

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
STONE CANYON SAUSALITO A PLANNED DEVELOPMENT

THIS DECLARATION is made the 30th day of November, 1995, by J.M. Gair & Associates, a Nevada Corporation, hereinafter referred to as "Declarant".

WITNESSETH:

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

Being a portion of the North half (NE 1/2) of the Southwest Quarter (SW 1/4) of Section 21, Township 22 South, Range 63 East, M.D.M., City of Henderson, Nevada, more particularly described on Attachment "A".

NOW, THEREFORE, Declarant hereby declares that all of the properties described above and such additional properties as may be annexed thereto, shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions which are for the purpose of protecting the value and desirability of, and which shall run with the real property and be binding upon all parties having or acquiring any right, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I
DEFINITIONS

1.1. "Association" shall mean and refer to Stone Canyon Sausalito Homeowners Association, a Nevada non-profit corporation, its successors and assigns.

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

1.3. "Common Area" shall mean all real property (including all improvements thereon) owned by the Association for the common use and enjoyment of the Owners. The Common Area to be owned by the Association shall be Common Element "A" through "D", together with those portions of the above referred to subdivision delineated on the plat maps as "Private Drive and P.U.E."

1.4. "Common-Interest Community" shall mean the real property described in Attachment "A", subject to the Declaration of Stone Canyon Sausalito.

1.5. "Declarant" shall mean and refer to J.M. Gair & Associates a Nevada Corporation, its successors and assigns, if such successors and assigns should acquire more than one undeveloped Lot from Declarant for the purpose of development.

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

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

1.8. "First Mortgage" shall mean and refer to a mortgage or deed of trust secured by and encumbering a Lot, which mortgage or deed of trust has priority as to all other mortgages or deeds of trust encumbering the Lot, and

is held by a bank or savings and loan association or established mortgage company or other entity chartered or licensed under federal or state laws whose principal business is lending money on the security of real property, or any insurance company or any federal or state agency. A "First Mortgagee" is the holder of a First Mortgage.

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

1.10. "Member" shall mean and refer to an Owner" as defined in 1.10 of this Article I. Association incorporators are also members.

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

1.12. "Properties" shall mean and refer to that certain real property located in the City of Henderson, County of Clark, State of Nevada, hereinbefore described in the preliminary provisions, prior to Article I, of this Declaration, and such additions thereto as may hereafter be annexed hereto and brought within the jurisdiction of the Association.

1.13. "VA" shall mean and refer to the U.S. Department of Veterans Affairs.

1.14. "Yard Easements" shall mean the five (5) foot easements which may be (but not necessarily be) granted and/or reserved by Declarant relative to a Lot in Stone Canyon Sausalito and which are referred to in the reserving or granting documents as "Yard Easements".

ARTICLE II

NAME AND TYPE OF COMMON-INTEREST COMMUNITY AND ASSOCIATION

2.1. "~~Common-Interest Community~~". The name of the Common-Interest Community is Stone Canyon Sausalito. The Common-Interest Community is a planned community.

2.2. "Association". The name of the Association is Stone Canyon Sausalito Homeowners Association. It is a nonprofit corporation organized under the laws of the State of Nevada.

ARTICLE III

PROPERTY RIGHTS IN COMMON AREA

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

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

(a) The right of the Board to suspend the voting rights and rights to use of recreational facilities located in the Common Area by an Owner for any period during which any assessment against his Lot remains unpaid and for a period not to

exceed thirty (30) days for any infraction of its published rules and regulations, after reasonable written notice and an opportunity for a hearing before the Board of Directors. Should the Board believe ground may exist for any such suspension, the Board shall give to the Member believed to be in violation, at least fifteen (15) days' prior written notice of the intended suspension and the reasons therefor. The Member shall be given an opportunity to be heard before the Board either orally or in writing, no fewer than five (5) days before the effective date of the suspension. The notice required hereby may be given by any method reasonably calculated to provide actual notice. Any notice given by mail sent to the last address of the Member shown on the Association's records. No such suspension shall affect the rights of such Member to access to his residential Lot.

(b) The right of the Association to charge reasonable admission and other fees for the use of any recreational facilities situated in the Common Area.

(c) The right of the Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be approved by the Members.

Notwithstanding any contrary provision in the Articles of Incorporation or the By-Laws of the Association, no such dedication or transfer shall be effective unless any instrument agreeing to such dedication or transfer is signed by Members having two-thirds (2/3) of the voting power of each class of membership and thereafter recorded.

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

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

(i) Easements over, through, in and to all of the Common Area for ingress, egress, parking and enjoyment for itself, its agents, employees and prospective purchasers of Lots, which rights and easements shall be for purposes of (a) construction of improvements in connection with the initial development of the project in accordance with plans approved by the City of Las Vegas and/or County of Clark; and (b) activities in furtherance of Declarant's sales and promotional program with respect to the project and projects being developed by Declarant in locations within the State of Nevada, including

but not limited to, use and operation of model homes, sales offices and signs; provided, that such use by Declarant shall not unreasonably interfere with the use of the Common Area by the Class A Members of the Associations; and

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

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

3.4 Declarant's Rights. Subject to a concomitant obligation to restore, Declarant and its sales agents shall have:

(a) a non-exclusive easement over the Common Area for the purpose of making repairs to the Common Area or to the residences provided access thereto is otherwise not reasonably available;

(b) the right to the non-exclusive use of the Common Area for the purpose of maintaining homes, sales offices and signs reasonably necessary to market the Lots, for a period of not more than two (2) years after conveyance of the Common Area to the Association in the last phase, or the sale of all residential Lots within the Property, whichever is first to occur. The use of the Common Area by Declarant and its agents shall not unreasonably interfere with the use thereof by the Class A members of the Association.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

4.1. Organization of Association. The Association is or shall be incorporated under the name of STONE CANYON SAUSALITO HOMEOWNERS ASSOCIATION, as a corporation not for profit under the Corporation Law of the State of Nevada.

4.2. Duties and Powers. Duties and powers of the Association are those set forth in the Declaration, the Articles and By-Laws, together with its general and implied powers of a nonprofit corporation, generally to do any and all things that a corporation organized under the laws of the State of Nevada may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Articles, the By-Laws and in this Declaration. The Association shall make available for inspection by any prospective purchaser of a Lot, any Owner of a Lot, and the Beneficiaries, insurers and guarantors of the first Mortgage on any Lot, current copies of the Declaration, the Articles of Incorporation, the By-Laws, the Rules and Regulations and all other books, records, and financial statements of the Association.

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

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

(a) Class A Members shall be all Owners, with the exception, initially, of Declarant and shall be

entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event, shall more than one vote be cast with respect to any Lot.

(b) The only Class B Member shall be Declarant, which shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur: (i) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or (ii) on December 31, 1997.

ARTICLE V COVENANT FOR MAINTENANCE ASSESSMENTS

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

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

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

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

5.3. Maximum Amount of Annual Assessment. Until January 1st of the year immediately following the year of conveyance of the first Lot by Declarant to another Owner, the maximum annual assessment shall be \$540.00 per Lot.

(a) From and after January 1st of the year immediately following the year of conveyance of the first Lot by Declarant to another Owner, the maximum annual assessment may be increased each year by not more than TWENTY FIVE PER CENT (25%) without approval of membership.

(b) From and after January 1st of the year immediately following the year of conveyance of the first Lot by Declarant to another Owner, the maximum annual assessment may be increased above the TWENTY FIVE PER CENT (25%) amount provided in Subsection 4.3(a) above by the vote or written assent of two-thirds (2/3) of the voting power of the Members of each class of membership who are voting in person or by proxy, at a meeting duly called for such purpose.

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

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

5.5. Notice and Quorum for Any Action Authorized Under Sections 4.3 and 4.4. Any action authorized under Section 4.3 or 4.4 above shall be taken at a meeting called for that purpose, written notice of which shall be sent to all members not less than thirty (30) nor more than sixty (60) days in advance of the meeting. A quorum for such meeting shall be SIXTY PER CENT (60%) of each class of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called to be held within sixty (60) days of the preceding meeting, subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting.

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

5.7. Date of Commencement of Annual Assessments; Due Date. The annual assessments provided for therein shall commence as to all Lots, in each Phase, on the first day of the month following the conveyance of the first Lot on each Plat to an Owner.

The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Association, through its Board, shall fix the amount of the annual assessment against each Lot at least sixty (60) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The regular assessments as to properties brought under this Declaration by annexation shall commence with respect to all Lots within said annexed area on the first day of the month following the conveyance of the first Lot in each Plat to an Owner.

5.8. Subordination of Lien to First Deeds of Trust and Eligible Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any Eligible Mortgage upon any Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of an Eligible Mortgage or any conveyance in lieu thereof shall extinguish the lien of such assessments as to payment which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from lien rights for any assessments thereafter becoming due. Where the Mortgagee of an Eligible Mortgage of record or other purchaser of a Lot obtains title to the same as a result of foreclosure, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Lots including such acquirer, his successors and assigns.

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

5.10. Personal Liability of Owner. No Owner may exempt himself

from personal liability for assessments or any part thereof, levied by the Association, nor may he release his Lot from the liens and charges thereof by waiver of use and enjoyment or non-use of the Common Area and facilities thereon or by abandonment of his Lot.

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

5.12. Enforcement of Lien and Other Remedies. Any assessment not paid within ten (10) days after the due date shall bear interest from its original due date at a rate of TWELVE PER CENT (12%) per annum PLUS Late Fee Charge of \$6.00 per month for each month late. If an Owner does not pay in full, within thirty (30) days after the due date, any assessment or any installment thereof, or any interest accrued thereon, the Association may record, in the Office of the County Recorder of Clark County, Nevada, a Notice of Assessment describing the Lot or Lots owned by the defaulting Owner. Such Notice of Assessment shall state the amount of the assessment, interest, attorneys' fees and other costs of collection; the Owner's name and a description of the applicable Lot or Lots against which the assessment has been made; and shall be signed by an authorized representative of the Association. Upon payment or other satisfaction of the assessment, the Association shall cause to be recorded a further notice stating the satisfaction and the release of the lien. If, after recording of the Notice of Assessment, the Owner fails to pay or otherwise satisfy the assessment, the Association may, at any time within two (2) years after such recordation, (which two-year period may be extended for an additional two (2) years if the Association records a written extension thereof within the original two-year period) enforce the lien by sale of the applicable Lots or Lots. In exercising its power of sale, the Association shall have such rights, shall comply with such requirements and conditions and shall follow such procedures as are set forth in Sections 278A.150 and 278A.160 of Nevada Revised Statutes as they may, from time to time be amended. Should said Sections be eliminated or revoked by legislative or judicial action, then the Association shall have such rights, shall comply with such requirements and conditions and follow such procedures as may be established under the other laws of the State of Nevada relative to the enforcement of such liens. In the absence of any such laws, said lien may be enforced by sale conducted in accordance with laws of the State of Nevada for foreclosure of deeds of trust. The foregoing remedies shall be in addition to any other remedies provided by law or in equity for the enforcement of such obligations, including the institution of legal proceedings against the applicable Owner or Owners personally.

5.13 Capitalization of Association. Upon acquisition of record title to a Lot from the Declarant, each Owner shall contribute to the capital of the Association as a capital reserve in addition to the prepaid assessments paid monthly an amount equal to one-sixth (1/6) the amount of the then annual assessment for that Lot. This amount shall be deposited by the buyer in the escrow, and disbursed to the Association. Transfer of a Lot to a new owner, the new owner will pay a Transfer Fee equal to one-sixth (1/6) of the amount of the annual assessment for that Lot. This amount shall be deposited by the buyer in escrow, and disbursed to the Association.

ARTICLE VI

ARCHITECTURAL CONTROL

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

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

ARTICLE VII

OBLIGATION TO MAINTAIN

7.1. Owner's Obligation to Maintain. Each Owner of a Lot shall be obligated to maintain, in good repair, the whole exterior of his Lot and the exterior of the improvements situated thereon, including, without limitation, the roof of his home, the exterior paint thereon within the confines of his Lot and any fence which is on a Lot line. In the event an Owner of any Lot shall fail to maintain the exterior premises and improvements situated on his Lot in a manner satisfactory to the Board, the Board, after approval by two-thirds (2/3) vote of the Directors, shall have the right, through its agents and employees, to enter on said Lot and repair, maintain and restore the same. The cost of such exterior maintenance shall be added to and become a part of the assessment to which the Lot is subject.

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

7.3. Association's Obligation to Maintain. The Association shall be obligated to maintain, in good repair, all of the Common Area and the facilities thereon including, without limitation, all landscaped areas and recreational facilities located thereon and maintenance of all front yard landscaping of each lot.

ARTICLE VIII

PARTY WALLS

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

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

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

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

8.5. Right to Contribution Runs with the Land. The right of any Owner to contribution from any other Owner under this Article VII shall be

appurtenant to the land and shall pass to such Owner's successors in title.

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

ARTICLE IX

USE RESTRICTIONS

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

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

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

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

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

9.6. Leasing. Each Owner shall have the right to lease his Lot, provided that any lease or rental agreement shall be in writing, and any tenant shall abide by and be subject to all provisions of this Declaration, the Articles, By-laws and Association rules. Any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Failure by an Owner to take legal action, including the institution of proceeding in unlawful detainer against his tenant who is in violation of the Declaration, the Articles, By-laws or Association rules, within ten (10) days after receipt of written demand to do so from the Board, shall constitute a breach hereof by said Owner. A tenant shall have no obligation to the Association to pay assessments imposed by the Association against the Owner and his Lot, nor shall any tenant have any voting rights in the Association. No Owner shall rent, lease or let his Lot for transient or hotel purposes. Any lease which is for a period of fewer than thirty (30) days shall be deemed to be for transient purposes. Other than the foregoing, there shall be no restriction on the right of any Owner to lease his lot.

9.7. Parking. No trailer, boat, recreational vehicle, mobile home or similar vehicle shall be permitted to be parked on a Lot outside of the garage, on any street bordering either the Common Area or any Lot, or in the Common Area, without prior written consent of the Board.

9.8. Garages. Garages are intended for use for vehicle parking and may not be converted, altered, utilized or modified in any fashion that

would prevent their use for vehicle parking. Except for purposes of immediate ingress and egress, garage doors must be closed at all times.

9.9. Yard Easement. All Yard Easements shall run with the land; shall be binding upon the Owner and Occupants of the Lots upon which they are located (the "servient estates"); and shall inure to the benefit of the Owner and Occupants of the Lots which are contiguous thereto and for the benefit of which such easements are granted and/or reserved (the "dominant estates"). The area within any Yard Easements shall be used for the following purposes and subject to the following use restrictions:

(a) The Owner and Occupants of the servient estate shall have the right of access over and across the Yard Easement area and the use of the same incident to and incident only to the repair and maintenance of the roof of the dwelling located on their Lot and the repair and maintenance of the wall of said dwelling which is generally contiguous to the Yard Easement.

(b) The Owner and Occupants of the dominant estate shall have the right generally to use the Yard Easement area as part of the front yard of the dwelling located on their Lot; for ingress to and egress from the side yard said dwelling and for any other lawful use, subject to the following:

(1) The Owner and Occupants of the dominant estate shall do nothing to impair or interfere with the rights of the Owner or Occupants of the servient estate as set forth in Subsection 8.10.(a).

(2) The Owner and Occupants of the dominant estate shall do nothing to alter the drainage pattern of surface waters (including waters draining from roofs, eaves and overhangs of the dwelling located on the servient estate) coming upon or originating on their Lot without approval of the Board and the Owner of the servient estate.

(3) The Owner and Occupants of the dominant estate shall not (i) alter, damage, impair or interfere with the maintenance of any building wall on the servient estate which is generally contiguous to the Yard Easement area, (ii) make any attachments, penetrations or abutments of materials, objects or devices to such wall, or (iii) cause or permit to be cause or permit to be caused the transfer of any noise, vibration or odor through or under said wall.

ARTICLE X

DESTRUCTION OF COMMON AREA IMPROVEMENTS

10.1. Destruction. In the event of total or partial

destruction of improvements on the Common Area and if the available proceeds of insurance carried by the Association are sufficient to pay for not less than EIGHTY-FIVE PER CENT (85%) of the cost of repair or reconstruction thereof, the same shall be promptly repaired and rebuilt, unless within ninety (90) days from the date of such destruction, SEVENTY-FIVE PER CENT (75%) or more of the votes of each class of Member which are cast by Members present and entitled to vote in person or by proxy at a duly constituted meeting, are cast for the proposition that such reconstruction shall not take place. If reconstruction is to take place, the Board shall be required to execute and record, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention to rebuild.

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

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

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

ARTICLE XI

INSURANCE

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

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

11.2. Premiums and Proceeds. Insurance premiums for any insurance coverage obtained by the Association pursuant to Section 10.1. and such other insurance deemed necessary or advisable by the Board shall be a common expense to be included in the annual assessments levied by the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in Article IX. The Board is hereby granted authority to negotiate loss settlement with appropriate insurance carriers. A majority of the Directors may sign loss claim forms and release forms in connection with the settlement of loss claims, and such signatures shall be binding upon the Association and the Members.

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

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

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

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

ARTICLE XII

RIGHTS OF LENDERS

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

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

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

12.3. Subordination of Assessment Lien. Each First Mortgagee

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

12.4. No Priority. No provision in the management documents shall give an Owner or any other party priority over any rights to a First Mortgagee of his Lot in contravention of its First Mortgage relative to a distribution of insurance proceeds or a condemnation award for loss to or a taking of a Lot and/or to the Common Area.

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

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

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

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

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

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

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

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

(e) By act or omission change, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or exterior appearance of the Lots, exterior maintenance thereof, maintenance of the Common Area or upkeep of landscaping with the Properties;

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

(g) Fail to maintain fire and extended coverage insurance on insurable Common Area property on a

current replacement cost basis in an amount equal to ONE HUNDRED PER CENT (100%) of the insurable value;

(h) Make any material amendment to the management documents. The term "material amendment" as used herein shall mean amendments to provisions governing (i) voting (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the Common Areas; (iv) insurance or fidelity bonds; (v) rights to use the Common Areas; (vi) responsibility for maintenance and repair within the Properties; (vii) annexation or withdrawal of property to or from the Properties; (viii) boundaries of any Lot; (ix) interest in the Common Areas; (x) convertibility of Lots into Common Areas or Common Areas into Lots; (xi) leasing Lots; (xii) imposition of any right of first refusal or similar restriction on the right of a Lot Owner to sell, transfer or otherwise convey his Lot; and (xiii) any provision which is for the express benefit of First Mortgagees or insurers or guarantors of First Mortgages. An amendment of the management documents shall not be considered "material" if it is for the purpose of correcting technical errors or for clarification only.

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

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

ARTICLE XIII

ENFORCEMENT RIGHTS

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

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

13.2 Limitation on Association Enforcement Rights. Notwithstanding the foregoing enforcement rights, the Association is not empowered to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his individually owned Lot because of the failure by the Owner to comply with the provisions of this Declaration, the By-laws, Articles or duly enacted Association rules and regulations for the operation and use of the Common Area and facilities, except by judgment of a court or a decision arising out of arbitration, or because of a foreclosure sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association. Except as provided in Section 6.1., a monetary penalty imposed by the Association as a disciplinary measure for failure of an Owner to comply with the provisions of the management documents or duly enacted Association rules and

regulations for the operation and use of the Common Area and facilities, or as a means of reimbursing the Association for costs incurred in the repair of damage to the Common Area and facilities for which the Owner was allegedly responsible, or in bringing the Owner and his Lot into compliance with the management documents cannot be characterized or treated as an assessment enforceable by a sale of the Lot in accordance with provisions of Nevada law governing powers of sale. However, the immediately preceding prohibition does not apply to charges imposed against an Owner consisting of interest and/or reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for costs reasonably incurred (including attorney's fees) in its efforts to collect delinquent assessments.

ARTICLE XIV

GENERAL PROVISIONS

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

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

14.3. FHA and VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the FHA and the VA: annexation or deannexation of additional properties, any merger or consolidation of the Association, and any amendment to this Declaration, a draft of which shall be submitted to and approved by the VA prior to recordation.

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

14.5. Annexation of Additional Properties by Declarant. Additional land within Stone Canyon West, (except for the areas noted as "Common Area Lot ' ' " and Common Area Lot ' ' ") as shown by map thereof on file in Book of Plats, Page in the Office of the County Recorder of Clark County, Nevada, may be annexed to the Properties by Declarant without the assent of Members of the Association or Eligible Mortgage Holders; provided, however, that the development of the additional land shall if applicable be in accordance with the plan of development submitted to the VA or VA and FHA.

ARTICLE XV

AMENDMENT

15.1. Amendment During First Twenty (20) Years. This Declaration may be amended during the first twenty (20) years following the recording hereof upon the approval and consent of Members holding not less than NINETY PER CENT (90%) of the voting power of the Association. As long as there are Class B voting rights, any amendment of this Declaration shall also require the approval of either the VA or FHA. Amendments of a material nature must also be approved by certain First Mortgagees pursuant to Section 11.8.

15.2. Amendment Subsequent to the First Twenty (20) Years. Subsequent to the expiration of the first twenty (20) years following the recording of this Declaration, this Declaration may be amended upon the approval and consent of Members holding not less than SEVENTY-FIVE PER CENT (75%) of the voting power of the Association. As long as there are Class B voting rights,

any amendment of this Declaration shall also require the approval of either the VA or FHA. Amendments of a material nature must also be approved by certain First Mortgagees pursuant to Section 11.8.

IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first hereinabove written.

J.M. GAIR & ASSOCIATES

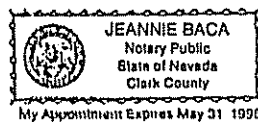
A Nevada Corporation

BY

J.M. GAIR

STATE OF NEVADA)
) ss:
COUNTY OF CLARK)

On the 30th day of November, 1995, personally appeared before me, a Notary Public, J.M. GAIR, who acknowledged that they executed the above instrument.



Notary Public

ATTACHMENT "A"

ALL the land lying within the exterior boundries of STONE CANYON / SAUSALITO,
as shown by map thereof on file in Book 72 of Plats, Page 32, in the Office of the County
Recorder of Clark County, Nevada.

CLARK COUNTY, NEVADA
JUDITH A. VANDEVER, RECORDER
RECORDED AT REQUEST OF:
LAWYERS TITLE OF NEVADA
05-09-96 08:16 CPD 17
BOOK: 960509 INST: 00605
FEE: 23.00 RPTT: .00
RESTRICTIONS
CONFORMED COPY HAS NOT BEEN COMPARED TO THE ORIGINAL