

Master Declaration
of
Covenants, Conditions &
Restrictions
for
Southern Highlands

**MASTER DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
SOUTHERN HIGHLANDS**

(a Nevada Master Residential Common-Interest Planned Community)

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Affects Assessors Parcel Nos.: 176-36-101-001; 176-36-101-003; 176-36-101-00
176-36-101-011; 176-36-201-002; 176-36-201-003; 176-36-201-004; 176-36-201-00
176-36-301-001; 176-36-301-002; 176-36-301-003; 176-36-301-005; 176-36-301-00
176-36-401-001; 176-36-401-002; 176-36-501-001; 176-36-501-003; 176-36-501-00
176-36-501-006; 176-36-601-001; 176-36-601-002; 176-36-601-003; 176-36-601-00
176-36-701-003; 176-36-701-004; 176-36-701-005; 176-36-701-010; 176-36-801-00
176-36-801-002; 177-31-101-001; 177-31-101-002; 177-31-101-003; 177-31-101-00
177-31-102-001; 177-31-103-001; 177-31-201-001; 177-31-201-002; 177-31-201-00
177-31-201-004; 177-31-201-005; 177-31-201-006; 177-31-201-007; 177-31-201-00
177-31-201-009; 177-31-201-010; 177-31-201-011; 177-31-202-001; 177-31-202-00
177-31-202-003; 177-31-301-002; 177-31-302-001; 177-31-302-002; 177-31-303-00
177-31-303-002; 177-31-303-003; 177-31-304-001; 177-31-304-002; 177-31-305-00
177-31-401-003; 177-31-501-001; 177-31-601-001; 177-31-601-002; 177-31-602-00
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177-31-701-003; 177-31-701-004; 177-31-701-005; 177-31-801-001; 177-31-802-00
177-31-803-001; 177-31-803-002; 191-05-101-002; 191-05-101-003; 191-05-101-00
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**MASTER DECLARATION
OF
COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

SOUTHERN HIGHLANDS**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 27th day of December, 1999, by SOUTHERN HIGHLANDS DEVELOPMENT CORPORATION, a Nevada corporation ("Declarant").

PART ONE: INTRODUCTION TO THE COMMUNITY

Southern Highlands Development Corporation, as developer of Southern Highlands and Declarant, has established this Declaration to provide a governance structure and a flexible system of standards and procedures for the overall development, administration, maintenance, and preservation of Southern Highlands as a master planned community.

**ARTICLE 1
CREATION OF THE COMMUNITY**

1.1 Purpose and Intent.

Declarant owns the real property described in Exhibit "A," and intends, by Recording this Declaration, to establish a general plan of development for the master planned community known as Southern Highlands. This Declaration provides a flexible and reasonable procedure for Southern Highland's future expansion as Declarant deems appropriate and provides for its overall development, administration, maintenance and preservation. An integral part of the development plan is the creation of Southern Highlands Community Association, a Nevada nonprofit corporation whose members shall be comprised of all owners of residential real property in Southern Highlands, to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referenced in this Declaration.

This Declaration is prepared pursuant to Chapter 116 of Nevada Revised Statutes (Nevada's Uniform Common-Interest Ownership Act) and establishes a planned community as defined therein.

1.2 Binding Effect.

All of the property described in Exhibits "A," "A-1," and "A-2," and any additional property made a part of Southern Highlands from time to time in the future by Recording one or more Annexation Notices, shall be owned, conveyed, and used subject to all of the provisions of this Declaration, which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title, or interest in any portion of the Properties, their heirs, successors, successors-in-title, and assigns.

Unless otherwise provided by applicable Nevada law, this Declaration shall run with the land and have perpetual duration. This Declaration may be terminated only by a Recorded instrument signed by Members comprising the Requisite Membership Percentage, and which complies with the termination procedures set forth in NRS Chapter 116. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

1.3 Governing Documents.

Southern Highlands' Governing Documents consist of:

- this Declaration
(and any and all Recorded Supplemental Declarations/Annexation Notices, applicable to specified Neighborhoods);
- Southern Highlands Community Association's Articles of Incorporation;
- Southern Highlands Community Association's Bylaws;
- Plats;
- Architectural Guidelines (described in Article 4);
- Rules and Regulations (described in Article 3); and
- resolutions of the Association's Board of Directors;

all as may be amended from time to time.

The Governing Documents apply to all Owners and Residents of property within Southern Highlands, as well as to their respective Invitees. Any lease on a Unit shall provide that the tenant and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents.

1.4 Illustrative Diagram.

Throughout the Governing Documents there may be diagrams to illustrate the concepts discussed and to aid in the reader's understanding. Such diagrams are for illustrative purposes only. In the event of a conflict between any diagram and the text of the Governing Documents, the text shall control.

The following diagram illustrates the Governing Documents for Southern Highlands.

<u>SOUTHERN HIGHLANDS</u> GOVERNING DOCUMENTS	
Declaration _____ (Recorded with Clark County, Nevada, Recorder)	creates obligations which are binding upon the Association and all present and future owners of property in Southern Highlands.
Annexation Notice(s) or Supplemental Declaration(s) _____ (Recorded with Clark County, Nevada, Recorder)	annexes or adds property to Southern Highlands; may impose additional obligations or restrictions on such property or particular Neighborhoods.
Articles of Incorporation _____ (filed with Nevada Secretary of State)	establishes the Association as a nonprofit corporation under Nevada law.
Bylaws _____ (adopted by Association's Board of Directors)	governs the Association's internal affairs, such as voting rights, elections, meetings, officers, etc.
Architectural Guidelines _____ (adopted by Declarant)	establishes architectural standards and guidelines for improvements and modifications to Units, including structures, landscaping, and other items throughout Southern Highlands.
Rules and Regulations _____ (adopted by Declarant)	supplementally governs use of property, activities, and conduct within Southern Highlands.
Board Resolutions _____ (adopted by Board)	establishes rules, policies, and procedures for internal governance and Association activities; regulates operation and use of Common Elements.

[Diagrams are intended for illustrative purposes only, and are not intended to supplant or supplement the express written or implied terms contained in the Governing Documents.]

1.5 Priorities and Inconsistencies.

(a) The Governing Documents shall be construed to be consistent with one another to the extent possible. If there exist any irreconcilable conflicts or inconsistencies among the Governing Documents, the terms and provisions of this Declaration shall prevail (unless and to the extent only that any provision of the Declaration fails to comply with any applicable provision of NRS Chapter 116), and thereafter, the Governing Document listed first in Section 1.3 shall prevail over any lower listed Governing Document.

(b) In the event of any inconsistency between any Community Governing Document and any other Governing Document which is specific to a particular Neighborhood, the former shall prevail.

(c) Any inconsistency between any two or more Neighborhood-specific Governing Documents shall be resolved in like manner as set forth above.

(d) Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration.

1.6 Enforcement.

The Governing Documents shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, by any means available at law or in equity, subject to the provisions of Article 19.

1.7 Term and Interpretation.

(a) The covenants and restrictions of this Declaration shall run with and bind the Properties, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successive Owners and assigns, until terminated in accordance with NRS § 116.2118.

(b) The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of the Area of Common Responsibility. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the masculine, feminine and neuter.

(c) The provisions of this Declaration shall be upheld and enforceable to the maximum extent permissible under applicable federal or state law or local ordinance. Subject to the foregoing, if any court of competent jurisdiction should determine that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provision or other applications of such provision.

1.8 Constructive Notice and Acceptance.

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

1.9 Compliance with Applicable Laws.

The Association shall comply with all applicable laws, including, but not limited to, applicable laws prohibiting discrimination against any person in the provision of services or facilities in connection with a Dwelling because of a handicap of such person. The provisions of the Governing Documents shall be upheld and enforceable to the maximum extent permissible under applicable law. Subject to the foregoing, in the event of irreconcilable conflict between applicable law and any provision of the Governing Documents, the applicable law shall prevail, and the affected provision of the Governing Document shall be deemed amended (or deleted) to the

minimum extent necessary to remove such irreconcilable conflict. In no event shall the Association adhere to or enforce any provision of the Governing Documents which irreconcilably contravenes applicable law.

1.10 Exhibits.

Exhibits "A," "A-1," "A-2," and "B," attached to this Declaration, are incorporated by this reference. Amendment of such Exhibits shall be governed by Article 23 below.

ARTICLE 2 CONCEPTS AND DEFINITIONS

Capitalized terms shall be defined as set forth below. Other capitalized terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions, unless otherwise defined in NRS Chapter 116.

2.1 "ARC": The Architectural Review Committee, if any, created pursuant to Section 4.2.

2.2 "Architectural Guidelines": The architectural, design, and construction guidelines and application and review procedures applicable to the Properties, as promulgated and administered pursuant to Article 4, as may be amended.

2.3 "Area of Common Responsibility": The Common Elements, together with such other areas, if any, for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements.

2.4 "Articles of Incorporation" or "Articles": The Articles of Incorporation of Southern Highlands Community Association, as filed with the Nevada Secretary of State.

2.5 "Assessments": Each and all of Base Assessments, Neighborhood Assessments, Special Assessments, and Specific Assessments, as applicable.

2.6 "Association": Southern Highlands Community Association, a Nevada nonprofit corporation, and its successors or assigns.

2.7 "Base Assessment": Assessments levied on all Units subject to assessment under Article 8 to fund Common Expenses for the general benefit of the Community. Each and all of Neighborhood Assessments, Special Assessments, and Specific Assessments, as applicable, are in addition to Base Assessments.

2.8 "Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the Bylaws and generally serving the role as the board of directors under Nevada corporate law and as the "executive board" as defined in NRS § 116.110345.

2.9 "Builder": Any Person who purchases one or more Units for the purpose of constructing improvements for later sale to consumers, or who purchases one or more parcels of

land within Southern Highlands for further subdivision, development, and/or resale in the ordinary course of such Person's business.

2.10 "Bylaws": The Bylaws of Southern Highlands Community Association, as may be amended from time to time.

2.11 "Commercial Component": Certain land which does not comprise part of the residential Planned Community encumbered by this Declaration, but which shall be required to pay certain amounts for use of certain Association Common Elements, as set forth in Article 18.

2.12 "Common Elements": All real property or interests therein (including, but not necessarily limited to, certain easements designated on Plats as pedestrian access corridor easements, public utility easements, landscape easements, drainage and/or sewer easements, and any other such easements) owned or leased by the Association, which includes entry monumentation, private entry gates and guard houses for the Properties, Private Streets, street lights, street signs, curbs and gutters, Common Element landscaping, access and ingress/egress easements, but otherwise, shall exclude Units. Common Elements shall constitute Common Elements as to the Properties, as provided in NRS § 116.110318. Notwithstanding the foregoing, Private Amenities are separate and private property, and are **NOT A PART OF** the Common Elements and **NOT A PART OF** the Properties.

2.13 "Common Expenses": The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of the Owners, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to the Governing Documents.

2.14 "Community": Southern Highlands, a Nevada master residential common-interest planned community.

2.15 "Community Standards": The standards of conduct, maintenance, or other activity generally prevailing throughout the Properties. Such standards shall be established initially by Declarant and may be more specifically defined in the Architectural Guidelines, the Rules and Regulations, and Board resolutions. Any subsequent amendments to the standards shall meet or exceed the standards set by Declarant and Board during the Declarant Control Period. Such standards may contain both objective and subjective elements. The Community Standards may evolve as development progresses and as the needs and demands of Southern Highlands change.

2.16 "County": County of Clark, Nevada, together with its successors and assigns.

2.17 "Custom Lots": Lots, as shown on a Plat, within a designated Custom Lot Neighborhood, in which each such lot is intended to be conveyed to a Purchaser, for construction by the Purchaser of a custom home subject to design and architectural requirements of Declarant for custom homes.

2.18 "Declarant": Southern Highlands Development Corporation, a Nevada limited liability company, or any successor, successor-in-title, or assign who takes title to any portion of the property described in Exhibits "A" or "B" for the purpose of development and/or sale, and who is designated as Declarant in an express Recorded assignment executed by the immediately preceding Declarant (but specifically excluding Purchasers as defined in NRS §116.110375).

2.19 "Declarant Control Period": The period of time during which Declarant is entitled to appoint and remove the entire Board of Directors (or a majority thereof). The Declarant Control Period shall terminate upon the first to occur of the following:

- (a) 60 days after Declarant has conveyed 75% of the Maximum Units;
- (b) five years after the Declarant has ceased to offer Units for sale in the ordinary course of business; or,
- (c) five years after Recording of the most recent Annexation Notice or Supplemental Declaration to add any additional property to the Declaration as provided in Section 10.1.

Nothing in this Section shall preclude Declarant, in its sole discretion, from voluntarily relinquishing control of the Board earlier than required by this Section, and in such event, Declarant reserves the right to veto actions of the Association as provided in the Bylaws until such time as the Declarant Control Period would have otherwise expired under this Section. Within 30 days after Owners other than Declarant are entitled to elect a majority of the Directors pursuant to this Section, the Declarant shall deliver to the Association all personal property of the Owners and the Association which Declarant holds or controls including such items as are specifically required to be delivered under NRS § 116.31038.

2.20 "Declarant Rights Period": The period of time during which Declarant owns any property subject to this Declaration or which may become subject to this Declaration by annexation in accordance with Section 10.1, and during which period of time, Declarant has reserved certain rights as set forth in this Declaration.

2.21 "Development Agreement": That certain "Development Agreement Between the County of Clark and Southern Highlands Development Corporation, Et Al." which in part refers to the Southern Highlands Land Use Master Plan (consisting of the Land Use and Development Guide along with the Planned Community Parameters adopted with the P-C Overlay Zone in application number ZC-1817-98), which, together with the Southern Highlands Master Parks and Public Facilities Plan, Southern Highlands Master Transportation Study, and Southern Highlands Master Drainage Study, are collectively referred to as the Southern Highlands Master Plans (as all of the foregoing terms are defined in the Development Agreement), including all addenda and exhibits incorporated by reference therein and all amendments thereto.

2.22 "Director": A duly appointed or elected and current member of the Board of Directors.

2.23 "Dwelling": A single Family detached residential building located on a Unit (or, in a condominium, a condominium Unit) designed and intended for use and occupancy as a residence by a single Family, but specifically excluding "manufactured housing" or mobile homes, neither of which shall be permitted as Dwellings.

2.24 "Family": A group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or a group of natural persons not all so related, but who maintain a common household in a Dwelling, all as subject to and in compliance with all applicable federal and Nevada laws and local health codes and other ordinances.

2.25 "Golf Course": The portion of the Private Amenities (located adjacent to and/or nearby, but **NOT A PART OF**, the Properties or Common Elements) and Improvements thereon, which may be operated as a golf course (including, without limitation, golf course and playing elements, club house, practice facilities, private cottages, maintenance or storage facilities, driving ranges, lakes, water hazards, trees, bunkers, berms, fairways, greens, and/or other related elements, facilities, features, or components). Refer to Article 17, and to detailed Disclosures and Disclaimers set forth in Article 24, below.

2.26 "Governing Documents": The documents listed in Section 1.3 Any inconsistency among the Governing Documents shall be governed pursuant to Section 1.5.

2.27 "Health Club": The portion of the Private Amenities (located adjacent to and/or nearby, but **NOT A PART OF**, the Properties or Common Elements) and Improvements thereon, which may be operated as a health and fitness club (which may, but need not necessarily, including, without limitation, private health and sports club, swimming pool and spa area, tennis courts, and/or other related elements, facilities, features, or components). Refer to Article 17 and to the detailed Disclosures and Disclaimers set forth in Article 24, below.

2.28 "Improvement": Any structure or appurtenance thereto of every type and kind, whether above or below the land surface, placed in the Properties, including, but not limited to, Dwellings and other buildings, walkways, sprinkler pipes, swimming pools, spas and other recreational facilities, carports, garages, roads, driveways, parking areas, hardscape, Private Streets, streetlights, curbs, gutters, walls, perimeter walls, fences, screening walls, block walls, retaining walls, stairs, decks, landscaping, antennae, hedges, windbreaks, patio covers, railings, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water softener fixtures or equipment.

2.29 "Invitees": Each and all of the following: tenants, guests, and other invitees (including, as may be applicable, agents, employees, suppliers, and contractors).

2.30 "Manager": The Person, if any, whether an employee or independent contractor, appointed by the Association, acting through the Board, and delegated the authority to implement certain duties, powers or functions of the Association as provided in this Declaration.

2.31 "Master Plan": The master land use plan as referred to in the Development Agreement for Southern Highlands approved by Clark County, Nevada, as may be amended, which plan includes all of the property described in Exhibits "A," "A-1," and "A-2," and all or a portion of the property described in Exhibit "B" that Declarant may from time to time subject to this Declaration. Inclusion of property on the Master Plan shall not, under any circumstances, obligate Declarant to subject such property to this Declaration, nor shall the omission of property from the Master Plan bar its later annexation to this Declaration as provided in Article 10.

2.32 "Maximum Units": The maximum number of Units approved for development within Southern Highlands under the Master Plan, as amended from time to time; provided, that nothing in this Declaration shall be construed to require Declarant to develop the maximum number of lots approved. The Maximum Units as of the date of this Declaration is 9,000 Units.

2.33 "Member": A Person subject to membership in the Association pursuant to Section 6.2.

2.34 "Mortgage": A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. A "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

2.35 "Multi-Family Component": Certain land, intended for multi-family (apartment) residential use, which does not comprise part of the residential Planned Community encumbered by this Declaration, but which shall be required to pay certain amounts for use of certain Association Common Elements, as set forth in Article 18.

2.36 "Neighborhood": Any residential area within the Properties designated by Declarant as a Neighborhood, whether or not governed by a Neighborhood Association, as more particularly described in Section 6.4, created for the purpose of sharing particular Neighborhood Common Elements, or receiving other benefits or services from the Association which are not provided to all Units within the Properties. A Neighborhood may be comprised of more than one housing type and may include noncontiguous parcels of property. If the Association provides benefits or services to less than all Units within a particular Neighborhood, then such benefited Units shall be assessed an additional Specific Assessment for such benefits or services. Where the context permits or requires, the term Neighborhood shall also refer to the Neighborhood Committee or Neighborhood Association, if any, having concurrent but subordinate jurisdiction over the property within the Neighborhood. Neighborhood boundaries may be established and modified as provided in Section 6.4.

2.37 "Neighborhood Assessments": Assessments, levied by the Association (or Neighborhood Association, if applicable) uniformly upon the Units within a particular Neighborhood to pay for the Neighborhood Expenses within such Neighborhood, as described in Section 8.2. Neighborhood Assessments are additional to each and all of Base Assessments, Special Assessments, and Specific Assessments, as applicable.

2.38 "Neighborhood Association": A homeowners association, created by Supplemental Declaration, having subordinate, concurrent jurisdiction with the Association over any Neighborhood. Nothing in this Declaration shall require the creation of a Neighborhood Association for any Neighborhood.

2.39 "Neighborhood Common Elements": A portion of the Common Elements which shall constitute Limited Common Elements (as said term is defined by NRS § 116.110355), allocated for the primary or exclusive use and benefit of one or more designated Neighborhood(s) (but less than the entire Community), as more particularly described in Article 14; and/or the common elements unique to a Neighborhood which itself is a common-interest community pursuant to NRS Chapter 116, established under a Supplemental Declaration.

2.40 "Neighborhood Expenses": The expenditures made by, or financial liabilities of, the Association (or Neighborhood Association, if applicable), together with any allocations to reserves, for maintenance, management, operation, repair, replacement and insurance of Neighborhood Common Elements, or for the particular benefit of Owners of Units within a particular Neighborhood, together with a reasonable administrative charge, all as may be authorized pursuant to this Declaration or in any applicable Supplemental Declaration.

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

2.42 "NRS Chapter 116": Nevada's Uniform Common-Interest Ownership Act, Chapter 116 of Nevada Revised Statutes, as may be amended from time to time.

2.43 "Officer": A duly elected or appointed and current officer of the Association.

2.44 "Owner": One or more Persons, which may include Declarant, or a Builder, who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. The term "Owner" shall include sellers under executory contracts of sale, but shall exclude Mortgagees.

2.45 "Person": A natural person, a corporation, partnership, trustee, or any other legal entity.

2.46 "Plat": The final plat maps of portions of Southern Highlands, as Recorded from time to time, as may be amended and supplemented from time to time of Record.

2.47 "Private Amenities": Certain real property and any improvements and facilities thereon located adjacent to, in the vicinity of, or within, the Properties, which are privately owned and operated by Persons other than the Association for recreational and related purposes, on a club membership basis or otherwise. Private Amenities are **NOT A PART OF** the Properties and **NOT A PART OF** the Common Elements and **NOT SUBJECT TO** this Declaration. Private Amenity ownership and/or membership is **NOT A PART OF** and is separate from Membership in the Association. Membership in and use of the Private Amenities (including, but not necessarily limited to, the Golf Course and the Health Club), is subject to approval of the governing body of the Private Amenity (which is a body separate from and not related to the Association or the Board) and payment of separate initiation fees, dues, and other charges as determined by the Private Amenity. Notwithstanding the foregoing, the owners and members of Private Amenities, and their respective Invitees, shall have an easement of access to, enjoyment of, and ingress and egress over, the Private Streets and entries and other Common Elements of the Community. Refer to Article 17, and to the Additional Disclosures and Disclaimers set forth in Article 24, below.

2.48 "Private Streets": All private streets, rights of way, street scapes, and vehicular ingress and egress easements, in the Properties, shown as such on a Plat.

2.49 "Properties": The real property described in Exhibits "A," "A-1," and "A-2," together with such additional property from time to time as is made subject to this Declaration in accordance with Article 10 and NRS Chapter 116.

2.50 "Purchaser": A Purchaser, as defined in NRS § 116.110375.

2.51 "Record," "Recording," or "Recorded": To file, filing, or filed of record in the official records of the Office of the County Recorder of Clark County, Nevada. The date of Recording shall refer to that time at which a document, map, or Plat is Recorded.

2.52 "Requisite Membership Percentage": Eighty percent (80%) or more of the total aggregate voting power of the Membership of the Association.

2.53 "Requisite Neighborhood Percentage": Eighty percent (80%) or more of the total aggregate voting power of those certain Association Members who are Owners of Units in the relevant Neighborhood.

2.54 "Resident": Unless otherwise specified in the Governing Documents, shall mean any person who is physically residing in a Unit.

2.55 "Rules and Regulations": The restrictions relating to an Owner's use of his or her Unit and conduct of Persons on the Properties, as more specifically authorized and provided for in Article 3 and NRS Chapter 116.

2.56 "Southern Highlands": That certain master planned community located in Clark County, Nevada, which is more particularly described in the Master Plan, as it may be amended from time to time.

2.57 "Special Assessment": Assessments levied in accordance with Section 8.4. Special Assessments are additional to each and all of Base Assessments, Neighborhood Assessments, and Specific Assessments, as applicable.

2.58 "Special Improvement District": A service and utility district which may be created as a special purpose unit of local government in accordance with Nevada law to provide certain community services and certain infrastructure to some or all of Southern Highlands.

2.59 "Specific Assessment": Assessments levied against a particular Unit or Units for expenses incurred or to be incurred by the Association for purposes described in Sections 3.5, 7.4, and/or 8.5, below (or in any other section of this Declaration specifically referring to Specific Assessments). Specific Assessments are additional to each and all of Base Assessments, Neighborhood Assessments, and Special Assessments, as applicable.

2.60 "Supplemental Declaration": An instrument Recorded by Declarant or with the express prior written consent of Declarant, which shall be supplemental to this Declaration, and which may create a Neighborhood Association and/or impose supplemental obligations, covenants, conditions, or restrictions, or reservations of easements, with respect to a particular Neighborhood or other land described in such instrument. Any purported Supplemental Declaration Recorded without the express prior written consent of Declarant shall be null and void.

2.61 "Unit": Subject to the provisions pertaining to unsubdivided parcels of land, as set forth in Section 8.12, below: A contiguous portion of the Properties, whether improved or unimproved (other than Common Elements, any Neighborhood Common Elements, Area of Common Responsibility, and property dedicated to the public), which may be independently owned and conveyed and which is intended to be developed, used, and occupied as a Dwelling for a single Family (as shown and separately identified on a Plat). The term shall mean all interests defined as "Unit" in NRS § 116.11039. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon. The boundaries of each Unit shall be delineated on a Plat.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture at Southern Highlands are what give the Community its identity and make it a place that people want to call "home." Each Owner and Resident in upholding such standards, can take pride in the results of that common effort. This Declaration establishes procedures for adopting, modifying, applying and enforcing such standards, while providing flexibility for Community Standards to evolve as Southern Highlands changes and grows over time.

ARTICLE 3 USE AND CONDUCT

3.1 General Framework for Regulation.

The Governing Documents establish, as part of the general plan of development for the Properties, a framework of affirmative and negative covenants, easements, and restrictions governing the Properties. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology which inevitably will affect Southern Highlands, its Owners and Residents. Therefore, this Article 3 establishes procedures for modifying and expanding the initial Rules and Regulations, and additional Rules and Regulations which may be created and revised from time to time.

3.2 Rule Making Authority.

(a) Authority of Board. Subject to the Governing Documents, NRS Chapter 116, and the Board's duty to exercise prudent business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand, the Rules and Regulations, and may create, modify, and enforce reasonable Rules and Regulations governing the use of the Properties, consistent with other provisions in the Governing Documents. The Board shall send notice to all Owners concerning any proposed action on Rules and Regulations at least ten (10) business days prior to the Board meeting at which such action is to be considered. Such notice shall be sent in the manner provided for in subsection (c) below. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken. Such action shall become effective, after compliance with subsection (c), unless disapproved by the Requisite Membership Percentage or Declarant (during Declarant Rights Period). The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition signed by Members representing at least ten percent (10%) of the total votes of the Association as required for special meetings in the Bylaws. Upon such petition of the Members prior to the effective date of any Board action under this Section, the proposed action shall not become effective until after such meeting is held, and then shall be subject to the outcome of such meeting.

(b) Members' Authority. Alternatively, the Members, at an Association meeting duly called for such purpose and in accordance with the Bylaws, may adopt provisions which modify, cancel, limit, create exceptions to, or expand, the Rules and Regulations, by a vote of the Requisite Membership Percentage.

(c) Notice. At least 30 days prior to the effective date of any action taken under subsections (a) or (b), the Board shall provide a copy of the new Rule or Regulation or explanation of any modifications to the existing Rules and Regulations to each Owner, specifying the effective date. The Board may send a copy of the new or modified Rule or Regulation either by: U.S. mail; electronic telecommunication (i.e., facsimile or email) with confirmation of receipt; or, publication in the community newsletter delivered or mailed to each Owner, provided that such notice is clearly identified under a separate headline in the newsletter. Upon written request by a Member or Mortgagee, the Association shall provide, without cost, a single copy of the newly revised Rules and Regulations. The Association may charge a reasonable fee for additional copies of the revised Rules and Regulations.

(d) Authority to Change Architectural Guidelines. Prior to expiration or termination of the Declarant Rights Period (or express delegation by Declarant of its rights under Article 4), neither the Board nor the Association shall have any authority to modify, repeal, or expand the Architectural Guidelines. In the event of a conflict between the Architectural Guidelines and the Rules and Regulations, the Architectural Guidelines shall control.

3.3 Owners' Acknowledgment; Notice to Purchasers.

All Owners are given notice that use of their Units and the Common Elements is limited by the Rules and Regulations as may be amended, expanded, and otherwise modified. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision, and that the Rules and Regulations may change from time to time as provided under Section 3.2. All Purchasers of Units are hereby placed on notice that changes may have been adopted by the Association. Copies of the current Rules and Regulations may be obtained from the Association.

3.4 Protection of Owners and Others.

Rules and Regulations shall be subject to and consistent with applicable federal and state laws, applicable health codes and other ordinances, the Declaration, Bylaws, and Architectural Guidelines, and must be adopted without intent to circumvent or evade the requirements and provisions of any of the foregoing. Additionally, no Rule or Regulation, or any other action by the Association or Board shall unreasonably hinder or impede the rights of Declarant and/or Builders to develop the Properties in accordance with the rights reserved to the Declarant in this Declaration and NRS Chapter 116. Subject to and without limiting the foregoing, no Rule or Regulation shall be adopted or enforced in violation of any of the following provisions:

(a) Equal Treatment. Specifically subject to Section 1.9, above, the Rules and Regulations shall be uniformly applied under the same or similar circumstances with regard to similarly situated Owners; provided that Rules and Regulations may vary by Neighborhood (but shall be uniformly applied in such manner within any particular Neighborhood).

(b) Displays. There shall be no abridgement of the right of Owners to display religious and holiday signs, symbols, and decorations inside dwellings; provided that the Rules and Regulations may, to the maximum extent permitted by applicable law, regulate the time, place, manner, and duration, of any displays visible from outside the Unit. No Rule or Regulation shall regulate the content of political signs; however, Rules and Regulations may, to the maximum extent

permitted by applicable law, regulate the time, place, manner, and duration, of posting such signs (including reasonable design criteria).

(c) Household Composition. No Rule or Regulation shall interfere with the right of an Owner to use a Unit as a residence for a single "Family" (provided that the foregoing shall not be interpreted under any circumstances to permit any "boarding houses" or to permit any condition or residence which would violate any applicable health code or other ordinance, or any applicable state or federal law).

(d) Activities Within Units. No Rule or Regulation shall interfere with the activities carried on within the confines of Units, except that the Association may prohibit activities not normally associated with property restricted to residential use, and may restrict or prohibit any activities that would: (i) create monetary costs for the Association or other Owners, (ii) devalue property values within any portion of the Properties, (iii) create a danger to the health or safety of Residents of other Units, (iv) generate excessive noise or traffic, (v) create unsightly conditions visible outside the dwelling, (vi) create an unreasonable source of annoyance, or (vii) otherwise violate local, state, or federal laws or regulations.

(e) Alienation. No Rule or Regulation shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; provided that no such lease shall be for a term of less than three (3) months. The Rules and Regulations may require that Owners use lease forms reasonably approved by the Board, but shall not impose any fee on the lease or transfer of any Unit greater than an amount reasonably based on the costs to the Association of administering that lease or transfer (subject to any limitations set forth in NRS Chapter 116).

(f) Abridging Existing Rights. If any new or amended Rule or Regulation would otherwise require Owners to dispose of personal property which they maintained in or on the Unit prior to the effective date of such regulation, or to vacate a Unit in which they resided prior to the effective date of such regulation, and such property was maintained or such occupancy was in compliance with this Declaration and all Rules and Regulations previously in force, such new or amended Rule or Regulation shall not apply to any such Owners without their written consent.

(g) No Mobile Homes. Notwithstanding any other provision in this Declaration: (1) each Dwelling Unit shall be improved and used solely as a residence for a single Family and for no other purpose; and (2) no part of the Properties shall ever be used or caused to be used or allowed or authorized to be used in any way, directly or indirectly, for any "manufactured" or mobile home, or for business, commercial, manufacturing, mercantile, primary storage, vending, or any other nonresidential purposes; provided that Declarant may exercise the reserved rights described in Articles 10, 11, and/or 12 of the Declaration.

3.5 Initial Use Restrictions.

Subject to the rights and exemptions of Declarant as set forth in this Declaration, all real property within the Properties shall be held, used and enjoyed subject to the limitations, restrictions and other provisions set forth in this Declaration. The strict application of the limitations and restrictions set forth in this Section 3.5 may be modified or waived in whole or in part by the ARC in specific circumstances where such strict application would be unduly harsh, provided that any such waiver or modification shall not be valid unless in writing and executed by the ARC. Any other

provision herein notwithstanding, neither Declarant, the Association, the ARC, nor their respective managers, directors, officers, members, agents or employees shall be liable to any Owner or to any other Person as a result of the failure to enforce any use restriction or for the granting or withholding of a waiver or modification of a use restriction as provided herein. Additional or supplemental use restrictions may be promulgated from time to time in Recorded Supplemental Declaration(s).

(a) Single Family Residence. Each Dwelling Unit shall be improved and used solely as a residence for a single Family and for no other purpose. No part of the Properties shall ever be used or caused to be used or allowed or authorized to be used in any way, directly or indirectly, for any "manufactured" or mobile home, or for business, commercial, manufacturing, mercantile, primary storage, vending, "reverse engineering," destructive construction testing, or any other nonresidential purposes; provided that Declarant may exercise the reserved rights described in Articles 10, 11, and/or 12 of the Declaration. The foregoing sentence shall not modify Article 16, 17, or 18 below. The provisions of this Section shall not preclude a professional or administrative occupation, or an occupation of child care, provided that the number of non-Family children, when added to the number of Family children being cared for at the Unit, shall not exceed a maximum aggregate of five (5) children, and provided further that there is no external evidence of any such occupation, for so long as such occupation is conducted in conformance with all applicable governmental ordinances and are merely incidental to the use of the Dwelling as a residential home. This provision shall not preclude any Owner from renting or leasing his entire Unit by means of a written lease or rental agreement subject to this Declaration and any Rules and Regulations; provided that no such lease shall be for a term of less than thirty (30) days.

(b) No Further Subdivision. Except as may be expressly authorized by Declarant, no Unit or Common Elements may be further subdivided (including, without limitation, any division into time-share estates or time-share uses) without the prior written approval of the Board; provided, however, that this provision shall not be construed to limit the right of an Owner: (1) to rent or lease his entire Unit by means of a written lease or rental agreement subject to the restrictions of this Declaration, so long as the Unit is not leased for transient or hotel purposes; (2) to sell his Unit; or (3) to transfer or sell any Unit to more than one person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. The terms of any such lease or rental agreement shall be made expressly subject to the Governing Documents. Any failure by the lessee of such Unit to comply with the terms of the Governing Documents shall constitute a default under the lease or rental agreement. Absent prior written approval of the ARC, in its sole discretion, no two or more Units in the Properties may be combined in any manner whether to create a larger Unit or otherwise, and no Owner may permanently remove any block wall or other intervening partition between Units.

(c) Insurance Rates. Without the prior written approval of the ARC and the Board, nothing shall be done or kept in the Properties which will increase the rate of insurance on any Unit or other portion of the Properties, nor shall anything be done or kept in the Properties which would result in the cancellation of insurance on any Unit or other portion of the Properties or which would be a violation of any applicable law. Any other provision herein notwithstanding, neither the ARC nor the Board shall have any power whatsoever to waive or modify this restriction.

(d) Animal Restrictions. No animals, reptiles, poultry, fish, or fowl or insects of any kind ("animals") shall be raised, bred or kept on any Unit, except that a reasonable number of dogs, cats, household birds or fish may be kept, provided that they are not kept, bred or maintained

for any commercial purpose, or in unreasonable quantities or in violation of any applicable City or County ordinance or any other provision of the Declaration, and are subject to such limitations as may be set forth in the Rules and Regulations. As used in this Section, "unreasonable quantities" shall ordinarily mean more than two (2) such pets per household; provided, however, that the Board or ARC may determine that a reasonable number in any instance may be more or less. The Association, acting through the Board, shall have the right to prohibit maintenance of any animal in any Unit which constitutes, in the opinion of the Board or ARC, a nuisance to other Owners or Residents. Subject to the foregoing, animals belonging to Owners, Residents, or their respective Families, licensees, tenants or invitees within the Properties must be either kept within an enclosure, an enclosed yard or on a leash or other restraint being held by a person capable of controlling the animal. Furthermore, to the extent permitted by law, any Owner and/or Resident shall be liable to each and all other Owners, Residents, and their respective Families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by an Owner or Resident or respective Family, tenants or guests; and it shall be the absolute duty and responsibility of each such Owner and Resident to clean up after such animals in the Properties or streets abutting the Properties. Without limiting the foregoing: (a) no "dog run" or similar Improvement pertaining to animals shall be placed or permitted in any Unit, unless approved by the ARC in advance and in writing (and, in any event, any such "dog run" or similar Improvement shall not exceed the height of any party wall on the Unit, and shall otherwise not be permitted, or shall be immediately removed, if it constitutes a nuisance in the reasonable judgment of the ARC), and (b) all Owners shall comply fully in all respects with all applicable County and City ordinances and rules regulating and/or pertaining to animals and the maintenance thereof on the Owner's Unit and/or any other portion of the Properties.

(e) Nuisances. No rubbish, clippings, refuse, scrap lumber or metal; no grass, shrub or tree clippings; and no plant waste, compost, bulk materials, or other debris of any kind; (all, collectively, hereinafter, "rubbish and debris") shall be kept, stored or allowed to accumulate on any privately owned Unit unless stored within an enclosed structure or container which has been approved by the ARC, or unless such matter is screened from view in a manner approved by the ARC, and no odor shall be permitted to arise therefrom so as to render the Properties or any portion thereof unsanitary or offensive. Without limiting the foregoing, a refuse container, the use of which has been approved by the ARC, containing such materials, may be placed outside at times reasonably necessary (not to exceed twelve (12) hours before or after scheduled trash collection hours) to permit garbage or trash pickup. No noxious or offensive activities (including, but not limited to the repair of motor vehicles) shall be carried out on the Properties. No noise or other nuisance shall be permitted to exist or operate upon any portion of a Unit so as to be offensive or detrimental to any other Unit or to occupants thereof, to the Common Elements, or to the Country Club and/or Golf Courses or golfers. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other similar or unusually loud sound devices (other than devices used exclusively for safety, security or fire protection purposes), noisy or smokey vehicles, large power equipment or large power tools (excluding lawn mowers and other equipment utilized in connection with ordinary landscape maintenance), inoperable vehicle, unlicensed off-road motor vehicle, or other item which may unreasonably disturb other Owners or Residents, or any equipment or item which may unreasonably interfere with television or radio reception within any Unit, or the Common Elements, shall be located, used or placed on any portion of the Properties without the prior written approval of the ARC. No loud motorcycles, dirt bikes or other loud mechanized vehicles may be operated on any portion of the Area of Common Responsibility without the prior written approval of the ARC, which approval may be withheld for any reason whatsoever. Alarm devices used exclusively to protect the security of a Dwelling and

its contents shall be permitted, provided that such devices do not produce annoying sounds or conditions as a result of frequently occurring false alarms. The Board shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. Each Owner and Resident shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Unit, including Dwelling. Each Owner and Resident shall be accountable to the Association and other Owners and Residents for the conduct and behavior of children and other Family members or persons residing in or visiting his Unit; and any damage to the Common Elements, personal property of the Association, or property of another Owner or Resident, caused by such children or other Family members, shall be repaired at the sole expense of the Owner of the Unit where such children or other Family members or persons are residing or visiting.

(f) Exterior Maintenance and Repair; Owner's Obligations. No property or Improvement anywhere within the Properties shall be permitted to fall into disrepair, and all property (including any Improvements) in the Properties shall at all times be kept in a safe condition, and in good condition and repair. If any Owner or Resident shall permit any Unit, which is the responsibility of such Owner or Resident to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, the Board, after consulting with the ARC, and after affording such Owner or Resident reasonable notice, shall have the right but not the obligation to correct such condition, and to enter upon such Owner's Unit, for the purpose of so doing, and such Owner and/or Resident shall promptly reimburse the Association for the cost thereof. Such cost may be assessed as a Specific Assessment pursuant to the Declaration, and, if not paid timely when due, shall constitute an unpaid or delinquent assessment for all purposes of the Declaration. The Owner and/or Resident of the offending Unit shall be personally liable for all costs and expenses incurred by the Association in taking such corrective acts, plus all costs incurred in collecting the amounts due. Each Owner and/or Resident shall pay all amounts due for such work within ten (10) days after receipt of written demand therefor. The Association shall have no liability whatsoever for any damage done to an Owner's Unit as a result of such entrance and repair, provided, however, that the Association was acting in good faith.

(g) Drainage. By acceptance of a deed to a Unit, each Owner agrees for himself and his assigns that he will not in any way interfere with or alter, or permit any Resident to interfere with or alter, the established drainage pattern over any Unit, so as to affect said Unit, any other Unit, or the Common Elements, unless adequate alternative provision is made for proper drainage and approved in advance and in writing by the ARC, and any request therefor shall be subject to Article 4 of the Declaration, including, but not necessarily limited to, any condition imposed by the ARC, and further shall be subject to the Owner obtaining all necessary governmental approvals. For the purpose hereof, "established drainage pattern" is defined as the drainage which exists at the time that such Unit is conveyed to a Purchaser from Declarant, or later grading changes which are shown on plans and specifications approved by the ARC.

(h) Water Supply and Sewer Systems. No individual water supply system, or cesspool, septic tank, or other sewage disposal system, or exterior water softener system, shall be permitted on any Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any water or sewer district serving the Properties, and any applicable governmental health authorities having jurisdiction, and has been approved in advance and in writing by the ARC.

(i) No Hazardous Activities. No activities shall be conducted, nor shall any Improvements be constructed, anywhere in the Properties which are or might be unsafe or hazardous to any Person, Unit, or Common Elements. Without limiting the foregoing, (a) no firearm shall be discharged within the Properties, and (b) there shall be no exterior or open fires whatsoever, except a regular barbecue fire contained within a receptacle commercially designed therefor, while attended and in use for cooking purposes, so that no fire hazard is created, or except as specifically authorized in writing by the ARC (all as subject to applicable ordinances and fire regulations).

(j) No Unsightly Articles. No unsightly article, facility, equipment, object, or condition (including, but not limited to, clotheslines, garden or maintenance equipment, or inoperable vehicle) shall be permitted to remain on any Unit so as to be visible from any street, or from any other Unit, Common Elements, or neighboring property.

(k) No Temporary Structures. Unless required by Declarant during the initial construction of Dwellings and other Improvements, or unless approved in writing by the ARC in connection with the construction of authorized Improvements, no outbuilding, tent, shack, shed or other temporary or portable structure or Improvement of any kind shall be placed upon any portion of the Properties.

(l) No Drilling. No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind shall be permitted upon, in, or below any Unit or the Common Elements, nor shall oil, water or other wells, tanks, tunnels or mineral excavations or shafts be permitted upon or below the surface of any portion of the Properties. No derrick or other structure designed for use in boring for water, oil, geothermal heat, natural gas, or other mineral or depleting asset shall be erected. Declarant hereby reserves all water rights, if and to the extent there are any water rights, pertaining to all of the Properties and all portions thereof.

(m) Alterations. There shall be no excavation, construction, alteration or erection of any projection which in any way alters the exterior appearance of any Improvement from any street, or from any other portion of the Properties without the prior approval of the ARC pursuant to Article 4 hereof. There shall be no violation of the setback, side yard or other requirements of local governmental authority, notwithstanding any approval of the ARC. This Section shall not be deemed to prohibit minor repairs or rebuilding which may be necessary for the purpose of maintaining or restoring a Unit to its original condition.

(n) Signs. Subject to the reserved rights of Declarant in the Declaration (and any reserved rights of a Builder of Record with regard to such Builder's subdivision), no flag, flag pole, balloon, beacon, banner, sign, poster, display, billboard or other advertising device or other display of any kind shall be installed or displayed to public view on any portion of the Properties, or on any public street abutting the Properties, without the prior written approval of the ARC, except: (a) one (1) sign for each Unit, advertising for sale or lease a privately owned Unit; provided, however, that such sign conforms to the specifications promulgated (from time to time) by the ARC, relating to dimensions, design, number, style and location of display, or (b) traffic and other signs installed by Declarant as part of the original construction of the Properties. All signs or billboards and the conditions promulgated for the regulation thereof shall conform to the regulations of all applicable governmental ordinances.

(o) Improvements.

(1) No Unit shall be improved except with one (1) Dwelling designated to accommodate no more than a single Family and its servants and occasional guests, plus a garage, fencing and such other Improvements as are necessary or customarily incident to a single-Family Dwelling. No part of the construction on any Unit shall exceed the height limitations set forth in the applicable provisions of the Governing Documents, or any applicable governmental regulation(s). No projections of any type shall be placed or permitted to remain above the roof of any Dwelling Unit, except one or more chimneys or vent stacks. No basketball backboard, jungle gym, play equipment, or other sports apparatus, whether temporary or permanent, shall be constructed, erected, or maintained on the Properties without the prior written approval of the ARC. Apart from any installation by Declarant as part of its original construction, no patio cover, wiring, air conditioning fixture, water softeners or other devices shall be installed on the exterior of a Dwelling or allowed to protrude through the walls or roof of the Dwelling (with the exception of items installed by Declarant during the original construction of the Dwelling), unless the prior written approval of the ARC is obtained.

(2) All utility and storage areas and all laundry rooms, including all areas in which clothing or other laundry is hung to dry, must be completely covered and concealed from view from other areas of the Properties and neighboring properties.

(3) No fence or wall shall be erected or altered without prior written approval of the ARC. All alterations or modifications of existing fences or walls of any kind shall require the prior written approval of the ARC.

(4) Garages shall be used only for their ordinary and normal purposes. Unless constructed or installed by Declarant (or Builder, as applicable) as part of its original construction, no Owner or Resident may convert the garage on his or her Unit into living space or otherwise use or modify a garage so as to preclude regular and normal parking of vehicles therein, without the prior written approval of the ARC in its sole discretion. The foregoing notwithstanding, Declarant (or Builder, as applicable) may convert a garage located in any Unit owned by Declarant (or Builder, as applicable) into a sales office or related purposes.

(p) Antennas and Satellite Dishes. No exterior radio antenna or aerial, television antenna or aerial, microwave antenna, aerial or satellite dish, "C.B." antenna or other antenna or aerial of any type, which is visible from any street or from anywhere in the Properties, shall be erected or maintained on any Unit. Notwithstanding the foregoing, "Permitted Devices" (defined as antennas or satellite dishes: (i) which are one meter or less in diameter and designed to receive direct broadcast satellite service; or (ii) which are one meter or less in diameter or diagonal measurement and designed to receive video programming services via multi-point distribution services) shall be permitted, provided that such Permitted Device is:

(1) located in the attic, crawl space, garage, or other interior space of the Dwelling, or within another approved structure on the Unit, so as not to be visible from outside the Dwelling or other structure, or, if such location is not reasonably practicable, then,

(2) located in the rear yard of the Unit (i.e., the area between the plane formed by the front facade of the Dwelling and the rear lot line) and set back from all lot lines at least eight (8) feet; or, if such location is not reasonably practicable, then,

(3) attached to or mounted on a deck or patio and extending no higher than the eaves of that portion of the roof of the Dwelling directly in front of such antenna; or, if such location is not reasonably practicable, then,

(4) attached to or mounted on the rear wall of the Dwelling so as to extend no higher than the eaves of the Dwelling at a point directly above the position where attached or mounted to the wall; provided that,

(5) if an Owner reasonably determines that a Permitted Device cannot be located in compliance with the foregoing portions of this Section without precluding reception of an acceptable quality signal, then the Owner may install such Permitted Device in the least conspicuous alternative location within the Unit where an acceptable quality signal can be obtained; provided further that,

(6) permitted Devices shall be reasonably screened from view from the street or any other portion of the Properties, and shall be subject to any Rules and Regulations adopted by the ARC or Board, establishing a preferred hierarchy of alternative locations, so long as the same do not unreasonably increase the cost of installation, or use of the Permitted Device.

Declarant or the Association (or any Builder, with respect to such Builder's subdivision) may, but are in no way obligated to, provide a master antenna or cable television antenna for use of all or some Owners. Declarant (or a Builder, with respect to such subdivision) may grant easements for installation, maintenance, repair and/or replacement of any such master or cable television service.

(q) Landscaping. Within one hundred eighty (180) days after the later to occur of (i) close of escrow for the sale of a Unit to an Owner (other than a Builder), or (ii) issuance of a Certificate of Occupancy for a Dwelling constructed on such Unit, the Owner thereof shall cause to be installed and shall thereafter maintain (except for any landscaping to be maintained by the Association pursuant to the Declaration) the landscaping on those portions of the front and side yards of the Unit which are subject to view from the abutting street or streets, in a neat and attractive condition, including all necessary landscaping and gardening, and properly maintain and periodically replace when necessary the trees, plants, grass and other vegetation, if any, originally placed on such Unit by Declarant or a Builder. No plants or seeds infected with insects or plant diseases shall be brought upon, grown or maintained upon any part of the Properties. In addition, each Owner shall keep free from weeds, debris and other unsightly objects all portions of the yard on his Unit which are not subject to view from the abutting street or streets. The Board may adopt Rules and Regulations proposed by the ARC to regulate landscaping permitted and required in the Properties. If an Owner fails to install and maintain landscaping in conformance with the Governing Documents, or allows his landscaping to deteriorate to a dangerous, unsafe, unsightly, or unattractive condition, the ARC shall have the right to either (a) after thirty (30) days' written notice, seek any remedies at law or in equity which it may have; or (b) after reasonable notice (unless there exists an unsafe or dangerous condition, in which case, the right shall be immediate, and no notice shall be required), to correct such condition and to enter upon such Owner's Unit for the purpose of so doing, and such Owner shall promptly reimburse the Association for the cost thereof, as a Specific Assessment enforceable in the manner set forth in the Declaration. Each Owner shall be responsible, at his sole expense, for maintenance, repair, replacement, and watering of any and

all landscaping on the Unit, as well as any and all sprinkler or irrigation or other related systems or equipment pertaining to such landscaping.

(r) Parking and Vehicular Restrictions. No Person shall park, store, or keep on any street (public or private) or anywhere else within the Properties: any disabled, unregistered, or unlicensed vehicle; or any large commercial-type vehicle (including, but not limited to, any dump truck, cement-mixer truck, oil or gas truck, or any other similar vehicle); provided that the foregoing shall not be deemed to exclude reasonable and temporary parking on streets, where not otherwise prohibited, of moving vans, delivery trucks, maintenance vehicles, landscaping trucks, or similar vehicles, for the sole purpose of reasonably prompt loading, unloading, delivery, maintenance, and/or landscaping (but in no event shall such vehicles be permitted to remain overnight). No Person shall park, store, or keep on any street (public or private) within or abutting the Properties: any recreational vehicle (including, but not limited to, any camper unit, house car or motor home, trailer, trailer coach, camp trailer, watercraft, aircraft, or mobile home); provided that recreational vehicles may be kept or parked: (a) within an authorized "R.V. Storage Area" (if any, designated as such by the Board) subject to all applicable Rules and Regulations; and/or (b) subject to prior written approval of ARC, parked on a Unit, but subject to all location, size, height, screening, and other restrictions, as determined by the ARC in its sole discretion. Notwithstanding any of the foregoing, one camper truck, van, or similar vehicle, up to and including one (1) ton, when used for everyday-type transportation, may be kept or parked wholly enclosed within an Owner's garage. Without limiting the foregoing, no Owner shall park, store, or keep, anywhere within the Properties, any vehicle or vehicular equipment, mobile or otherwise, deemed by the Board or the ARC to be a nuisance. No Person shall perform repair or restoration of any motor vehicle, trailer, watercraft, aircraft, or other vehicle, upon any portion of the Properties or on any street abutting the Properties; provided that repair and/or restoration of one motor vehicle shall be permitted, but only if performed wholly within an Owner's garage with the garage door closed; provided further that such activity may be prohibited entirely by the Board or ARC if either determines, in its respective reasonable discretion, that such activity constitutes a nuisance. Each Owner and/or Resident shall maintain his garage in a manner which ensures that the garage is capable of regularly and normally accommodating as many vehicles as it was originally designed to accommodate. Garages shall be kept closed at all times, except as reasonably required for ingress to and egress therefrom. The Board may establish Rules and Regulations further governing or restricting parking (including, but not limited to, any guest parking in specifically designated areas). Notwithstanding any of the foregoing, these restrictions shall not be interpreted in such manner as to permit any activity contrary to any applicable law or County ordinance.

(s) Sight Visibility Restriction Areas. The maximum height of any and all Improvements (including, but not necessarily limited to, landscaping), on any "Sight Visibility Restriction Areas" set forth on a Plat, shall be restricted to a maximum height as set forth on the Plat. In the event that any Improvement located on any Sight Visibility Restriction Area on a Unit exceeds the maximum height permitted by the relevant Plat, the Association shall have the power and an easement (but not the obligation) to enter upon such Unit and to bring such Improvement into compliance, and the Owner of such Unit shall be solely liable for the costs thereof and any and all costs reasonably related thereto, all of which costs may be assessed against such Owner as a Specific Assessment under this Declaration.

(t) No Waiver. The failure of the Board or ARC to insist in any one or more instances upon the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration, or to exercise any right or option herein contained, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition or restriction, but such term, covenant, condition or restrictions shall

remain in full force and effect. The receipt by the Board or Manager of any assessment from an Owner with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by the Board or Manager of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board or the Manager.

(u) Declarant Exemption. Units owned by Declarant shall be exempt from the provisions of this Section 3.5, until such time as Declarant conveys title to the Unit to a Purchaser, and activities of Declarant reasonably related to Declarant's development, construction, and marketing efforts, shall be exempt from the provisions of this Section 3.5. This Section 3.5(v) may not be amended without Declarant's prior written consent, and any purported amendment in violation of the foregoing shall be null and void.

ARTICLE 4

ARCHITECTURE AND LANDSCAPING

4.1 General.

No structure or thing shall be placed, erected, installed, or posted on the Properties and no improvements or other work (including staking, clearing, excavation, grading, and other site work, exterior alterations of existing improvements, or planting or removal of landscaping) shall take place within the Properties, except in compliance with this Article 4 and the Architectural Guidelines.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications. Any Owner may remodel, paint, or redecorate the interior of his or her Unit without approval. However, modifications to porches, patios, and similar portions of a Unit visible from outside the structure shall be subject to approval.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications of a licensed architect or similarly licensed building designer unless otherwise approved by Declarant or its designee in its sole discretion.

This Article 4 shall not apply to the activities of Declarant during the Declarant Control Period.

4.2 Architectural Review.

(a) Review By Declarant or Designated ARC. Each Owner, by accepting a deed or other instrument conveying any interest in any portion of the Properties, acknowledges that Declarant (as the developer of the Properties and as an Owner of portions of the Properties as well as other real estate within the vicinity of the Properties) has a substantial interest in ensuring that the improvements within the Properties enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that no activity within the scope of this Article 4 ("**Work**") shall be commenced on such Owner's Unit unless and until Declarant or the ARC has given its prior written approval for such Work, which approval may be granted or withheld in the sole discretion of Declarant or ARC. In reviewing and acting upon any request for approval, Declarant or ARC shall be acting solely in the interest of Declarant and shall owe no duty to any other Person. Declarant may from time to time, but shall not be obligated to, delegate all or any portion of its reserved rights under this Article 4

to an architectural review committee appointed by Declarant ("**ARC**"), comprised of architects, engineers, or any other persons, who need not be Members of the Association. Any such delegation shall be in writing, specifying the scope of responsibilities delegated, and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated, and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. During the Declarant Rights Period, the jurisdiction of the foregoing entities shall be limited to such matters as Declarant specifically delegates.

(b) Period of Declarant's Article 4 Rights. The rights reserved to Declarant under this Article 4 shall continue through the Declarant Rights Period, unless earlier terminated or expressly delegated by a written and Recorded instrument executed by Declarant.

(c) Certain Waivers of Architectural Review Matters for Qualifying Builders. The architectural review process may be waived by Declarant, at Declarant's option, for a Builder which has purchased real property from Declarant, and which has duly received Declarant's approval of a project plan pursuant to the process set forth in a Recorded Developmental Declaration satisfactory to Declarant.

(d) Review by Board-Appointed ARC. Upon expiration or termination of the Declarant Rights Period, or upon express delegation by Declarant of its Article 4 rights: (i) the Board, acting through the ARC, shall assume jurisdiction over architectural matters, and (ii) the ARC, shall consist of at least three, but not more than seven, persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers, or similar professionals, whose compensation, if any, the Board shall establish from time to time. Until such time as the Declarant Rights Period expires or terminates, or unless and until such time as Declarant delegates its Article 4 rights to the Board, neither the Board nor the Association shall have any jurisdiction or authority whatsoever over architectural matters.

(e) Review Fees: Assistance. For purposes of this Article 4, the entity having jurisdiction in a particular case shall be referred to as the "**Reviewer.**" The Reviewer may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers, or other professionals. The Board may include the compensation of such persons in the Association's annual operating budget as a Common Expense.

4.3 Architectural Guidelines and Procedures.

(a) Architectural Guidelines. Declarant may prepare the initial Architectural Guidelines, which may contain general provisions applicable to all of the Properties as well as specific provisions which may vary from Neighborhood to Neighborhood. The Architectural Guidelines are intended to provide guidance to Owners and Builders regarding matters of particular concern to the Reviewer in considering applications. The Reviewer shall make the Architectural Guidelines available to Owners and Builders who seek to engage in development or construction within Southern Highlands. In Declarant's sole discretion, such Architectural Guidelines may be Recorded (in which event the Recorded version, as unilaterally may be amended from time to time,

shall control in the event of any dispute as to which version of the Architectural Guidelines was in effect at any particular time).

Declarant shall have sole and full authority to amend the Architectural Guidelines during the Declarant Rights Period, notwithstanding a delegation of reviewing authority to the ARC (unless Declarant also expressly delegates such power to amend). Upon termination or delegation of Declarant's right to amend, the ARC shall have the authority to amend the Architectural Guidelines, with the Board's consent. Any amendments to the Architectural Guidelines shall be prospective only, and shall not require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

(b) Procedures. Unless a waiver contemplated by Section 4.2(c) above applies, prior to commencing any Work within the scope of this Article 4, an Owner shall submit to the relevant Reviewer an application for approval of the proposed Work in such form as the Architectural Guidelines or the Reviewer may specify. Such application shall include plans and specifications ("Plans") showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and the Reviewer may require the submission of such additional information as reasonably deemed necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems reasonably relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall, within 45 days after receipt of a completed application and all required information, respond in writing to the applicant at the address specified in the application. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

In the event that the Reviewer fails to respond within the 45-day period, approval shall be deemed to have been given, subject to Declarant's veto right pursuant to this Section. However, no approval (whether expressly granted or deemed granted pursuant to the foregoing) shall be inconsistent with the Architectural Guidelines, unless a variance has been expressly granted pursuant to Section 4.5. There shall be no deemed variances.

Until expiration of the Declarant Rights Period, the ARC shall notify Declarant in writing within three (3) business days after the ARC has approved any application relating to proposed Work within the scope of matters Declarant delegated to the ARC. The notice shall be accompanied by a copy of the application and any additional information Declarant may require. Declarant shall have 10 days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the ARC and the applicant.

If construction does not commence on a project for which Plans have been approved within 120 days after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any Work. Once construction is commenced, it shall be diligently pursued to completion. All Work shall be completed within 180 days of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved Work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant, or any aggrieved Owner.

The Reviewer may, by resolution, exempt certain activities from the application and approval requirements of this Article 4, provided such activities are undertaken in strict compliance with the requirements of such resolution.

4.4 No Waiver of Future Approvals.

Each Owner acknowledges that the persons reviewing applications under this Article 4 will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition each Owner acknowledges that it may not always be possible to identify objectionable features of proposed Work until the Work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar applications or proposals in the future. Approval of applications or Plans for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, Plans, or other matters subsequently or additionally submitted for approval.

4.5 Variances.

The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, the terms of any financing, or other financial considerations, shall not be considered a hardship warranting a variance. Notwithstanding the above, the Reviewer may not authorize variances without the written consent of Declarant, during the Declarant Rights Period.

4.6 Limitation of Liability.

The standards and procedures in this Article 4 are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Properties but shall not create any duty to any Person. Review and approval of any application are made on the basis of aesthetic considerations only, and the Reviewer shall not bear any responsibility for ensuring (a) the structural integrity or soundness of approved construction or modifications; (b) compliance with building codes and other governmental requirements; (c) that Units are of comparable quality, value, size, or of similar design, aesthetically pleasing, or otherwise acceptable to neighboring property owners; (d) that views from any other Unit are protected; or (e) that no defects exist in approved construction.

Neither Declarant, the Association, the Board, any committee, nor member of any of the foregoing shall be held liable for soil conditions, drainage or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition, or quality of work of any contractor, subcontractors, employees, or agents, whether or not Declarant has approved or featured such Person as a Builder in Southern Highlands; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. In all matters, the Board and its Directors, and the ARC and its members, shall be defended and indemnified by the Association as provided in Section 7.6.

4.7 Certificate of Compliance.

Any Owner may request that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Article 4 or the Architectural Guidelines. The Association shall either grant or deny such request within 45 days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall estop the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate and which may violate this Article 4 or the Architectural Guidelines.

4.8 Cure of Nonconforming Work; Enforcement.

Any construction, alteration, or other work done in violation of this Article 4 or the Architectural Guidelines shall be deemed to be nonconforming. Upon written request from Declarant, the Association, or Reviewer, Owners shall, at their own cost and expense and within such reasonable time frame as set forth in such written notice, cure such nonconformance to the satisfaction of the requester or restore the Unit to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, Declarant, the Association, or their designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the rate established by the Board (not to exceed the maximum rate then allowed by applicable law), may be assessed against the benefited Unit and collected as a Specific Assessment unless otherwise prohibited in this Declaration or by NRS Chapter 116.

All approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved Work and all Work previously approved with respect to the same Unit, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved Work by the deadline set forth in the approval, Declarant or the Association shall be authorized, after notice to the Owner of the Unit and an opportunity to be heard in accordance with the Bylaws, to enter upon the Unit and remove or complete any incomplete Work and to assess all costs incurred against the Unit and the Owner thereof as a Specific Assessment unless otherwise prohibited in this Declaration.

All acts by any contractor, subcontractor, agent, employee, or invitee of an Owner shall be deemed as an act done by or on behalf of such Owner. Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article 4 and the Architectural Guidelines may be excluded from the Properties, subject to Notice and Hearing. In such event, neither Declarant, the Association, nor their officers and directors shall be held liable to any Person for exercising the rights granted by this paragraph. The Association

and/or Declarant shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article 4 and the decisions of the Reviewer.

ARTICLE 5 MAINTENANCE AND REPAIR

5.1 Maintenance of Units.

Each Owner shall maintain his or her Unit, and all landscaping and other improvements comprising the Unit, in a manner consistent with the Governing Documents, the Community Standards, and all applicable covenants, unless some or all of such maintenance responsibility is otherwise assumed by or assigned to the Association (or by a Neighborhood Association pursuant to Supplemental Declaration). In addition to any other enforcement rights, if an Owner fails to perform properly his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred in accordance with Section 8.5. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.2 Maintenance of Neighborhood Property.

Each Neighborhood Association shall maintain its Neighborhood Common Elements, and any other property for which it has maintenance responsibility, in a manner consistent with the Governing Documents, the Community Standards, and all applicable covenants. Upon resolution of the Board, the Owners within each Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Area of Common Responsibility within or adjacent to such Neighborhood. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, and greenspace between the Neighborhood and adjacent public roads or Area of Common Responsibility, Private Streets within the Neighborhood, and lakes or ponds or other features which are a part of the Neighborhood. The Association may assume maintenance responsibility for property within any Neighborhood, in addition to that designated by any Supplemental Declaration, either by agreement with the Neighborhood or because, in the reasonable judgment of the Board, the level and quality of service than being provided is not consistent with the Community Standards. All costs of maintenance of such property within the Neighborhood shall be assessed as a Neighborhood Assessment only against the Units within the Neighborhood to which the services are provided.

5.3 Responsibility for Repair and Replacement.

Unless otherwise specifically provided for in the Governing Documents or in other instruments creating and assigning maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary to maintain the property to a level consistent with the Community Standards. By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Unit, less a reasonable deductible, unless either the applicable Neighborhood Association (if any) or the Association carries such insurance (which they may, but are not obligated to do). If the Association assumes responsibility for obtaining any insurance coverage on behalf of Owners, the premiums for such insurance shall be levied as a Specific Assessment against the benefited Unit and the Owner.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article 4. In the event that such repair and reconstruction cannot be promptly undertaken, the Owner shall clear the Unit and maintain it in a neat and attractive, landscaped condition consistent with the Community Standards and shall present a timetable for repair and reconstruction to the Board within 90 days of the damaging or destructive event. The Owner shall pay any costs which are not covered by insurance proceeds.

The requirements of this Section shall apply to any Neighborhood Association responsible for Neighborhood Common Elements in the same manner as if the Neighborhood Association were an Owner and the Neighborhood Common Elements were a Unit. Additional Recorded covenants applicable to any Neighborhood may establish more stringent requirements for insurance and more stringent standards for rebuilding or reconstructing structures on the Units within such Neighborhood and for clearing and maintaining the Units in the event the structures are not rebuilt or reconstructed.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

This Declaration establishes the Association as a mechanism by which each Owner is able to participate in the governance and administration of Southern Highlands. While many powers and responsibilities are vested in the Association's Board of Directors in order to facilitate day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's Membership — the Owners of property in Southern Highlands.

ARTICLE 6 THE ASSOCIATION AND ITS MEMBERS

6.1 Function of the Association.

The Association shall be the entity responsible for management, maintenance, operation, and control of the Area of Common Responsibility. The Association also shall be the primary entity responsible for enforcement of the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and applicable laws.

6.2 Membership.

Every Owner shall be a Member of the Association. There shall be only one (1) membership per Unit. In the event that more than one Person holds fee title to a Unit ("co-owners"), all such co-owners shall constitute one Member, and may attend any meeting of the Association, but only one (1) such co-owner ("Designated Co-Owner"), designated from time to time by all of the co-owners in a written instrument provided to the Secretary of the Association, shall be entitled to exercise the vote to which the Unit is entitled. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association. All co-owners shall be jointly and severally responsible for all of

the obligations imposed upon the jointly owned Unit and shall be entitled to all other benefits of ownership, subject to the Governing Documents and to reasonable Board regulation.

6.3 Voting.

The Association shall have one class of membership, comprised of all Owners. Each Owner shall have one equal vote for each Unit in which it holds the interest required for membership under Section 6.2, except that there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.10. Accordingly, the total number of votes for the Association shall equal the total number of Units created under and subject to this Declaration.

Special Declarant Rights, including the right to approve, or withhold approval of, actions proposed under the Governing Documents during the Declarant Control Period, are specified in the relevant sections of the Governing Documents. Declarant may appoint a majority of the Board of Directors during the Declarant Control Period.

Where a Unit is owned jointly by co-owners, only one (1) such co-owner ("Designated Co-Owner"), designated from time to time by all of the co-owners in a written instrument provided to the Secretary of the Association, shall be entitled to exercise the one (1) vote to which the Unit is entitled. Where no Designated Co-Owner has been designated, or if such designation has been revoked, the vote for such Unit shall be exercised as the majority of the co-owners of the Unit mutually agree. Fractional votes shall not be allowed. No vote shall be cast for any Unit where the co-owners present in person or by proxy owning the majority interests in such Unit cannot agree to said vote or other action. Absent such advice and in the event that more than one such co-owner casts a vote, the Unit's vote shall be suspended and shall not be included in the final vote tally on the matter being voted upon.

Notwithstanding the foregoing, the voting rights of an Owner shall be automatically suspended during any time period that any Assessment levied against such Owner is delinquent.

6.4 Neighborhoods.

Exhibit "A" to this Declaration, and each Supplemental Declaration submitting additional property to this Declaration shall initially assign the property submitted thereby to a specific Neighborhood (by name or other identifying designation), which Neighborhood may be then existing or newly created. During the Declarant Rights Period, Declarant unilaterally may amend this Declaration or any Supplemental Declaration to redesignate Neighborhood boundaries; provided that two or more existing Neighborhoods shall not be combined without the consent of Owners of a majority of the Units in the affected Neighborhoods.

The following is a summary of the formation and function of Neighborhoods:

NEIGHBORHOOD

- Created by Declarant when Neighborhood property is annexed or later
- Or, subsequently created by Declarant when additional land is annexed or later
- Units in a Neighborhood share any Neighborhood Common Elements
- Neighborhood may request that the Association provide special services or a higher level of services

Any Neighborhood, acting either through a Neighborhood Committee elected as provided in the Bylaws or through a Neighborhood Association, if any, may request that the Association provide a higher level of service than that which the Association generally provides to the Properties, or may request that the Association provide special services for the benefit of Units in such Neighborhood. Upon the affirmative vote, written consent, or a combination thereof, of the Requisite Neighborhood Percentage, the Association shall provide the requested services. The cost of such services, which may include an administrative charge in such amount as the Board reasonably deems appropriate (provided that any such administrative charge shall apply at a uniform rate per Unit to all Neighborhoods receiving the same service), shall be assessed against the benefited Units within such Neighborhood as a Neighborhood Assessment.

ARTICLE 7 ASSOCIATION POWERS AND RESPONSIBILITIES

7.1 Acceptance and Control of Association Property.

(a) To further its functions as set forth above, the Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal and real property. The Association may enter into leases, licenses, or operating agreements for portions of the Area of Common Responsibility, to permit use of such portions of the Area of Common Responsibility by community organizations and by others, whether nonprofit or for profit, or for the provision of goods or services for the general benefit or convenience of Owners and Residents of Southern Highlands.

(b) Declarant and its designees may convey to the Association personal property and fee title, leasehold, or other property interests in any real property, improved or unimproved, described in Exhibits "A" or "B." The Association shall accept and maintain such property at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association. Upon written request of Declarant, the Association shall reconvey to Declarant any unimproved portions of the Properties

originally conveyed by Declarant to the Association for no consideration, to the extent conveyed by Declarant in error or needed by Declarant to make adjustments in property lines.

(c) The Association shall be responsible for management, operation, and control of the Area of Common Responsibility, subject to any covenants and restrictions set forth in the deed or other instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of the Area of Common Responsibility as it deems appropriate.

7.2. Maintenance of Area of Common Responsibility.

(a) Generally. The Association shall maintain, in accordance with the Community Standards, the Area of Common Responsibility, which shall include, but need not be limited to:

(1) all portions of and structures situated upon the Common Elements;

(2) such portions of any additional property included within the Area of Common Responsibility (which may include landscaping within public rights-of-way within or abutting the Properties) as may be dictated by the Development Agreement, this Declaration, any Supplemental Declaration, or any contract or agreement for maintenance thereof entered into by the Association;

(3) all ponds, streams, and/or wetlands located within the Properties which serve as part of the stormwater drainage system for the Properties, including improvements and equipment installed therein or used in connection therewith;

(4) any property and facilities Declarant owns and makes available, on a temporary or permanent basis, for the primary use and enjoyment of the Association and its Members. Such property and facilities must be identified by written notice from Declarant to the Association and shall remain a part of the Area of Common Responsibility and shall be maintained by the Association until such time as Declarant revokes such privilege of use and enjoyment by written notice to the Association; and

(5) the exterior of all perimeter walls or fences Declarant constructs surrounding the Properties or which separate a Unit from Area of Common Responsibility (regardless of whether such wall or fence is located on the Area of Common Responsibility or on a Unit). Except for wrought iron and like fences or walls and other fences for which the Association assumes complete maintenance responsibility, an Owner shall be responsible for maintaining the interior surface of perimeter walls or fences located on such Owner's Unit. A perimeter wall or fence shall not be a party wall or party fence as set forth in Article 15.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community Standards.

The Association shall also have the right and power, but not the obligation, to take such actions and adopt such rules as may be necessary for control, relocation, and management of wildlife, snakes, rodents, and pests within the Area of Common Responsibility.

The Association may assume maintenance responsibility for property within any Neighborhood, in addition to any property which the Association is obligated to maintain by this Declaration or any Supplemental Declaration, either by agreement with the Neighborhood Association or because, in the opinion of the Board, the level and quality of service then being provided is not consistent with the Community Standards. All costs of such maintenance shall be assessed as a Neighborhood Assessment against the Units within the Neighborhood to which the services are provided. The provision of services in accordance with this Section shall not constitute discrimination within a class.

The Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

(b) Continuous Operation. The Association shall maintain the facilities and equipment within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless the Requisite Membership Percentage or Declarant (during the Declarant Rights Period) agree in writing to discontinue such operation. The Area of Common Responsibility shall not be reduced during the Declarant Rights Period by amendment of this Declaration or any other means except with the prior written approval of Declarant.

(c) Maintenance as Common Expense. The costs associated with maintenance, repair, and replacement of the Area of Common Responsibility and such other costs as provided in Section 7.2(a), or any other cost or expense of the Association incurred by the Association in furtherance of its functions or reasonably related thereto, shall be a Common Expense; provided that the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other Recorded covenants, or agreements with the owner(s) thereof. Maintenance, repair, and replacement of Neighborhood Common Elements shall be a Neighborhood Expense assessed to the Neighborhood(s) to which such Neighborhood Common Elements are assigned, notwithstanding that the Association may be responsible for performing such maintenance hereunder.

7.3 Insurance.

(a) Required Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

(1) Blanket property insurance covering "risks of direct physical loss" on a "special form" basis (or comparable coverage by whatever name denominated) for all insurable improvements within the Area of Common Responsibility to the extent that the Association has responsibility in the event of a casualty, regardless of ownership. If such coverage is not generally available at reasonable cost, then "broad form" coverage may be substituted. All

property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements under current building ordinances and codes;

(2) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, such coverage (including primary and any umbrella coverage) shall have a limit of at least \$2,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage, with umbrella coverage of at least \$15,000,000; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverages or limits;

(3) Workers' compensation insurance and employers' liability insurance, if and to the extent required by law;

(4) Directors' and officers' liability coverage (including coverage for committee members);

(5) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment but not less than an amount equal to one-quarter of the annual Base Assessments on all Units plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

(6) Such additional insurance as the Board, in its business judgment, determines advisable.

In addition, the Association shall, if so specified in a Supplemental Declaration applicable to any Neighborhood, obtain and maintain property insurance on the insurable improvements within such Neighborhood, which insurance shall comply with the requirements of Section 7.3(a)(i). Any such policies shall provide for a certificate of insurance to be furnished upon request to the Owner of each Unit insured.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses, except that (i) premiums for property insurance on Units within a Neighborhood shall be a Neighborhood Expense; and (ii) premiums for insurance on Neighborhood Common Elements may be included in the Neighborhood Expenses of the Neighborhood(s) to which such Neighborhood Common Elements are assigned unless the Board reasonably determines that other treatment of the premiums is more appropriate. In addition, the Association shall arrange for an annual review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the metropolitan Las Vegas area.

(b) Policy Requirements. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the

requirements of Section 7.3(a). In the event of an insured loss, the deductible shall be treated as a Common Expense or a Neighborhood Expense in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after Notice and Hearing, that the loss is the result of the negligence or willful misconduct of one or more Owners and/or Residents, or their respective Families or Invitees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

(1) be written with a company authorized to do business in the State of Nevada which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(2) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Elements shall be for the benefit of the Association and its Members. Policies secured on behalf of a Neighborhood shall be for the benefit of the Owners within the Neighborhood and their Mortgagees, as their interests may appear;

(3) not be brought into contribution with insurance purchased by Owners, Residents, or their Mortgagees individually;

(4) contain an inflation guard endorsement;

(5) include an agreed amount endorsement, if the policy contains a co-insurance clause;

(6) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest in the Common Elements or membership in the Association;

(7) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer conditioning recovery on account of an act or omission of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and

(8) include an endorsement precluding the insurer from denying a claim by a Member or Owner or conditioning recovery under the policy based on or due to the negligent acts or omissions of the Association, any other Member, or any other Owner.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners (as a class) as additional insureds and provide:

(9) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and manager, and the Owners and Residents and their respective Families and Invitees;

(10) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(11) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;

(12) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(13) a cross-liability provision; and

(14) a provision vesting in the Board's exclusive authority to adjust losses; provided, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) Restoring Damaged Improvements. In the event of damage to or destruction of Common Elements or other property which the Association is obligated to insure, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Damaged improvements on the Common Elements shall be repaired or reconstructed unless the Requisite Membership Percentage or Declarant (during the Declarant Rights Period) decides within 60 days after the loss not to repair or reconstruct. If the damage is to Neighborhood Common Elements, the Neighborhood Common Elements shall be repaired or reconstructed unless the Requisite Neighborhood Percentage or Declarant (during the Declarant Rights Period) decides within 60 days after the loss not to repair or reconstruct.

If either the insurance proceeds or estimates of the loss, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to the Common Elements shall be repaired or reconstructed.

If a decision is made not to restore the damaged improvements, and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community Standards.

If Owners to which Neighborhood Common Elements is assigned vote not to repair or reconstruct improvements on such Neighborhood Common Elements, any insurance proceeds attributable to such Neighborhood Common Elements, minus the costs of clearing and landscaping, shall be distributed to such Owners. If Members vote not to repair or reconstruct improvements on Common Elements, the foregoing provision shall also apply to all Owners within Southern Highlands with respect to insurance proceeds attributable to such Common Elements. This provision may be enforced by the Mortgagee of any affected Unit.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against

those Owners responsible for the premiums for the applicable insurance coverage under Section 7.3(a).

7.4 Compliance and Enforcement.

(a) Every Owner and Resident shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after Notice and Hearing. The Board shall establish a range of penalties for such violations, with violations of the Declaration, unsafe conduct, harassment, or intentionally malicious conduct treated more severely than other violations. Such sanctions may include, without limitation:

(1) imposing a graduated range of reasonable monetary fines which shall constitute a lien upon the violators Unit; provided such fines shall not exceed such maximum amount as may be established from time to time by NRS Chapter 116 or other applicable law. Before the Association may impose such a fine, it must first deliver, personally or by mail, a schedule of such fines to all Owners at their address as it appears on the records of the Association. In the event that any Invitee of an Owner, any Resident, or any Family or Invitee of an Resident, violates the Governing Documents and a fine is imposed, the fine shall first be assessed against the violator; provided that if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board. For each failure to comply, the amount of said fine shall not exceed the maximum permitted by NRS Chapter 116 (subject to the exceptions set forth in NRS Chapter 116 if the violation is of a type that threatens the health and welfare of the Community);

(2) suspending an Owners' right to vote;

(3) suspending any Person's right to use any recreational or park facilities within the Common Elements; provided that nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;

(4) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(5) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of Article 4 and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(6) (without liability to any Person) precluding any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of Article 4 and the Architectural Guidelines from continuing or performing any further activities in the Properties;

(7) levying Specific Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents; and

(8) in addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of Notice and Hearing:

(A) exercising other reasonable measures in any emergency situation (which shall specifically include, but not limited to, the towing of vehicles that are parked in violation of the Rules and Regulations);

(B) subject to Article 19, bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

(9) In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as a Specific Assessment. If a Neighborhood Association fails to perform its maintenance responsibilities, the Association may perform such maintenance and assess the costs as a Specific Assessment against all Units within such Neighborhood. Except in an emergency situation, the Association shall provide the Owner or Neighborhood Association reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

(1) the Association's position is not strong enough to justify taking any or further action;

(2) the covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with applicable law;

(3) although a technical violation may exist or may have occurred, it is not of such a nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or

(4) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction, or rule.

The Association, by contract or other agreement, may enforce applicable State and local laws and ordinances, and shall permit local governmental bodies to enforce their respective laws and ordinances within the Properties for the benefit of the Association and its members.

7.5 Implied Rights: Board Authority.

Subject to the Governing Documents, and NRS Chapter 116 and other applicable law, the Association may exercise any right or privilege given to it expressly by the Governing Documents or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents or by applicable law, all rights and powers of the Association may reasonably be exercised by the Board without a vote of the membership. Subject to Article 19, the Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its Members.

7.6 Indemnification of Officers, Directors, and Committee Members.

(a) Indemnification. The Association shall indemnify every officer, director, and committee member against all damages and expenses, including attorneys fees and costs, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member; provided that such obligation to indemnify shall be limited to those actions for which liability is limited under this Declaration, the Articles of Incorporation, the Bylaws, and applicable Nevada law.

(b) Claims Related to Breach of Duty. The Association's officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual wilful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors are also Members of the Association).

(c) Exclusion from Liability for Other Tortious Acts.

(1) Volunteer Directors, Officers, and committee members of the Association shall not be personally liable in excess of the coverage of insurance specified in subparagraph (D) below, to any Person who suffers injury, including but not limited to, bodily injury, emotional distress, wrongful death, or property damage or loss as a result of his or her tortious act or omission as long as the following requirements are met by the volunteer director, officer, or committee member and the Association:

(1) the director's, officer's, or committee member's act or omission was performed within the scope of their duties;

(2) the director's, officer's, or committee member's act or omission was performed in good faith;

(3) the director's, officer's, or committee member's act or omission was not willful, wanton, or grossly negligent; and

(4) the Association maintained and had in effect (at the time the act or omission of the director, officer, or committee member and at the time a claim was made) one or more insurance policies which included coverage for general liability of the Association and individual liability of directors, officers, and committee members for negligent acts or omissions in that capacity, both in the amount of at least \$2,000,000.00.

(2) The payment for actual expenses incurred in the execution of his or her duties shall not affect the status of an officer or director as a volunteer under this subsection (c).

Decisions whether to institute litigation are no different from other decisions directors make. There is no independent legal obligation to bring a civil action against another party. In deciding whether to bring a civil action against another party, a director is protected by the business judgment rule as set forth the Bylaws.

The Association shall indemnify and hold each such officer, director, and committee member harmless from any and all liability to others on account of any such contract, commitment, or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

7.7 Security.

THE ASSOCIATION MAY, BUT SHALL NOT BE OBLIGATED TO, MAINTAIN OR SUPPORT CERTAIN ACTIVITIES WITHIN THE PROPERTIES DESIGNED TO MAKE THE PROPERTIES SAFER THAN THEY OTHERWISE MIGHT BE. NEITHER THE ASSOCIATION, THE BOARD, THE MANAGER, ANY NEIGHBORHOOD ASSOCIATION, NOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTIES, NOR SHALL ANY OF THE ABOVE-MENTIONED PARTIES BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. NO REPRESENTATION OR WARRANTY IS MADE THAT ANY SYSTEMS OR MEASURES, INCLUDING ANY MECHANISM OR SYSTEM FOR LIMITING ACCESS TO THE PROPERTIES (OR ONSITE ROVING PATROL OR RESOURCES, IF APPLICABLE) CANNOT BE COMPROMISED OR CIRCUMVENTED, NOR THAT ANY SUCH SYSTEMS OR SECURITY MEASURES UNDERTAKEN WILL IN ALL CASES PREVENT LOSS OR PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED.

EACH OWNER ACKNOWLEDGES, UNDERSTANDS, AND COVENANTS TO INFORM ALL RESIDENTS OF ITS UNIT, AND THEIR RESPECTIVE FAMILIES AND INVITEES, THAT NEITHER THE ASSOCIATION, THE BOARD, COMMITTEES, NEIGHBORHOOD ASSOCIATIONS, NOR ALL OTHER PERSONS INVOLVED WITH THE GOVERNANCE, MAINTENANCE, AND MANAGEMENT OF THE PROPERTIES, INCLUDING DECLARANT, ARE INSURERS OF SAFETY OR SECURITY WITHIN THE PROPERTIES. ALL OWNERS AND RESIDENTS, AND THEIR RESPECTIVE FAMILIES AND INVITEES, ASSUME ALL RISKS OF PERSONAL INJURY AND LOSS OR DAMAGE TO PERSONS, UNITS, AND THE CONTENTS OF UNITS, AND FURTHER ACKNOWLEDGE THAT NEITHER THE ASSOCIATION, ITS BOARD AND COMMITTEES, THE MANAGEMENT COMPANY OF THE ASSOCIATION, ANY

NEIGHBORHOOD ASSOCIATION, NOR DECLARANT HAVE MADE REPRESENTATIONS OR WARRANTIES REGARDING ANY ENTRY GATE, PATROLLING OF THE PROPERTIES, ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM, OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTIES. ALL OWNERS AND RESIDENTS, AND THEIR RESPECTIVE FAMILIES AND INVITEES, FURTHER ACKNOWLEDGE THAT THEY HAVE NOT RELIED UPON ANY SUCH REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED.

7.8 Provision of Services.

The Association shall enter into contracts or agreements required by Declarant pursuant to the Development Agreement. Additionally, the Association shall be authorized, but not obligated, to enter into and terminate, in the Board's discretion, subject to applicable law, contracts or agreements with other entities, including Declarant, to provide services to and facilities for the Owners and Residents, and their Families and Invitees, and to charge use and consumption fees for such services and facilities. For example only, services and facilities offered might include landscape maintenance, pest control service, cable television service, security, caretaker, transportation, and similar services and facilities.

7.9 Change of Services and Use of Area of Common Responsibility.

The Board shall have the power and right to terminate services the Association provides or to change the use of portions of the Area of Common Responsibility during the Declarant Control Period without having to obtain the approval or consent of the Members. After the Declarant Control Period, the Board may do so only with the vote of a majority of the voting power of the Board (provided that the Board reasonably determines that such change shall not materially or substantially adversely affect the Association and the Owners), and the written consent of Declarant (during the Declarant Rights Period or until such time as Declarant expressly relinquishes such rights under this Section 7.9). Any such change shall be made by Board resolution stating that: (a) the present use or service is no longer in the best interest of the Association and the Owners; (b) the new use is for the benefit of the Association and the Owners; (c) the new use is consistent with any deed restrictions and zoning regulations restricting or limiting the use of the Area of Common Responsibility; and (d) the new use is consistent with the then effective Master Plan.

7.10 View Impairment.

NEITHER DECLARANT NOR THE ASSOCIATION GUARANTEES OR REPRESENTS THAT ANY VIEW OVER AND ACROSS THE OPEN SPACE FROM ADJACENT UNITS OR OTHER PROPERTY WILL BE PRESERVED WITHOUT IMPAIRMENT. WITHOUT LIMITING THE FOREGOING, NEITHER DECLARANT NOR THE ASSOCIATION SHALL HAVE THE OBLIGATION TO RELOCATE, PRUNE, OR THIN TREES OR OTHER LANDSCAPING EXCEPT AS SET FORTH IN ARTICLE 5. THE OWNERS OF PRIVATE AMENITIES SHALL HAVE THE RIGHT, IN THEIR SOLE AND ABSOLUTE DISCRETION, TO ADD TREES AND OTHER LANDSCAPING TO THEIR PRIVATE AMENITIES FROM TIME TO TIME, SUBJECT TO APPLICABLE LAW. ANY EXPRESS OR IMPLIED EASEMENTS FOR VIEW PURPOSES OR FOR THE PASSAGE OF LIGHT AND AIR ARE HEREBY EXPRESSLY DISCLAIMED.

7.11 Relationship with Neighborhoods.

The Association shall have the power to veto any action taken or contemplated to be taken by any Neighborhood Association which the Board reasonably determines to be adverse to the interests of the Association or its Members or inconsistent with the Community Standards. The Association also shall have the power to require specific action to be taken by any Neighborhood Association in connection with its obligations and responsibilities, such as requiring specific maintenance or repairs or aesthetic changes to be effectuated and requiring that a proposed budget include certain items and that expenditures be made therefor. A Neighborhood Association shall take appropriate action required by the Association in a written notice within the reasonable time frame set by the Association in the notice. If the Neighborhood Association fails to comply, the Association shall have the right to effect such action on behalf of the Neighborhood Association and levy Specific Assessments to cover the costs of such action, an administrative charge, and sanctions.

7.12 Relationship with Governmental and Tax-Exempt Organizations.

The Association may create, enter into agreements or contracts with, or grant exclusive and/or non-exclusive easements over the Common Elements to state or local governments, public school systems, and non-profit, tax-exempt organizations for the benefit of the Properties, the Association, its Members, and residents. For purposes of this Section, a "tax-exempt organization" shall mean an entity which is exempt from federal income taxes under the Internal Revenue Code ("Code"), such as, but not limited to entities which are exempt from federal income taxes under Sections 501(c)(3) or 501(c)(4), as the Code may be amended from time to time.

7.13 Cooperation with Special Improvement District.

The Association shall have the power, and is hereby authorized, to contract with and to cooperate with the Special Improvement District in order to ensure that their respective responsibilities are discharged. The Association is further authorized to act on behalf of its Members to ensure that the level of services provided by the Special Improvement District is consistent with the Community Standards. Each Owner, by acceptance of a deed or Recorded contract or sale, is deemed to covenant and consent to the creation of the Special Improvement District and to promptly execute a separate document evidencing such consent, if requested to do so by Declarant.

7.14 Manager.

The Association shall have the power to employ or contract with a Manager, to perform all or any part of the duties and responsibilities of the Association, subject to the Governing Documents, for the purpose of operating and maintaining the Properties, and helping the Board to enforce the Governing Documents, subject to the following:

(a) Any agreement with a Manager shall be in writing and shall be for a term not in excess of one (1) year, subject to cancellation by the Association for cause at any time upon not less than thirty (30) days written notice, and without cause (and without penalty or the payment of a termination fee) at any time upon not more than ninety (90) days written notice. In the event of any explicit conflict between the Governing Documents and any agreement with a Manager, the Governing Documents shall prevail.

(b) The Manager shall possess sufficient experience, in the reasonable judgment of the Board, in managing residential subdivision projects, similar to the Properties, in the County, and shall be duly licensed as required from time to time by the appropriate licensing and governmental authorities (and must have the qualifications, including education and experience, when and as required for the issuance of the relevant certificate by the Nevada Real Estate Division pursuant to the provisions of NRS Chapter 645). Any and all employees of the Manager with responsibilities to or in connection with the Association and/or the Community shall have such experience with regard to similar projects. (If no Manager meeting the above-stated qualifications is available, the Board shall retain the most highly qualified management entity available, which is duly licensed by the appropriate licensing authorities).

(c) No Manager, or any director, officer, shareholder, principal, partner, or employee thereof may be a Director or Officer of the Association.

(d) As a condition precedent to the employ of, or agreement with, a Manager, the Manager (or any replacement Manager) first shall be required, at its expense, to review the Governing Documents, and any and all Association Reserve Studies and inspection reports pertaining to the Properties.

(e) By execution of its agreement with the Association, a Manager shall be conclusively deemed to have covenanted: (1) in good faith to be bound by, and to faithfully perform all duties (including, but not limited to, full and faithful accounting for all Association funds within the possession or control of Manager) required of the Manager under the Governing Documents (and, in the event of irreconcilable conflict between the Governing Documents and the contract with the Manager, the Governing Documents shall prevail); (2) that any penalties, fines or interest levied upon the Association as the result of Manager's error or omission shall be paid (or reimbursed to the Association) by the Manager; and (3) at Manager's sole expense, to promptly turn over, to the Board, possession and control of all funds, documents, books, records and reports pertaining to the Properties and/or Association, and to coordinate and cooperate in good faith with the Board in connection with such turnover, in any event not later than ten (10) days of expiration or termination of the Association's agreement with Manager (provided that, without limiting its other remedies, the Association shall be entitled to withhold all amounts otherwise due to the Manager until such time as the Manager turnover in good faith has been completed).

(f) Upon expiration or termination of an agreement with a Manager, a replacement Manager meeting the above-stated qualifications shall be retained by the Board as soon as possible thereafter and a limited review performed of the books and records of the Association, to verify assets.

(g) The Association shall also maintain and pay for the services of such other personnel, including independent contractors, as the Board shall determine to be necessary or desirable for the proper management, operation, maintenance, and repair of the Association and the Properties, pursuant to the Governing Documents, whether such personnel are furnished or employed directly by the Association or by any person with whom or which it contracts. Such other personnel shall not all be replaced concurrently, but shall be replaced according to a "staggered" schedule, to maximize continuity of services to the Association.

(h) Notwithstanding any of the foregoing, the Manager shall not undertake any action requiring approval or vote of the Board or Membership (or the consent of Declarant) unless

such approval or vote (or consent) shall have been first obtained, and, under no circumstances, shall the Manager undertake any action which circumvents the provisions of the Governing Documents.

7.15 Continuing Rights of Declarant.

Declarant shall preserve the right, without obligation, to enforce the Governing Documents (including, without limitation, the Association's duties of maintenance and repair, and Reserve Study and Reserve Fund obligations). After the end of the Declarant Control Period, throughout the following term of this Declaration, the Board shall deliver to Declarant notices and minutes of all Board meetings and Membership meetings, and Declarant shall have the right, without obligation, to attend such meetings, on a non-voting basis. Declarant shall also receive notice of, and have the right, without obligation, to attend, all inspections of the Properties or any portion(s) thereof. The Board shall also, throughout the term of this Declaration, deliver to Declarant (without any express or implied obligation or duty on Declarant's part to review or to do anything) all notices and correspondence to Owners, all inspection reports, all Reserve Studies, and all audited annual reports. Such notices and information shall be delivered to Declarant at its most recently designated address.

ARTICLE 8 ASSOCIATION FINANCES

8.1 Association Budgets for Base Assessments.

Until the Association first levies assessments, the Declarant shall be responsible for all Common Expenses. Thereafter, assessments for Common Expenses shall be levied annually in accordance with this Article 8.

At least 60 days before the beginning of each fiscal year, the Board shall have caused to be prepared a proposed Association budget of the estimated Common Expenses for the coming year, including any contributions to be made to an Association Reserve Fund, pursuant to Section 8.3. The Association budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units, as authorized in Section 8.6.

The Association is hereby authorized to levy Base Assessments equally against all Units subject to assessment under Section 8.6 to fund the Common Expenses, subject to the limitations set forth in Section 8.12. Accordingly, the formula for calculating the Base Assessment against each Unit shall be the total budget amount for the coming year divided by the total number of Units created under and subject to this Declaration. In determining the Base Assessment rate per Unit, the Board may consider any assessment income expected to be generated from any additional Units reasonably anticipated to become subject to assessment during the fiscal year.

In the event that Common Expenses for a fiscal year exceed the aggregate Base Assessments and other assessments, then Declarant may, but shall not be obligated to pay a subsidy (in addition to any Base Assessments paid by Declarant under Section 8.7), which may be either a contribution, an advance against future assessments due from Declarant, or a loan, in

Declarant's discretion. Any such subsidy shall be disclosed as a line item in the income portion of the budget. The payment of such subsidy in any year shall not obligate Declarant to continue payment of such subsidy in future years, unless otherwise provided in a written agreement between the Association and Declarant.

The Board shall send a copy of the proposed annual Association budget, together with notice of the amount of the Base Assessment to be levied pursuant to such budget, to each Member at least 30 days prior to the effective date of such budget. The Board shall then set a date for a meeting of the Members to consider ratification of the proposed budget not less than 14 nor more than 30 days after mailing of the proposed budget. The budget shall be deemed ratified and shall automatically become effective unless disapproved at that meeting by at least the Requisite Membership Percentage, whether or not a quorum is present.

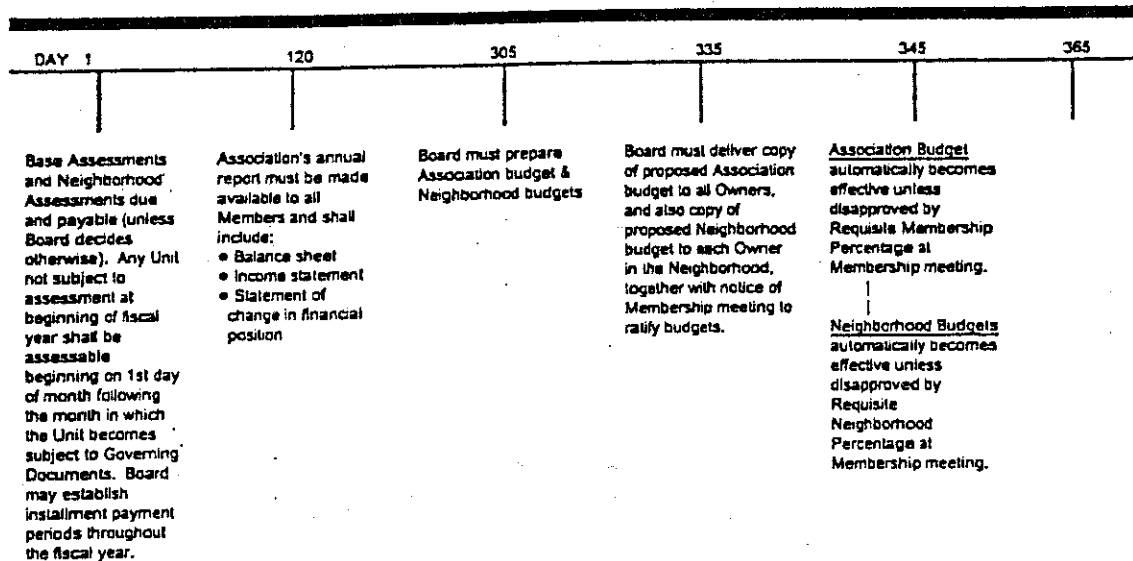
If any proposed budget is disapproved in such manner, or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is deemed ratified in the foregoing manner.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

Any amounts accumulated from assessments for general Common Expenses in excess of the amount actually required for such Common Expenses and reserves for future Common Expenses shall be credited to each Unit assessed in proportion to the share of the assessments so assessed. Such credits may be applied, in the discretion of the Board, to the next annual Base Assessment against that Unit and thereafter until exhausted.

The following diagram illustrates the timing for submitting budgets and collecting assessments.

SOUTHERN HIGHLANDS COMMUNITY ASSOCIATION SAMPLE FISCAL YEAR



8.2 Neighborhood Budgets.

At least 60 days before the beginning of each fiscal year, the Board shall have caused to be prepared separate Neighborhood budgets, covering the estimated Neighborhood Expenses for each Neighborhood on whose behalf Neighborhood Expenses are expected to be incurred during the coming year. Each such Neighborhood budget shall include any costs for additional services or a higher level of services which the Owners in such Neighborhood have approved pursuant to Section 6.4(a) and any contribution to be made to a Reserve Fund pursuant to Section 8.3. Each proposed Neighborhood budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount required to be generated through the levy of Neighborhood and Special Assessments against the Units in such Neighborhood.

The Association is hereby authorized to levy Neighborhood Assessments equally against all Units in the Neighborhood which are subject to assessment under Section 8.6 to fund Neighborhood Expenses; provided, if so specified in the applicable Supplemental Declaration or if so directed by petition signed by a majority of the Owners within the Neighborhood, any portion of the assessment intended for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefitted Units in proportion to the benefit received.

The Board shall cause a copy of the proposed Neighborhood budget and notice of the amount of the Neighborhood Assessment for the coming year to be delivered to each Owner in the Neighborhood at least 30 days prior to the beginning of the fiscal year. Unless the Neighborhood budget is rejected by at least the Requisite Neighborhood Percentage, the Budget shall be deemed

ratified, whether or not a quorum was present. If the proposed budget is duly rejected as aforesaid, the Neighborhood budget for the immediately preceding fiscal year shall be reinstated, as if duly approved for the fiscal year in question, and shall remain in effect until such time as a subsequent proposed Neighborhood budget is deemed ratified.

The Board may revise the budget for any Neighborhood and the amount of any Neighborhood Assessment from time to time during the year, subject to the notice requirements and the right of the Owners of Units in the affected Neighborhood to disapprove the revised budget as set forth above.

Any amounts accumulated from assessments for Neighborhood Expenses in excess of the amount required for actual Neighborhood Expenses and reserves for future Neighborhood Expenses shall be credited to each Unit assessed in proportion to the share of such assessments so assessed. Such credits may be applied, in the discretion of the Board, to the next annual assessment for such Neighborhood Expenses against that Unit and thereafter until exhausted.

8.3 Budgeting for Reserves.

The Board shall cause to be prepared and reviewed at least annually a reserve budget for the Area of Common Responsibility and for each Neighborhood for which the Association maintains capital items as a Neighborhood Expense. The budgets shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Association budget adopted pursuant to Section 8.1 or the Neighborhood budgets adopted pursuant to Section 8.2, as appropriate, a capital contribution to fund reserves ("Reserve Funds") in an amount sufficient to meet the projected need with respect both to amount and timing by annual contributions over the budget period.

The Board may adopt resolutions regarding the expenditure of Reserve Funds, including policies designating the nature of assets for which Reserve Funds may be expended. Such policies may differ for general Association purposes and for each Neighborhood. During the Declarant Rights Period, neither the Association nor the Board shall adopt, modify, limit, or expand such policies without Declarant's prior written consent.

8.4 Special Assessments.

In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any such Special Assessment may be levied against the entire membership (if such Special Assessment is for Common Expenses), or against the Units within any Neighborhood (if such Special Assessment is for Neighborhood Expenses). Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of the Requisite Membership Percentage (if a Common Expense) or Requisite Neighborhood Percentage (if a Neighborhood Expense), or the written consent of Declarant (during the Declarant Rights Period). Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.5 Specific Assessments.

The Association shall have the power to levy Specific Assessments against a particular Unit as follows:

(a) to cover the costs, including overhead and administrative costs, of providing services to Units upon request of an Owner pursuant to any menu of special services which may be offered by the Association (which might include the items identified in Section 7.8). Specific Assessments for special services may be levied in advance of the provision of the requested service; and

(b) following Notice and Hearing, to cover costs incurred in bringing the Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of an Owner or Resident, or their respective Families or Invitees.

The Association may also levy a Specific Assessment against the Units within any Neighborhood to reimburse the Association for costs incurred in bringing the Neighborhood into compliance with the provisions of the Governing Documents, subject to Notice and Hearing with respect to such Owners in the Neighborhood before levying any such assessment.

8.6 Authority To Assess Owners: Time of Payment.

Declarant establishes and the Association is hereby authorized to levy assessments as provided for in this Article 8 and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Unit (or Parcel, as set forth in Section 8.12, below) on the relevant Assessment Commencement Date, and shall be subject to the limitations set forth in Section 8.12, below. The "Assessment Commencement Date" hereunder shall be: (a) with respect to each Unit or Parcel set forth in Exhibits "A", "A-1" and/or "A-2", the date on which this Declaration is Recorded; and (b) with respect to each Unit or Parcel set forth in Exhibit "B," the date of Recordation of the relevant instrument annexing such Unit or Parcel to this Declaration; provided that Declarant may (but shall have no obligation to) establish a later Assessment Commencement Date uniformly as to all Units by agreement of Declarant to pay all Common Expenses for the Properties up through and including such later Assessment Commencement Date. The first annual Base Assessment and Neighborhood Assessment, if any, levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment and any Neighborhood Assessment shall be due and payable in advance on the first day of each fiscal year (or, at the option of the Board, on a quarterly basis). If any Owner is delinquent in paying any assessments or other charges levied on his Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

8.7 Obligation for Assessments.

Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of the Properties, covenants and agrees to timely pay all assessments authorized in the Governing Documents. All assessments, together with interest (computed from its due date at a maximum rate of 18% per annum or such higher rate as the Board may establish, subject to the limitations of Nevada law), late charges as determined by Board resolution, costs, and reasonable attorneys' fees, shall be the personal obligation of each Owner and a lien upon each Unit until paid in full. Upon a transfer of title to a Unit, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments and Neighborhood Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself from liability for assessments by non-use of Common Elements, abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

The Association shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

8.8 Lien for Assessments.

In accordance with NRS § 116.3116, et seq., and subject to the limitations of any applicable provision of NRS Chapter 116 or other applicable Nevada law, the Association shall have an automatic statutory lien against each Unit to secure payment of delinquent assessments, as well as interest, late charges, and costs of collection (including attorneys' fees), as set forth in further detail in Article 9 below.

8.9 Limitation on Increases of Assessments.

Notwithstanding any other provision to the contrary (but subject to the sentence immediately following), and except for assessment increases necessary for emergency situations or to reimburse the Association pursuant to Section 8.5, the Board may not impose a Base Assessment, Neighborhood Assessment, or Specific Assessment that is more than thirty percent (30%) greater than each of those assessments for the immediately preceding fiscal year nor impose a Special Assessment which in the aggregate exceeds ten percent (10%) of the budgeted Common Expenses or Neighborhood Expenses, as the case may be, for the current fiscal year, without the Requisite Membership Percentage (if a Common Expense) or Requisite Neighborhood Percentage (if a Neighborhood Expense) or written consent of Declarant (during the Declarant Rights Period).

Notwithstanding the preceding sentence, in the event that, and for so long as, the FHA or VA is insuring or guaranteeing loans (or has agreed to insure or guarantee loans) with respect to the initial sale of a Unit by Declarant or a Builder to a Purchaser, then the maximum annual increase of Assessments shall be subject to any express prohibition by FHA or VA from time to time applicable to such maximum annual increase of such Assessments.

For purposes of this Section: (a) the term "Base Assessment" or "Neighborhood Assessment" shall be deemed to include the amount assessed against each Unit plus a pro rata allocation of any amounts the Association received through any subsidy or maintenance agreement, if any, in effect for the year immediately preceding the year for which the assessment is to be increased; and (b) an "emergency situation" is any one of the following:

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

(2) an extraordinary expense necessary to repair or maintain the Properties or any part of them for which the Association is responsible where a threat to personal safety on the Properties is discovered; or

(3) an extraordinary expense necessary to repair or maintain the Properties or any part of them for which the Association is responsible which the Board could not have reasonably foreseen in preparing and distributing the budget pursuant to Section 8.3. However, prior to the imposition or collection of such an assessment, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. Such resolution shall be distributed to the Members with the notice of such assessment.

8.10 Exempt Property.

The following property shall be exempt from payment of Assessments (including, but not necessarily limited to, Base Assessments, Neighborhood Assessments, Special Assessments, and Specific Assessments):

(a) all Common Elements (and all portions of the Area of Common Responsibility, pursuant to Section 5.1, which are not encumbered by this Declaration);

(b) any property dedicated to and accepted by any governmental authority or public utility;

(c) any Neighborhood Common Elements;

(d) Private Amenities (which shall, however, be subject to payment of periodic amounts as set forth in Article 17, below);

(e) Commercial Component and Multi-Family Component (which shall, however, be subject to payment of periodic amounts as set forth in Article 18, below); and

(f) in addition, both Declarant and the Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code, so long as such Persons own property subject to this Declaration for purposes listed in Section 501(c).

8.11 Capitalization of Association.

Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant or a Builder, a contribution shall be made by or on behalf of the Purchaser to the working capital of the Association in an amount equal to one-sixth of the annual Base Assessment per Unit for that year. This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of any assessment. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to the Governing Documents.

8.12 Limitations on Base Assessments. Notwithstanding any other provision in the Governing Documents, the Base Assessments shall be limited as follows: (a) prior to June 1, 2000, the Base Assessment per Unit shall not exceed Thirty-Five Dollars (\$35.00) per month; and (b) the Base Assessments to be paid by a Builder with regard to any unsubdivided parcel of land ("Parcel") encumbered by this Declaration, which Parcel has not yet been subjected to a final Recorded Plat Map, shall be computed based on one-half (1/2) of the maximum number of Units which would be permitted under the written purchase agreement pursuant to which the Builder acquired the Parcel from Declarant.

ARTICLE 9

NONPAYMENT OF ASSESSMENTS; REMEDIES OF ASSOCIATION

9.1 Nonpayment of Assessments.

Any Assessment or installment of an Assessment shall be delinquent if not paid within thirty (30) days of the due date as established by the Board. Such delinquent installment shall bear interest from the due date until paid, late charges, and related charges, fees, and costs, as set forth in Section 8.7. No such late charge or related charge or interest on any delinquent installment may exceed the maximum rate or amount allowable by applicable law. The Association may bring an action at law against the Owner personally obligated to pay any delinquent installment or late charge, or foreclose the lien against the Unit. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Elements or other portion of the Area of Common Responsibility or by abandonment of his Unit.

9.2 Notice of Delinquent Assessment.

If any installment of an assessment is not paid within thirty (30) days after its due date, the Board may mail notice of delinquent assessment to the Owner and to each first Mortgagee of the Unit. The notice shall specify: (a) the amount of assessments and other sums due; (b) a description of the Unit against which the lien is imposed; (c) the name of the record Owner of the Unit; (d) the fact that the installment is delinquent; (e) the action required to cure the default; (f) the date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default must be cured; and (g) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of such assessment for the then-current Fiscal Year and sale of the Unit. The notice shall further inform the Owner of his right to cure after acceleration. If the delinquent installment of assessments and any charges thereon are

not paid in full on or before the date specified in the notice, the Board, at its option, may declare all of the unpaid balance of such assessments levied against such Owner and his Unit to be immediately due and payable without further demand, and may enforce the collection of the full assessments and all charges thereon in any manner authorized by law or this Declaration.

9.3 Notice of Default and Election to Sell.

No action shall be brought to enforce any assessment lien herein, unless at least sixty (60) days have expired following the later of: (a) the date a notice of default and election to sell is Recorded; or (b) the date the Recorded notice of default and election to sell is mailed in the United States mail, certified or registered, return receipt requested, to the Owner of the Unit. Such notice of default and election to sell must recite a good and sufficient legal description of such Unit, the Record Owner or reputed Owner thereof, the amount claimed (which may, at the Association's option, include interest on the unpaid assessment as described in Section 8.7 above, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by such lien), the name and address of the Association, and the name and address of the Person authorized by the Association to enforce the lien by sale. The notice of default and election to sell shall be signed and acknowledged by an Association Officer, Manager, or other Person designated by the Association for such purpose, and such lien shall be prior to any declaration of homestead Recorded after the date on which this Declaration is Recorded. The lien shall continue until fully paid or otherwise satisfied.

9.4 Foreclosure Sale.

Subject to the limitation set forth in Section 9.5 below, any such sale provided for above may be conducted by the Board, its attorneys, or other Person authorized by the Board in accordance with the provisions of NRS § 116.31164 and Covenants Nos. 6, 7 and 8 of NRS § 107.030 and §107.090, as amended, insofar as they are consistent with the provisions of NRS § 116.31164, as amended, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in Mortgages and Deeds of Trust, or in any other manner permitted by law. The Association, through its duly authorized agents, shall have the power to bid on the Unit at the foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. Notices of default and election to sell shall be provided as required by NRS § 116.31163. Notice of time and place of sale shall be provided as required by NRS § 116.311635.

9.5 Limitations on Foreclosure.

Any other provision in the Governing Documents notwithstanding, the Association may not foreclose a lien by sale for the assessment of a fine or for a violation of the Governing Documents, unless the violation is of a type that threatens the health and welfare of the Owners and Residents of the Community. The foregoing limitation shall not apply to foreclosure of a lien for a Base Assessment, Neighborhood Assessment, or Special Assessment, or any portion respectively thereof.

9.6 Cure of Default.

Upon the timely cure of any default for which a notice of default and election to sell was filed by the Association, the Officers thereof shall Record an appropriate release of lien, upon payment by the defaulting Owner of a reasonable fee to be determined by the Board, to cover the cost of

preparing and Recording such release. A certificate, executed and acknowledged by any two (2) Directors or the Manager, stating the indebtedness secured by the lien upon any Unit created hereunder, shall be conclusive upon the Association and, if acknowledged by the Owner, shall be binding on such Owner as to the amount of such indebtedness as of the date of the certificate, in favor of all Persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request, at a reasonable fee, to be determined by the Board.

9.7 Cumulative Remedies.

The assessment liens and the rights of foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and by law or in equity, including a suit to recover a money judgment for unpaid assessments, as provided above.

9.8 Mortgagee Protection.

Notwithstanding all other provisions hereof, no lien created under this Article 9, nor the enforcement of any provision of this Declaration shall defeat or render invalid the rights of the beneficiary under any Recorded first deed of trust encumbering a Unit, made in good faith and for value; provided that after such Beneficiary or some other Person obtains title to such Unit by judicial foreclosure, other foreclosure, or exercise of power of sale, such Unit shall remain subject to this Declaration and the payment of all installments of assessments accruing subsequent to the date such Beneficiary or other Person obtains title. The lien of the assessments, including interest and costs, shall be subordinate to the lien of any first Mortgage upon the Unit. The release or discharge of any lien for unpaid assessments by reason of the foreclosure or exercise of power of sale by the first Mortgagee shall not relieve the prior Owner of his personal obligation for the payment of such unpaid assessments.

9.9 Priority of Assessment Lien.

Recording of the Declaration constitutes Record notice and perfection of a lien for assessments. A lien for assessments, including interest, costs, and attorneys' fees, as provided for herein, shall be prior to all other liens and encumbrances on a Unit, except for: (a) liens and encumbrances Recorded before the Declaration was Recorded, (b) a first Mortgage Recorded before the delinquency of the assessment sought to be enforced (except to the extent of assessments which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to foreclose the lien), and (c) liens for real estate taxes and other governmental charges, and is otherwise subject to NRS § 116.3116. The sale or transfer of any Unit shall not affect an assessment lien. However, subject to the provisions of this Section 9.9, the sale or transfer of any Unit pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Unit from lien rights for any assessments which thereafter become due. Where the Beneficiary of a First Mortgage of Record or other purchaser of a Unit obtains title pursuant to a judicial or nonjudicial foreclosure or "deed in lieu thereof," the Person who obtains title and his successors and assigns shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Unit which became due prior to the acquisition of title to such Unit by such Person (except to the extent of assessments which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to enforce the lien). Such unpaid share of

Common Expenses and assessments shall be deemed to become expenses collectible from all of the Units, including the Unit belonging to such Person and his successors and assigns.

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to Declarant in order to facilitate the smooth and orderly development of Southern Highlands and to accommodate changes in the Master Plan which inevitably occur as a Community the size of Southern Highlands grows and matures.

ARTICLE 10 ANNEXATION; EXPANSION OF THE COMMUNITY

10.1 Annexation and Expansion by Declarant.

Declarant may from time to time subject to the provisions of this Declaration annex all or any portion of the property described in Exhibit "B" to the Properties covered by this Declaration, by Recording an Annexation Notice or Supplemental Declaration describing the property to be annexed. An Annexation Notice or Supplemental Declaration Recorded by Declarant pursuant to this Section shall not require the consent of any other Person (except the owner of such property, if other than Declarant).

Declarant's right to expand the Community pursuant to this Section shall expire when all property described in Exhibit "B" has been annexed and subjected to this Declaration. Until then, Declarant may transfer or assign this right to any Person who is the owner or developer of at least a portion of the real property described in Exhibit "B." Any such transfer shall be memorialized in a written, Recorded instrument executed by Declarant.

Declarant reserves the right, but not the obligation, to annex additional property not described in Exhibit "B", to the maximum extent allowed by NRS Chapter 116; provided, the amount of additional property so annexed shall not exceed ten percent (10%) of the property described in Exhibit "B." Nothing in this Declaration shall be construed to require Declarant or any successor to subject additional property to this Declaration or to develop any of the property described in Exhibit "B" in any manner whatsoever.

Annexation shall be accomplished by Recording a Notice of Annexation or Supplemental Declaration describing the property being annexed. Any such annexation shall be effective upon the Recording of such Annexation Notice or Supplemental Declaration unless otherwise provided therein. All Units subject to this Declaration, whether initially described in Exhibit "A" or annexed pursuant to an Annexation Notice or Supplemental Declaration, shall have equal voting rights and an equal, pro rata share of liability for Base Assessments.

10.2 Expansion by the Association.

The Association may also subject additional property to this Declaration by Recording a Supplemental Declaration describing the additional property. Any such Supplemental Declaration shall require the affirmative vote of the requisite Membership Percentage at a meeting duly called for such purpose and the consent of the owner of the property. In addition, during the Declarant Rights Period, the prior written consent of Declarant shall be necessary. The Supplemental

Declaration shall not be valid unless signed by the President and Secretary of the Association, by the owner of the property, and by Declarant, if Declarant's consent is necessary.

10.3 Additional Covenants and Easements.

During the Declarant Rights Period, Declarant may subject any portion of the Properties to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If the property is owned by a Person other than Declarant, then the consent of such Person shall be necessary and shall be evidenced by such Person's execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

10.4 Effect of Filing Supplemental Declaration.

Any Supplemental Declaration Recorded pursuant to this Article 10 shall be effective upon Recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, the Units in any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration. Any Supplemental Declaration Recorded pursuant to this Article 10 shall comply with the requirements of NRS § 116.2109 & § 116.2110, and such other provisions of NRS Chapter 116 as may be applicable.

10.5 Contracting of Annexable Area.

So long as relevant real property has not been annexed to the Properties subject to this Declaration, the property described on Exhibit "B" may be contracted to delete such real property effective upon the Recordation of a written instrument describing such real property, executed by Declarant (and all other owners, if any, of such real property), and declaring that such real property shall thereafter be deleted from Exhibit "B". Such real property may be so deleted without a vote of the Association or the approval or consent of any other Person.

ARTICLE 11 ADDITIONAL RIGHTS RESERVED TO DECLARANT

11.1 Withdrawal of Property.

Declarant reserves the right to amend this Declaration, during the Declarant Rights Period, for the purpose of removing and withdrawing any portion of the Properties from the coverage of this Declaration, whether originally described in Exhibit "A" or added by Supplemental Declaration; provided, no property described on a particular Plat shall be withdrawn after a Unit shown on that Plat has been conveyed by Declarant to any Purchaser (other than a Purchaser in which Declarant has a direct or indirect ownership, management, or other similar interest). Such a withdrawal shall reduce the Maximum Units subject to the Declaration, the number of votes in the Association and the Units subject to assessment. Such amendment shall not require the consent of any Person

other than the owner of the property to be withdrawn (if not Declarant), but shall be subject to NRS § 116.3112 and any other applicable provisions of NRS Chapter 116. If the property is shown on a Plat as Common Elements, but has not yet been conveyed by deed to the Association, then the Association shall consent to such withdrawal (and shall execute and Record a quitclaim deed thereto) upon the request of Declarant.

11.2 Marketing and Sales Activities.

Declarant (and Builders, subject to Declarant's reserved rights in Article 4) may construct and maintain upon portions of the Common Elements such facilities and activities as may be reasonably required, convenient, or incidental, to the construction or sale of Units, including, but not limited to, business offices, signs, model Units, and sales offices, and shall have easements for access to and use of such facilities.

11.3 Right To Develop; Construction Easement.

Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Properties for the purpose of making, constructing, and installing such improvements to the Properties as Declarant deems appropriate in its sole discretion (subject to the extent, if any, such discretion of Declarant is expressly limited by written agreement between Declarant and a Builder). Additionally, Declarant hereby partially assigns to and reserves for the benefit of each Builder a concurrent right of access and use and an easement over and upon only the property located within such Builder's subdivision, for the purpose of Builder making, constructing, and installing improvements to such property, subject to and only to the extent provided in the Builder's project plan approved by Declarant, or as otherwise may be approved by Declarant in writing (but without any liability to Declarant by reason of such approval). To the maximum extent permitted by applicable law, each Person that acquires any interest in the Properties acknowledges that Southern Highlands is a master planned community, the development of which is likely to extend over many years, and agrees not to protest, challenge, or otherwise object to (a) changes in uses or density of property outside the Neighborhood in which such Person holds an interest, or (b) changes in the Master Plan as it relates to property outside the Neighborhood in which such Person holds an interest.

11.4 Right To Designate Sites for Governmental and Public Interests.

During the Declarant Rights Period, Declarant may designate sites within the Properties for governmental, educational, or religious activities and interests, including without limitation, fire, police, and utility facilities, schools and educational facilities, houses of worship, parks, and other public facilities. So long as such sites have not previously been conveyed by deed to the Association, the Association shall take whatever action is required with respect to such site to permit such use, including dedication of the site and/or Recordation of a quitclaim deed to the site (if so requested by Declarant).

11.5 Right To Approve Additional Covenants.

Subsequent to this Declaration, no Person shall Record any declaration of covenants, conditions, and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent (which consent, with regard to any property set forth in Exhibits "A-1" and/or "A-2" shall not be unreasonably withheld). Any attempted Recording without such consent shall result in such instrument being void and of no effect unless subsequently approved by Recorded, written consent signed by Declarant.

11.6 Right To Approve Changes in Community Standards.

No amendment to or modification of any Rules and Regulations or Architectural Guidelines shall be effective without prior notice to and the written approval of Declarant during the Declarant Rights Period.

11.7 Right To Merge or Consolidate the Association.

Declarant reserves the right to merge or consolidate the Association with another common interest community of the same form of ownership or make it subject to a master association.

11.8 Right To Appoint and Remove Directors During the Declarant Control Period.

During the Declarant Control Period, Declarant may appoint, remove, and/or replace any director or officer of the Association previously appointed or elected by Declarant pursuant to the Bylaws.

11.9 Right To Transfer or Assign Declarant Rights.

Any or all of the special rights and obligations of Declarant set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; provided that (a) the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws; (b) no such transfer or assignment shall be effective unless it is in a Recorded, written instrument signed by Declarant; and (c) no such transfer or assignment shall be unreasonably made by Declarant with regard to any of the property set forth in Exhibit "A-1" or "A-2". The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to Record any written assignment unless necessary to evidence Declarant's consent to such exercise.

11.10 Easement to Inspect and Right to Correct.

(a) Easement. Declarant reserves, for itself and such other Persons as it may designate, perpetual, non-exclusive easements throughout Southern Highlands to the extent reasonably necessary for the purposes of access, inspecting, testing, redesigning, correcting, or improving any portion of Southern Highlands, including Units and the Area of Common Responsibility. Declarant shall have the right to redesign, correct, or improve any part of Southern Highlands, including Units and the Area of Common Responsibility.

(b) Right of Entry. In addition to the above easement, Declarant reserves a right of entry onto a Unit upon reasonable notice to the Owner; provided, in an emergency, no such notice need be given. Entry into a Unit shall be only after Declarant notifies the Owner (or Resident) and agrees with the Owner regarding a reasonable time to enter the Unit to perform such activities. Each Owner agrees to cooperate in a reasonable manner with Declarant in Declarant's exercise of the rights provided to it by this Section.

Entry onto the Area of Common Responsibility and into any improvements and structures thereon may be made by Declarant at any time, provided advance notice is given to the Association; provided, in an emergency, no notice need be given.

(c) Damage. Any damage to a Unit or the Area of Common Responsibility resulting from the exercise of the easement and right of entry described in subsections (a) and (b) of this Section shall promptly be repaired by, and at the expense of, Declarant. The exercise of these easements shall not unreasonably interfere with the use of any Unit and entry onto any Unit shall be made only after reasonable notice to the Owner or Resident.

11.11 Use of "Southern Highlands" in Name of Development.

(a) Each Person, by acceptance of a deed to a Unit or other portion of the Properties; shall be deemed to have acknowledged and agreed that Southern Highlands, L.L.C. ("**Trademark Owner**"), has registered, and owns, at both federal and state levels, the sole and exclusive right to the designation "Southern Highlands" and has the sole and exclusive right to all related "Southern Highlands" trade names, trademarks, service marks and logos ("**Trademarks**"). Each such Person covenants and warrants that it shall not use, nor permit others to use, in any manner whatsoever, the Trademarks or any of them, without the prior written consent of Trademark Owner (and Trademark Owner, as to the foregoing covenant and warranty, is an intended third party beneficiary of this Declaration). However, the Association shall be entitled to use the words "Southern Highlands" in its name.

(b) Notwithstanding the foregoing, the names of all subdivisions within the Community on their recorded subdivision maps shall begin with "Southern Highlands" for the purpose of identifying such subdivisions as being subject to the terms of the Development Agreement, for so long as so required by the Development Agreement, although such subdivisions may be commonly known and marketed under other names (all of which must incorporate the trailer "... at Southern Highlands").

11.12 Equal Treatment.

During the Declarant Rights Period, neither the Association nor any Neighborhood Association shall, without the prior written consent of Declarant, adopt any policy, rule, or procedure that:

(a) limits the access of Declarant, its successors, assigns, and/or affiliates, or their respective Invitees, including personnel and/or visitors, to Neighborhood Common Elements, Common Elements, or other Areas of Common Responsibility;

(b) limits or prevents Declarant, its successors, assigns, and/or affiliates or their personnel from advertising, marketing, or using the Association or the Common Elements or any property owned by any of them in promotional materials;

(c) limits or prevents Purchasers of new residential housing constructed by Declarant, its successors, assigns, and/or affiliates in Southern Highlands from becoming Members of the Association or enjoying full use of the Common Elements, subject to the membership provisions of this Declaration and the Bylaws;

(d) impacts the ability of Declarant, its successors, assigns, and/or affiliates, to carry out to completion its development plans and related construction activities for Southern Highlands, as such plans are expressed in the Master Plan. Policies, rules, or procedures affecting the provisions of existing easements established by Declarant and limiting the establishment by Declarant of easements necessary to complete Southern Highlands shall be expressly included in

this provision. Easements that may be established by Declarant shall include but shall not be limited to easements for development, construction, and landscaping activities and utilities; or

(e) impacts the ability of Declarant, its successors, assigns, and/or affiliates to develop and conduct customer service programs and activities in a customary and reasonable manner.

Neither the Association nor any Neighborhood Association shall at any time exercise its authority over the Area of Common Responsibility or Neighborhood Common Elements (including, but not limited to, any gated entrances and other means of access to the Properties or the Exhibit "B" property or Private Amenities) to interfere with Declarant's rights set forth in this Declaration or to impede access to any portion of: (1) the Properties, (2) the Private Amenities, (3) the Commercial Component, (4) the Multi-Family Component, or (5) the Exhibit "B" property.

11.13 Other Rights.

Declarant hereby reserves all other easements, rights, powers, and authority of Declarant set forth in this Declaration.

11.14 Exemption of Declarant.

Notwithstanding anything to the contrary in this Declaration, the following shall apply:

(a) Nothing in this Declaration shall limit, and no Owner or Association or Neighborhood Association shall do anything to interfere with, the right of Declarant to complete excavation and grading and the construction of improvements to and on any portion of the Properties, or to alter the foregoing and Declarant's construction plans and designs, or to construct such additional improvements as Declarant deems advisable in the course of development of the Properties.

(b) This Declaration shall in no way limit the right of Declarant to grant additional licenses, easements, reservations and rights-of-way to itself, to governmental or public authorities (including without limitation public utility companies), or to others, as from time to time may be reasonably necessary to the proper development and disposal of Units.

(c) Prospective Purchasers and Declarant shall have the right to use all and any portion of the Common Elements for access to the sales facilities of Declarant.

11.15 Termination of Rights.

The rights contained in this Article 11 shall terminate as specifically provided in NRS Chapter 116, or upon the earlier of (a) thirty (30) years from the conveyance of the first Unit to a Purchaser (provided that if Declarant still owns any property in the Properties on such thirtieth (30th) anniversary date, then such rights and reservations shall continue for one successive period of twenty (20) years thereafter), or (b) Recording by Declarant of a written statement that all new Unit sales activity has ceased in Southern Highlands. (Thereafter, Declarant may continue to use the Common Elements for the purposes stated in this Article 11 only pursuant to a rental or lease agreement between Declarant and the Association which provides for rental payments based on the fair market rental value of any such portion of the Common Elements). This Article 11 shall not be amended during the Declarant Rights Period without the prior written consent of Declarant.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in a planned community, with its wide array of properties and development types and its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, the Association, Declarant, Builders, and others within or adjacent to the Community.

ARTICLE 12 EASEMENTS

12.1 Easements in Common Elements.

Declarant grants to each Owner a nonexclusive right and easement of use, access, and enjoyment in and to the Common Elements, subject to:

- (a) the Governing Documents and any other applicable covenants;
- (b) any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) the Board's rights set forth under Section 7.4, above, including, but not limited to, the Board's right to:
 - (1) impose reasonable Rules and Regulations with regard to use of any recreational facility situated upon the Common Elements, including rules limiting the number of Family or guests who may use the Common Elements;
 - (2) suspend the right of an Owner to use any recreational facilities on the Common Elements:
 - (1) for any period during which any assessment or other charge against such Owner's Unit remains delinquent; and
 - (2) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation, of the Governing Documents after Notice and Hearing;
 - (3) permit use of any recreational facilities situated on the Common Elements by persons other than Owners and Residents and their respective Families and Invitees, upon payment of use fees established by the Board;
 - (4) dedicate or transfer all or any part of the Common Elements, subject to such approval requirements as may be set forth in this Declaration and subject further to NRS Chapter 116;
 - (5) mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, subject to the approval requirements set forth in this Declaration, and subject further to NRS Chapter 116;

(6) limit the use of Neighborhood Common Elements to the exclusive use of Owners in the relevant Neighborhood;

(7) create, enter into agreements with, and grant easements to tax-exempt organizations under Section 7.12;

(d) the right of the Association to rent or lease any portion of any recreational facilities on the Common Elements on a short-term basis to any Person approved by the Association for the exclusive use of such Person and such Person's Family and/or Invitees; and

(e) the right of the Association to require Members (and/or their Families and guests) to present activity or use privilege cards, as may be issued by the Association, for access and use of recreational facilities on the Properties.

The initial Common Elements, if any, as identified in Exhibit "A" shall be conveyed to the Association prior to or concurrent with the conveyance of the first Unit to a Purchaser.

12.2 Easements of Encroachment.

Declarant grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and any adjacent Common Elements and between adjacent Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

12.3 Easements for Utilities, Etc.

(a) Association and Utility Easements. Declarant reserves for itself, during the Declarant Rights Period, and hereby grants to the Association and all utility providers, perpetual non-exclusive easements throughout all of the Properties (but not through a structure) to the extent reasonably necessary for the purpose of:

(1) installing utilities and infrastructure to serve the Properties, cable and other systems for sending and receiving data and/or other electronic signals, security and similar systems, walkways, pathways, trails, drainage systems, street lights, and signage on property which Declarant owns or within public rights-of-way or easements reserved for such purpose on Recorded plats;

(2) inspecting, maintaining, repairing, and replacing the utilities, infrastructure, and other improvements described in Section 11.3(a)(i); and

(3) reading utility meters.

(b) Recorded Specific Easements. Declarant also reserves for itself the non-exclusive right and power to grant and Record such specific easements as may be necessary, in the sole discretion of Declarant, in connection with the orderly development of any property described in Exhibits "A" and/or "B."

(c) Property Restoration. All work associated with the exercise of the easements described in subsections (a) and (b) of this Section shall be performed in such a manner as to minimize interference with the use and enjoyment of the property burdened by the easement. Upon completion of the work, the Person exercising the easement shall restore the property, to the extent reasonably possible, to its condition prior to the commencement of the work. The exercise of these easements shall not extend to permitting entry into the structures on any Unit, nor shall it unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or Resident.

12.4 Easements To Save Additional Property.

Declarant hereby reserves for itself and its duly authorized agents, successors, assigns, and mortgagees, an easement over the Common Elements for the purposes of enjoyment, use, access, and development of the property described in Exhibit "B," whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Elements for construction of roads and for connecting and installing utilities on such property.

12.5 Easements for Maintenance, Emergency, and Enforcement.

Declarant grants to the Association easements over the Properties as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforcing the Governing Documents. Such right may be exercised by any member of the Board and its duly authorized agents and assignees, and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall be only during reasonable hours and after notice to the Owner. Any damage caused as a result of the Association fulfilling its maintenance responsibilities shall be repaired by the Association at its expense.

Declarant grants to the Association an easement and the right to enter a Unit to abate or remove, using such measures as may be reasonably necessary, any structure, thing, or condition which violates the Governing Documents. All costs incurred, including reasonable attorneys' fees, shall be assessed against the violator as a Specific Assessment.

12.6 Easements for Lake and Pond Maintenance and Flood Water.

Declarant reserves for itself, the Association, and their successors, assigns, and designees, the nonexclusive right and easement, but not the obligation, to enter upon bodies of water located within the Area of Common Responsibility to: (a) install, operate, maintain, and replace pumps to supply irrigation water to the Area of Common Responsibility; (b) construct, maintain, and repair structures and equipment used for retaining water; (c) maintain such areas in a manner consistent with the Community Standards; and (d) replace, remove, and/or fill in such bodies of water. Declarant, the Association, and their successors, assigns, and designees shall have an access easement over and across any of the Properties abutting or containing bodies of water to the extent reasonably necessary to exercise their rights under this Section.

Declarant further reserves for itself, the Association, and their successors, assigns, and designees, a perpetual, nonexclusive right and easement of access and encroachment over the Common Elements and Units (but not the dwellings thereon) adjacent to or within 100 feet of bodies of water constituting a part of the Properties, in order to (a) temporarily flood and back water

upon and maintain water over such portions of the Properties; (b) alter in any manner and generally maintain the bodies of water within the Area of Common Responsibility; and (c) maintain and landscape the slopes and banks pertaining to such areas. All persons entitled to exercise these easements shall use reasonable care in and repair any damage resulting from the intentional exercise of such easements. Nothing herein shall be construed to make Declarant or any other Person liable for damage resulting from flooding due to hurricanes, heavy rainfall, or other natural occurrences.

12.7 Easements for Cross-Drainage.

Declarant hereby reserves for itself and grants to the Association easements over every Unit and the Common Elements (and other portions of the Area of Common Responsibility, to the extent practicable) for natural drainage of storm water runoff from other portions of the Properties; provided, no Person shall alter the natural drainage on any Unit to increase materially the drainage of storm water onto adjacent portions of the Properties without the consent of the Owner(s) of the affected property, the Board, and Declarant (during the Declarant Rights Period).

12.8 Rights to Stormwater Runoff, Effluent and Water Reclamation

Declarant hereby reserves for itself and its designees all rights to ground water, surface water, storm water runoff, and effluent located or produced within the Properties, and each Owner agrees, by acceptance of a deed to a Unit, that Declarant shall retain all such rights. Such rights shall include the reservation of an easement over the Properties for access, and for installation and maintenance of facilities and equipment to capture and transport such water, runoff, and effluent. This Section 12.8 may not be amended without the consent of Declarant or its successor, and the rights created in this Section 12.8 shall survive termination of this Declaration.

12.9 Easements for Parking; Easements for Vehicular and Pedestrian Traffic

The Association, through the Board, is hereby empowered to establish "parking" and/or "no parking" areas within the Common Elements, and to establish Rules and Regulations governing such matters, as well as to enforce such parking limitations and rules by all means lawful for such enforcement on public streets, including the removal of any violating vehicle, by those so empowered, at the expense of the Owner of the violating vehicle. If any temporary guest or recreational parking is permitted within the Common Elements, such parking shall be permitted only within any spaces and areas clearly marked for such purpose.

In addition to the general easements for use of the Common Elements reserved herein, there hereby are reserved to Declarant, the Association, and their respective successors, assigns, Invitees, nonexclusive, appurtenant easements for vehicular and pedestrian traffic over private main entry gate areas and all Private Streets and sidewalks within the Properties (including, but not limited to, those which may yet be built from time to time, and those which, when or after being built (by Declarant, Builder, or other authorized third party), comprise or will comprise Neighborhood Common Elements).

12.10 Easements Incident to Construction, and Marketing and Sales Activities

In addition to the general easements for use of the Common Elements reserved herein, there shall be reserved to Declarant, its successors and assigns, and their respective Invitees, during the Declarant Rights Period, for access, ingress, and egress over, in, upon, under, and across the Properties, including the Common Elements (including but not limited to the right to

store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to Declarant's use, development, marketing and/or sales of the Properties, or any portion thereof); provided, however, that no such rights or easements shall be exercised by Declarant in such a manner as to interfere unreasonably with the occupancy, use, enjoyment, or access by any Owner, or its Family or Invitees, to or of that Owner's Unit, or the Common Elements. Additionally, Declarant hereby partially assigns to and reserves for the benefit of each Builder a concurrent right of access, ingress, and egress over, in, upon, under, and across only the property located within such Builder's subdivision (including but not limited to the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to the Builder's use, development, marketing and/or sales of such property) subject to and only to the extent provided in the Builder's project plan approved by Declarant, or as otherwise may be approved by Declarant in writing (but without any liability to Declarant by reason of such approval); provided that no such right or easement shall be exercised by Builder in such a manner as to interfere unreasonably with the occupancy, use, enjoyment, or access by any Owner, or its Family or Invitees, to or of that Owner's Unit, or Common Elements.

12.11 Easements for Public Service Use

In addition to the foregoing easements over the Common Elements, there shall be and Declarant hereby reserves and covenants for itself and all future Owners within the Properties, easements for: (a) placement of any fire hydrants on portions of certain Units and/or Common Elements, and other purposes normally related thereto; and (b) City, County, state, and federal public services, including but not limited to, the right of postal, law enforcement, and fire protection services and their respective employees and agents, to enter upon any part of the Common Elements or any Unit, for the purpose of carrying out their official duties.

ARTICLE 13 CUSTOM LOTS

13.1 General; Supplemental Declaration.

Pursuant to Supplemental Declaration(s), Custom Lots shall comprise Custom Lot Neighborhood(s), and shall be subject to additional covenants, conditions and restrictions set forth by Declarant in its sole discretion (including, but not necessarily limited to, additional requirements such as specific time deadlines for commencement and completion of construction by a Purchaser of the custom home on its Custom Lot.

13.2 Additional Design Guidelines.

Declarant, in its sole discretion, from time to time may promulgate additional Design Guidelines for Custom Lots (in which event, the Owners of Custom Lots and the ARC shall additionally follow and abide by the Design Guidelines in the implementation of Article 4).

ARTICLE 14 NEIGHBORHOOD COMMON ELEMENTS

14.1 Purpose.

Certain portions of the Common Elements may be designated as Neighborhood Common Elements and reserved for the exclusive use or primary benefit of Owners and Residents within a

particular Neighborhood or Neighborhoods. By way of illustration and not limitation, Neighborhood Common Elements may include entry features, recreational facilities, landscaped medians, and cul-de-sacs, lakes, and other portions of the Common Elements within a particular Neighborhood or Neighborhoods. All costs associated with maintenance, repair, replacement, and insurance of a Neighborhood Common Elements shall be a Neighborhood Expense allocated among the Owners in the Neighborhood(s) to which the Neighborhood Common Elements are assigned.

14.2 Designation.

Initially, any Neighborhood Common Elements shall be designated as such in the deed conveying such area to the Association or on the subdivision Plat relating to such Common Elements; provided, any such assignment shall not preclude Declarant from later assigning use of the same Neighborhood Common Elements to additional Units and/or Neighborhoods, during the Declarant Rights Period.

Thereafter, a portion of the Common Elements may be assigned as Neighborhood Common Elements and Neighborhood Common Elements may be reassigned upon approval of the Board and the vote of the Requisite Membership Percentage, together with the Requisite Neighborhood Percentage of the Neighborhood(s) affected by the proposed assignment or reassignment; provided that, during the Declarant Rights Period, any such assignment or reassignment shall also require Declarant's written consent. Any assignment or reassignment of Neighborhood Common Elements shall be made in accordance with the requirements of NRS § 116.2108.

14.3 Use by Others.

The Association may, upon approval of a majority of the members of the Neighborhood Committee or board of directors of the Neighborhood Association for the Neighborhood(s) to which any Neighborhood Common Elements ("Limited Common Elements") are assigned, permit Owners of Units in other Neighborhoods to use all or a portion of such Limited Common Elements upon payment of reasonable user fees, which fees shall be used to offset the Neighborhood Expenses attributable to such Limited Common Elements.

ARTICLE 15 PARTY WALLS AND OTHER SHARED STRUCTURES

15.1 General Rules of Law to Apply.

Each wall, fence, driveway or similar structure built as a part of the original construction on the Units, other than a perimeter wall or fence as provided in Section 7.2, which serves and/or separates any two adjoining Units shall constitute a party structure. To the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto. Any dispute arising concerning a party structure shall be handled in accordance with the provisions of this Article 15.

15.2 Maintenance, Damage, and Destruction.

The cost of reasonable repair and maintenance of a party structure shall be shared equally by the Owners who make use of the party structure. If a party structure is destroyed or damaged

by fire or other casualty, then to the extent that such damage is not covered by insurance and is not repaired out of the proceeds of insurance, any Owner who has used the structure may restore it. If other Owners thereafter use the structure, they shall contribute to the restoration cost in equal proportions. However, such contribution will not prejudice the right to call for a larger contribution from the other users under any rule of law regarding liability for negligent or willful acts or omissions. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

ARTICLE 16 HOA PARKS

16.1 Transfer of Parks to HOA.

Prior to any dedication to the County, Declarant may, from time to time, convey any park or paseo ("HOA Park") to the Association or a Neighborhood Association ("HOA"), provided the conveyance is subject to the terms and conditions of Section 6 of the Development Agreement, and the HOA acknowledges in writing that: (a) it is obligated to perform any unfulfilled terms and conditions of said Section 6, and (b) it accepts Declarant's maintenance obligations for such park or paseo.

16.2 Use and Control of HOA Parks Transferred.

With respect to any HOA Park, the HOA to which Declarant conveys title shall have the exclusive right to program and control the use thereof; provided, however, that in all circumstances the general public shall have reasonable rights of access and use to all parks and paseos listed in Section 6.01(a) of the Development Agreement.

ARTICLE 17 PRIVATE AMENITIES

17.1 General; Disclaimers.

Each Owner in the Properties, by acceptance of the deed to its Unit, whether or not so stated in such deed, is hereby conclusively deemed to have acknowledged and agreed: (a) that the high profile and visibility, and prestige within metropolitan Las Vegas and elsewhere with the region and the nation, of the Private Amenities, significantly enhance the visibility and prestige of the Community, and thereby benefit the property values of Units within the Properties, even taking into consideration the detailed disclaimers and releases set forth in this Article 17 and Article 24 below, (b) that this Article 17 is integral to preservation of such visibility and prestige and benefit to property values of Units within the Properties, and (c) accordingly, to have accepted this Article 17 (and Article 24 below) and the provisions respectively thereof.

Each Owner further acknowledges and agrees that the Private Amenities are **NOT A PART** of the Common Elements and **NOT A PART** of the Properties and (although obligated to make periodic payments as set forth in Section 17.6 below) is not subject to Assessments under this Declaration. **NEITHER MEMBERSHIP IN THE ASSOCIATION NOR OWNERSHIP OR OCCUPANCY OF A UNIT SHALL CONFER ANY OWNERSHIP INTEREST IN OR RIGHT TO USE ANY PRIVATE AMENITY.** Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the

respective owners of the Private Amenities. The owners of the Private Amenities shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities, including, without limitation, eligibility for and duration of use rights, categories of use, extent of use privileges, and number of users, and shall also have the right to reserve use rights and to terminate use rights altogether, subject to the terms of any written agreements with their respective members.

17.2 Conveyance of Private Amenities.

All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by Declarant, the Association, any Builder, or by any Person acting on behalf of any of the foregoing, with regard to the continuing ownership or operation of any Private Amenity. No purported representation or warranty in such regard, either written or oral, shall be effective unless specifically set forth in a written instrument executed by the record owner of the Private Amenity. The ownership or operation of the Private Amenity may change at any time by virtue of, but without limitation, (a) the sale to or assumption of operations of any Private Amenity by a Person other than the current owner or operator, (b) the establishment of, or conversion of the membership structure to an "equity" club or similar arrangement whereby the members of the Private Amenity or an entity owned or controlled by its members become the owner(s) and/or operator(s) of the Private Amenity; or (c) the conveyance of any Private Amenity to one or more of Declarant's affiliates, shareholders, employees, or independent contractors. Consent of the Association, any Neighborhood Association, or any Owner shall not be required to effectuate any change in ownership or operation of any Private Amenity, for or without consideration and subject to or free of any mortgage, covenant, lien, or other encumbrance.

17.3 View Impairment.

Neither Declarant, the Association, nor the owner of any Private Amenity, guarantees or represents that any view over and across the Private Amenity from Units adjacent to the Private Amenity will be preserved without impairment. Without limiting the foregoing, Owners of the Private Amenities shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in their sole and absolute discretion, to add trees and other landscaping to the Private Amenities from time to time. In addition, the owner of the portion of Private Amenity which includes the Golf Course may, in its sole and absolute discretion, change the location, configuration, size, and elevation of the trees, bunkers, berms, fairways, greens, and other components of such Golf Course, from time to time. Any such additions or changes may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

17.4 Rights of Access and Parking.

For purposes of this Article 17, the Properties shall comprise the burdened property ("Burdened Property") and the Private Amenities (including, but not necessarily limited to, the Golf Course and the Health Club) shall comprise the benefitted property ("Benefitted Property"). The owner(s) of the Benefitted Property, and portions thereof, are collectively referred to herein as the "Benefitted Property Owner." In addition to, and without limiting, any other easement set forth in this Declaration, Declarant has deemed it desirable to establish certain protective covenants, conditions, restrictions and easements on and running with the Burdened Property, for the benefit of the Benefitted Property, in part to protect Declarant and any owner(s) of all or any part of the

Benefitted Property, against improper or inappropriate development and use of, and/or restrictions on, the Burdened Property or any part thereof.

Declarant hereby expressly reserves the following easements. The Benefitted Property Owner, its successors and assigns, their respective Invitees, and the Persons permitted to use the Private Amenities (or portion thereof) by the Benefitted Property Owner (regardless of whether such persons are Owners hereunder) and their Families and Invitees, shall at all times have a right and non-exclusive easement of ingress, egress, access and use over all Common Elements (including Private Streets, sidewalks, and entry areas) whether by automobile or other means, located within the Properties and reasonably necessary to travel between the entrances to the Properties and the Benefitted Property, respectively and, further, over those portions of the Properties (whether Common Elements or otherwise) reasonably necessary to the use, operation, maintenance, repair and replacement of the Benefitted Property. Without limiting the generality of the foregoing, persons who are permitted use of the Private Amenities (or portions thereof) and members of the public as designated or permitted by the Benefitted Property Owner, shall have the right to park their vehicles on the Private Streets and other Common Elements located within the Properties at reasonable times before, during, and after, events, tournaments, and other similar functions held by or at the Benefitted Property.

The use restrictions set forth in the Governing Documents shall inure to the benefit of the Benefitted Property and the Benefitted Property Owners, to the extent reasonably appropriate.

The Association and the Benefitted Property Owner shall cooperate to the maximum extent reasonably possible in the respective operation of the Properties and the Private Amenities. Notwithstanding the foregoing, without the prior written consent of the Benefitted Property Owner in its sole discretion: (a) the Association shall have no power to promulgate or enforce rules or regulations affecting activities on or use of the Benefitted Property, and (b) the Benefitted Property shall not be subject to any Association assessments, or other Association charges, including, but not limited to, such assessments or charges for use, maintenance, or repair of the Common Elements.

The covenants, conditions, restrictions, and reservation of easements, contained herein shall run with, burden and bind the Burdened Property and shall inure to the benefit of the Benefitted Property and the Benefitted Property Owner, and shall be enforceable by the Benefitted Property Owner. Neither this Section, nor any other portion of this Declaration which affects the Benefitted Property or the use and enjoyment thereof, may be terminated, extended, modified, or amended, as to the whole of the Burdened Property or any portion thereof, except by Recorded instrument executed and acknowledged by Benefitted Property Owner. No amendment may be made to this Section 17.4 or 17.5 (or to any other provision of this Declaration, which would adversely affect the Benefitted Property Owner, the Benefitted Property, or access to or use and enjoyment of the Private Amenities) without the prior written consent of the Benefitted Property Owner.

17.5 Additional Golf Course Easements.

Declarant further expressly grants the following additional easements over the Burdened Property, to and for the benefit of the portion of the Benefitted Property which comprises the Golf Course:

(a) the right, for a five minute period commencing on the departure of any golf ball from the Golf Course onto the Properties, of the owner and/or lessee of the Golf Course and of all players and guests at the Golf Course to enter upon the Properties to search for and recover errant golf balls provided, if any Unit is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls; and

(b) the right of the players and Invitees at the Golf Course to enter, on golf carts or on foot, upon the Common Elements of the Properties in order to reasonably traverse the various playing elements of the Golf Course; and

(c) the right of the owner and/or lessee of the Golf Course and of their employees and contractors to enter upon the Properties for the purpose of maintaining and repairing water and irrigation lines and pipes which are located in or originate from the Golf Course and are used in connection with the irrigation or sprinkling of the Golf Course landscaping or landscaping on the Properties;

(d) a non-exclusive easement is hereby reserved to the Benefitted Property Owner, its successors and assigns, and their respective Invitees, upon, over, in, and across the Private Streets and those portions of the Common Elements reasonably necessary to travel, with storage and maintenance equipment, chemicals, and other items, to and from various portions of the Golf Course, and the right to take all action reasonably necessary for the storage and maintenance of equipment, chemicals and all other items.

(e) any portion of the Properties immediately adjacent to any Golf Course is hereby burdened with a non-exclusive easement in favor of the Golf Course for overspray of water from the irrigation system such Golf Course. Under no circumstances shall the Association or the owner of such Golf Course be held liable for any damage or injury resulting from such overspray or the exercise of this easement; and

(f) the owner of any Golf Course within or adjacent to any portion of the Properties, its successors and assigns, shall have a perpetual, exclusive easement of access over the Properties for the purpose of retrieving golf balls from bodies of water upon the Common Elements lying reasonably within range of golf balls hit from the Golf Course.

Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: Declarant; the Association and/or its Members (in their capacities as such); the owner of any golf course, its successors, or assigns; any Builder or contractor (in their capacities as such); or any officer, director, or partner of any of the foregoing.

17.6 Payments of Reasonable Amounts by Private Amenities

Each Owner in the Properties, by acceptance of the deed to its Unit, whether or not so stated in such deed, is conclusively deemed to have acknowledged and agreed that the high profile, visibility, and national prestige of the Golf Course and other Private Amenities significantly enhance the visibility and prestige of the Community and Properties, and thereby benefit the property values of Units within the Properties. Subject to the foregoing, in consideration of the benefits to the Private Amenities, of rights to use, and use of, certain Private Streets and other Common Elements within Southern Highlands, as set forth in this Declaration, the Private

Amenities shall be required to pay to the Association, in lieu of Assessments, the following amounts ("Reasonable Amounts") which shall be conclusively deemed to constitute reasonable amounts therefor: (a) for the Golf Course, Reasonable Amounts shall be amounts equal to Base Assessments computed on a deemed basis of one (1) Unit per each eleven and one-quarter (11.25) net acres comprising the Golf Course (provided that in no event shall the Reasonable Amount for the Golf Course exceed an amount equal to Base Assessments computed on an aggregate deemed basis of twenty (20) Units), subject to the "phasing" schedule set forth below; and (b) for other Private Amenities, the Reasonable Amounts shall be amounts equal to Base Assessments computed on a deemed basis of one (1) Unit per each eleven and one-quarter (11.25) net acres comprised by each such Private Amenity. Notwithstanding the foregoing, fractional increments of less than the above-referenced eleven and one-quarter (11.25) net acres for each Private Amenity shall not be computed. No other payment shall ever be required by or for the benefit of the Association (or otherwise in connection with the Common Elements) from the Golf Course or other Private Amenity. Reasonable Amounts shall be due and payable periodically in installments, in like manner and at such times as Base Assessments are due from Units under this Declaration. Notwithstanding the foregoing, Reasonable Amounts for the Golf Course shall be "phased" in the following manner. Until the end of the first full calendar year following the date of Recordation of this Declaration, Reasonable Amounts for the Golf Course shall be amounts equal to Base Assessments computed on a deemed basis of five (5) Units. Thereafter, for each following full calendar year, the deemed basis shall be increased by five (5) Units per year (i.e., ten (10) Units during the second full calendar year, fifteen (15) Units during the third full calendar year, and twenty (20) Units during the fourth full calendar year and thereafter); provided that, in no event shall the deemed basis for the Golf Course ever exceed an aggregate twenty (20) Units. Declarant is hereby fully empowered and entitled (but not obligated), in its sole discretion, to enter from time to time into separate written agreements with the owner of the Golf Course, and the owners of the other Private Amenities, and to Record separate instruments, to memorialize the foregoing, and to provide further that if the Association shall ever fail to maintain the Common Elements leading to or along the way to the Golf Course (including, but not necessarily limited to, the primary access road to the Golf Course, related roadways and parking areas, landscaping, gates, and monumentation), in a first class condition, then the owner of the Golf Course shall be entitled, in its sole discretion, from time to time to perform such maintenance and to elect to: (a) set off all costs of such maintenance against all Reasonable Amounts then and thereafter otherwise due and payable; and/or (b) bill the Association for such costs, and to maintain an action against the Association for any non-payment thereof; and/or (c) pursue any and all other rights and remedies available at law or in equity, all of which are hereby express reserved (and the owner of the Golf Course, as to the foregoing Section 17.6, is an intended third party beneficiary of this Declaration).

17.7 Architectural Control.

Declarant, the Association, any Neighborhood Association, or any committee shall not approve any construction, addition, alteration, change, or installation on or to any portion of Southern Highlands which is adjacent to, or otherwise in the direct line of sight of, any Private Amenity without giving the Private Amenity at least 15 days' prior written notice of its intent to approve the same together with copies of the request and all other documents and information finally submitted in such regard. The Private Amenity shall then have 15 days to respond in writing approving or disapproving the proposal, stating in detail the reasons for any disapproval. In the event of such disapproval, there shall be reasonable effort made to accommodate the stated reasons for disapproval, and a resubmission to the Private Amenity in accordance with the foregoing procedure. The failure of the Private Amenity to respond to the notice within the 15-day period shall constitute a waiver of the Private Amenity's right to object to the matter. This Section