPTION OF SOUTHERN HIGHLANDS:

The following information has been provided by Master Declarant for general reference purposes and is subject to change or modification at any time and from time to time without notice. The Neighborhood is located in the Village area of the Southern Highlands Master Community. There may be an aggregate total of not more than 9,000 residential Units in the entire Master Community if all phases of the Master Community are completed. However, these are all preliminary estimates only, and may not be followed or developed. No anticipated completion date for the Master Community or the Village area has been established. The Master Community is governed by the Southern Highlands Community Association, a Nevada nonprofit corporation (the "Master Association"). Pursuant to the Master

Declaration, commercial and apartment properties within the Southern Highlands master plan will not be part of the residential Planned Community, nor subject to the Master Declaration, nor governed by the Master Association. The amenities within the Master Community consist of various parks and open spaces, which will be owned either by the Master Association or Clark County. The Private Amenities (as such term is defined in Section 2.47 of the Master Declaration) (including, but not necessarily limited to, any golf course and health club and their respective components and related facilities and features) are NOT A PART OF the Master Community or this Neighborhood, and ARE NOT a Common Element or Master Association Property. Private Amenity ownership, membership, use and access are separate from, and not included in, the Master Community or this Neighborhood. Refer to the Homebuyer's Acknowledgment, Waiver and Release of Certain Golf Course Matters, attached hereto as Attachment K. For further information regarding the Master Community, refer to the Southern Highlands Homebuyer's Notice attached hereto as Attachment L.

INCIDENTS OF OWNERSHIP:

Each purchaser in MONTECITO will receive fee simple title to his or her Unit. The elements of each Unit are bounded by the Unit's lot lines, as shown on the recorded plat ("Plat") of the Neighborhood, and as set forth in the Declaration. Each Owner will enjoy non-exclusive easements over the Common Elements of the Neighborhood (in all phases of the Neighborhood, should there ever be more than one phase) and over all real property belonging to the Association; liability for Assessments and pro-rata for Common Expenses in all phases; and one vote in the Association; all as pursuant to the provisions and restrictions set forth in the Declaration and other Governing Documents.

Declarant may cause to be installed certain landscaping in Common Elements (which may be located on easements over certain Lots). Each Owner shall agree not to materially add to, delete, change, or modify the Dwelling and/or any portion of perimeter wall or Common Elements located on the Lot.

NEIGHBORHOOD COMMON ELEMENTS:

The Common Elements shall include any Common Lot; private main entry areas and main entry features for the Neighborhood; Private Streets; designated landscape; and pedestrian access easements; public utility easements; sewer easements; and any drainage easement areas; all as respectively designated as such on the Plat, and any landscaping and other improvements thereon. Without limiting the foregoing, Common Elements shall or may include private main entry areas for the Properties, Private Streets, sidewalks, certain gas lighting on common element lots, street signs, curbs and gutters, and certain drainage and sewer easement areas, and a limited park area, delineated as common areas. Common Elements will be maintained by the Association, and the Association may establish rules and regulations regarding the use of the Common Elements. The Association may retain a professional manager to perform its various functions. There presently is no plan to charge the Owners any user fees in connection with the Common Elements; provided, however, that a fee may be charged for replacement of entry-gate access cards or remote openers, as applicable, if such are misplaced. Master Association common areas shall be maintained by the Master Association.

NEIGHBORHOOD BALANCE SHEET & ANNUAL BUDGET:

Each year, the Neighborhood Association's Board of Directors will submit a proposed budget for ratification by the Owners as provided in the Declaration. The Association's current balance sheet and projected budget for the first fiscal year of the Association are attached hereto.

NEIGHBORHOOD ASSESSMENTS:

Pursuant to the Declaration, the Neighborhood Association will levy assessments against each Unit for the purpose of financing the maintenance of the Common Elements and other Association functions. The assessments shall constitute a lien on each Unit against which the assessments are levied. If the assessments are not timely paid, the Association will have the right to enforce payment by legal action or by foreclosing upon the assessment lien. The maximum amount of the annual assessment which may be levied in the first year following the first sale of a Unit in the Neighborhood is \$ 372.00 (of which \$ 66.22 is to be used toward the Association reserve fund) per Unit. Annual assessments will be payable in equal monthly installments of \$ 31.00 per Unit. The maximum allowable assessment may be increased by no more than 25% during each subsequent fiscal year, unless a greater increase is approved by a majority of the voting power of the Association. Additionally, the Master Association shall levy mandatory Master Association assessments, Master Association capital contributions, and Master Association transfer fees, against each Unit.

NEIGHBORHOOD CAPITAL CONTRIBUTION:

At the close of escrow for the purchase of each Unit from Declarant, the purchaser will be required to contribute to the account of the Association a capital contribution in an amount equal to two (2) full monthly installments of the then-applicable annual assessment. This capital contribution shall be deposited into an Association fund, may be used for Association working capital purposes, and is in addition to the assessments. This capital contribution is in addition to all Association assessments and transfer fees, and in addition to Master Association assessments, capital contributions, and transfer fees.

MASTER ASSOCIATION ASSESSMENTS, CAPITAL CONTRIBUTIONS & TRANSFER FEES:

Pursuant to the Master Declaration, the Master Association will levy assessments against each Lot for the purpose of financing the maintenance of Master Association Property and other Master Association functions. The assessments shall constitute a lien on each Lot against which the assessments are levied. If the assessments are not timely paid, the Master Association will have the right to enforce payment by legal action or by foreclosing upon the assessment lien. The current amount of the monthly Master Association Base Assessment per Lot in the Neighborhood is Thirty-Five Dollars (\$35.00) (of which approximately Six Dollars and Twenty-Four Cents (\$6.24) is to be used toward the Master Association reserve fund) per Lot per month, which Master Association Base Assessment is subject to increase by the Master Association at any time during the current fiscal year of the Master Association. The maximum allowable Master assessment may be increased by not more than twenty-five percent (25%) during each subsequent fiscal year, unless a greater increase is approved by a majority of the voting power of the Master Association.

Additionally, at the initial Closing, the Purchaser will be required to contribute to the account of the Master Association a capital contribution in a sum equal to two months Master Association Base Assessments (i.e., Seventy Dollars (\$70.00) currently). Additionally, at each resale Closing, the resale purchaser shall be required to pay a resale capital contribution to the Master Association, in a sum equal to two months Master Association Base Assessments (i.e., Seventy Dollars (\$70.00) currently). Both or either of such sums may be changed from time to time prospectively (but not retroactively) by Declarant. These capital contributions, which are in addition to all assessments and transfer fees (and all amounts due to the Neighborhood Association), shall be deposited into a Master Association fund, and may be applied to the Master Association reserve fund and/or working capital needs.

Additionally, at the initial Closing, the Purchaser will be required to pay to the Master Association an initial transfer fee in the sum of Seventy-Five Dollars (\$75.00). Additionally, at each Resale Closing, the resale Purchaser shall be required to pay a resale transfer fee to the Master Association, in the sum of Two Hundred Twenty-Five Dollars (\$225.00). Both or either of such sums may be changed from time to time prospectively (but not retroactively) by Declarant. These transfer fees, which are in addition to all assessments and capital contributions (and all amounts due to Community Association), shall be deposited into a Master Association fund, and may be used for Master Association reserve fund and/or working capital purposes.

Further information regarding Master Association assessments and any Master Association capital contributions and transfer fees may be obtained from the Master Association

SOUTHERN HIGHLANDS SPECIAL IMPROVEMENT DISTRICT:

Bonds to fund the cost of certain permitted infrastructure for the Master Community were issued by Clark County. Each Unit is subject to Special Improvement District No. 121 of Clark County, Nevada ("SID 121"), which constitutes a lien upon each Unit similar to property taxes and must be paid by the Owner of the Unit to repay the principal and all accrued interest on the bonds. Refer to the Clark County Special Improvement District #121 Information Form attached hereto. For further information regarding SID 121, contact the Director of Finance of the Clark County Finance Department at 500 South Central Parkway, P.O. Box 554000, Las Vegas, Nevada 89155-4000.

LIMITED WARRANTY; DISCLAIMERS:

THE UNIT AND COMMON ELEMENTS REASONABLY SHALL MEET THE ORDINARY STANDARDS OF THE SOUTHERN NEVADA HOMEBUILDING INDUSTRY FOR IMPROVEMENTS OF A COMPARABLE NATURE AND PRICE IN THE LAS VEGAS VALLEY, CLARK COUNTY, NEVADA.

DECLARANT SHALL PROVIDE A LIMITED WARRANTY ON THE UNIT (INCLUDING THE DWELLING), PURSUANT TO WHICH, DECLARANT WARRANTS THAT, FOR THE PERIOD OF ONE YEAR FOLLOWING CLOSE OF ESCROW OF THE DWELLING UNIT, DECLARANT SHALL REPAIR ANY CONSTRUCTIONAL DEFECT THAT MATERIALLY AND ADVERSELY AFFECTS THE VALUE OR USE OF THE DWELLING UNIT, NOT INCLUDING MINOR DEFECTS, PROVIDED THAT SUCH DEFECT IS PROMPTLY IDENTIFIED BY WRITTEN NOTICE FROM PURCHASER TO DECLARANT, SUBJECT TO PURCHASER PROVIDING REASONABLE ACCESS FOR THE REPAIR THEREOF. PURCHASER SHALL PROVIDE DECLARANT, AND/OR ITS EMPLOYEES, AGENTS AND SUBCONTRACTORS, WITH REASONABLE ACCESS TO THE UNIT FROM TIME TO TIME UPON REQUEST, FOR ANY SUCH REPAIRS AND/OR RELATED INSPECTIONS. PURCHASER SHALL HAVE INSPECTED AND EVALUATED THE UNIT AND COMMON ELEMENTS AND SHALL HAVE LISTED ANY AND ALL DEFECTS ON PURCHASER'S "PUNCH LIST", AND, FOLLOWING CLOSING, THE UNIT AND COMMON ELEMENTS WILL BE SUBJECT TO ITEMS WHICH DO NOT MATERIALLY AFFECT STRUCTURAL INTEGRITY OR SAFETY (INCLUDING, BUT NOT LIMITED TO: REASONABLE WEAR, TEAR OR DETERIORATION; REASONABLE SHRINKAGE, SWELLING, EXPANSION OR SETTLEMENT; REASONABLE SQUEAKING, PEELING, CHIPPING, CRACKING, OR FADING; TOUCH-UP PAINTING; MINOR FLAWS OR CORRECTIVE WORK; AND LIKE ITEMS) AND SUCH ITEMS SHALL BE DEEMED "MINOR DEFECTS," ARE NOT CONSTRUCTIONAL DEFECTS, AND ARE NOT COVERED BY WARRANTY.

DECLARANT'S WARRANTY SHALL IN NO EVENT EXTEND TO: (A) ANY TREE OR PLANT INSTALLED BY DECLARANT (OTHER THAN CORRECTION OF ANY DEFECTS LISTED ON PURCHASER'S "PUNCH LIST"); (B) STRUCTURAL OR COSMETIC DAMAGE CAUSED BY

SPRINKLER OVERSPRAY OR OVERWATERING; (C) DAMAGE TO PIPES AND FITTINGS, OR LEAKS IN THE SPRINKLER SYSTEM, CAUSED BY MAINTENANCE OR TRAFFIC; AND/OR (D) FROST DAMAGE OR FROZEN PIPES AND SPRINKLER SYSTEMS.

DECLARANT EXPRESSLY DISCLAIMS, AND PURCHASER EXPRESSLY WAIVES, ALL OTHER REPRESENTATIONS AND WARRANTIES, WHETHER EXPRESS OR IMPLIED (INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY AND/OR FITNESS FOR PARTICULAR PURPOSE), WITH RESPECT TO THE PROPERTY AND/OR COMMON ELEMENTS, AND THE STATUTE OF LIMITATIONS THEREFOR SHALL NOT EXCEED TWO YEARS. NO EXPRESS WARRANTY IS MADE BY: (A) ANY AFFIRMATION OF FACT OR PROMISE THAT THE UNIT, COMMON ELEMENTS, OR ANY RIGHT OR USE RELATED THERETO WILL CONFORM TO THE AFFIRMATION OF FACT OR PROMISE MADE; (B) THE DISPLAY OF ANY MODEL OR THE CONTENTS THEREIN, OR THE DESCRIPTION OF ANY PHYSICAL CHARACTERISTIC OF THE IMPROVEMENTS OR THE NEIGHBORHOOD, PROVIDED THAT THE UNIT SHALL BE CONSTRUCTED SUBSTANTIALLY IN CONFORMANCE WITH, BUT NOT NECESSARILY IN A MANNER IDENTICAL TO, THE PARTICULAR PLANS AND SPECIFICATIONS FOR THE UNIT; (C) ANY DESCRIPTION OF THE QUANTITY OR EXTENT OF THE REAL ESTATE COMPRISING THE NEIGHBORHOOD, INCLUDING PLOTS OR SURVEYS; AND (D) ANY REPRESENTATION MADE BY ANY AGENT OF DECLARANT THAT PURCHASER MAY PUT THE PROPERTY TO A SPECIFIED USE, OTHER THAN RESIDENTIAL.

ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY, FITNESS FOR PARTICULAR PURPOSE, HABITABILITY AND WORKMANSHIP), WITH REGARD TO BOTH THE UNIT AND THE COMMON ELEMENTS, ARE HEREBY DISCLAIMED AND EXCLUDED BY DECLARANT TO THE MAXIMUM EXTENT PERMITTED BY LAW.

DECLARANT'S WARRANTY SHALL IN NO EVENT EXTEND TO ANY CONSUMER PRODUCT, APPLIANCE, AIR CONDITIONING UNIT, FURNACE OR WATER HEATER INCLUDED IN OR FOR THE EXCLUSIVE USE OF THE DWELLING UNIT ("CONSUMER PRODUCT"), IF WARRANTY IS PROVIDED BY THE MANUFACTURER OF THE CONSUMER PRODUCT. PURCHASER SHALL HAVE NO RIGHT TO RECOVER FOR ANY CONSEQUENTIAL DAMAGES SUFFERED AS A RESULT OF ANY DEFECTIVE MATERIALS OR WORKMANSHIP.

WITHOUT LIMITING ANY OF THE FOREGOING, THERE SHALL BE NO WARRANTY ON ANY LANDSCAPING INSTALLED BY DECLARANT ON ANY UNIT OR COMMON ELEMENT.

NOTWITHSTANDING THE FOREGOING, AND ANY OTHER PROVISION OF THIS PUBLIC OFFERING STATEMENT: (1) NO PROMISES, WARRANTIES, REPRESENTATIONS OR COMMITMENTS WILL BE BINDING ON MASTER DECLARANT OTHER THAN THOSE, IF ANY, SPECIFICALLY SET FORTH AS SUCH IN SEPARATE WRITING SIGNED BY MASTER DECLARANT; AND (2) MASTER DECLARANT IS NOT DEVELOPING, DESIGNING OR CONSTRUCTING ANY UNITS OR OTHER IMPROVEMENTS IN THIS NEIGHBORHOOD AND IS NOT RESPONSIBLE FOR THE DESIGN, CONSTRUCTION OR WORKMANSHIP OF THE UNITS OR OTHER IMPROVEMENTS WITHIN THE NEIGHBORHOOD (WHICH DESIGN, CONSTRUCTION AND WORKMANSHIP ARE SOLELY THE RESPONSIBILITY OF BUILDER).

DISCLAIMERS REGARDING ANNEXATION:

Pursuant to NRS § 116.4104, Declarant discloses that no assurances are made with respect to any of the following:

(a) whether any annexable area will be annexed, or whether any phase(s) subsequent ("subsequent phase") to the initial phase may be developed;

(b) whether the buildings and other improvements in any subsequent phase, if developed, will be compatible with buildings and improvements in the initial phase in terms of architectural style, detail, quality of construction, landscaping and/or specific plant or building materials, and size;

(c) where any buildings or other improvements in any subsequent phase, if developed, will be located; or

(d) whether there will be any Limited Common Elements in any subsequent phase; or the types, sizes, or proportions of any such Limited Common Elements (as said term is defined in NRS Chapter 116).

USE RESTRICTIONS:

Use and occupancy of the Units and use of Common Elements are subject to certain restrictions specified in the Declaration and in the Master Declaration. Units in this Neighborhood may only be used for residential purposes. The use restrictions set forth in the Declaration and Master Declaration will be applicable to all phases of development. In the event of any irreconcilable conflict, the use restrictions set forth in the Master Declaration will prevail.

SIGHT VISIBILITY RESTRICTION AREAS:

Certain areas, including certain portions of Common Elements located adjacent to streets or corners, are or may be designated on the Plat as Sight Visibility Restriction Easements. The maximum height of all sight restricting improvements (including, but not necessarily limited to, landscaping) within such Sight Visibility Restriction Easements shall not exceed a maximum of twenty-four (24) inches or as otherwise set forth on the Plat.

SOUTHERN HIGHLANDS TELECOMMUNICATIONS NETWORK:

In cooperation with one or more telecommunication service provider(s), Master Declarant may, but shall not be required to, develop an integrated broadband network linking homes, offices, schools, health care and public facilities to provide the necessary transport platform for network-based services such as integrated voice, messaging, data, CATV, and interactive multimedia applications. Declarant or Master Declarant may, but shall not be required to, cause each Dwelling to be pre-wired in accordance with specifications furnished by such telecommunication service provider. It is expressly understood that any such system, if and as so installed, including all components thereof, shall become the property of Master Declarant, or, at the option of Master Declarant, of such telecommunication service provider. Declarant and Master Declarant reserve ownership of any such system, and further reserve a non-exclusive easement in gross on, over, under or across each Lot for purposes of installation, in their sole and absolute discretion, and maintenance of such system, for the benefit of Declarant, Master Declarant, or such other telecommunication service provider as may be selected by Master Declarant. Further details are set forth in the Declaration

DISCLOSURES AND DISCLAIMERS OF CERTAIN OTHER MATTERS:

A. The term "Properties" or "Neighborhood", as used throughout these disclosure and disclaimer provisions, shall include this Unit, other dwellings, and the Common Elements. All disclosures and disclaimers set forth in this Public Offering Statement shall be cumulative with, and shall not limit,

disclosures and disclaimers set forth in the Purchase Agreement, and in the various documents listed as attachments to this Public Offering Statement.

B. There are presently and may in the future be other major electrical power system components (high voltage transmission or distribution lines, transformers, etc.) from time to time located within or nearby the Properties, which generate certain electric and magnetic fields ("EMF") around them. Declarant specifically disclaims any and all representations or warranties, express and implied, with regard to or pertaining to EMF.

C. The Properties may be located adjacent to or nearby major water and drainage channel(s) and/or washes, (all collectively, "Channel"), the ownership, use, regulation, operation, maintenance, improvement and repair of which are not within Declarant's control, and over which Declarant has no jurisdiction or authority, and, in connection therewith: (1) the Channel may be an attractive nuisance to children; (2) maintenance and use of the Channel may involve various operations and applications, including (but not necessarily limited to) noisy electric, gasoline or other power driven vehicles and/or equipment used by Channel maintenance and repair personnel during various times of the day, including, without limitation, early morning and/or late evening hours; and (3) the possibility of damage to Improvements and property on the Properties, particularly in the event of overflow of water or other substances from or related to the Channel, as the result of nonfunction, malfunction, or overtaxing of the Channel or any other reason; and (4) any or all of the foregoing may cause inconvenience and disturbance to Purchaser and other persons in or near the Unit and/or Common Elements, and possible injury to person and/or damage to property.

D. The Properties are located within or nearby certain airplane flight patterns, and subject to significant levels of airplane traffic and noise.

E. The Properties also are located nearby or adjacent to major roadways, and subject to levels of traffic thereon, and noise, dust, and other nuisance resulting from proximity to such roadways and vehicles. Also, the Unit is located in proximity to streets and other dwellings within or adjacent to the Properties, and subject to substantial levels of sound and noise.

F. The Unit and other portions of the Properties are or may be nearby major regional underground petroleum products transmission pipelines. Declarant hereby specifically disclaims any and all representations or warranties, express and implied, with regard to or pertaining to such transmission pipelines.

G. The Las Vegas Valley contains a number of earthquake faults, and the Unit and other portions of the Properties may be located on or nearby an identified or yet to be identified seismic fault line. Declarant specifically disclaims any and all representations or warranties, express and implied, with regard to or pertaining to earthquake or seismic activities.

H. Construction or installation of improvements by Declarant, other purchasers of homes within the Properties, or third parties nearby the Unit, and/or installation or growth of trees or other plants, may impair or eliminate the view, if any, of or from the Unit and/or other portions of the Properties.

I. Indoor air quality of the Unit and Common Elements may be affected, in a manner and to a degree found in new construction within industry standards, by particulates or volatiles emanating or evaporating from new carpeting or other building materials, fresh paint or other sealants or finishes, and so on.

J. Residential construction is an industry inherently subject to variations and imperfections and items which do not materially affect safety or structural integrity shall be deemed "expected minor

flaws" (including, but not limited to: reasonable wear, tear or deterioration; shrinkage, swelling, expansion or settlement; squeaking, peeling, chipping, cracking, or fading; touch-up painting; minor flaws or corrective work; and like items) and not constructional defects; and Purchaser acknowledges that: (1) the finished construction of the Unit and the Common Elements, while within the standards of the industry in the Las Vegas Valley, Clark County, Nevada, and while in substantial compliance with the plans and specifications, will be subject to variations and imperfections and expected minor flaws; and (2) issuance of a Certificate of Occupancy by the relevant governmental authority with jurisdiction shall be deemed conclusive evidence that the improvement has been built within such industry standards.

K. Installation and maintenance of a gated community, and/or any security or traffic access device, operation, or method, shall not create any presumption, or duty whatsoever of Declarant or Association or Master Declarant or Master Association (or their respective officers, directors, managers, employees, agents, and/or contractors), with regard to security or protection of person or property within or adjacent to the Properties; and each Owner, by acceptance of a deed to a Unit, whether or not so stated in the deed, shall be deemed to have agreed to take any and all protective and security measures and precautions which such Owner would have taken if the Properties had been located within public areas and not gated.

L. Gated entrances may restrict or delay entry into the Properties by law enforcement, fire protection, and/or emergency medical care personnel and vehicles; and each Owner, by acceptance of a deed to a Unit, whether or not so stated in the deed, shall be deemed to have voluntarily assumed the risk of such restricted or delayed entry.

M. The Unit and other portions of the Properties from time to time may, but need not necessarily, experience problems with scorpions, bees, ants, spiders, termites, pigeons, or other insect or pest problems (collectively, "pests"); and Declarant hereby specifically disclaims any and all representations or warranties, express and implied, with regard to or pertaining to any pests, and each Owner must make its own independent determination regarding the existence or non-existence of any pests which may be associated with the Unit or other portions of the Properties.

N. Model homes are displayed for illustrative purposes only, and such display shall not constitute an agreement or commitment on the part of Declarant to deliver the Unit in conformity with any model home, and any representation or inference to the contrary is hereby expressly disclaimed. None of the decorator items and other items or furnishings (including, but not limited to, decorator paint colors, wallpaper, window treatments, mirrors, upgraded carpet, decorator built-ins, model home furniture, model home landscaping, and the like) shown installed or on display in any model home are included for sale to Purchaser unless an authorized officer of Declarant has specifically agreed in a written Addendum to the Purchase Agreement to make specific items a part of the Purchase Agreement.

O. Purchaser acknowledges having received from Declarant: (a) information regarding the zoning designations and the designations in the master plan regarding land use, adopted pursuant to NRS Chapter 278, for the parcels of land adjoining the Properties to the north, south, east, and west, together with (b) a copy of the most recent gaming enterprise district map made available for public inspection by the jurisdiction in which the Unit is located and related disclosures. Declarant makes no further representation, and no warranty (express or implied), with regard to any matters pertaining to adjoining land or uses thereof or to any gaming issues. Purchaser is hereby advised that the master plan and zoning ordinances, and gaming enterprise districts, are subject to change from time to time. If Purchaser desires additional or more current information concerning these zoning designations, or gaming enterprise districts, Purchaser should contact the appropriate governmental planning department. Purchaser acknowledges and agrees that Purchaser's decision to purchase a Unit is based solely upon Purchaser's own investigation, and not upon any information provided by any sales agent.

P. Declarant did not author the Master Declaration or other Master Governing Documents, and Declarant does not control Master Declarant or the Master Association, which are independent and unrelated legal entities. Accordingly, Declarant has no responsibility, obligation, or liability whatsoever to Purchaser or to the Association for: (1) the Master Declaration, or the provisions or enforcement thereof; (2) the actions or omissions of Master Declarant or Master Association, and/or (3) the use, regulation, operation, maintenance, improvement, or repair, of any property of the Master Association. Each Purchaser, by acceptance of a deed to his or her lot, shall conclusively be deemed to have reviewed and understood the Southern Highlands Homebuyer's Notice prepared by Master Declarant (and attached to this Public Offering Statement) and the matters set forth therein.

Q. Purchaser understands, acknowledges and agrees that: (a) Declarant presently plans to develop only those Lots which have already been released for construction and sale, and that Declarant has no obligation with respect to future phases, plans, zoning, or development of other real property contiguous to or nearby the Unit; (b) proposed or contemplated residential and other developments may have been illustrated in the plot plan or other sales literature in or from Declarant's sales office, and/or Purchaser may have been advised of the same in discussions with sales personnel; however, notwithstanding such plot plans, sales literature, or discussions or representations by sales personnel or others, Declarant is under no obligation to construct such future or planned developments or units, and such developments or units may not be built in the event that Declarant, for any reason whatsoever, decides not to build same; (c) Purchaser is not entitled to rely upon, and in fact has not relied upon, the presumption or belief that the same will be built; and (d) no sales personnel or any other person in any way associated with Declarant has any authority to make any statement contrary to the provisions set forth in this Public Offering Statement or in the Purchase Agreement.

R. Declarant shall have the right, from time to time, in its sole discretion, to establish and/or adjust sales prices or price levels for new homes in the Neighborhood.

S. Residential subdivision and new home construction are subject to and accompanied by substantial levels of noise, dust, construction-related traffic and traffic restrictions, and other construction-related "nuisances". Purchaser acknowledges and agrees that it is purchasing a Unit which is within a residential subdivision (and Master Community) currently being developed, and that Purchaser will experience and accepts substantial levels of construction-related "nuisances" until the subdivision (and other neighboring portions of the Master Community) have been completed and sold out.

T. Declarant reserves the right, until the Close of Escrow of the last Unit in the Properties, to unilaterally control the entry gate(s), and to keep all such entry gate(s) open during such hours established by Declarant, in its sole discretion, to accommodate Declarant's construction activities, and sales and marketing activities.

U. Declarant reserves the right, until the Close of Escrow of the last Unit in the Properties, to unilaterally restrict and/or re-route all pedestrian and vehicular traffic within the Properties, in Declarant's sole discretion, to accommodate Declarant's construction activities, and sales and marketing activities; provided that no Unit shall be deprived of access to a dedicated street adjacent to the Properties.

V. Declarant reserves all other rights, powers, and authority of Declarant set forth in the Declaration, and, to the extent not expressly prohibited by NRS Chapter 116, further reserves all other rights, powers, and authority, in Declarant's sole discretion, of a declarant under NRS Chapter 116 (including, but not necessarily limited to, all special declarant's rights referenced in NRS § 116.110385).

W. Purchaser understands, acknowledges, and agrees that Declarant has reserved such rights, powers, and easements in the Declaration, and that the reserved rights of Declarant will limit certain rights of Owners and the Association.

X. Releases. By acceptance of a deed to a Unit, each Purchaser, for itself and all Persons claiming under such Purchaser, shall conclusively be deemed to have understood, acknowledged and agreed, to all of the foregoing disclosures and disclaimers, and to release Declarant and the Association, and Master Declarant and Master Association, and all of their respective officers, managers, agents, employees, suppliers and contractors, from any and all claims, causes of action, loss, damage or liability (including, but not limited to, any claim for nuisance or health hazard, property damage, bodily injury, and/or death) arising from or related to all and/or any one or more of the conditions, activities, occurrences described in the foregoing disclosures and disclaimers.

RELEASES OF DISCLOSED AND/OR DISCLAIMED ITEMS:

As an additional material inducement to Declarant to sell the Unit to Purchaser, and without limiting any provision in the Purchase Agreement or Declaration, Purchaser (for itself and all persons claiming under or through Purchaser) releases Declarant and its managers, employees, agents, suppliers and contractors, from any and all loss, damage or liability (including, but not limited to, any claim for nuisance or health hazards) related to or arising in connection with any disturbance, inconvenience, injury, or damage resulting from or pertaining to all and/or any one or more of the conditions, activities, occurrences described in the foregoing portions of this Public Offering Statement.

INSURANCE:

Detailed insurance provisions are set forth in the Declaration. Without in any way limiting or modifying the Declaration, the following information is provided. The Association will maintain, for its protection, general liability and casualty insurance covering personal injury and property damage occurring in the Common Elements, together with coverage on all persons handling Association funds. Each individual Owner is solely responsible for all insurance coverage on his or her individual Unit (including, but not necessarily limited to, fire, personal liability, and contents of dwelling insurance).

JUDGMENTS:

There are no unsatisfied judgments or pending lawsuits against the Association and, to Declarant's knowledge, there are no pending lawsuits material to the Neighborhood.

DECLARANT'S PERSONAL PROPERTY:

All of Declarant's tangible personal property used in the Neighborhood will remain the Declarant's property, and shall neither constitute nor be deemed property of the Association.

PRIORITIES AND INCONSISTENCIES:

The Public Offering Statement and the Governing Documents and Master Association Documents shall be construed to be consistent with one another to the extent reasonably possible. If there exists any irreconcilable conflict or inconsistency, the terms and provisions of the Master Association Documents shall prevail, subject to applicable law.

CANCELLATION RIGHT:

Unless the prospective purchaser of a Unit or his or her agent has personally inspected the Unit to be purchased, the purchaser without penalty may cancel his or her purchase agreement by delivering written notice to the Declarant by midnight of the fifth (5th) calendar day following the date of execution of the purchase agreement.

ATTACHMENTS:

- A. MONTECITO Statutory Statement
(to be signed separately by Purchaser)
- B. Supplemental Declaration of Covenants, Conditions & Restrictions
- C. Association's Articles of Incorporation
- D. Association's Bylaws
- E. Association's Current Balance Sheet & Projected Budget for First Fiscal Year
- F. Southern Highlands Master Declaration
- G. Southern Highlands Community Association Articles of Incorporation
- H. Southern Highlands Community Association Bylaws
- I. Southern Highlands Community Association Rules
- J. Southern Highlands Community Association Current Balance Sheet
and Projected Budget
- K. Homebuyer's Acknowledgment, Waiver and Release of Golf Course Matters
(to be signed separately by Purchaser)
- L. Southern Highlands Homebuyer's Notice
(to be signed separately by Purchaser)
- M. Clark County Special Improvement District #121 Information Form
(to be signed separately by Purchaser)

PURCHASER'S RECEIPT:

THE UNDERSIGNED PURCHASER HEREBY ACKNOWLEDGES RECEIPT OF THE ORIGINAL OF THIS PUBLIC OFFERING STATEMENT, WHICH IS SUMMARY IN NATURE, AND ALL OF THE REFERENCED ATTACHMENTS, WHICH SHOULD BE THOROUGHLY REVIEWED. THE UNDERSIGNED UNDERSTANDS THAT THESE ARE IMPORTANT DOCUMENTS WITH SERIOUS LEGAL CONSEQUENCES. THE UNDERSIGNED REPRESENTS AND WARRANTS THAT HE AND/OR SHE HAS HAD FULL AND FAIR OPPORTUNITY TO CONSULT WITH INDEPENDENT LEGAL COUNSEL CONCERNING THIS TRANSACTION AND ALL OF THE ABOVE-DESCRIBED DOCUMENTS, AND HAS REVIEWED ALL OF THE SAME TO THE EXTENT INDEPENDENTLY DEEMED TO HAVE BEEN NECESSARY AND APPROPRIATE TO MAKE AN INFORMED DECISION TO PURCHASE.

Signature (Purchaser)

Signature (Purchaser)

Date

Date

(wmr\1436.43\4.pos.03.wpd)

MONTECITO
PUBLIC OFFERING STATEMENT

ATTACHMENT "A"

MONTECITO STATUTORY STATEMENT

THE FOLLOWING STATEMENT STATUTORILY REQUIRED TO BE FURNISHED TO EACH HOME BUYER (PURSUANT TO SENATE BILL 451, 1999).

BEFORE YOU PURCHASE PROPERTY IN A COMMON-INTEREST COMMUNITY DID YOU KNOW ...

1. **YOU ARE AGREEING TO RESTRICTIONS ON HOW YOU CAN USE YOUR PROPERTY?** These restrictions are contained in a document known as the Declaration of Covenants, Conditions and Restrictions ("CC&Rs" or "Declaration") that should be provided for your review before making your purchase. The CC&Rs become a part of the title to your property. They bind you and every future owner of the property whether or not you have read them or had them explained to you. The CC&Rs, together with other "Governing Documents" (such as homeowners' association Articles, Bylaws and Rules and Regulations), are intended to preserve the character and value of properties in the community, but may also restrict what you can do to improve or change your property and limit how you use and enjoy your property. By purchasing a property encumbered by CC&Rs, you are agreeing to limitations that could affect your lifestyle and freedom of choice. You should review the CC&Rs and other Governing Documents before purchasing, to make sure that these limitations and controls are acceptable to you.

2. **YOU WILL HAVE TO PAY OWNERS' ASSESSMENTS FOR AS LONG AS YOU OWN YOUR PROPERTY?** As an owner in a common-interest community, you are responsible for paying your share of expenses relating to the common elements, such as landscaping, shared amenities and the operation of the homeowners' association ("Association"). The obligation to pay these assessments binds you and every future owner of the property. Homeowners' fees are usually assessed by the Association and due monthly. You have to pay dues whether or not you agree with the way the Association is managing the property or spending the assessments. The Association Board of Directors may have the power to change and increase the amount of the assessment and to levy special assessments against your property to meet extraordinary expenses. In some communities, major components of the community such as roofs and private roads must be maintained and replaced by the Association. If the Association is not well managed or fails to maintain adequate reserves to repair, replace and restore common elements, you may be required to pay large, special assessments to accomplish these tasks.

3. **IF YOU FAIL TO PAY HOMEOWNERS' ASSESSMENTS, YOU COULD LOSE YOUR HOME?** If you do not pay these assessments when due, the Association usually has the power to collect them by selling your property in a nonjudicial foreclosure sale. If fees become delinquent, you may also be required to pay penalties and the Association's costs and attorney's fees to become current. If you dispute the obligation or its amount, your only remedy to avoid the loss of your home may be to file a lawsuit and ask a court to intervene in the dispute.

4. **YOU MAY BECOME A MEMBER OF A HOMEOWNERS' ASSOCIATION THAT HAS THE POWER TO AFFECT HOW YOU USE AND ENJOY YOUR PROPERTY?** Many common-interest communities have a homeowners' association ("Association"). In a new development, the Association will usually be controlled by the developer until a certain number of units have been sold. After the period of developer control, the Association may be controlled by property owners like yourself who are elected by homeowners to sit on an executive board of directors and other boards and committees formed by the Association. The Association, and its Board of Directors, are responsible for assessing homeowners for the cost of operating the Association and the common or shared elements of the community and for the day to day operation and management of the community. Because homeowners sitting on the Board of Directors and other boards and committees of the Association may not have the experience or professional background required to understand and carry out the responsibilities of the association

properly, or the time to do so, the Association may hire professional managers to carry out these responsibilities. Homeowner's associations operate on democratic principles. Some decisions require all homeowners to vote, some decisions are made by the Board of Directors or other boards or committees established by the Association or Governing Documents. Although the actions of the Association and its Board of Directors are governed by state laws, the CC&Rs and other documents that govern the common-interest community, decisions made by these persons will affect your use and enjoyment of your property, your lifestyle and freedom of choice, and your cost of living in the community. You may not agree with decisions made by the Association or its governing bodies even though the decisions are ones which the Association is authorized to make. Decisions may be made by a few persons on the Board of Directors or governing bodies that do not necessarily reflect the view of the majority of homeowners in the community. If you do not agree with decisions made by the Association, its Board of Directors or other governing bodies, your remedy is typically to attempt to use the democratic processes of the Association to seek the election of members of the Board of Directors or other governing bodies that are more responsive to your needs. If persons controlling the Association or its management are not complying with state laws or the Governing Documents, your remedy is typically to seek to mediate or arbitrate the dispute and, if mediation or arbitration is unsuccessful, to file a lawsuit and ask a court to resolve the dispute. In addition to your personal cost in mediation or arbitration, or to prosecute a lawsuit, you may be responsible for paying your share of the Association's cost in defending against your claim. There is no government agency in this state that investigates or intervenes to resolve disputes in homeowner's associations.

5. YOU ARE REQUIRED TO PROVIDE PROSPECTIVE BUYERS OF YOUR PROPERTY WITH INFORMATION ABOUT LIVING IN YOUR COMMON-INTEREST COMMUNITY? The law requires you to provide to a prospective purchaser of your property, before you enter into a purchase agreement, a copy of the community's Governing Documents (including the CC&Rs, Association Bylaws, and Rules and Regulations), as well as a copy of this document. You are also required to provide a copy of the Association's current financial statement, operating budget and information regarding the amount of the monthly assessment for common expenses, including the amount set aside as reserves for the repair, replacement and restoration of common elements. You are also required to inform prospective purchasers of any outstanding judgments or lawsuits pending against the Association of which you are aware. You are also required to provide a copy of the minutes from the most recent meeting of the Association or its Board of Directors. For more information regarding these requirements, see Nevada Revised Statutes § 116.4103.

6. YOU HAVE CERTAIN RIGHTS REGARDING OWNERSHIP IN A COMMON-INTEREST COMMUNITY THAT ARE GUARANTEED YOU BY THE STATE? Pursuant to provisions of Chapter 116 of Nevada Revised Statutes, you have the right: (a) to be notified of all meetings of the Association and its Board of Directors, except in cases of emergency; (b) to attend and speak at all meetings of the Association and its Board of Directors, except in some cases where the executive board is authorized by statute to meet in closed, executive session; (c) to request a special meeting of the Association upon petition of at least 10 percent of the homeowners; (d) to inspect, examine, photocopy and audit financial and other records of the Association; (e) to be notified of all changes in the community's rules and regulations and other actions by the Association or its Board that affect you.

7. QUESTIONS? Although they may be voluminous, you should take the time to read and understand the Governing Documents that will control your ownership of a property in a common-interest community. You may wish to ask your real estate professional, lawyer or other person with experience to explain anything you do not understand. You may also request assistance from the ombudsman for owners in common-interest communities, Nevada Real Estate Division, at (702) 486-4033.

Signature (Purchaser)

Signature (Purchaser)

Date

Date