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Washoe County Recorder
Kathryn L. Burke - Recorder
Fee: \$284.00 RPTT: \$0.00
Page 1 of 246

CONFORMED COPY



SOMERSETT
It's Great To Be Home.

BOOK 2
SOMERSETT PLANNED UNIT DEVELOPMENT
Amendment 3

PREPARED BY:
SOMERSETT DEVELOPMENT CO., LLC
NEVADA PLANNING AND ENTITLEMENT GROUP, LLC
PADOVAN CONSULTING, LLC

PREPARED FOR:
SOMERSETT DEVELOPMENT CO., LLC

February 2009



SOMERSET
It's Great To Be Home.

APPENDICES

- A. Supporting Information
- B. C.C.&R.'s
- C. City of Reno Parks Agreement
- D. City of Reno Fire Station Agreement
- E. Washoe County School District Agreement
- F. Preliminary Sewer Report
- G. Master Hydrology Study
- H. Traffic Impact Study
- I. Preliminary Geotechnical Report
- J. Landscape Appendices
 - Landscape Planting Palettes
 - Developed Area Plant Palette
 - Transitional Planting Palette
 - Natural High Desert Plant Palette
 - Wildlife Seed Mix
 - Seeding Practices
- K. Architectural Vocabulary
- L. Master Water Supply Plan
- M. Survey of Rare & Endangered Plant Species
- N. Survey of Wetlands, Streams, Environmental Zones & Water in the United States
- O. Nevada Department of Wildlife Letter
- P. Historical Data

LEGAL DESCRIPTION
PARCEL 2
APN 038-720-02, 038-720-03
July 1, 2002

A portion of Section 11, Township 19 North, Range 18 East, M.D.M., Washoe County, Nevada, being all of Lots 1 and 2 as shown on Division of Land Map Number 136, File Number 1496984 of the Official Records of Washoe County Nevada, and more particularly described as follows:

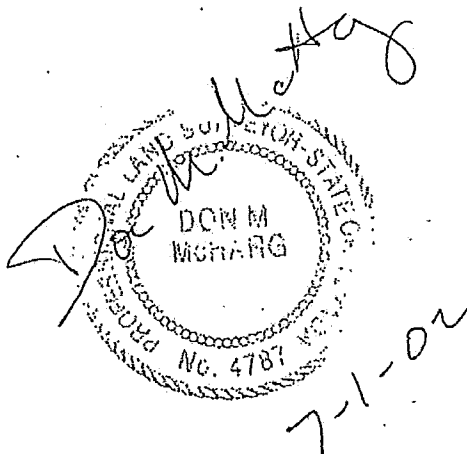
Beginning at a point Northwest corner of said Lot 1; thence South $03^{\circ}44'58''$ East a distance of 2212.11 feet to the West $1/4$ corner of said Section 11; thence South $02^{\circ}01'36''$ East a distance of 688.67 feet; thence South $89^{\circ}10'28''$ East a distance of 203.26 feet; thence South $01^{\circ}56'58''$ East a distance of 688.58 feet; thence South $89^{\circ}10'23''$ East a distance of 565.01 feet; thence South $89^{\circ}10'23''$ East a distance of 571.31 feet; thence North $01^{\circ}20'05''$ West a distance of 700.05 feet; thence North $34^{\circ}18'57''$ East a distance of 1198.26 feet; thence North $48^{\circ}52'05''$ West a distance of 2909.07 feet to the Point of Beginning.

Said parcel contains an area of approximately 102.126 acres.

BASIS OF BEARINGS: Nevada State Plane Coordinate System West Zone, (NAI 83/94).

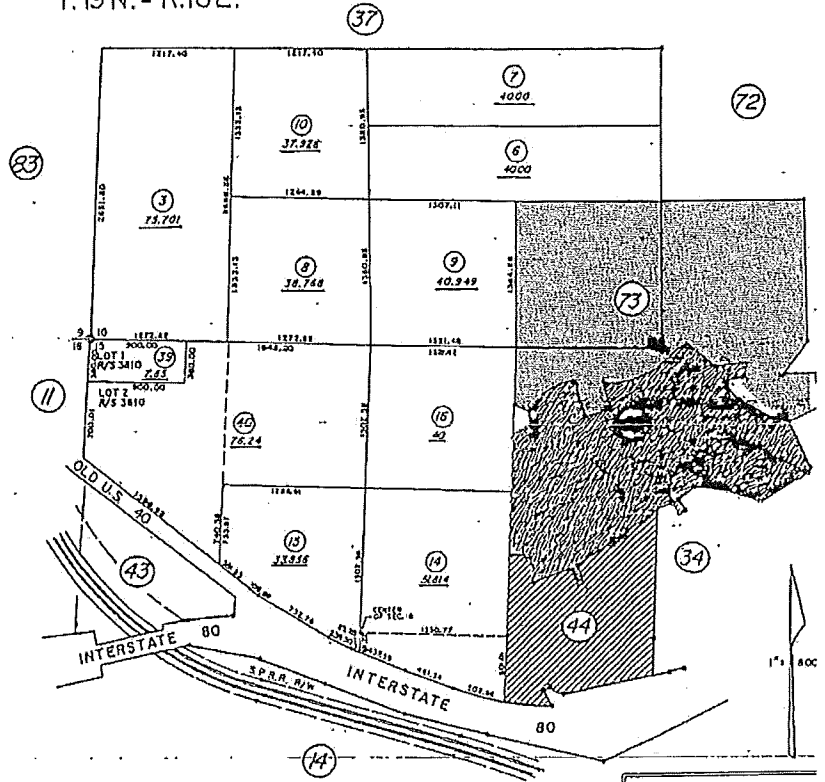
Description prepared by:
Don M. McHarg
Summit Engineering Corporation
5405 Mae Anne Ave.
Reno, Nevada 89523

J:\WPDATA\LEGALS\SOMPUD.LGL



FOR. SEC. S 10, 11, 14 & 15
T. 19 N. - R. 18 E.

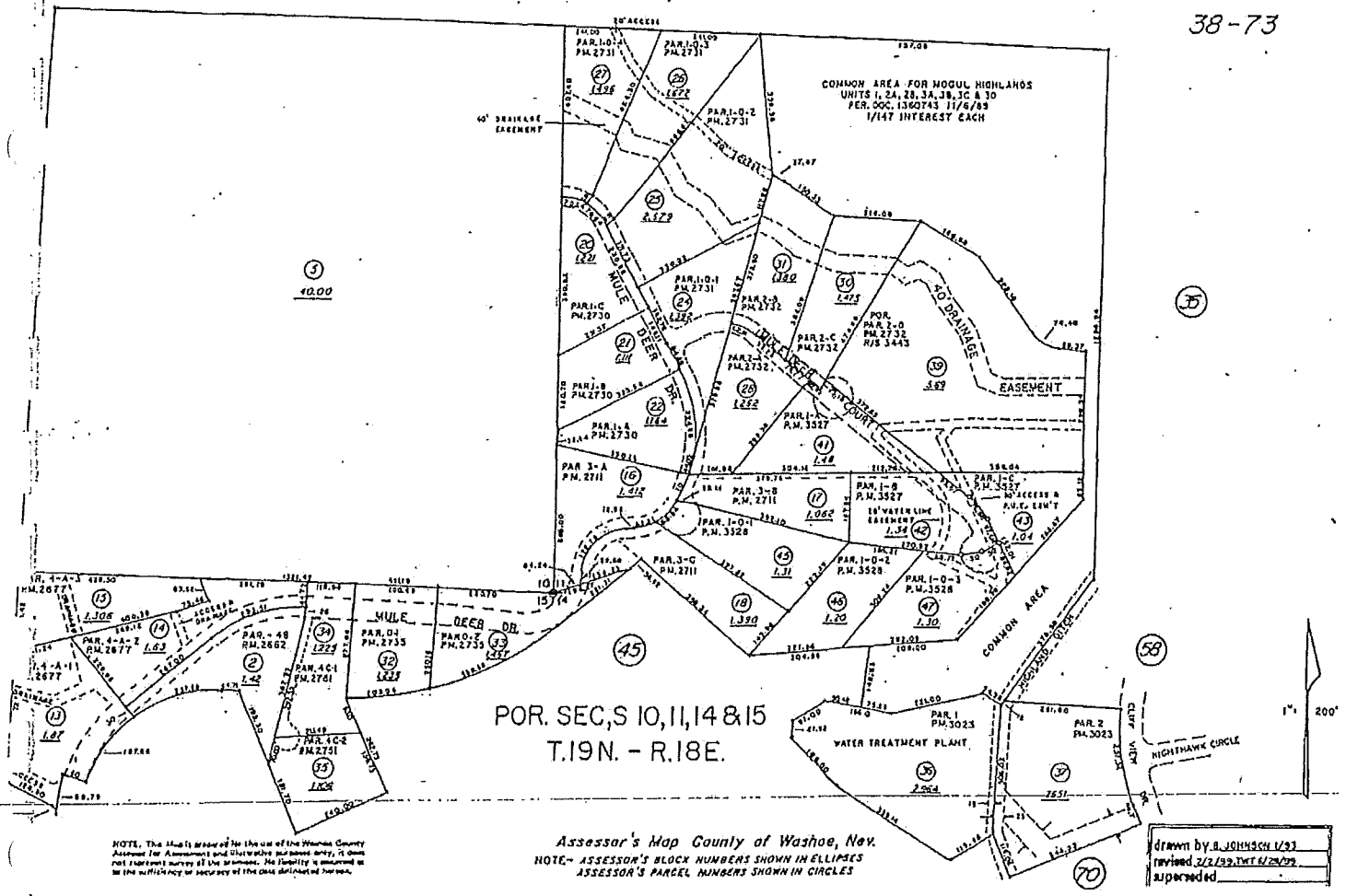
38-38



NOTE: This Map is prepared for the use of the Washoe County Assessor for Assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or accuracy of the data delineated herein.

Assessor's Map County of Washoe, Nevada
NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

drawn by	M.C.	7/77
checked		
revised	TWT 8/22/00	MCS 7/12/01
superseded		

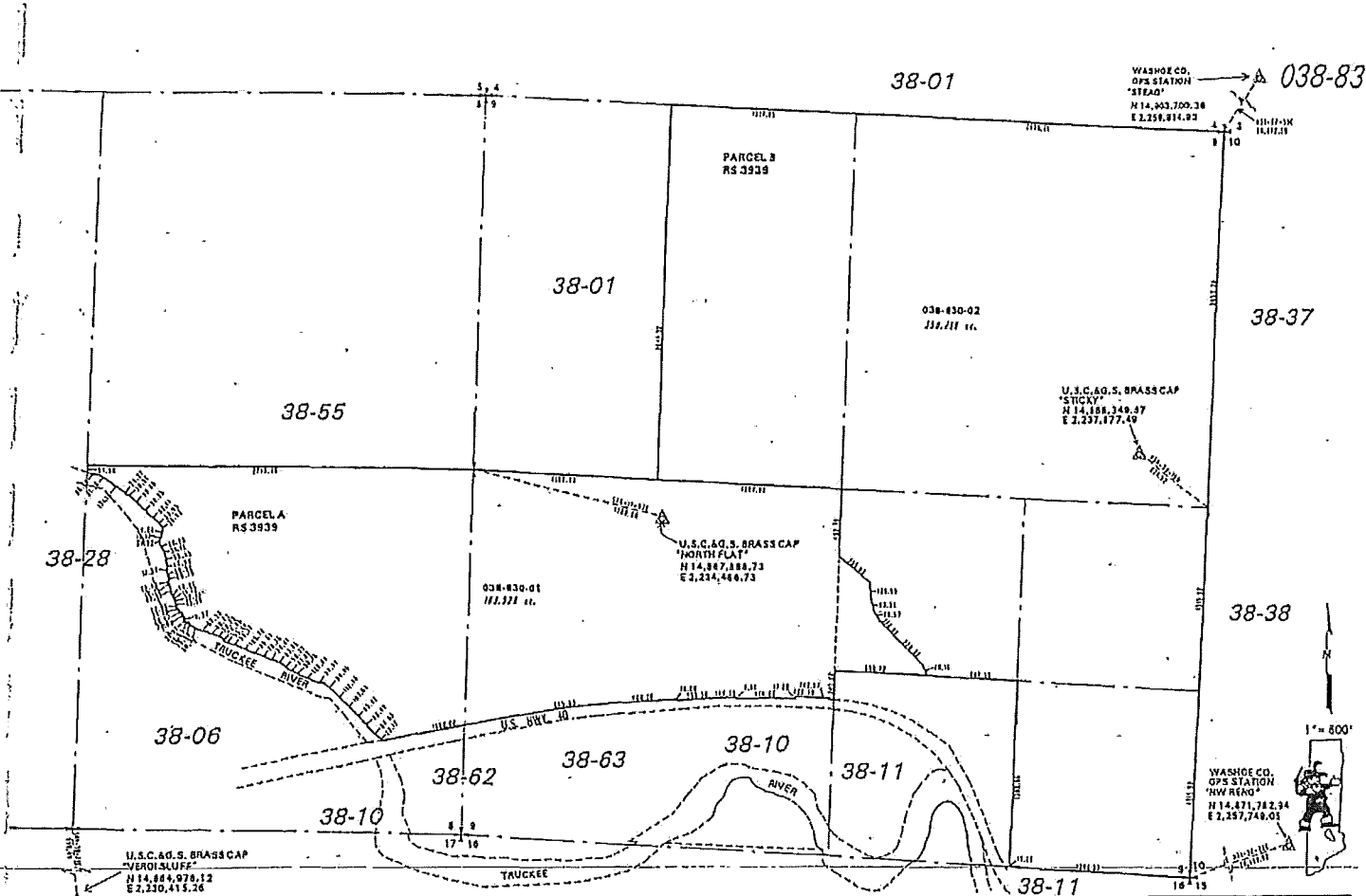


POR. SEC,S 10,11,14 & 15
T.19N. - R.18E.

NOTE: This Map is prepared for the use of the Washoe County Assessor for Assessment and Districtive purposes only, it does not represent survey of the same. No liability is assumed as to the sufficiency or accuracy of the data furnished thereon.

Assessor's Map County of Washoe, Nev.
NOTE- ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

drawn by B. JOHNSON 1/23/91
revised 2/2/99, TWT 6/28/09
superceded



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

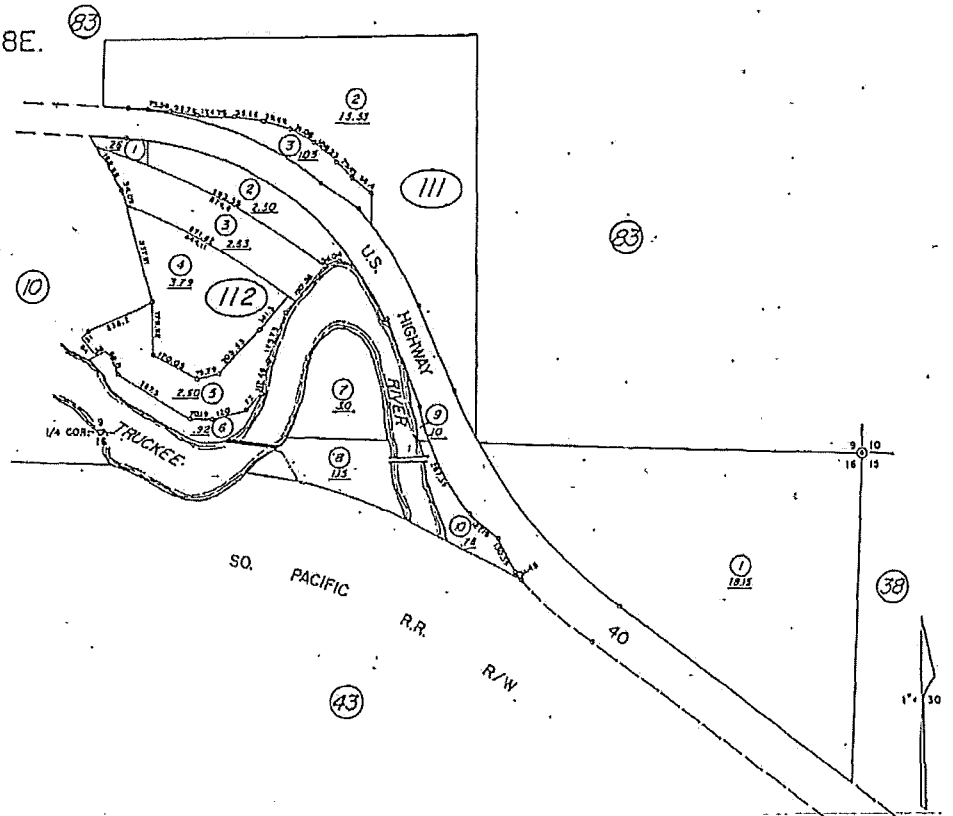
This area previously shown on 38-01 A, 11-01

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	HCS 2/12/11
Revised	CEA 9/23/11

WASHOE COUNTY, NEVADA

POR. SE⁴ SEC. 9 &
POR. NE⁴ SEC. 16, T.19N.-R.18E.

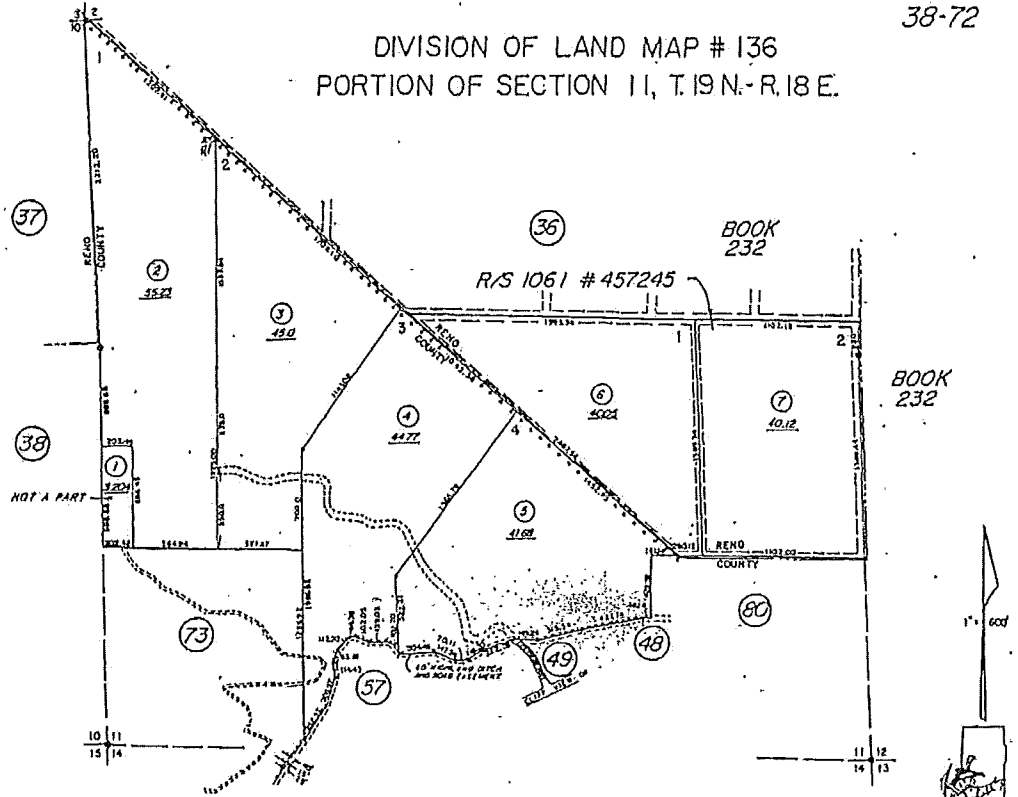


NOTE: This Map is prepared for the use of the Washoe County Assessor for Assessment and illustrative purposes only. It does not represent a survey of the property. No liability is assumed as to the correctness or accuracy of the data contained herein.

Assessor's Map County of Washoe, Nevada
NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

drawn by	M.M. 1/78
checked	
revised	HCS 7/13/01
superceded	

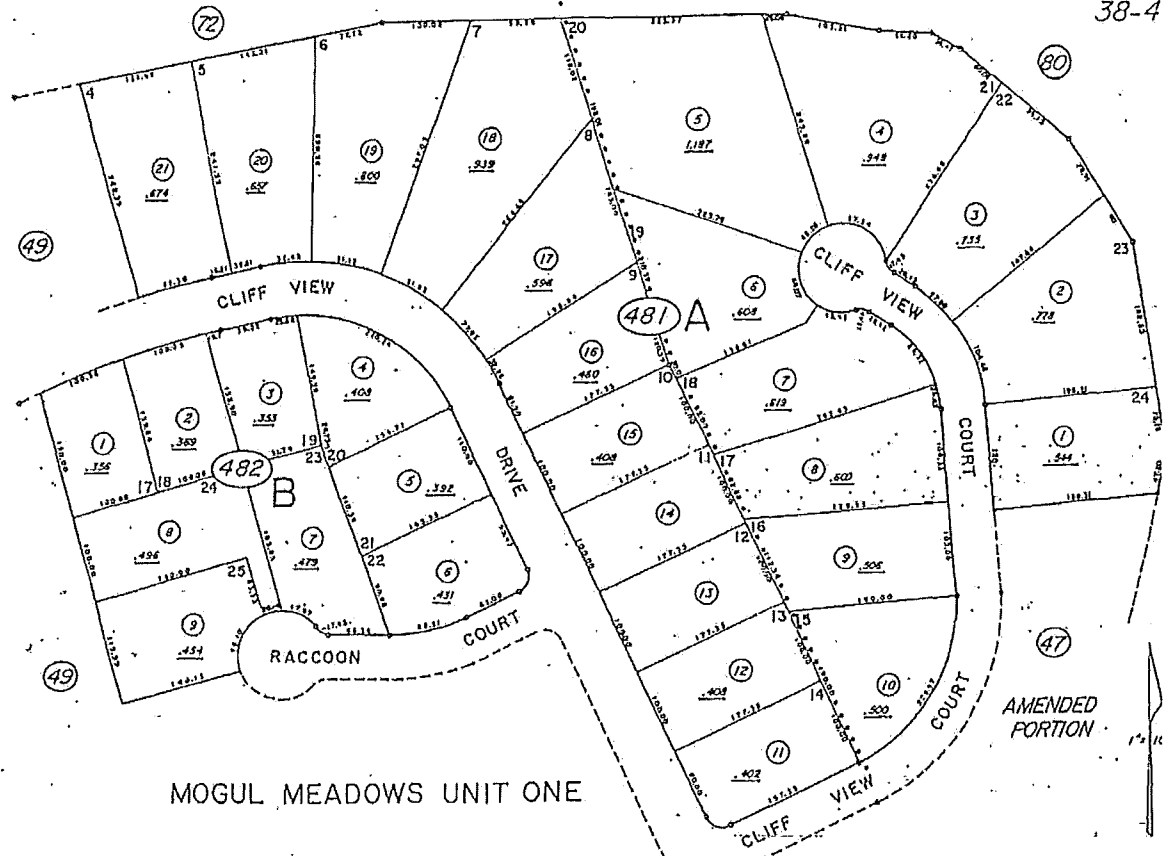
DIVISION OF LAND MAP # 136
PORTION OF SECTION 11, T.19 N.-R.18 E.



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and taxation purposes only, it does not represent a survey of the premises. No liability is assumed as to the sufficiency or accuracy of the data delineated hereon.

Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

Drawn by M. PORTER 5/21
 Printed by G. J. H. K. S. B. / C. S.
 105 1/2 1/2



MOGUL MEADOWS UNIT ONE

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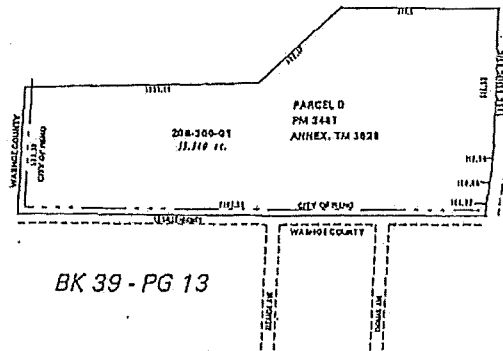
Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

drawn by SA 9/79
revised 5/85 KSB/BJG
superceded

47

PORTION OF SECTIONS 1, 12 & 13
T19N - R18E

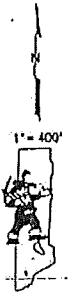
BOOK 232



BK 38 - PG 80

BK 39 - PG 11

BK 39 - PG 13



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and taxative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

This area previously shown on 28-11

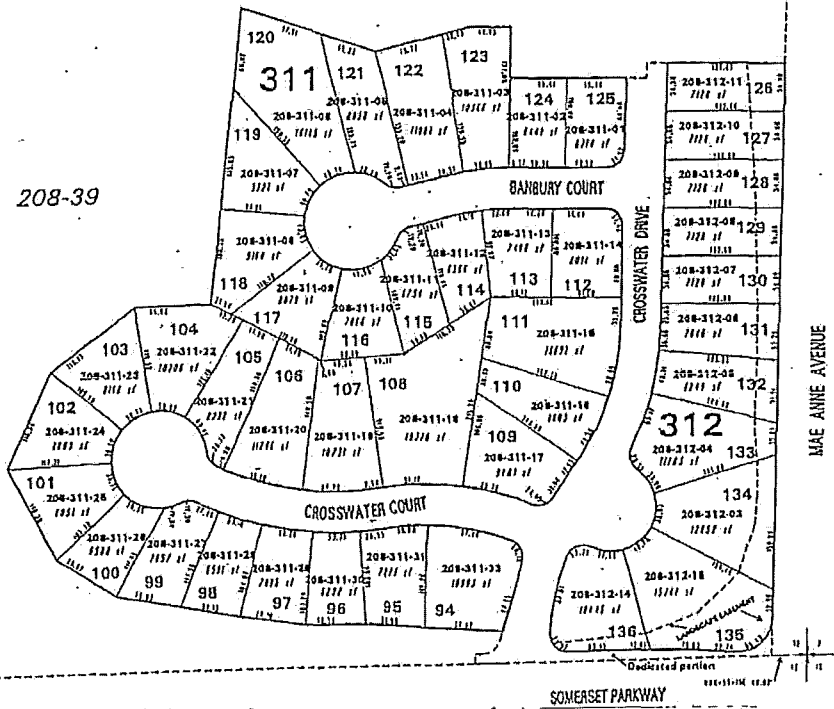
NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	DSB	07/12/99
Revised	MCS	01/13/02

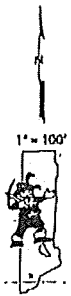
208-35

(#3680)
NORTHGATE UNIT NO. 16C
PORTION OF SE 1/4 SECTION 12
T19N - R18E

208-39



BOOK 200



SOMERSET PARKWAY

NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

BOOK 232
Office of Washoe County Assessor, Nevada - Robert W. McGowan

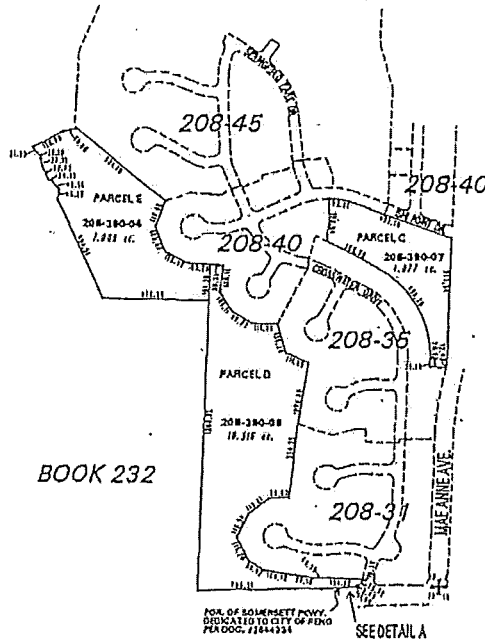
This area previously shown on 208-13

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	DSJ	05/04/99
Revised	MCS	2/13/02

(#3882)
NORTHGATE UNIT NO 16E
A PORTION OF THE SE 1/4 OF SECTION 12
T19N - R18E

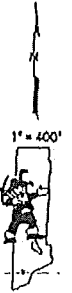
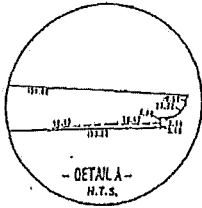
BOOK 39



BOOK 200

BOOK 232

BOOK 232



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and mapping purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

This area previously shown on 208-13, 208-22

NOTE: Areas of parcels which are less than 2 acres are shown in light gray.

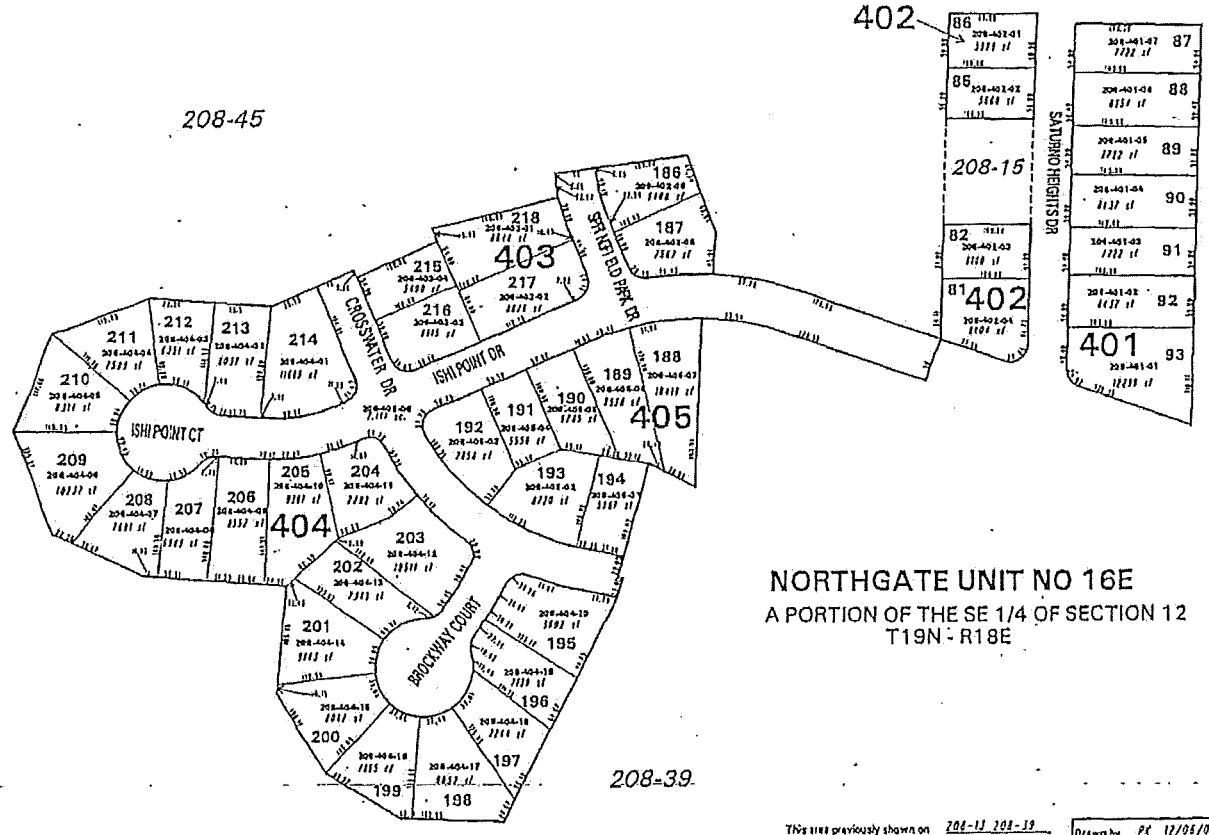
Drawn by	PT 12/23/99
Revised	HCS 4/19/02

78-39

208-45

208-15

208-46



NORTHGATE UNIT NO 16E
 A PORTION OF THE SE 1/4 OF SECTION 12
 T19N - R18E



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and administrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated hereon.

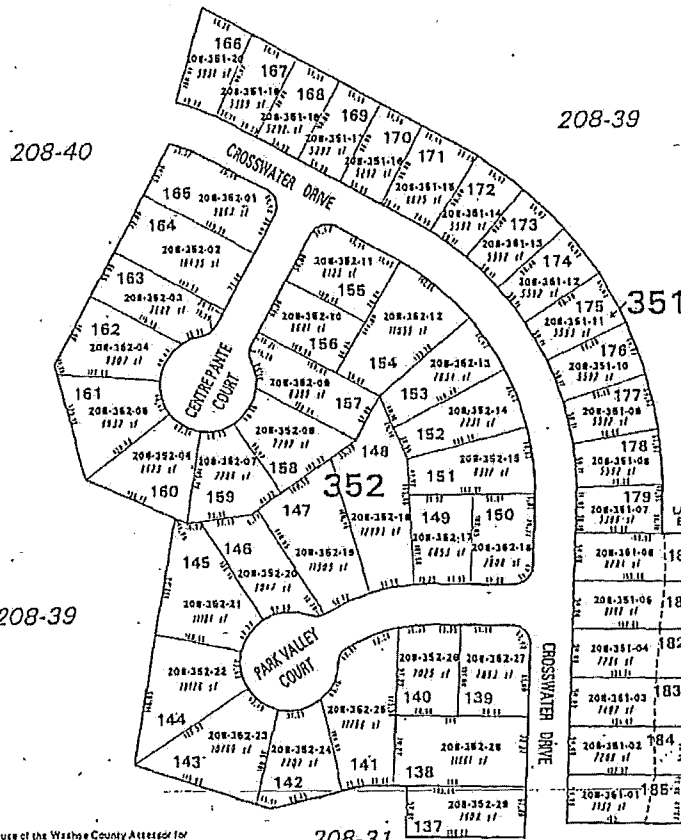
Office of Washoe County Assessor, Nevada - Robert W. McGowan

This area previously shown on 208-11 208-39

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by PK 12/28/00
 Revised MCS/ALM/ MGS 10/1/02
DESIGNED BY WASHINGTON CONSULTANTS

(#3793)
NORTHGATE UNIT 16D
PORTION OF SE 1/4 SECTION 12
T19N · R18E



BOOK 200



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delivered herein.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	052	01/09/00
Revised	76, 12/09/00	058, 2/20/01
JCS 3/20/01		

208-51

208-17

208-16

208-04

208-05

PARCELA
PM 2481

208-280-01
11.111 ac.

PORTION OF SECTIONS 1, 12 & 13
T19N - R18E

BK 39 - PG 01

BK 39 - PG 15

BOOK 232



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data delineated thereon.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

This area previously shown on 18-15

NOTE: Areas of parcels which are less than 1 acre are shown in square feet.

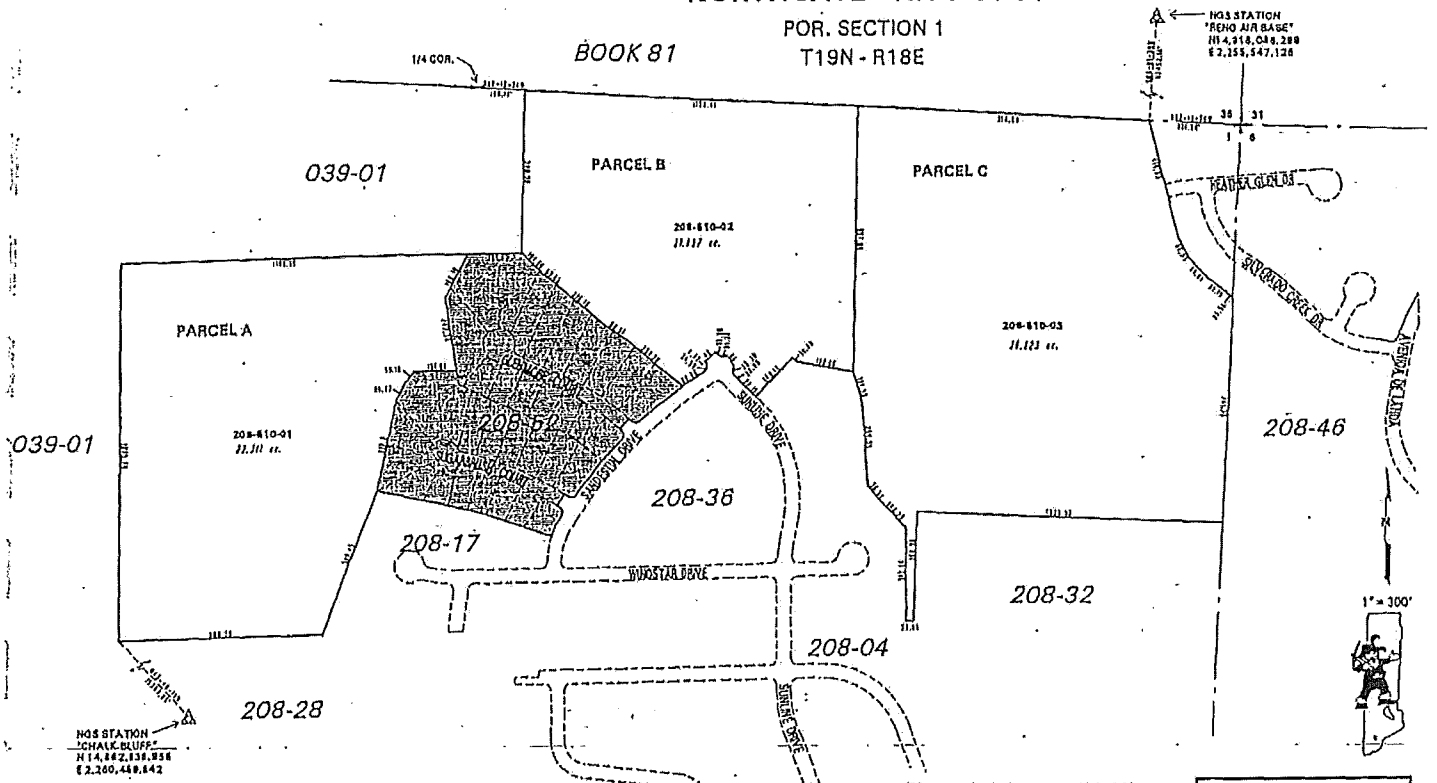
Drawn by	SR	2/22/99
Reviewed	SCS	3/5/02
	JCS	7/13/02

(#4042)

NORTHGATE UNIT NO. 11C

POR. SECTION 1
T19N - R18E

BOOK 81



NBS STATION
 "CHAIR CLUMP"
 N 14,442,438.838
 E 2,260,449.842

NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the reliability or the accuracy of the data delineated hereon.

Office of Washoe County Assessor, Nevada - Robert W. McGowan

This area previously shown on 14-01 & 103-10

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	HCS 9/2/12/07
Revised	

039-01

208-52

208-51

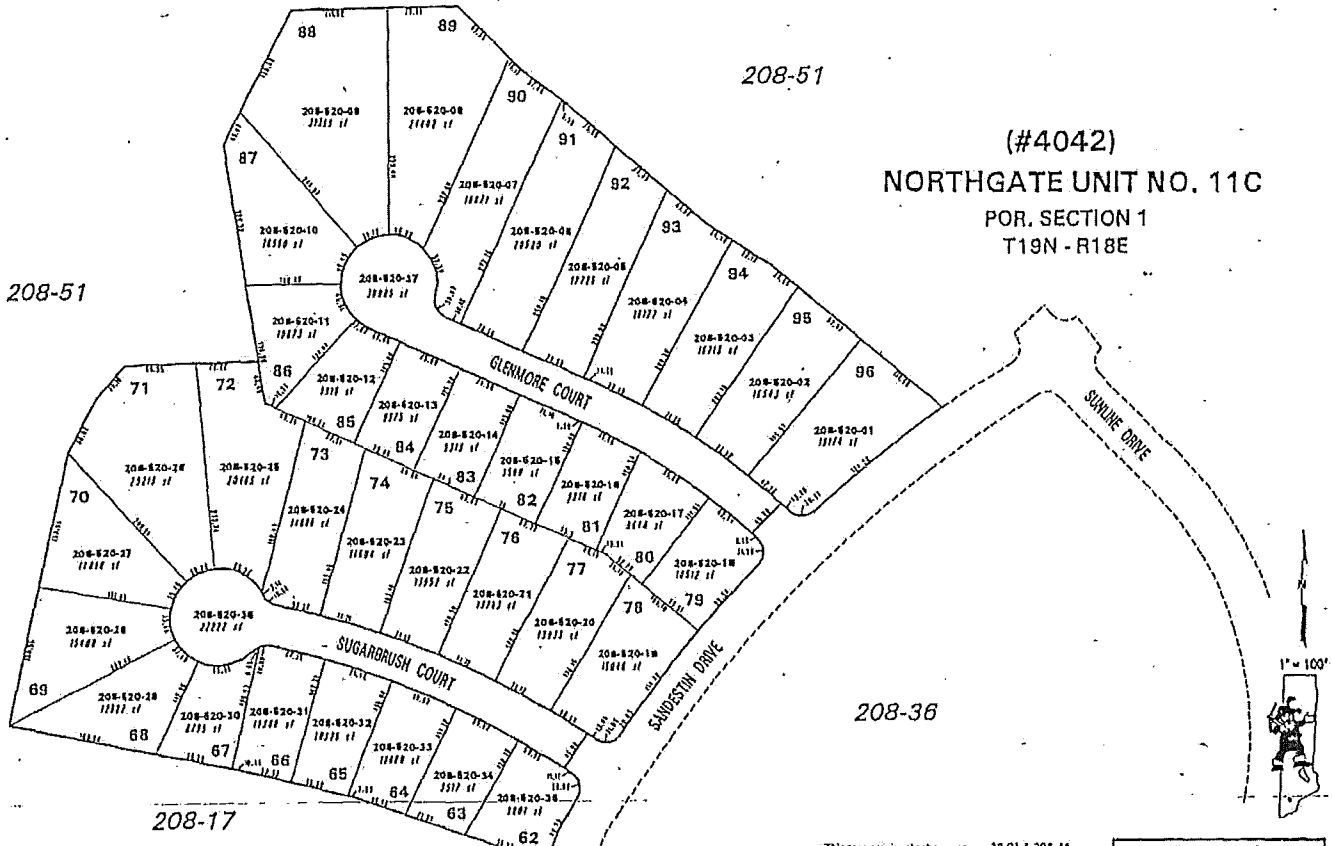
208-51

(#4042)

NORTHGATE UNIT NO. 11C

POR. SECTION 1

T19N - R18E



NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or the accuracy of the data depicted hereon.

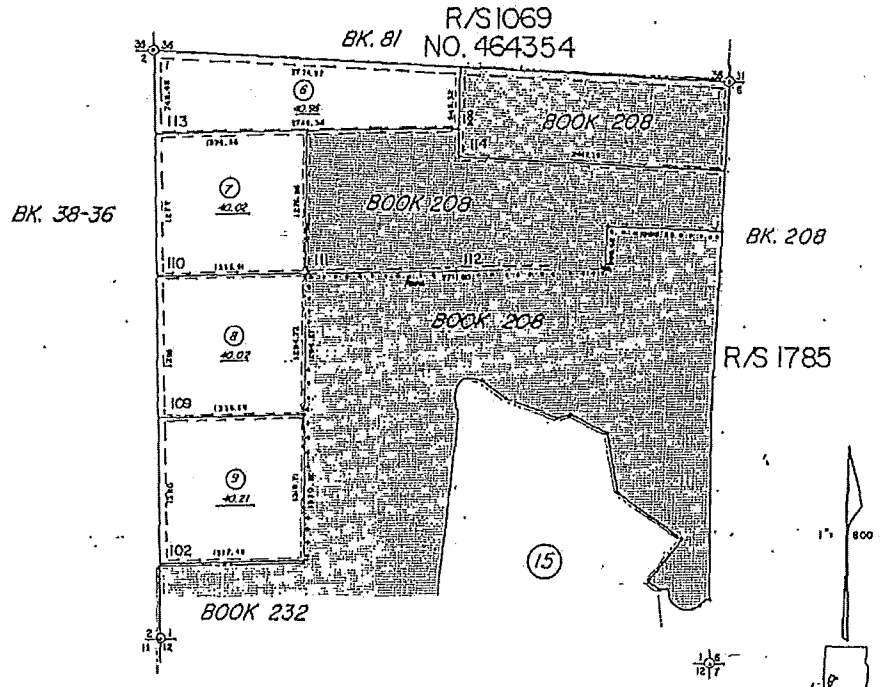
Office of Washoe County Assessor, Nevada - Robert W. McGowan

This title previously shown on 39-01 & 208-16

NOTE: Areas of parcels which are less than 2 acres are shown in square feet.

Drawn by	HCS	9/21/07
Revised	HCS	3/25/07

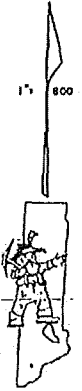
PORTION OF SECTION 1-T19N-R18E



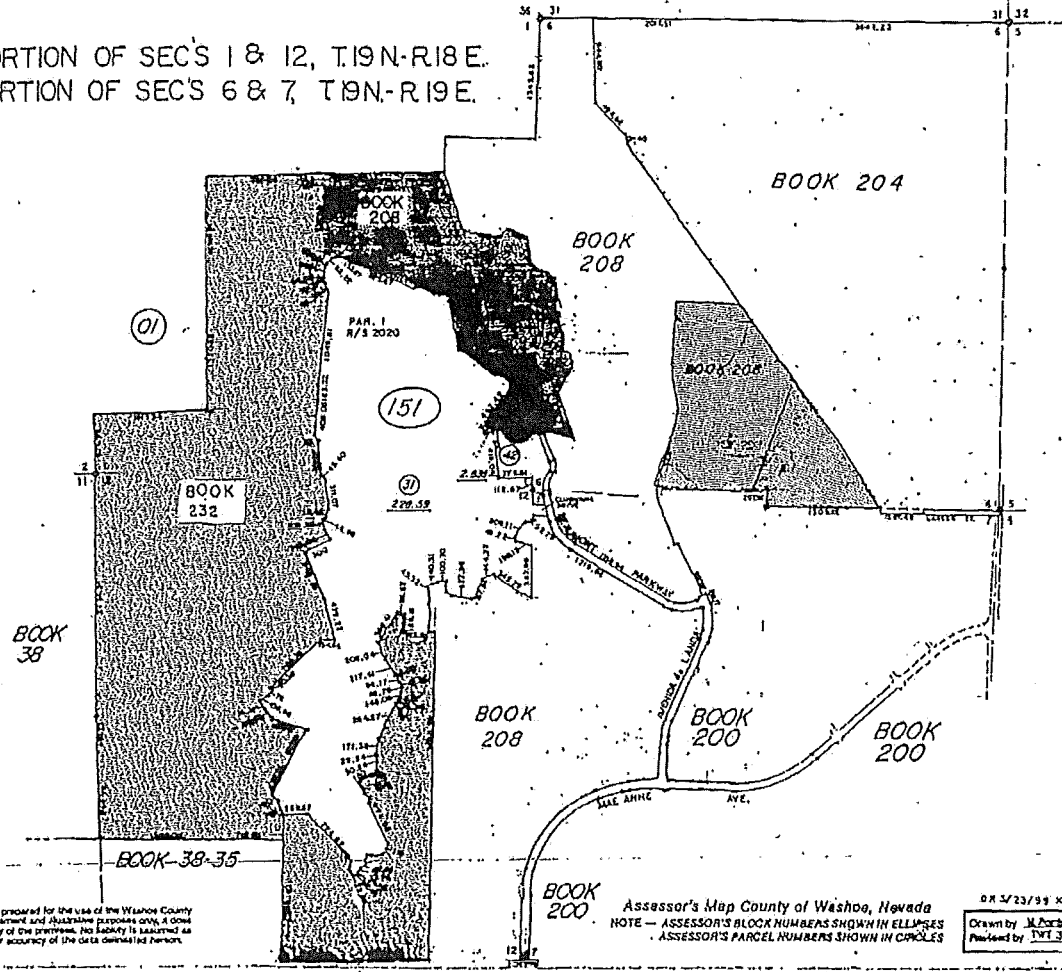
NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent survey of the premises. No liability is assumed as to the sufficiency or accuracy of the data delineated hereon.

Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

Drawn by B.F. 10/85
 Revised by Dr. Yea WCA 4/86
 12/87/12/88/12/89/12/90



PORTION OF SEC'S 1 & 12, T.19N-R.18E.
PORTION OF SEC'S 6 & 7, T.19N-R.19E.



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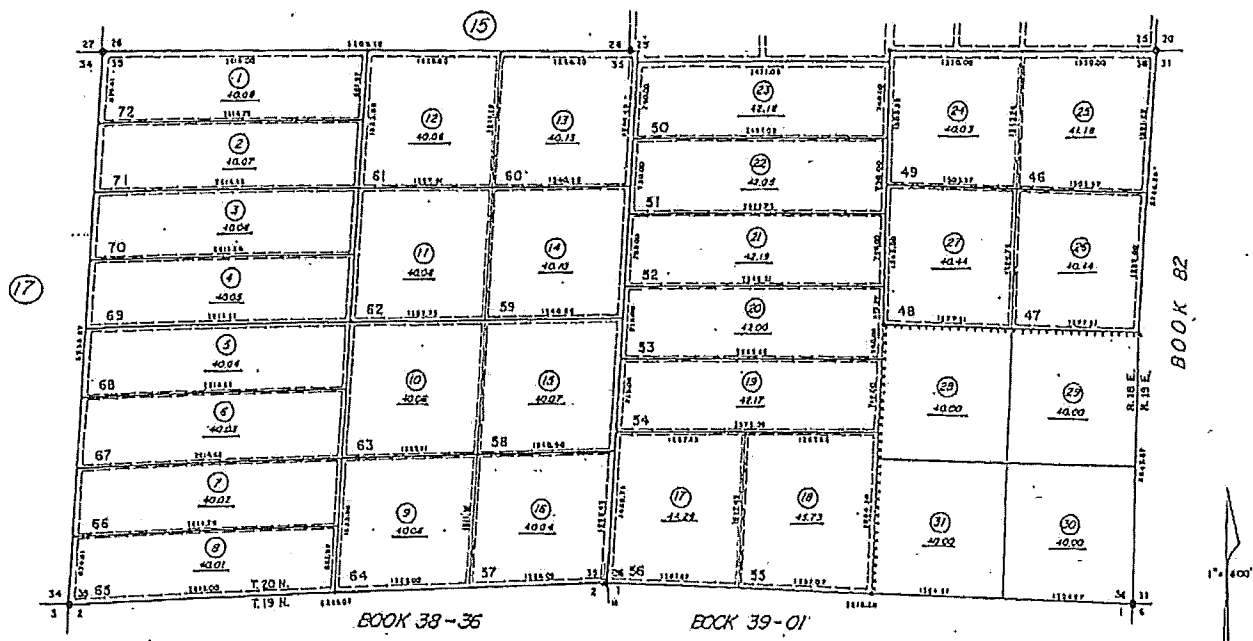
Assessor's Map County of Washoe, Nevada
NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

DN 3/23/99 AS 7/13/99 MS3/AS/02
Drawn by M. Porter, S. 2004
Printed by DVI 3/17/99 3/3/1995



SECTIONS 35 & 36, T 20 N. R 18 E.

R/S 457246



NOTE: This Map is prepared from the map of the Washoe County Assessor for Assessment and is subject to change. It does not represent a survey of the sections. No liability is assumed as to the accuracy or correctness of the data shown on this map.

Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

drawn by	U.C.	T/T
checked		
revised		
superseded		

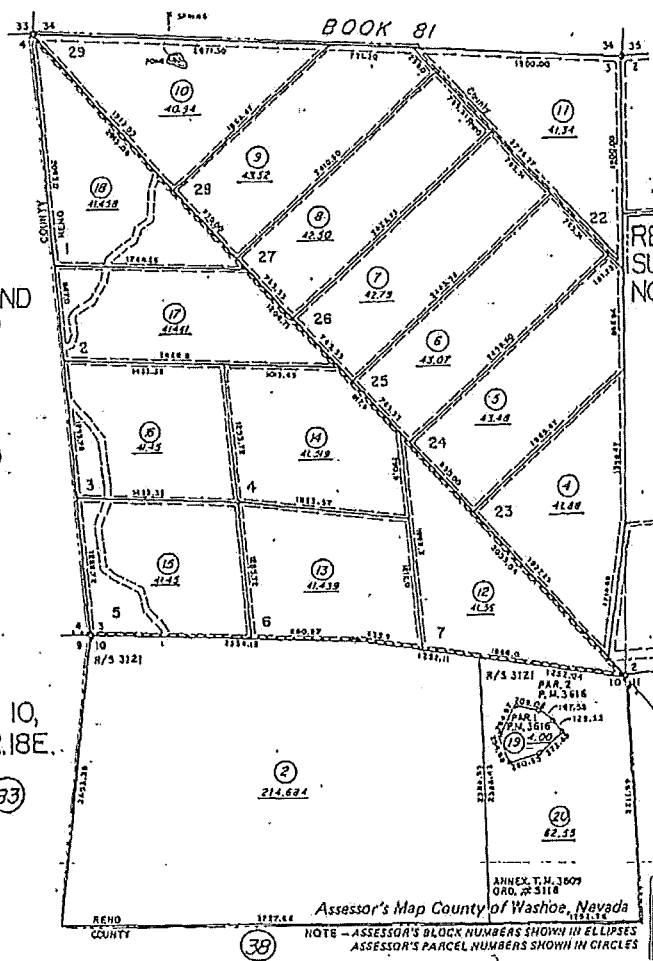
38-37

BOOK 81

DIVISION OF LAND
MAP NO. 476970

RECORD OF
SURVEY
NO. 457245

N² SEC. 10,
T.19N.-R.18E.



NOTE: This Map is prepared for the use of the Washoe County Assessor for Assessment and illustrative purposes only. It does not represent a survey of the premises. The liability is assumed as to the reliability or accuracy of the data delineated hereon.

Assessor's Map County of Washoe, Nevada

NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

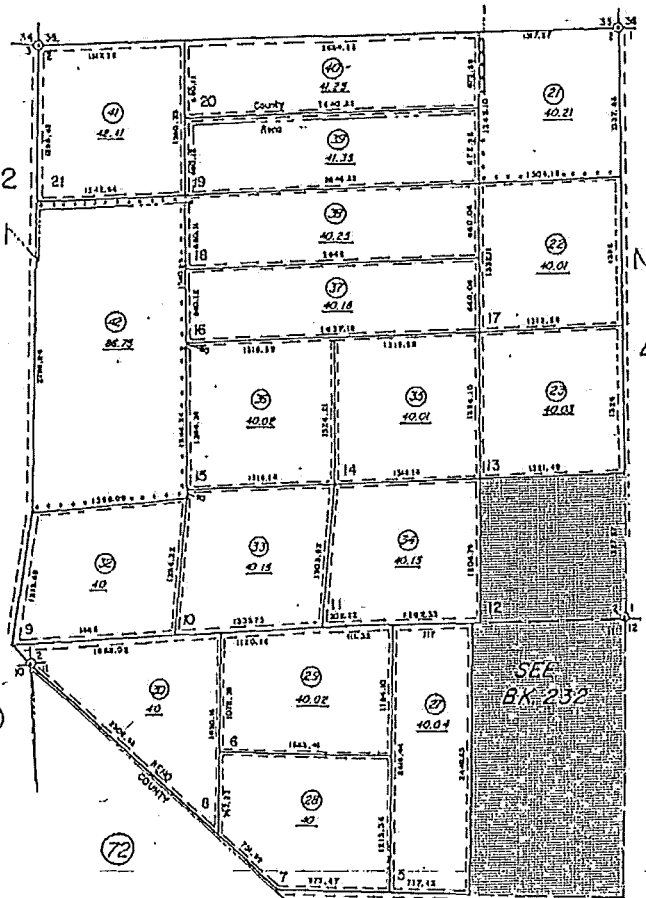
drawn by	u.c.	7/77
checked		
revised by	u.c.	7/78
superseded		

38-36

T19N-R18E
ALL SECTION 2
PORTIONS OF
SECTIONS 3 & 11

R/S 1061
NO. 457245

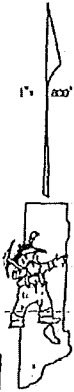
BK. 39-01



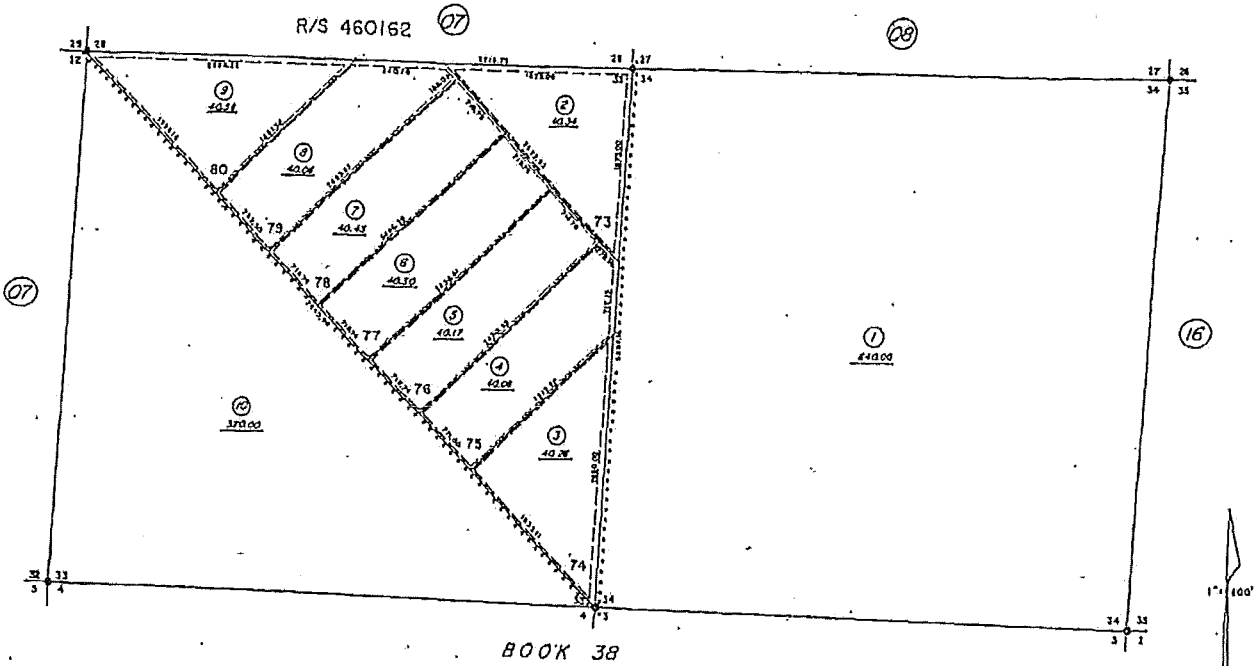
NOTE: This map is prepared for the use of the Washoe County Assessor for assessment and illustrative purposes only. It does not represent a survey of the premises. No liability is assumed as to the sufficiency or accuracy of the data delineated hereon.

Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

OR 3/15/11
 Drawn by M.C. 7/77
 Revised by 10/23 9/15/08 8/09
 10/23/09



SECTIONS 33 & 34, T20N-R.18E.



NOTE: This map is prepared for the use of the Washoe County Assessor for Assessment and Clarification purposes only. It does not constitute a warranty of the accuracy of the map, but liability is assumed in the absence of evidence of fraud or negligent practice.

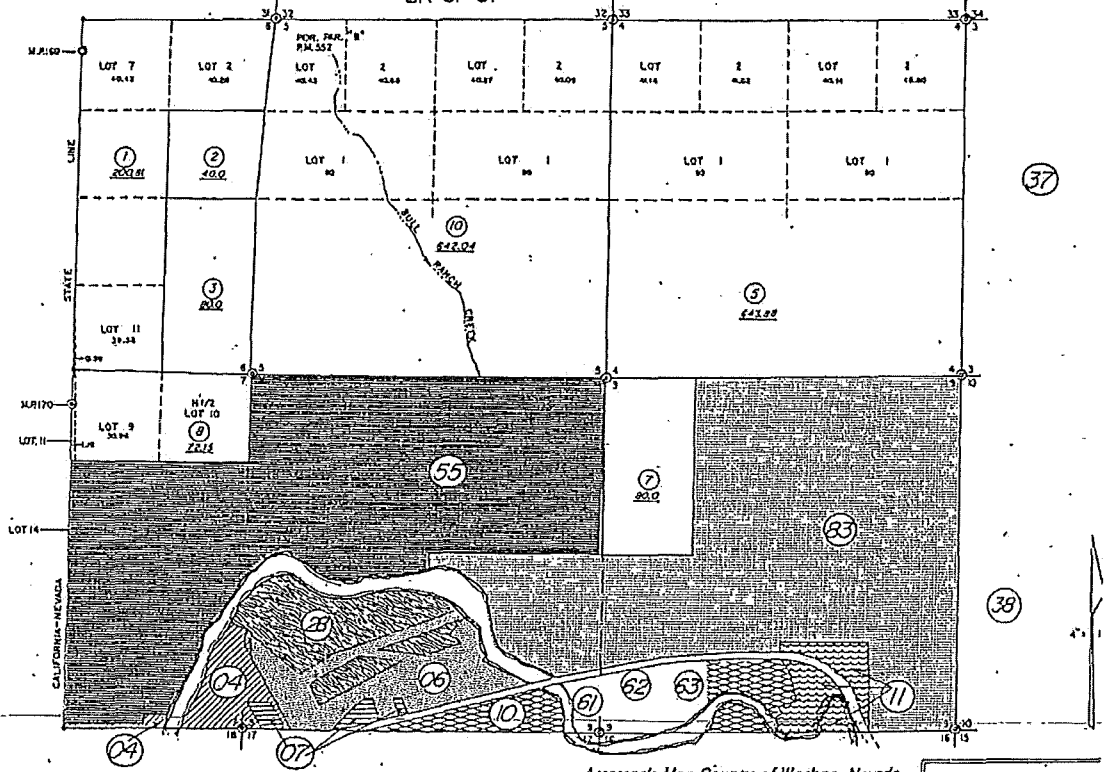
Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

drawn by	uc	1/17
checked		
revised		
approved		

SECTIONS 4-5-6-7-8-9 - T19N-R18E

38-01

BK-81-07



NOTE - This map is prepared for the use of the Washoe County Assessor for Assessment and Disposition purposes only. It does not represent a survey of the premises. The liability is assumed as to the efficiency or accuracy of the data collected herein.

Assessor's Map County of Washoe, Nevada
 NOTE - ASSESSOR'S BLOCK NUMBERS SHOWN IN ELLIPSES
 ASSESSOR'S PARCEL NUMBERS SHOWN IN CIRCLES

Drawn by ST/TVR 3/24
 Revised RETRACTED 12/27/15'S/2015
 superseded.

WHEN RECORDED, RETURN TO:

Somerset Owners Association
c/o Norman L. Rosensteel
Associated Management, Inc.
917 Tahoe Blvd., Suite 204B
Incline Village, Nevada 89451

Conformed Copy
03/03/2005 04:35P Fee:161.00
RPTT 0.00
BK1
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TICOR TITLE OF NEVADA INC
Washoe County Recorder
Kathryn L. Burke - Recorder

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SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF SOMERSETT

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**SECOND AMENDED AND RESTATED
DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS OF SOMERSETT**

This Second Amended and Restated Declaration (this "Declaration") is made this _____ day of _____, 2005, by **SOMERSETT OWNERS ASSOCIATION**, a Nevada non-profit corporation ("Association"), amending and restating in its entirety the First Amended and Restated Declaration of Covenants, Conditions, and Restrictions of Somerset ("First Amended Declaration") dated December 6, 2002, and recorded on December 6, 2002, as Document No. 2773205, Official Records, Washoe County, Nevada. The First Amended Declaration is amended substantively in its entirety by this Declaration, but remains in full force and effect otherwise. Accordingly, reference of record shall continue to be made to the First Amended Declaration, but only as amended by this Declaration, the terms and provisions of which, together with all Exhibits and Schedules attached hereto, are deemed controlling in all respects over the terms, provisions, Exhibits and Schedules set forth in, and attached to, the First Amended Declaration. Therefore, the terms, provisions, Exhibits and Schedules set forth herein and attached hereto shall be deemed made and recorded in the same priority as the First Amended Declaration.

Somerset Development Company, Ltd., a Nevada limited liability company, and Somerset, LLC, a Nevada limited liability company (individually and collectively, as the context requires, "Declarant"), is the master developer of certain real property in the City of Reno ("City"), Washoe County, Nevada, as more particularly described in **Exhibit "A"**, attached hereto and incorporated by reference (the "Subdivision"). The Subdivision is a planned unit development known as "Somerset" approved by the City ("PUD"), which includes a Development Standards Handbook (the "Handbook"), as amended from time to time, approved by the City and recorded, against the Subdivision in the office of the Recorder of Washoe County, Nevada. Declarant owns a portion of the Subdivision.

Declarant hereby declares that all of the real property in the Subdivision, together with any and all improvements thereon and appurtenances thereunto, shall be held, sold, and conveyed subject to the following covenants, conditions, and restrictions. The covenants, conditions and restrictions set forth in this Declaration are for the purpose of protecting the value and desirability of the real property in the Subdivision. This Declaration shall inure to the benefit and bind all parties having any right, title or interest in the real property or any part thereof, their heirs, executors, administrators, successors and assigns.

Portions of this Declaration, specifically Articles I to III and VII to XIII, apply to and bind the Nonresidential Areas and Multi-Family Units (as hereafter defined), as specified in Article VII. The Somerset Country Club, Nonresidential Areas, and Multi-Family Units are currently owned by Declarant and are more particularly shown on **Exhibit "B"**, attached hereto

and incorporated by reference. The boundary lines between the Nonresidential Areas, Somerset Country Club, Multi-Family Units, and the Lots may be adjusted in the future on one or more occasions by mutual consent of the affected owners. No such adjustment shall affect the rights and obligations of any party hereto or any owner, and the "Subdivision", the "Lots", the "Nonresidential Areas", the "Somerset Country Club", and the "Multi-Family Units" shall mean the real property so defined herein, as adjusted by such boundary line adjustments.

As initially stated in **Exhibit "A"**, the Subdivision does not include PUD Nonresidential Areas, Multi-Family Units, or the Somerset Country Club, but rather consists of a portion of the Single Family Dwelling areas only. Additional PUD Lots, Nonresidential Areas, and Multi-Family Units are intended to be added by annexation as specified in Article I, Section 6, and any provisions applicable to those annexed areas shall apply after said annexation. Nothing contained herein, however, requires the annexation of said areas.

The provisions of this Declaration are intended to create mutual equitable servitudes upon each of the parcels in the Subdivision in favor of each and all other parcels; to create reciprocal rights between the respective owners of all such parcels; to create a privity of contract and estate between the grantees of such parcels, their heirs, successors and assigns; and shall, as to the owner of each parcel, its heirs, successors or assigns, operate as covenants running with the land for the benefit of each and all other parcels in the Subdivision and their respective owners, present and future.

ARTICLE I:

GENERAL PROVISIONS/COMPLIANCE WITH NRS CHAPTER 116

Section 1. Applicability. This Declaration is made in compliance with the Uniform Common-Interest Ownership Act, Chapter 116 of the Nevada Revised Statutes ("the Act").

Section 2. Definitions and Other Basic Provisions. The following terms as used in this Declaration are defined as follows:

- a. "Assessment Threshold" means the date on which the obligation of each Owner for assessments, as provided in Article III of this Declaration, commences. The Assessment Threshold for each Nonresidential Area shall be the date of sale on the first Nonresidential Unit in the Nonresidential Area by Declarant to a bona fide third party purchaser and the Assessment Threshold for each Multi-Family Unit shall be the date of issuance of a building permit for a multi-family building containing the Multi-Family Unit. The Assessment Threshold for each Lot shall be the earlier of the following:

1. For all Lots created by a particular final map within the Subdivision upon which a production or tract home is to be constructed by a merchant builder or developer, the date the first Lot within the final map acquired by a bona fide third party is deeded to that third party by the final map developer; or
 2. For each Lot created by a particular final map within the Subdivision upon which a "custom home" is to be built, i.e., a custom home Lot, the date such Lot is sold by Declarant to a bona fide third party and such Lot is deeded to that third party; or
 3. For each Lot not created by a final map (if any), the date of issuance of a building permit for the single family dwelling.
- b. "Association" means Somerset Owners Association, the property owners' association, which is a Nevada nonprofit corporation.
 - c. "Board" means the Board of Directors of the Association.
 - d. "Builder" means any person who purchases one or more Lots (but less than five contiguous Lots in one transaction) or a Multi-Family Unit parcel for the purpose of construction of a single family or multi-family dwelling and other improvements for later sale to homebuyers or lease to tenants on parcels of land within the Subdivision. "Tract Builder" means any person who purchases five or more contiguous Lots in one transaction in order to construct dwellings thereon as a tract.
 - e. "Bylaws" means the Bylaws of the Association and "Articles" means the Articles of Incorporation of the Association.
 - f. "Committee" means the Somerset Aesthetic Guideline Committee.
 - g. "Common Area" or "common elements" means (i) all of the real property designated as such in this Declaration or pursuant to final maps recorded within the Subdivision, (ii) all real property interests (e.g., fee title or easements) acquired by the Association, whether from Declarant or otherwise, and (iii) all areas of real property owned by a governmental entity, but for which the Association has maintenance, repair or other affirmative obligations pursuant to agreement with or as required by such governmental entity, together in each instance with all improvements which may at any time be located or constructed thereon and owned by the Association or a governmental entity, as applicable, including, but not limited to the following types of improvements in the Common Area:

Canyon Nine Golf Course, fencing, recreational and community facilities, recreational vehicle parking area, lakes, parks, paths, sidewalks, trails, open space, fences, gates, gatehouses, signs (e.g., street signs, regulatory signs, traffic signs, monument and project signs, “for sale” and “for lease” signs), entry ways, drainage ways and drainage facilities, private streets and curbs, private security, lighting, snow removal and storage areas, landscaping, fire modification and fuelbreaks, residential parking areas, surface water retention areas, wildlife buffer and management areas, and access roads.

- h. “Declaration” means this Declaration and any future amendments hereto.
- i. “Equivalent Lots” shall define the allocated interests in the Association (voting power, assessment obligations and other rights and responsibilities) of the Owners of Multi-Family Units and Nonresidential Areas, as specified in subsection (ee) of this Section and Article VII, Section 2. Equivalent Lots are created on the date the Assessment Threshold for each Multi-Family Unit and each Nonresidential Area is reached, and prior to that date the Owners of the Multi-Family Units and Nonresidential Areas have no membership in the Association, no obligations for assessments, and no allocated interests.
- j. “Improvements” means all buildings, outbuildings, garages, streets, roads, trails, pathways, driveways, parking areas, fences, retaining and other walls, decks, exterior air conditioning, signs, landscaping, light standards, antennae/satellite dishes, walls, tennis courts, swimming pools and any other structures of any type or kind.
- k. “Lot” means any single family residential lot created pursuant to a tentative map, parcel map or final map, and intended for improvement with a single family residence. The number and configuration of Lots may change pursuant to the process of approval of tentative maps and final maps by City, or as otherwise specified herein. The term “Lot” also includes duplex, triplex, condominium units (i.e., individual dwellings in attached structures, townhouses, etc.), wherein each dwelling unit shall be considered a Lot.
- l. “Multi-Family Unit” means each dwelling within a building housing more than one dwelling unit provided that the dwellings are not individually owned such as with condominiums (see “Lot” definition above).
- m. “Nonresidential Areas” when used herein shall mean collectively the business, industrial, office and commercial areas within the PUD which

may be annexed hereto in the future; not including the Somersett Country Club, civic uses (e.g., parks, fire station, schools and other government-owned parcels) and Association Common Area.

The allocated interests and voting power of the Nonresidential Areas Owners shall be calculated and expressed as Equivalent Lots, as specified in Article VII, Section 2 and subsection (ee) of this Section. Owners of the Nonresidential Areas shall be referred to collectively as the "Nonresidential Areas Owners" and individually for each applicable Nonresidential Area as the "Nonresidential Area Owner".

- n. "Owner" means:
1. Any person or legal entity, including Declarant, who holds fee simple title to any parcel within the Subdivision; or
 2. Any person or legal entity who has contracted to purchase fee title to a parcel pursuant to a written agreement recorded in the Washoe County, Nevada Recorder's Office, in which the seller under said agreement has transferred possession of the real estate subject to the purchase agreement to the purchaser under said agreement.

"Owner" does not include the Association. The term "Lot Owner" when used herein shall mean specifically the Owners of Lots, and not other Owners. A lessee, renter or other occupant of a Unit (even if said lessee, renter or occupant has long term rights of possession and control of the Unit) is not an Owner and has no rights or obligation of the Owner; except that an Owner may assign to a lessee, renter or occupant who actually occupies the Unit all rights of an Association member for that Unit by express, written assignment delivered to Association. All said assignments are revocable by the Owner at any time by express, written revocation delivered to Association. No Owner who has assigned the Owner's rights as a member as specified herein shall also be entitled to exercise membership rights for that Unit. At the time a lessee, renter or occupant ceases to occupy a Unit for which membership rights have been assigned, said assigned rights shall terminate. The Association Board, in its sole discretion, may refuse to recognize partial assignments of membership rights (except voting proxies).

- o. "Single Family Dwelling" means a residential structure, which dwelling is constructed on a Lot designated in this Declaration as a single family residential Lot.

- p. "Somerset Country Club" means the 18 hole championship golf course within the PUD. The Somerset Country Club includes all golf facilities located on the golf course property and within the PUD associated with the Somerset Country Club, including without limitation the golf holes, driving range, cart paths, lakes and streams, clubhouses, restrooms, maintenance facilities, cart or caddy facilities, child care facilities, restaurants, parking lots and other recreational or ancillary facilities associated therewith. The Somerset Country Club is not a part of the Subdivision as defined herein (although it is surrounded by the Subdivision) and the owner of the Somerset Country Club is not required to pay assessments or other charges to the Association.

The Somerset Country Club does not include the par-3 golf facility owned and operated by the Association ("Canyon Nine Golf Course"), which shall be Common Area. The Canyon Nine Golf Course is a part of the Subdivision.

- q. "Subdivision" means the real property described in **Exhibit "A"** (excluding any portion of the Somerset Country Club), development of which is regulated by the City under the PUD and other development approvals (e.g., special use permits, tentative maps), and real estate added to this Declaration pursuant to a development right. References to parcel maps, tentative maps and final maps refer to such maps under the PUD, as amended, or said subsequent City approvals.
- r. "Unit" means collectively all Lots, Multi-Family Units and Nonresidential Areas.

The following are other basic provisions:

- s. Except when not in conflict with a definition specified above in this Article, the terms used herein shall have the same meanings and definitions as are used in the Act.
- t. The name of the Subdivision shall be Somerset and the name of the association formed under Article II hereof to own and manage Common Area shall be the Somerset Owners Association ("Association"). The Subdivision is a planned community, as defined in the Act.
- u. The Subdivision is located entirely within Washoe County, Nevada.
- v. The real estate included in the Subdivision is described in **Exhibit "A"** (excluding Somerset Country Club), as expanded by future annexation.

- w. The maximum number of Units (Lots) within **Exhibit "A"** that Declarant currently has created is 2,648 Lots; however, Nonresidential Units, more Lots and Multi-Family Units may be created by special use permit, parcel map, amendment to the PUD or tentative map, if the City so approves, and additional units may be created by annexation of land or as otherwise specified herein. Units may also be reduced by withdrawal of real estate or as otherwise specified herein. Declarant reserves the right to create a maximum of five thousand (5,000) Units within the Subdivision.
- x. The depiction of the boundaries of each Unit created by the Declaration is described in the tentative maps, final maps and parcel maps of the real property comprising the Subdivision from time to time as development progresses, such unit boundary descriptions being incorporated automatically herein by this reference as same are approved and recorded. The location and boundaries of all Units are subject to change.
- y. Real estate that is or must become common elements is described in the PUD and this Declaration.
- z. Real estate may be allocated subsequently as limited common elements within areas of the Subdivision. Limited common elements are generally amenities which benefit a limited class of members, and may include gatehouses, gates and entryways; recreation areas such as pools, tennis courts, community centers, playgrounds, clubhouses; private streets; and other uses defined herein for Common Area.
- aa. Declarant reserves all developmental rights and special declarant rights on real estate within the Subdivision, including real estate annexed to the Subdivision, and on other real estate as provided below in this subsection, for a period of thirty (30) years from the date hereof, including without limitation, the rights:
 - 1. To create Units or common elements, subdivide Units or convert Units into common elements, or withdraw real estate within the Subdivision in all areas described on **Exhibit "A"** and **"A-1"**, until said real estate is subject to a building permit or recorded final map, and as otherwise specified herein, at any time within the term of this Declaration;
 - 2. To complete improvements indicated on plats and plans or in this Declaration on all areas described on **Exhibit "A"** and **"A-1"** at any time within the term of this Declaration;

3. To exercise as a special declarant's right any development right reserved in subsections (aa) to (ee) of this subsection;
 4. To maintain sales offices, management offices, watchmen's quarters or security offices, construction offices, equipment and material storage areas, signs advertising the Subdivision, and to conduct other activities reasonably related to Subdivision development on all areas described on **Exhibit "A"** and **"A-1"** at any time within the term of this Declaration. The right of the Declarant to decide the number, size, location and relocation thereof, shall be exercised in its sole discretion;
 5. To use easements through the Subdivision, including common elements, for the purpose of making improvements within the Subdivision whether said easements exist now or are hereafter created, within the term of this Declaration;
 6. To make the Subdivision subject to a master association affecting all or any portion of areas of **Exhibit "A"** and **"A-1"** at any time within the term of this Declaration;
 7. To merge or consolidate the Subdivision with another common-interest community on adjacent real property of the same form of ownership at any time within the term of this Declaration; and
 8. To appoint or remove any officer of the Association or any member of its Executive Board during any period of Declarant's control (as hereinafter defined and as defined in the Act), affecting all areas described on **Exhibit "A"** and **"A-1"**.
 9. To add real estate, and to exercise any developmental right or special declarant right (all of which are hereby reserved), consisting of any real property adjacent to the Subdivision as well as real property described in **Exhibit "A-1"**.
- bb. As to any developmental right which may be exercised with regard to different parcels of real estate at different times:
1. Declarant makes no assurances regarding the boundaries of those parcels or the order in which those parcels may be subjected to the exercise of each development right; and

2. Any developmental right exercised in any portion of the real estate subject to that developmental right does not require the exercise of that developmental right in any other portion of the remainder of the real estate.
- cc. There are no other conditions or limitations under which the rights described in subsection (aa) of this Section 2 may be exercised or will lapse.
- dd. Each of the Lots and Equivalent Lots within the Subdivision shall have the following allocated interests:
1. A fraction or percentage of the common expenses of the Association equal to 1 divided by the total number of Lots and Equivalent Lots which have reached the Assessment Threshold. This allocation is established because during the phased construction of the Subdivision when common expenses of the Association benefit fewer than all the Lots and Equivalent Lots (i.e., the Units which have dwellings or business as capable of being occupied are benefited by the expenses), and should be assessed exclusively against the Lots and Equivalent Lots benefited; and
 2. One vote in the Association for each Lot, for a total of 2,648 votes arising from Lots based on **Exhibit "A"**, plus one vote for each Lot and Equivalent Lot annexed in the future and one vote for Equivalent Lots allocated to Multi-Family Units and Nonresidential Units. The withdrawal of Lots or other Units by Declarant (e.g., election to create fewer than 2,648 Lots within **Exhibit "A"** or withdrawal of Units after annexation) or other reduction of Units does not affect the liability for common expenses of each remaining Lot or Equivalent Lot and may increase the proportionate share of responsibility for common expenses of Lots and Equivalent Lots which have reached the Assessment Threshold; the withdrawal of real estate or reduction of Lots shall reduce the total number of votes in the Association by the number of Lots withdrawn or reduced, thereby changing the proportional voting power of each Lot and Equivalent Lot accordingly.
- ee. The Nonresidential Areas and Multi-Family Units shall have the allocated interests in common expenses and voting power provided in Section 2 of

Article VII, which shall commence after annexation at the time each such Unit reaches its respective Assessment Threshold.

- ff. All restrictions on use and occupancy are stated in Articles IV, V and VI hereof.
- gg. The recording data where easements and licenses are recorded are contained in the records of the Washoe County Recorder, State of Nevada. Easements and other recorded matters affecting the Common Area existing at the time of execution of this Declaration are described in **Exhibit "C"**.

Section 3. Lot Boundary Relocations. Boundaries of Units may be relocated:

- a. For Lots owned by Declarant or owned by another, with the Owner's consent, and subject to a recorded final map, by amendment to the final map, by parcel map or by boundary line adjustment pursuant to the procedures prescribed by the City; or
- b. For Units not delineated on a final map, by recordation of a final map or parcel map delineating the Units and incorporating the boundary relocation.
- c. For Lots delineated on a final map, if two or more adjacent Lots are purchased by a person or developed by Declarant with the intent of constructing only one single family dwelling on the Lots, then upon notice of said intent to Association, said Lots shall be considered as one Lot for the purpose of allocated interests in voting and assessments under subsection (dd) of Section 2 of this Article.

Section 4. Lot Subdivision. A Lot not delineated on a final map may be subdivided into two or more Lots by Declarant at the time it is delineated on a final map, so long as each Lot in the Subdivision contains the minimum square footage required by tentative map and the total Lots in the Subdivision do not exceed the maximum number allowed by law (or additional Lots as allowed herein), without following the procedure prescribed in NRS 116.2113 and without any approval by the Association.

Section 5. Modification. The provisions of this Article I may not be modified, amended, terminated or abridged without the consent of Declarant.

Section 6. Annexation of Additional Real Estate. The real property described in **Exhibit "A-1"** is intended to be added to the Subdivision and is hereby declared a part of the plan for annexation and expansion. **Exhibit "A-1"**, in whole or in part, and other real property

in the vicinity of the Subdivision are not subject to this Declaration at this time, but may be annexed to the Subdivision and become subject to this Declaration by a Notice of Annexation duly recorded in the office of the Washoe County Recorder, provided that the land so annexed is a part of the PUD or a tentative map approval, and Declarant approves said annexation, in Declarant's sole discretion. Any annexation shall expand the members and the voting power of the Association in an amount equal to the Units allowed by the PUD or any tentative map. Any PUD or tentative map requirements of the City for annexed property, or other supplemental provisions which must be stated in the Declaration may be added to the Notice of Annexation, or may be provided by a supplemental, amended or restated Declaration applicable to the annexed land. So long as the provisions of Declarant Control apply, the annexation of additional properties other than land described in **Exhibit "A-1"** will require the prior approval of the Federal Housing Administration or Veterans Administration (except to the extent such annexation is in accordance with a plan of annexation or expansion previously approved by such agencies).

ARTICLE II:

SOMERSETT OWNERS' ASSOCIATION

Section 1. Purpose. The purpose of the Association shall be to:

- a. Own, maintain, repair and improve all easements and deeded real property for Common Area within the Subdivision; including without limitation the funding, operation and maintenance of the following common elements: recreational and community facilities; lakes; parks; paths; sidewalks; trails; open space; fences; Canyon Nine Golf Course; landscaping; gates; gatehouses; signs; entry ways; drainage ways and drainage facilities; private streets and curbs; private security; recreational vehicle storage; snow removal (private streets only) and storage areas; landscaping; fire modification and fuelbreaks; residential parking areas; lighting; surface water detention areas; wildlife habitat and buffer mitigation areas; and access roads.
- b. Perform wildlife management, regulation and enforcement pursuant to provisions of the Handbook and agreements with the Nevada Division of Wildlife.
- c. Create and enforce a landscape maintenance program to enhance rangeland fire protection by fuel modification and defensible space.
- d. Enforce and administer any provisions of this Declaration pertaining to Association's rights, obligations, powers and duties.

- e. Sponsor, organize and encourage community events, special events, or activities, either within the Subdivision or for members of the Association, which enhance the concept and feeling of community for Somerset or promote Somerset as an attractive living environment.
- f. Own, operate and contract for voice, video and data communications lines and facilities, and provide voice, video and data service to Owners, subject to Declarant approval.

The Association shall have no other purpose than those specified herein and as allowed or mandated by the Act or other applicable law, and shall expressly be prohibited from representing the Owners and occupants of Units within the Subdivision on issues of land use, planning, municipal annexation, master plan amendments, growth, area development or similar matters.

The Association shall purchase or lease any and all equipment, materials and supplies necessary to undertake its duties imposed by this Declaration, its Articles and Bylaws. The Association may purchase or lease any equipment, materials and supplies from the Declarant provided the purchase price shall be the fair market value thereof.

The Association, in the discretion of the Board, may allow certain Common Areas to be used by the public, with or without a fee. For example, certain Common Area trails and open space may be open to the public without charge; or recreational facilities may allow paid memberships or rent space for use by persons other than Unit Owners.

The Association may, but shall not be obligated, to maintain or support certain activities within the Subdivision designed to make the Subdivision safer than it otherwise might be. However, each Owner and occupant of a Unit, and their respective guests, licensees and invitees, shall be responsible for their own personal safety and the security of their property in the Subdivision. The Association may, but shall not be obligated to, maintain or support certain activities within the Subdivision designed to enhance the level of safety or security for persons or property which each Owner or person provides. Neither the Association nor Declarant shall in any way be considered insurers or guarantors of safety or security within the Subdivision, nor shall either 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 Subdivision or any limited common areas, 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 shall be responsible for informing its tenants and all occupants of its Unit that the Association, its Board and committees, and Declarant are not insurers or guarantors of security or safety and that each person within the

Subdivision assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.

Section 2. Formation and Management Under Article 3 of NRS Chapter 116. The Association shall be a nonprofit Nevada corporation formed under Chapter 82 of the Nevada Revised Statutes. The Association is not authorized to have and shall not issue any capital stock. Not later than the date of recordation of this Declaration, Declarant shall cause the Articles of Incorporation to be filed with the Nevada Secretary of State. The Association shall be charged with the duties and invested with the powers set forth in the Articles, Bylaws, and this Declaration.

Section 3. Association Powers and Membership. The Association shall have all powers enumerated in NRS 116.3102 which do not conflict or are not inconsistent with the Section 1 of this Article. All Lot Owners in the Subdivision, and all other Unit Owners who have Equivalent Lots shall be members.

Section 4. Officers and Members of Board. The governing body of the Association shall be called the Executive Board, the Board of Directors or the Board (all of which names shall refer to the same entity). The Board may act in all instances on behalf of the Association, subject to the provisions of this Declaration, the Association Articles, the Bylaws and the applicable provisions of Nevada law.

Section 5. Declarant Control. Subject to the provisions of NRS 116.31032 and during the maximum time period stated in NRS 116.31032, Declarant shall control the Association. During this period, Declarant, or persons designated by it, may appoint or remove the officers and members of the Board.

Section 6. Budget. The Board shall adopt a proposed budget for each calendar year based on the projected common expenses of the Association, which shall include a reasonable reserve. Within thirty (30) days after adoption of any proposed budget for the Association, the Board shall provide a summary of the budget to the Owners, and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless at that meeting seventy-five percent (75%) of all voting power of Owners rejects the budget, the budget is ratified, whether or not a quorum is present. If the proposed budget is rejected, the periodic budget last ratified by the Owners must be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

Section 7. Common Area.

(a) **Title to Common Area.** Within one (1) year of recordation of a final map for each phase of the Subdivision, the developer of the final map shall deed to Association all its right, title and interest to the easements for the Common Area designated by the final map, if the final map does not itself create said easements. Within

one (1) year of recordation of a final map for each phase of the Subdivision, the developer of the final map shall deed to Association all its right, title and interest in fee ownership of Common Area delineated within the final map to be owned in fee by the Association, fully improved with all improvements (if any) required by the PUD Handbook, final map, government conditions or guidelines (e.g., trails, rock walls, structures, underground irrigation systems and water rights therefor, landscaping, vegetation, etc.). All land not within a Unit in the Subdivision and not dedicated to a public entity or utility purveyor shall be Common Area. Dedication of Common Area to the Association may be delayed if all improvements to be constructed on the Common Area have not been completed. No Common Area easements or deeds may be granted to the Association for dedication of Common Area unless the Association has accepted and approved the conveyance. The Association Board shall adopt policies and procedures for dedication of improved Common Area to verify and confirm that improvements have been constructed in a good and workmanlike manner; and the improved Common Area is of a type and nature intended by this Declaration to be dedicated to the Association for maintenance, use and ownership. In circumstances where the owner and developer of the proposed Common Area to be dedicated to the Association, by easement or deed, is a Tract Builder or other entity than Declarant, then Declarant must also approve the dedication to the Association, even if Declarant has assigned to the Tract Builder or other entity its Declarant rights associated with the portion of the Subdivision in which the proposed Common Area to be dedicated is located. Certain Common Area dedicated to the Association (e.g., recreation facilities such as the Club at Town Center or the Canyon Nine Golf Course) are or will be subject to one or more monetary encumbrances requiring payment to Declarant by the Association of all or part of the capital improvement costs of Declarant or others, plus interest.

After dedication of improved Common Area (e.g., recreational facilities), the continued operation, usage, fees and other policies related thereto shall be the sole responsibility of the Association and Declarant shall have no liability therefor.

Notwithstanding the foregoing to the contrary, in the event the developer of a final map of a portion of the Subdivision causes a declaration of covenants, conditions and restrictions (Sub-CC&Rs) to be recorded for such final mapped property and forms a sub-homeowners association (a "Subassociation") in connection therewith as allowed and in compliance with the terms and provisions of Article II, Section 17 of this Declaration, then common area and limited common area designated on such final map may be dedicated and conveyed to the Subassociation and be maintained, repaired and replaced by such Subassociation; provided, however, that the Association shall retain the right, power and authority to maintain, repair and replace any such common or limited common area if after reasonable notice from the Association to the Subassociation of deficiencies in the Subassociation's maintenance, repair or replacement of such common or limited common area in keeping with the standards for such maintenance, repair or replacement of Common Area and Limited Common Area imposed upon the Association hereunder, the Subassociation has failed to correct such deficiencies after a

reasonable opportunity to do so. If the Association undertakes the maintenance, repair or replacement of any Subassociation common or limited common area as above provided (i) such Subassociation shall be deemed to have granted to the Association a non-exclusive easement over, across, under and through such common or limited common area for the purpose of performing such maintenance, repair and replacement and (ii) the reasonable and actual costs and expenses incurred by the Association in that regard shall be paid and reimbursed to the Association immediately upon presentment of billings therefor.

(b) Nonresidential Areas and Somerset Country Club Use. Commercially reasonable and prudent business practices require that identification and directional signs, monuments, markers, etc. ("Business Signs"), be established and placed within the Subdivision for the purpose of providing public notice of the businesses, and their locations, within the Nonresidential Areas as well as the Somerset Country Club. Accordingly, and in addition to Declarant's rights to use Common Areas as provided in Article I, Section 2(aa) above, Declarant hereby reserves for itself and each Nonresidential Owner of a Non-residential Area and the owner and operator of the Somerset Country Club, a non-exclusive, perpetual easement over, under, on, across and through Common Areas within the Subdivision for the purpose of installing, operating, maintaining, repairing and replacing Business Signs (the "Business Signage Easements"). The Business Signage Easements are hereby deemed and made appurtenant to and for the benefit of each Nonresidential Area and the Somerset Country Club, and are subject to the following terms, provisions and conditions:

(i) Each Business Sign and the placement thereof in a Common Area shall be in full compliance with all applicable laws, ordinances, rules and regulations, including, without limitation, the terms, provisions, conditions and restrictions of the PUD, the Handbook and the Design Guidelines, to the extent applicable in each instance;

(ii) The owner and operator of the Somerset Country Club and each Nonresidential Area Owner, to the extent each places or causes to be placed a Business Sign in a Common Area, shall indemnify, defend and hold the Association harmless from and against any and all loss, liability, damage, cost and claims of liability, including costs and reasonable attorney's fees incurred, arising out of the use of the Business Signage Easements (collectively, the "Indemnified Claims");

(iii) The use and enjoyment of the Business Signage Easements shall be undertaken in such a manner as to cause the least interference commercially reasonable with the Association's use and maintenance of the applicable Common Area; and any disturbance of or damage to the Common Area in connection with the use or enjoyment of a Business Signage Easement shall be repaired immediately by the applicable Business Signage Easement user; and

(iv) During all times prior to the termination of Declarant's control (as referenced in Article II, Section 5), Declarant shall have the sole and exclusive right to identify the locations of all Business Signs, and no Business Sign shall be placed within the Subdivision except as expressly permitted in writing by Declarant; and upon the termination of Declarant's control, the Business Signage Easements shall be deemed to cover only those portions of the Subdivision where Business Signs are, in fact, then located or permitted in writing by Declarant, together with those portions of Common Areas reasonably necessary to access, maintain, repair and replace such Business Signs; and thereafter the Business Signage Easements may be enlarged, relocated or added to only with the prior grant and authorization given by appropriate Board action, it being the intent that the Board may allow the enlargement or relocation of a Business Signage Easement, and grant additional Business Signage Easement locations, subject to such limitations on such Board action as may be imposed pursuant to applicable law at the time in question.

Section 8. Meetings. A meeting of Owners with voting power in the Association must be held at least once each year, or as otherwise specified by law. Special meetings of the Association may be called by the president, a majority of the Board or by Owners having ten (10%) percent, or any lower percentage specified in the Bylaws, of the voting power in the Association. Not less than ten (10) nor more than sixty (60) days in advance of any meeting, the secretary or other officer specified in the Bylaws shall cause notice to be hand-delivered or sent prepaid by United States mail to the mailing address of each Lot or to any other mailing address designated in writing by Owners. The notice of any meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to this Declaration or Bylaws, any budgetary changes and any proposal to remove an officer or member of the Executive Board.

Section 9. Quorums and Voting . Quorums and voting at meetings shall be as specified in NRS 116.3109 and 116.311, and as provided in the Bylaws. Only Owners of Lots and Equivalent Lots have voting power. Lessees of Lots may not, except by written proxy as specified in NRS 116.311, exercise voting power.

Section 10. Transfer of Voting Power. Voting power in the Association is vested in each person or entity who owns a Lot or Equivalent Lot, and shall be appurtenant to the Unit, and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except on a transfer of title to such real estate, and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title or interest shall operate automatically to transfer the appurtenant membership rights and obligations in the Association to the new Owner. Immediately after any transfer of title, either the transferring Owner or the acquiring Owner shall give notice to the Association of such transfer, including the name and address of the acquiring Owner and the date of transfer.

Section 11. Inspection of Association Books and Records. Books, records and other papers of the Association shall be made available for inspection and copying by any Owner, or his duly appointed representative, or any beneficiary of a deed of trust encumbering real estate in the Subdivision for review as provided in NRS 116.31175 and 116.31177. The Association may charge a reasonable fee for any copies made at an Owner's request.

Section 12. Ownership of Common Area. Owners and the Association shall make no attempt to divert or alter the platted configuration of any Common Area or change the equal voting power, as defined herein, of Owners, except as otherwise provided herein.

Section 13. Notices. All notices hereunder to the Association or its Board shall be sent by registered or certified mail to the Board at such places as the Board may designate from time to time by notice in writing to all members. Except as provided otherwise in the Act, all notices to any Owner shall be hand delivered or sent prepaid by mail to Units or to such other address as may be designated by an Owner from time to time, in writing, to the Board. All notices to other interested persons shall be mailed to such address as such person shall designate in writing to the Board. All notices shall be deemed to have been given when mailed or hand delivered except notices of change of address, which shall be deemed to have been given when received, unless as otherwise provided herein.

Section 14. Insurance. The insurance requirements and provisions of NRS 116.3113-116.31138 shall be complied with by the Association and shall be common expenses.

Section 15. Fines. Subject to the provisions of the Act and NRS 116.31031, and pursuant to NRS 116.3102, the Association shall have the power to levy fines and other charges against Owners, as a monetary penalty and to reimburse the Association for the costs of enforcement of any provisions of this Declaration, for the violation of any provisions of Articles IV, V and VI, including the violation of any rules or regulations or other requirements promulgated by the Board or the Committee. Past due fines shall bear interest at the applicable legal rate, and may include the costs of collecting the past due fine as provided by NRS 116.31031.

Section 16. Rules and Regulations. The Board may promulgate "Rules and Regulations" which elaborate on or add to the provisions of Article IV without first obtaining membership approval or consent, unless prohibited by the Act. In addition, such Rules and Regulations may incorporate and implement all fines and enforcement powers, penalties, etc., provided for and allowed by the Act from time to time with respect to violations of declarations (such as this Declaration) governed thereby; and the specific enumeration of fines, penalties, enforcement powers, etc., hereunder shall not be in limitation of the Association's power, by and through the Board, to promulgate such Rules and Regulations.

Section 17. Other CC&Rs and Associations. Nothing contained herein shall prohibit or impair the recordation of additional or supplemental covenants, conditions and restrictions (and the establishing of one or more owners associations related thereto) which apply to only a portion of the Subdivision, in order to (among other purposes) establish rights and obligations regarding Units in such portion and limited common elements allowed pursuant to Subsection 2(z) of Article I; provided all Owners subject thereto and the Declarant consent, and provided further that any conflict between the provisions of additional or supplemental covenants, conditions and restrictions and this Declaration shall be governed by the provisions hereof.

ARTICLE III:

ASSESSMENTS

Section 1. Agreement to Pay. Declarant, for each Lot owned by it in the Subdivision and each Equivalent Lot that is expressly made subject to assessments as set forth in this Declaration, and each Owner, by its acceptance of a deed for each Unit owned, covenants and agrees to pay to the Association such regular and special assessments as are established, made, and collected as provided in this Declaration. An Owner shall not be assessed for common expenses unless the Assessment Threshold for his real estate is reached. A Lot Owner shall nevertheless have all voting rights and other rights incident thereto as provided in this Declaration, the Articles and the Bylaws. Transfer fees, fines and all other sums charged or levied by the Association to an Owner pursuant to the provisions of this Declaration shall be deemed assessments for purposes of this Article.

Section 2. Personal Obligations. Each assessment, together with any late charge, interest, collection costs, and reasonable attorneys' fees, shall be the personal obligation of the person or entity who was an Owner subject to the assessment at the time such assessment or installment became due and payable. If more than one person or entity was the Owner, the personal obligation to pay such assessment or installment respecting such real estate shall be both joint and several. Subject to the provisions of Article IX, Section 2, a purchaser of a Lot shall be jointly and severally liable with the seller for all unpaid assessments against the real estate without prejudice to the purchaser's right to recover from the seller the amount paid by the purchaser for such assessments. Suit to recover a money judgment for such personal obligation shall be maintainable by the Association without foreclosure or waiver of the lien securing the same. No Owner may avoid or diminish such personal obligation by abandonment of its real estate.

Section 3. Purpose and Amount of Assessments. The assessments levied by the Association shall be determined by the Board and shall be the amount estimated to be required, on an annual basis, and shall be used exclusively, to promote the Association purposes specified in Article II, Section 1 for the performance of the duties of the Association as set forth in this

Declaration, and for the repair, maintenance and upkeep of Association property. Funds held by the Association shall be held, to the extent possible, in interest-bearing accounts.

Section 4. Annual Assessments. Not less than sixty (60) days before the beginning of each calendar year of the Association, the Board shall meet for the purpose of preparing the proposed operating statement or budget for the forthcoming calendar year (the calendar year shall be the fiscal year unless the Board specifies otherwise), and establishing the annual assessment for the forthcoming calendar year, subject to the power of disapproval of the Lot and Equivalent Lot Owners, as specified in Section 6 of Article II; provided, however, the Board may not establish an annual assessment amount per Lot or Equivalent Lot for any calendar year which increases by more than fifteen (15) percent over the annual assessment per Lot or Equivalent Lot of the prior year (except the first such year if it should be less than twelve (12) months), without the approval by vote or written consent of Owners holding a majority of the voting rights.

Section 5. Special Assessments. If the Board of Directors determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, delinquencies in the payment of assessments, then the Board shall determine the approximate amount necessary to defray such expenses; and if the amount is approved by a majority vote of the Board, it shall become a special assessment; provided, however, the Board may not approve one or more special assessments in any calendar year which in the aggregate exceed twenty-five (25) percent of the annual assessment per Unit for that calendar year, without the approval by vote or written consent of Owners holding a majority of the voting rights. The Board may, in its discretion, prorate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each Lot and Equivalent Lot Owner. Additionally, the Association shall have the power to incur expenses for maintenance and repair of the improvements on any Unit and for other costs of remedying violations of provisions of this Declaration, when an Owner is in violation of provisions of this Declaration, provided the Unit Owner has failed or refused to cure the violation within thirty (30) days after written notice of the necessity of such cure has been delivered by the Board to such Unit Owner, or to commence to cure the violation within such thirty (30) day period, and diligently pursue the same to completion within a reasonable time thereafter, if more than thirty (30) days is reasonably required to cure. The Board may levy a special assessment against an Owner to pay for all costs the Association incurs to enforce provisions of the Declaration caused by the conduct of an Owner in violation hereof.

Section 6. Uniform Rate of Assessment. Except for assessments related to limited common elements, or as otherwise specifically provided in this Declaration, annual and special assessments of the Association must be fixed at a uniform rate for all real estate subject to assessments.

Section 7. Assessment Period. The annual assessment period shall commence on January 1 of each year and shall terminate on December 31 of such year; and annual assessments shall be payable in advance monthly unless the Board adopts some other basis for collection. However, the initial annual assessment for each Lot or Equivalent Lot shall be prorated for the calendar year in which the assessment becomes due and, if possible, shall be paid in escrow on the purchase of the Unit.

Section 8. Notice of Assessments; Time for Payment. The Association may, in its discretion, give written notice of assessments to each Owner, which notice shall specify the amount of the assessment and the date or dates of payment of the same. No payment shall be due fewer than fifteen (15) days after such written notice has been given. Each delinquent assessment shall bear interest at the rate of eighteen percent (18%) per annum from the date it becomes due together with a late charge of TWENTY-FIVE AND NO/100THS DOLLARS (\$25.00) for each delinquent installment. An assessment payment is delinquent if not paid within thirty (30) days after its due date. Failure of the Association to give notice of the assessment shall not affect the liability of the Owner for such assessment, but the date when payment shall become due in such a case shall be deferred to a date fifteen (15) days after such notice shall have been given.

Section 9. Statement of Account. Upon payment of a reasonable fee, and upon written request of any Owner or any beneficiary of a deed of trust, prospective beneficiary, or prospective purchaser of a Unit, the Association shall issue a written statement setting forth the amount of the unpaid assessments, if any, with respect to such real estate, the amount of the current periodic assessment, transfer fees, and the date that such assessment becomes or became due, which statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account shall be complied with within thirty (30) days, all unpaid assessments which became due prior to the date of making such request shall be subordinate to the lien of a deed of trust of the requesting beneficiary which acquired its interest subsequent to requesting such statement.

Section 10. Collection of Assessments. The right to collect and enforce assessments is vested in the Board acting for and on behalf of the Association. The Board of Directors or its authorized representative, including any manager, can enforce the obligations of the Owners to pay assessments provided for in this Declaration by commencement and maintenance of a suit at law or in equity; or the Board may enforce assessments by judicial proceedings or, to the extent permitted by the Act, through the exercise of the power of sale granted to the Board. Suit to recover a money judgment against an Owner for unpaid assessments together with all other amounts allowed by law or described in this Article shall be maintainable without first foreclosing against the real estate subject to the lien for such assessment or waiving the lien rights granted hereby.

Section 11. Lien for Assessments; Priority. All sums assessed for each Unit pursuant to this Article, together with interest, fees, charges, fines and other expenses allowed by law shall be secured by a lien on that Unit in favor of the Association as provided in the Act.

Section 12. Exempt Property. The following property shall be exempt from payment of assessments:

- (a) all Common Areas;
- (b) any property dedicated to and accepted by any government entity or public utility (including easements);
- (c) the Somerset Country Club; and
- (d) all Units not subject to assessments pursuant to the provisions of the Declaration because the Assessment Threshold therefor has not been reached.

Section 13. Suspension of Owner's Rights. Subject to the provisions of Article XII, Section 2, the Association shall not be required to transfer memberships on its books or to allow the exercise of any rights or privileges of membership, including voting rights, to any Owner or to any person claiming under said Owner unless or until: (i) all assessments due on an Owner's real estate for which the Owner is liable have been brought current; and (ii) the Owner has cured any continuing violation of this Declaration found to exist by the Board.

Section 14. Fiscal Year. The Board may adopt a fiscal year other than the calendar year.

Section 15. Transfer Fees. Initially after a Unit which has reached its Assessment Threshold, when a transfer of ownership occurs, a transfer fee shall be charged to said initial transferee by the Association. The initial transfer fee for each Unit is presently FOUR HUNDRED AND NO/100THS DOLLARS (\$400.00) and is subject to adjustment by the Board. After the initial transfer, all subsequent transfers of a Unit (e.g., resales) shall cause a transfer fee in an amount equal to one-tenth of one percent (.1%) of the sales price for such Unit, based on the gross sales price for such re-sale as disclosed in the Declaration of Value filed with the Washoe County Recorder in connection with such sale, to be charged to the transferee by the Association. The Board may set different transfer fees of uniform application to all Units. Those transfers exempted from transfer tax under Nevada Revised Statutes 375.090 shall also be exempt from all Association transfer fees; and bulk transfers of five (5) or more lots at one time to a single entity shall also be exempt from all transfer fees. The imposition of such transfer fees is intended for the purpose of providing a continual source of capital to the Association for the purpose of enhancing the Association's financial capabilities in meeting its obligations in

maintaining and improving Common Areas in a manner in keeping with the first-class nature of the Subdivision over time.

ARTICLE IV:

PROPERTY USAGE

As more particularly specified in Article X, Section 2 and Article VII, Section 1, Declarant and the Owners of Nonresidential Areas, Multi-Family Units and the Somerset Country Club are exempted from the provisions of this Article IV. All uses by Lot Owners other than Declarant shall comply with the conditions and restrictions of this Article IV.

Section 1. Single-Family Only/ Restriction On Rentals. Except as provided in Section 2 of this Article, only single-family dwelling units used solely for residential purposes, including private garages used in connection with said residences, together with guest or servants' quarters and other outbuildings, only as expressly provided hereinafter, shall be permitted. For purposes of this restriction, a single family shall be defined as any number of persons related by blood, adoption, or marriage living with not more than two persons who are not so related as a single household unit, or no more than three persons who are not so related living together as a single household unit, and the household employees of either such household unit. Leasing of all or part of a single family dwelling is allowed, provided that no rental agreement shall have a duration of less than six (6) months.

Section 2. No Group Homes. Unless prohibited by law, no residence in the Subdivision may be used for a public boarding house, home for a group of unrelated persons operated or financed by a public or private institution, sanitarium, hospital, asylum, or institution of any kindred nature, or any other use not permitted by local law.

Section 3. Corner Lot View Obstruction. No fence, wall, hedge, or shrub planting which obstructs sight lines at elevations between two feet (2') and eight feet (8') above the roadways shall be placed or permitted to remain on any corner Lot within the triangular area formed by the street property lines and a line connecting them at points twenty-five feet (25') from the intersection of the street lines, or in the case of a round property corner from the intersection of the street property lines extended. The same sight-line limitations shall apply on any Lot within ten feet (10') from the intersection of a street property line with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

Section 4. No Interference with Drainage. Each Lot Owner agrees that he will accept the burden of, and not in any way interfere with, the established drainage pattern over his Lot from adjoining or other Units in the Subdivision, or, in the event it is necessary to change the

established drainage, that he will make adequate provisions for proper drainage over his Lot. No structure or other material shall be placed or permitted to remain which may damage, interfere with, obstruct, or retard the flow of water through drainage channels, or which may change the direction of flow of such channels. For the purposes hereof, "established" drainage is defined as the drainage which occurred at the time the overall grading of a Lot, including, if applicable, the landscaping of each Lot.

Section 5. Yard Objects. Art, statuary, decorations and other objects continuously used, placed or displayed in front, side or rear yards are prohibited unless approved as part of a landscaping plan, or otherwise approved in writing by the Committee.

Section 6. Maintenance of Fences and Walls. Each Lot Owner upon which all or a portion of a wall or fence may be located, agrees at all times to maintain, paint or repair said wall or fence, unless the Association has assumed responsibility for maintenance as provided in Subsection 1(b) of Article VIII.

Section 7. New Structures Only/No Prefabricated Housing. No existing, used, constructed, or partially constructed structure of any type or nature shall be moved from another place to the Subdivision for any purpose whatsoever. No prefabricated dwelling structures of any kind, including without limitation, manufactured homes, mobile homes and modular homes shall be installed in the Subdivision. Prefabricated sheds, garages, and other prefabricated non-dwelling structures are prohibited unless approved by the Committee.

Section 8. Square Footage Minimums. Except on Lots of a Tract Builder, no principal residential dwelling shall be constructed or maintained upon any parcel or Lot which shall have a total floor area of less than 2,500 square feet, exclusive of porches, patios, attached and detached garages, outbuildings, breezeways or walks. Detached servants' quarters and guest quarters, as defined below, shall have a ground floor area of not more than 1,500 square feet, and such servants' quarters and guest quarters cannot be occupied until the principal residential dwelling is completed and occupied.

Section 9. Restriction on Number of Dwellings. No building, structure or improvements shall be constructed, erected, altered, placed or permitted to remain on any Lot other than one (1) dwelling designed for principal residential occupation for not more than one (1) family, together with such related outbuildings and facilities pertinent to said single family residential use. The words "related outbuildings and facilities" may include one additional dwelling if used primarily for servants' quarters and one additional dwelling if used primarily for guest quarters, subject to approval of the Committee.

Section 10. No Water Pollution. No use on any of the property described herein shall be allowed which in any manner or for any purpose would result in the drainage or dumping of any refuse, sewage or other material which might tend to pollute surface or subterranean waters.

Section 11. No Garbage/Trash Receptacles. No garbage, refuse, rubbish or obnoxious or offensive material shall be permitted to accumulate, be dumped or buried on any Lots, and Lot Owners shall cause garbage and other like material to be disposed of by and in accordance with accepted sanitary practice. Trash receptacles shall be kept hidden from public view at all times, except when placed out for collection. Trash for collection may be placed on the street right of way line for a period not to exceed twelve (12) hours prior and subsequent to the collection service pick-up time. The Association may designate an area at the intersection of a street with a common driveway (*i.e.*, a driveway which serves more than one (1) Lot), which area may be within the street right-of-way or on a Lot, for the placement of trash receptacles for collection.

Section 12. Repair of Damaged Structures. No building or garage damaged by fire or otherwise damaged so that it becomes unsightly shall be permitted to remain on any Lot. Such structures shall either be promptly rebuilt, refinished, or torn down and removed, and in no case shall the unsightly damage remain longer than three (3) months. Any tear down or removal must have Committee approval.

Section 13. Excavation Restrictions. No excavating or drilling for minerals, stone, gravel, oil or other hydrocarbons, or earth shall be made upon any Lot other than excavation for necessary construction purposes relating to dwelling units, retaining and perimeter walls, landscaping outbuildings and pools, contouring, shaping, fencing or generally improving any Lot.

Section 14. Paints and Finishes. The exterior portions of all houses, buildings, and structures erected or constructed on a Lot shall be painted with a finish coat of varnish, stain or paint approved by the Committee within thirty (30) days after completion or before occupancy. At no time will the exterior of any houses, building structures and fences be allowed to approach a state of aesthetic deterioration such that they become a visual nuisance. Repainting or restaining exterior surfaces with the same color paint or stain shall not require approval of the Committee.

Section 15. Storage Restrictions. The storage of tools, household effects, inoperable vehicles, machinery and machinery parts, empty or filled containers of trash or other materials, boxes or bags, trash, materials, or other items that shall in appearance detract from the aesthetic values of the property shall be so placed and stored to be concealed from public view.

Section 16. Prohibition on Clothes Lines. No exterior clothes line shall be installed on any Lot, or any portion of the Lot, unless completely concealed from view.

Section 17. Sign and Flag Restrictions. No sign, flag or billboard of any kind shall be displayed to the public view on any portion of any Lot; provided, however, that any Owner is entitled to display the flag of the United States, in a manner that is consistent with the Federal Flag Code, from or on:

(i) A flagpole or staff which is located on exterior property within the boundaries of his or her Lot or which is attached to an exterior Limited Common Element that forms a portion of the Owner's Lot.

(ii) A window, ledge, sill, railing, patio, terrace or balcony of his or her Lot or an exterior limited common element that forms a part of the boundaries of his or her Lot, whether or not the flag is displayed from a flagpole or staff.

As used in this Section 3.5: "Federal Flag Code" means the rules and customs pertaining to the display and use of the flag of the United States which are codified in 4 U.S.C. §§ 5 to 10, inclusive; as altered, modified or repealed by the President of the United States pursuant to 4 U.S.C. § 10, and any additional rules pertaining to the display and use of the flag of the United States which are prescribed by the President pursuant to 4 U.S.C. § 10; and "Flag of the United States" does not include a depiction or emblem of the flag of the United States that is made of balloons, flora, lights, paint, paving materials, roofing, siding or any other similar building, decorative or landscaping component or material.

The Association may adopt rules that: (i) Prohibit the display of the flag of the United States in a manner that is inconsistent with the Federal Flag Code; (ii) prohibit the display of the flag of the United States if the flag exceeds four feet (4') in its vertical dimension or six feet (6') in its horizontal dimension (the horizontal dimension of the flag is the dimension that is parallel with the horizontal stripes of the flag, regardless of the position in which the flag is displayed); (iii) establish a maximum number of flags of the United States that may be displayed from, on or around the exterior of a unit (the maximum number is one); (iv) prohibit the display of the flag of the United States from a flagpole or staff that exceeds twenty-five feet (25') in height; (v) prohibit the display of the flag of the United States in a manner that poses a real and substantial danger to health or safety.

One state flag no larger than 3' by 5' may be displayed on each Lot on holidays without approval of the Committee.

All residences shall have a designated street address that is easily viewable from the road, of such design that is consistent with the community and approved by the Committee. "For lease" signs are expressly prohibited. "For Sale" signs are allowed only in strict conformance with the Design Guidelines, and then only with the approval of the Committee.

Signs not meeting the standards of size, color and other specifications set forth by the Committee, or signs and flags not approved by the Committee may be removed by the Association from the premises where displayed. Removed signs will be held for fourteen (14) days in the administrative office of the Association to be claimed by the Lot Owner, after which time period they may be destroyed. No commercial signs whatsoever and of whatever nature are

allowed to be placed on any Lot; subject, however, to Declarant's rights pursuant to Article 1, Section 2(aa).

Section 18. Garage Requirements. Every single family dwelling unit constructed shall have on the same Lot enough enclosed automobile storage space for at least two (2) automobiles. Carports are prohibited. Garage doors shall be closed at all times except when entering or exiting the garage or cleaning the garage. Garages shall not be converted to living space or used exclusively for storage.

Section 19. Separation of Ownerships. No Lot may be subject to a deed, conveyance, agreement or other document which would effect or cause a separation into different ownerships of surface and subsurface rights, or any portion thereof. Nothing herein shall prevent the dedication or conveyance of all or a portion of any Lot for use by the public utilities or as a street, in which event the remaining portion of said Lot shall for the purpose of this provision be treated as a whole Lot.

Section 20. No Occupancy without C of O. No building, any part of which is designed for dwelling purposes, shall be in any manner occupied while in the course of original construction or until it is completed and the building has received a certificate of occupancy from the applicable government agency.

Section 21. No Violation of Law. Nothing shall be permitted to occur on a Lot which violates any law, ordinance, statute, rule or regulation of any local, county, state or federal entity.

Section 22. Fire Control Maintenance . Each Lot Owner shall be responsible for the maintenance of any fire fuel modification areas and firebreak areas located on the Lot, such as removal of certain trees, dead limbs and other dead vegetation. All barbeque appliances must be lidded. Minimum defensible space requirements of applicable governmental entities shall be maintained.

Section 23. Weeds. Subject to the provisions of Section 30 of this Article, no weeds, uncultivated, diseased or infected vegetation of any kind or character shall be placed or permitted to grow upon any Lot or portion thereof. Such vegetation growing naturally on a Lot must be cut or otherwise removed.

Section 24. Subdividing and Land Use. Except as otherwise provided herein, regardless of any action of any governmental agency, no Lot may be divided, subdivided or resubdivided to a size less than the size of the Lot created by a final map except by Declarant. The zoning and use of any of the Lots in the Subdivision subject to a final map may not be changed and amended to multiple residential use or commercial use.

Section 25. Paved Surface Requirements. All driveways, walkways, parking areas and other areas of similar nature shall be paved with a suitable "all-weather" material approved by the Committee such as asphalt, concrete, paving stones, bomanite, brick or other materials approved by the Committee, within thirty (30) days of the completion of construction of the principal residence. Gravel or loose rock is prohibited. All said surfaces shall be repaired and maintained to a high standard of care and safety.

Section 26. Parking and Storage of Vehicles. Trailers, campers, boats, recreational vehicles, machinery, motor vehicles (except as specified below), whether they are operative, under repair, junk, inoperative, licensed or unlicensed, or other similar type objects, shall not be placed, stored or parked on streets and shall only be permitted to be parked or stored on Lots if kept in a fully enclosed garage; except that this provision does not preclude operable, licensed passenger vehicles or trucks of up to one (1) ton in capacity which are routinely in use from being parked in private driveways. The intent of this Section is to allow only for the loading and unloading of trailers, campers, boats and recreational vehicles in public view on a Lot and out of a garage. Furthermore, driveway and street parking on a routine basis is strongly discouraged, and garages should not be used for storage purposes to the exclusion of being able to park transportation vehicles in such garages. Accordingly, the Board may enact reasonable Rules and Regulations governing parking along streets, and the storage and operation of trailers and boats within the Subdivision. The Association shall have the right to direct the removal of vehicles improperly parked on the Common Element pursuant to NRS 487.038. No boat, truck, trailer, camper, recreational vehicle, or tent shall be used as a living area while located on the Project. The Board shall have the power to enforce all parking and vehicle use restrictions applicable to the Subdivision, including the power to remove violating vehicles from any of the Subdivision to the extent permitted by applicable law. Parking of any passenger vehicle or truck of up to one (1) ton capacity on a street for a period of more than three (3) days without moving the vehicle is prohibited. All vehicles parked in driveways or streets must be in continuous use (*i.e.*, daily, or only short periods when not used). Commercial vehicles of any kind may not be parked in a street; and no more than one (1) commercial type vehicle may be parked in a driveway, and then only if used for everyday business by a Lot occupant.

Section 27. Water Usage/Landscaping Restrictions. In order to conserve water usage within the Subdivision, the Committee may promulgate restrictions on the nature and extent of irrigated landscaping, and the Association may promulgate use restrictions (*e.g.*, allowed watering days, length of time watering occurs, etc.) on outdoor water use. No Lot Owner shall use more water on an annual basis than the amount of water dedicated to the water utility purveyor for use on that Lot. Any overage of use in excess of the amount of water so dedicated shall be solely the responsibility of the person actually using said excess water.

Section 28. Completion of Construction. Construction of any improvement, once commenced, shall be pursued diligently to completion. Improvements not so completed or upon which construction has ceased for ninety (90) consecutive days, or which have been partially or totally destroyed and not rebuilt within a reasonable period, shall be deemed nuisances.

Declarant or the Association may remove any such nuisance or repair or complete the same at the cost of the Owner provided the Lot Owner has not commenced required work within fourteen (14) days from the date the Association or the Declarant posts a notice to commence such work upon the property and mails a copy of such notice to the Lot Owner at the address appearing on the books of the Association. Such notice shall state the steps to be taken to eliminate the nuisance. Costs of the work shall be added to and become part of the assessments to which the Lot is subject. The Association and Declarant, or any of their agents, employees or contractors, shall not be liable for any damage which may result from any work performed, nor shall the Association or Declarant, or any of their agents or employees, be liable for any failure to exercise the right to so perform such work on any parcel or Lot.

In addition to, and not in limitation of, the foregoing, the Association may levy a construction penalty pursuant to NRS 116.310305 for the failure to adhere to and comply with any construction related schedule imposed by the Committee pursuant to Section 2 of Article VI. Such penalty shall not exceed the amount of \$100.00 per day.

Section 29. Maintenance of Lots. All Lots, whether vacant or improved, occupied or unoccupied, shall be maintained in such a manner as to be in compliance with the provisions of this Article and to prevent their becoming unsightly, unsanitary or a hazard to health. If not so maintained, the Association or the Declarant shall have the right, after giving ten (10) days written notice in like manner as above set forth in Section 30 above, through their agents and employees, to undertake such work as may be necessary and desirable to remedy the violation of this Article or the unsightly, unsanitary or hazardous condition, the cost of which shall be added to and become a part of assessment to which such Lot is subject. The Board and the Declarant have sole discretion to determine what is unsightly, unsanitary or hazardous. Neither the Association nor the Declarant, nor any of their agents, employees or contractors, shall be liable for any damage which may result from any maintenance work so performed nor shall the Association or the Declarant, nor any of their agents or employees be liable for any failure to exercise the right to so maintain any Lot.

Section 30. Dead Vegetation and Dead Limbs. Except as provided in Section 24 of this Article, within thirty (30) days of completion of the main single family dwelling, each Lot Owner shall remove all dead trees, dead limbs and any dead vegetation that remain on a Lot, unless the Committee decides some or all of the removal is not necessary.

Section 31. Disposal of Sanitary Waste. All permanent plumbing fixtures, including dishwashers, toilets or garbage disposal systems shall be connected to the sanitary sewer system in the Subdivision.

Section 32. Fences and Obstructions. Any fencing allowed shall consist of materials determined by the Committee and at locations approved by the Committee. The Declarant may construct a Subdivision boundary fence or Lot boundary fence around all or any part of the Subdivision. This perimeter fence shall not be removed, replaced or changed in any way by Lot

Owners. Nothing herein contained shall prevent necessary erection of retaining walls required by topography and approved by the Committee. No fence, wall, hedge, tree, plant, shrub, lawn, or foliage shall be planted, kept or maintained by the Lot Owner in such a manner as to create a potential hazard or any aesthetically unsatisfactory appearance on the Lot, as determined by the Committee.

Section 33. Animals/Equestrian Traffic. No livestock or other animals (excluding fish) or fowl, including without limitation, horses, mules, cows, sheep, goats, pigs, ducks, geese, chickens, and exotic pets, except for no more than four (4) usual household pets of a species (e.g., dogs, cats, small birds, rabbits, hamsters, turtles, frogs, lizards, gerbils, nonpoisonous snakes) shall be allowed or maintained on any Lot. The permitted pets shall be kept, bred, or raised solely as household pets for private use and not for commercial purposes. No animal or fowl shall be allowed to make unreasonably loud noises or shall otherwise be allowed to be a nuisance. No animal shall be permitted out of a structure on a Lot unless in a fenced enclosure, nor permitted off a Lot unless such animal is under the control of a person by means of a leash or other reasonable physical restraint. No pets shall be kept upon a Lot until such time as a certificate of occupancy has been issued for the dwelling on the Lot and adequate provisions approved by the Committee have been made for confining such pets to the Lot. No dog houses or dog runs are allowed on any Lot, unless such dog houses or dog runs are screened from view by landscaping or fencing and approved by the Committee. Upon request of a Lot Owner, the Committee, in its sole discretion, shall determine for the purposes of this Section whether a particular animal or fowl shall be considered as a permitted pet, whether it is a nuisance, or whether the number of animals or fowl on any Lot is reasonable.

Horses shall not be allowed on Lots within the Subdivision. Equestrian traffic shall not be allowed on trails maintained by the Association, unless permitted by the Board. Subject to rules and restrictions by the Association, equestrian traffic may be allowed on other trails and open space.

Pets owned or controlled by one Owner shall not be allowed to defecate or urinate on another Owner's Lot without the other Owner's permission. All pet feces must be immediately cleaned up if deposited outside the Lot of the pet's Owner, and a pet feces deposited on the Lot of the pet's Owner must be cleaned up within a reasonable period of time so as not to be unsightly, unreasonably unsanitary or a nuisance due to smell or foul conditions.

Section 34. Exterior Or Roof-Mounted Equipment. Outside television antennas, aerials, satellite dishes or similar devices for the transmission or reception of television, radio, satellite, of other signals or any kind are prohibited, except:

- (i) The Declarant and the Association shall have the right, without obligation, to erect, place or install and maintain any such apparatus for the benefit of all or a portion of the Community.

(ii) Antennas or satellite dishes with a diameter or diagonal measurement not greater than thirty-six inches (36") which are designed to receive direct broadcast satellite services, video programming services via multi-point distribution services, or television broadcast signals (collectively "Permitted Devices") may be erected, placed or installed on a Lot, provided that:

(A) Any such Permitted Device is placed in the least conspicuous location on the Residence at which an acceptable quality signal can be received and is either not visible from neighboring property or is screened from the view from streets of any neighboring Lot or Common Area.

(B) Reasonable restrictions which do not significantly increase the cost of installation of a Permitted Device or significantly decrease its efficiency or performance, including, without limitation, screening material, location or complimentary-color painting of the Permitted Device, may be imposed by the Architectural Committee.

No air conditioning units, ducting or other equipment (except antennae and satellite dishes as allowed under this Section) shall be mounted on any roof, or on the front exterior wall or windows of a dwelling; provided that any such equipment mounted on side or rear exterior walls or windows may be allowed if screened from view and approved by the Committee. Any conflict between the provisions of this Section and federal laws or regulations shall be governed by federal laws and regulations.

Section 35. Pools, Sports and Play Equipment. No above-grade swimming or wading pools, trampolines, other sports apparatus, swingsets, or children's play equipment may be permanently placed, installed, erected, or attached to any structure in the Subdivision unless such apparatus is approved by the Committee. In addition, bicycles, toys and children's play equipment, sports apparatus and equipment, motorcycles, ATV's, snowmobiles, and similar vehicles must be garaged or stored in an enclosure or fenced in a manner to be hidden from public view when not in use.

Section 36. Defacing of Common Area. No tree, shrub, other landscaping or improvement within a Common Area shall be damaged, defaced or removed except at the express direction of the Association.

Section 37. Limited Lot Access. There shall be no access to or from any Subdivision Lot on the perimeter of the Subdivision or through Common Area except from designated streets or roads as shown on recorded final maps of the Subdivision, unless prior written approval is obtained from the Association.

Section 38. No Access. Except as otherwise expressly provided in this Declaration, all access to the Nonresidential Areas, Association recreational facilities (except by approved

members), Somerset Country Club, Canyon Nine Golf Course or Multi-Family Units from any Lot or the Common Area is prohibited for any purpose, whether it be jogging, walking, playing golf or otherwise, without the consent of an affected property owner.

Section 39. Operation of Motor Vehicles. Except for authorized maintenance vehicles, no motor vehicle shall be operated in any area within the Subdivision except on a street or driveway. All speed limit and other traffic control signs erected within the Subdivision shall be observed at all times. Motorized vehicles except authorized maintenance vehicles or emergency vehicles are specifically prohibited on all open space, paths, trails, walkways or Common Areas (except streets or parking areas), unless on an access road subject to an access easement for public or private travel.

Section 40. Landscaping/Parkways/Sidewalks. Each Owner shall be responsible to properly and attractively landscape his Lot pursuant to approved landscape plans in a manner suitable to the character and quality of the Subdivision, and all landscaping shall be maintained to harmonize with and sustain the attractiveness of the Subdivision. Each Lot Owner must establish and maintain landscaping on the Lot to the applicable fire protection districts requirements for minimum defensible space, and all such landscaping shall be continually maintained consistent with the standards of the development, good maintenance practices and the applicable fire protection districts requirements.

Sidewalks located on Lots shall be maintained and repaired by Lot Owners, including snow and ice removal. For Lots which have a parkway strip located on the Lot between the sidewalk and the street curb, the parkway shall be landscaped and irrigated by the Lot Owner, and the Association may require all Lot Owners on the same street or area to plant and maintain the same type of landscaping in all parkways on Lots.

Section 41. Use of Water Features. Active use (e.g., wading, fishing, swimming or boating) of lakes, ponds, wetlands, streams or other bodies of water within the Subdivision is prohibited, except that the Owner of the Somerset Country Club or Canyon Nine Golf Course (as the case may be), and their agents, successors and assigns shall have the exclusive right and easement to retrieve golf balls from bodies of water within the Common Areas which are within range of golf balls hit from the Somerset Country Club or Canyon Nine Golf Course (as the case may be). The Declarant, the Association and other owner of said water features shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, wetlands, streams or other bodies of water within or adjacent to the Subdivision.

Section 42. Impairment of Wildlife. Capturing, trapping or killing wildlife within the Subdivision is prohibited, except all common rodents (e.g., rats, mice, moles, gophers), insects and other animals normally considered pests.

Section 43. Disturbing Activities. Activities which materially disturb or destroy the vegetation, wildlife, or air quality within the Subdivision or which use excessive amounts of water or which result in unreasonable levels of sound or light are prohibited.

Section 44. Discharge of Weapons. The discharge or use of firearms or other weapons within the Subdivision is prohibited. The terms "firearms and weapons" includes without limitation "B-B" guns, pellet guns, bows and arrows, pistols, rifles, shotguns, sling shots and other firearms and weapons of all types, regardless of size. Nothing in this Section shall be construed to prohibit or limit the ownership or possession of firearms or other weapons within the Subdivision.

Section 45. No Temporary Structures. No temporary structure of any form or type, including self-contained camper trailer units, shall be permitted as a dwelling unit on any Lot or parcel. No garage or outbuilding shall be constructed before commencing construction of the main dwelling unit, and further, no trailer, garage, basement, outbuilding or other structure other than the completed main dwelling unit shall be used for temporary or permanent living quarters, except as provided herein. No covering or tent, if visible from any roadway, is permitted on any Lot for a period longer than twenty-four (24) hours. Temporary construction-related structures on a Lot for office, storage and other construction uses shall be allowed, subject to approval of the Committee, but only during the period of initial construction of the main dwelling unit on the Lot until issuance of a certificate of occupancy.

Section 46. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted upon any Lot or Common Area nor shall anything be done within the properties which is or could become an unreasonable annoyance or nuisance to neighboring property Owners. All pertinent provisions of federal state and county law are specifically incorporated into this section. Without limiting the foregoing, no Owner shall permit excessive light, strong odors and smells (e.g., dog feces, compost pile), and noise, including but not limited to barking dogs, the operation of excessively noisy air conditioners, stereo amplifier systems, television systems, motor vehicles or power tools, to emanate from an Owner's Lot or from activities within the Common Area, which would unreasonably disturb any other Owner's or resident's enjoyment of his or her Lot or the Common Area, excepting approved construction activities.

Section 47. Business Activities. No business or commercial activities of any kind whatsoever shall be conducted in any residence or structure on any Lot or on any portion of any Lot without the prior written approval of the Board, provided that the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities, or to the activities of Declarant during the development and sale of the properties. Furthermore, no restrictions contained in this section shall be construed in such a manner so as to prohibit any Owner from:

- a. Maintaining his or her personal library in his or her residence;

- b. Keeping his or her personal records or accounts;
- c. Handling his or her personal, business or professional telephone calls, communication or correspondence, or maintaining a home office used only by the Owner or tenant and to which no employees come;
- d. Leasing or renting his or her residence; or
- e. Conducting any other activities otherwise compatible with a residential use and the provisions of this Declaration which are permitted under applicable zoning laws, by permit or under specific governmental authorization, provided all necessary government permits or approvals for the use have been obtained and the Board, in its sole discretion, approves any use requiring a government permit or business license as not impairing the quiet use and enjoyment of nearby Units or other Owners.

The uses described in these subparagraphs a through e are expressly declared to be approved by the Board and to be customarily incidental to the principal residential use of the Lot and not in violation of this section.

In addition, an approved use under this section shall also comply with the following restrictions, unless approved otherwise by the Board:

- f. The use shall be operated entirely within a dwelling unit by a person or persons residing in the dwelling unit as clearly secondary and incidental use of such dwelling for single family residential purposes and must not change the residential character thereof.
- g. There shall be no use, including storage, of any accessory building, yard space or activity outside the main building not normally associated with residential use.
- h. Not more than one room or twenty percent (20%) of the floor space of the main floor shall be used;
- i. There shall not be a substantial amount of stock-in-trade, supplies or goods stored on the Lot;
- j. The use shall not generate vehicular traffic measurably in excess of that normally associated with single-family residential use, including continuous visits by employees, consultants, agents, licensees and invitees;

- k. Not more than one (1) vehicle, not exceeding one ton in capacity with commercial advertising displayed thereon, shall be kept at the residence;
- l. There shall be no indication of the use on the exterior of the premises, including visual indications, noise, smell and other exterior manifestations;
- m. No signs, nor other advertising, shall be used to inform the public of the address or location of such a use;
- n. There shall be no manufacturing, processing or other similar activity on the premises which generates noise, odor, dust, vibrations, fumes, smoke, electrical interference or other interference with nearby properties; and
- o. The use shall not be conducted without the permission of the Owner of the real property.

Section 48. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private residence or appurtenant structures within the properties, or is associated with a hobby (but not a business) of a Lot resident, provided that no such machinery or equipment may exceed six feet (6') in height, weigh more than one ton or be visible from adjacent residences or Common Areas.

Section 49. Disease and Pests. No Owner shall permit any thing or condition to exist on his or her Lot which may reasonably induce, breed, or harbor infectious plant or animal diseases, rodents or noxious insects.

Section 50. Children. Each Owner and resident shall be accountable to the remaining Owners, residents, their families, visitors, guests and invitees, for the conduct and behavior of their children and any children temporarily residing in or visiting the Owner/resident and for any property damage caused by such children.

Section 51. Activities Affecting Insurance. Nothing shall be done or kept on any Lot or within the Common Area which will increase the rate of insurance on any policy maintained by the Association without the prior written consent of the Association and no Owner shall permit anything to be done or kept on his or her Lot or within the Common Area which would cause any improvements to be uninsurable against loss by fire or causally or result in the cancellation of insurance covering any Lot or any part of the Common Area.

Section 52. Window Coverings. Except within ninety (90) days of issuance of a certificate of occupancy, no windows visible from a public street or a Common Area in a house

shall be covered, in whole or in part, by materials not manufactured or made to be window coverings. Such inappropriate materials include, but are not limited to, blankets, sheets, newspaper, tarps, towels, rugs and flags.

Section 53. Rear and Side Yard Access. There shall be no rear or side yard access permitted from any Lots with rear or side yards abutting a full collector or arterial street, and there shall be a wall or fence constructed and maintained on or near each Lot boundary line on these streets.

Section 54. Slope Stabilization. Each Owner of a Lot agrees that in the event any slopes or disturbed areas located on the Lot have been planted to comply with local government or Committee requirements for stabilization, the slopes or areas must be revegetated with native vegetation, the Owner shall adequately water the area until vegetation is established and continuously maintain said slopes or disturbed areas.

Section 55. Variances. The Committee may, in its sole discretion, grant variances to the provisions of this Article IV over which it exercises the power of approval, and the Board may grant variances to any other provisions of this Article IV. Variances may be granted under circumstances where in the opinion and sole discretion of the Committee or Board (as the case may be) the literal application of the restriction results in unnecessary inconvenience and the granting of a variance will not be materially detrimental or injurious to other Lot Owners. No variance granted shall constitute a waiver or restrict enforcement of any other provision hereof, constitute a precedent for granting another variance, nor be deemed consent to violate any federal, state or local law, rule or regulation.

ARTICLE V:

ARCHITECTURAL STANDARDS

As more particularly specified in Article X, Section 2 and Article VII, Section 1, Declarant and the Owners of Nonresidential Areas, Multi-Family Units and the Somerset Country Club are exempt from provisions of Articles V and VI and compliance with Design Guidelines. Otherwise, all Builders, Lot Owners and others conducting construction activities within the Subdivision shall comply with the standards specified in Articles V and VI.

Section 1. Building Envelope. The Committee may establish a building envelope and recommended point of access for each Lot. This envelope will be based upon the topography of the Lot, its relationship to neighboring Lots, and any unique feature that the Lot may have, such as trees, meadows, rock outcroppings, etc.. The size and shape of the building envelope may vary from Lot to Lot. If, in the opinion of the Committee certain Lots do not warrant the establishment of a specially designated envelope, the envelope for those Lots shall be set according to the normal setbacks of the City for that type of Lot. In general, all building

construction shall be confined to the building envelope area. If, in the opinion of the Committee, the strict compliance with the building envelope will cause the Lot Owner inconvenience in locating his home or accessory improvements, and expansion of the building envelope will not cause unreasonable impairment to the use and enjoyment of an adjacent Lot Owner, then a variance may be permitted by the Committee.

Section 2. Design Guidelines. The Committee shall adopt by a majority vote Design Guidelines establishing the architectural standards for construction and uses on all Lots within the Subdivision. Once adopted the Design Guidelines may be amended by a majority vote of the committee from time to time, in the Committee's sole discretion. All Lot Owners shall comply with and abide by the Design Guidelines. Copies of the Design Guidelines shall be available to each Lot Owner at the time of close of escrow and shall be maintained at the office of the Committee. Design Guidelines are intended to be minimum requirements. The Committee may, on a case-by-case basis, adopt or impose more stringent design requirements.

Section 3. Views. No representation or warranties, covenants or agreements are made by Declarant or Association or their agents, with respect to the presence or absence of any current or future view, scene or location advantage from any portion of a Lot within the Subdivision. The view, scene or location advantage may be adversely affected currently or in the future by construction or changes to the following, including, without limitation, residential homes or other structures and facilities, utility facilities, trees and other landscaping, Common Areas, public facilities, streets, neighborhood amenities and other activities, development or occurrences whether on other land or on adjacent and nearby Lots. No representations, warranties, covenants or agreements are made by Declarant, Association, Somerset Country Club or their agents concerning the preservation or permanence of any view, scene or location advantage for the Lot. Association and Declarant are not responsible or liable for any impairment of such view, scene or location advantage for any perceived or actual loss of value of the Lot resulting from such impairment. Lot Owners are solely responsible for analyzing and determining all risks concerning the current and future value of any view, scene or location advantage and the potential or existing impairment thereof and the risks of preserving the view, scene or location advantage.

Section 4. No Drainage Into Common Area/Somerset Country Club. No alteration of the natural flows of surface water drainage shall be allowed to occur into Common Area, except in designated drainage channels, basins or other drainage facilities designed to accommodate said drainage, unless expressly approved in writing by the Association, in the sole discretion of its Board of Directors. No alteration of the natural flow of surface water drainage shall be allowed to occur into the Somerset Country Club unless expressly approved in writing by the Somerset Country Club owner.

ARTICLE VI:

ARCHITECTURAL CONTROLS AND AESTHETIC GUIDELINE COMMITTEE

Section 1. Committee Establishment and Membership. The Somerset Aesthetic Guideline Committee of the Association is hereby established. Each Committee member shall have an indefinite term and serve at the discretion of the Board and, during the period of Declarant Control specified in Article II, Section 5 of this Declaration or for a period of twenty (20) years, whichever is later, shall be subject to approval by Declarant, which approval may be withheld or withdrawn at any time at Declarant's sole discretion.

The Committee shall be composed of not less than three (3) nor more than seven (7) members, to be appointed by the Board, at least one of whom shall be a qualified member of one of the allied physical design professions (i.e., civil engineer, architect, land planner, etc.). Committee members shall be subject to removal by the Board, and any vacancies from time to time existing shall be filled by appointment of the Board, except that the Committee need have no more than three (3) members. A quorum of the Committee shall consist of the lesser of a majority of committee members or three (3) persons. A decision may be rendered by a majority of committee members at a meeting at which a quorum is present. Committee members need not be Lot Owners or officers, directors or employees of the Association.

Section 2. Written Approval of Plans and Construction Schedule. Before commencing any building operations, written approval must be obtained from the Committee covering building and plot plans for all structures (detached or attached to the main dwelling) erected, altered, renovated, remodeled, placed, assembled, or permitted to remain on any Lot in the Subdivision, including garages, walks, fences, dog runs, sheds, decks, gardens, trellises, patios, courtyards, awnings (and all other exterior painting, decorations, or appendages), landscaping, ditches and walls; except, however, that approval of the Committee shall not be required for building operations conducted by Declarant, its successors and assigns. Any plans submitted to the Committee which contain features or elements not in compliance with provisions of this Declaration or the Design Guidelines must prominently identify and describe the non-compliance, and request a variance. The approval of said Committee shall include style, design, appearance, harmony of external design, building materials, location of the proposed structure with respect to topography, finish grade elevation and the street frontage. No approval shall be construed as modifying, altering, or waiving any of the provisions of this Declaration or the Design Guidelines unless a variance is issued by the Committee and expressly set forth in the Committee's approval.

In connection with any approval by the Committee pursuant to this Article VI, the Committee may impose a construction schedule and deadline for completion of the improvements for which approval is granted; and the failure to comply with such

schedule/deadline can result in a construction penalty being assessed pursuant to Section 28 of Article IV.

Committee approval shall be granted only after written application has been made to the Committee in the manner and form prescribed by it. In the event a Lot Owner desires to redecorate the exterior of any existing structure, it shall only be necessary to submit the new proposed color scheme to the Committee for its approval. Remodeling or adding to existing structures or making structural or architectural changes shall require the Lot Owner to submit complete plans therefor to the Committee, as in the case of erecting new structures.

Each Lot Owner shall be responsible to properly and attractively landscape his Lot, and maintain such landscaping. A landscape plan is to be a part of the house plans and is to be submitted to the Committee for approval. Landscaping must be completed as specified in the landscape plan within ninety (90) days of obtaining a certificate of occupancy of the main dwelling on a Lot, subject to extensions granted in the Committee's sole discretion. The continued use, placement or display of art, decorations, statuary and other objects in front, side or rear yards must be a part of the landscaping plan, or otherwise approved by the Committee.

Section 3. Committee Powers. The Committee shall have the power to adopt Design Guidelines as well as rules and regulations, and to render decisions on such matters as are subject to approval, review, or consideration of the Committee under this Declaration, or as may be referred to the Committee by the Association, in accordance with such rules, Design Guidelines and regulations as may from time to time be adopted by the Committee. Committee comments with respect to any application shall be strictly followed. If requested by the Committee, applications must be resubmitted to the Committee.

Section 4. Time of Decision. The decision of a majority of a quorum of the Committee, acting in good faith in its sole discretion, upon any matters submitted or referred to it, shall be final. It is further provided that if no approval shall have been sent by the Committee to an applicant within forty-five (45) days from the date of receipt of a submittal or as otherwise provided in the Design Guidelines such inaction shall be deemed to constitute approval. Any decision or approval by the Committee shall not relieve an applicant or Lot Owner from complying with any requirement of a public authority having jurisdiction, and shall not constitute any representation or guaranty by the Committee or a member thereof of compliance of the submitted matter with any statute, ordinance, or regulation pertaining thereto.

Section 5. No Improvements without Approval. No building, garage, shed, walkway, satellite dish, fence, wall, retaining wall, dog run, drainage ditch or system, landscaping or any other structure shall be commenced, erected, placed or altered on any Lot in the Subdivision until the building plans and specifications thereof have been submitted to and approved in writing as to conformity and harmony of external design with the existing structures or general scheme in the Subdivision, and as to location of the building with respect to topography and finished ground elevation, by the Committee.

Section 6. Grounds for Disapproval. The Committee may disapprove any application for any of the following reasons:

- a. If such application does not comply with this Declaration, the Design Guidelines, or any rules or regulations promulgated by the Association or the Committee;
- b. Because of the dissatisfaction of the Committee, in the Committee's sole discretion, with grading plans, location of the proposed improvements on a Lot, finished ground elevation, color scheme, exterior finish, design, proportions, architecture, shape, height or style of the proposed improvement, the materials used therein, the kind, pitch or type of roof proposed to be placed thereon, or for purely aesthetic reasons.

Section 7. Rules and Regulations. The Committee may from time to time adopt written rules and regulations of general application governing its procedures and approval criteria, whether as a portion of the Design Guidelines or as separate provisions, which may include, among other things, provisions for the form and content of application; required number of copies of plans and specifications; additional architectural guidelines; construction rules and conduct; provisions for notice of approval or disapproval, and various approval criteria.

Section 8. No Inspection Required. No inspection of construction for which plans and specifications have been or should be approved by the Committee shall be required of the Committee, although all Committee members shall have the right to inspect all improvements to ascertain compliance with the provisions of Articles V and VI. Any member of the Committee also has the right at all reasonable times and places to enter on a Lot and inspect any structure for purposes of compliance with approved plans and specifications provided such right of entry shall not include the right to enter a completed occupied dwelling without the consent of the occupant.

Section 9. Conformance to Plans Required. After any plans and specifications and other data submitted have been approved by the Committee, no structure, landscaping or feature approved by the Committee of any kind shall be erected, constructed, placed, altered, or maintained upon a Lot unless the same shall be erected, constructed, or altered in conformity with the plans and specifications, color scheme, and plot plan approved by the Committee. If any structure of any kind shall be erected, constructed, placed, altered, or maintained on a Lot other than in accordance with the plans and specifications, color scheme and plot plan theretofore approved by the Committee, such erection, construction, placing, alterations and maintenance shall be deemed to have been undertaken without the approval of the Committee ever having been obtained.

Section 10. Variances. The Committee may grant reasonable variances or adjustments from the provisions in this Article where literal application thereof results in

unnecessary inconvenience and if the granting thereof in the opinion and sole discretion of the Committee will not be materially detrimental or injurious to other Lot Owners.

Section 11. Certification of Compliance. At any time prior to completion of construction of an improvement, the Committee may require a certification upon such form as it shall furnish from the Builder, contractor, Lot Owner or a licensed surveyor that such improvement does not violate any height restriction, envelope or set-back rule, Design Guidelines, ordinance or statute, nor encroach upon any easement or right-of-way of record and/or that all construction is in strict compliance with plans approved by the Committee.

Section 12. Compensation and Filing Fee. Members of the Committee may be compensated by reasonable fees charged for Committee services to those requesting actions by the Committee, if said fees are approved by the Board. As a means of defraying its expenses, the Committee shall require a filing fee set by the Committee to accompany the submission of plans and specifications for a new single family home and a filing fee for submitting plans for landscaping, remodeling or additions or exterior redecorating color scheme.

Section 13. Liability. Notwithstanding the approval by the Committee of plans and specifications, neither it, the Declarant, the Association nor any person acting in behalf of any of them shall be responsible in any way for any defects in any plans or specifications or other material submitted to the Committee, nor for any defects in any work done pursuant thereto. Each person submitting such plans or specifications shall be solely responsible for the sufficiency thereof and the adequacy of improvements constructed pursuant thereto. No member of the Committee shall be held liable to any person, whether a Lot Owner or not, on account of any action or decision of the Committee or failure of the Committee to take any action or make any decision.

Section 14. Enforcement. In the event any improvement shall be commenced without Committee approval as herein required, or in the event any improvement is constructed not in conformance with plans therefor approved by the Committee, or not in conformance with this Declaration, the same shall constitute a violation of this Declaration. In addition to the remedies for violation of any portions of this Declaration set forth in herein, the Committee shall also have the power and authority to institute arbitration, legal or other appropriate proceedings to enjoin or otherwise prevent a violation of the provisions of this Declaration, and to recommend fines for levy by the Board. All costs of dispute resolution, including attorney's fees, shall be charged to and paid by the Lot Owner as assessments if the Association prevails.

ARTICLE VII:

PROVISIONS FOR GOLF COURSE, MULTI-FAMILY UNITS AND NONRESIDENTIAL AREAS USES

Section 1. Applicability of Declaration. All provisions of this Declaration shall apply to the Multi-Family Units and Nonresidential Areas and are binding on their Owners, except the provisions of Articles IV, V and VI. All references to real estate and to Owners in this Declaration shall also refer to the Multi-Family Units and Nonresidential Areas and their Owners, respectively, when the context so applies, but not the Somerset Country Club, unless expressly so stated. The Somerset Country Club does not include any golf-related facilities owned by the Association, such as the Canyon Nine Golf Course.

Section 2. Membership in Association and Voting Power. Each Owner of a Nonresidential Area and a Multi-Family Unit shall be a member of the Association upon the date of issuance of a certificate of occupancy for a Multi-Family Unit, and the date of first commencement of business operation for the a Nonresidential Area, with an allocated interest and commensurate voting power expressed in terms of "Equivalent Lots", established each year (prior to the time of voting at the annual meeting when a budget is adopted) in accordance with the burden each Nonresidential Area and Multi-Family Unit place on the Common Area and the Subdivision, as determined by the following formula, to be applied to each Nonresidential Area and Multi-Family Unit individually:

- a. The average daily vehicle miles traveled for each Unit, as determined by the traffic generating statistics adopted on the date of this Declaration by the Regional Transportation Commission ("RTC") for each Unit for purposes of assessing the Regional Road Impact Fee in accordance with the applicable City ordinance and RTC General Administrative Manual ("Manual"), shall be divided by the daily vehicle miles traveled for a single family dwelling pursuant to the Manual. Information from the Manual schedule is attached hereto for reference as **Exhibit "D"**.
- b. The product of the calculation made pursuant to Subsection (a) above shall be the Equivalent Lots for the Unit. Voting power and assessments for each Unit shall be based on the Equivalent Lots.

For example, if a Nonresidential Area Owner operates 10,000 square feet of general office space, the Manual sets the daily vehicle miles traveled at 16.13 per 1,000 square feet of ground floor area, then the total daily vehicle miles traveled for the Owner would be 161.30. Since the daily vehicle miles traveled for one single family dwelling in the Subdivision is 15.30, the product of the calculation made pursuant to Subsection (a) would be:

$$16.13 \times 10 \div 15.30 = 10.54 \text{ Equivalent Lots}$$

If phased expansion, renovation or other changes on a Unit results in determinations pursuant to the Manual of additional or fewer daily vehicle miles traveled, then the allocated interest and voting power of the Unit shall change accordingly by recalculation of the Equivalent Lots at the end of the calendar year in which the changes occur, prior to the date of the annual meeting of members. Each Unit Owner shall be the only member of the Association representing that Unit.

Section 3. Declarant Easements. Declarant hereby grants the following easements for the benefit of the applicable Unit, the Association (for the Canyon Nine Golf Course and other Common Areas) or the Somerset Country Club, as the case may be:

- a. a nonexclusive easement benefiting the Somerset Country Club and Association permitting golf balls to come upon any portion of the Subdivision from the Somerset Country Club or Canyon Nine Golf Course. The existence of this easement shall not relieve golfers individually of any liability for damage caused by errant golf balls.
- b. a non-exclusive easement for the benefit of the Somerset Country Club, Association and Nonresidential Areas of access and use over those portions of the Common Areas reasonably necessary, with or without the use of maintenance vehicles and equipment, for the use, enjoyment, improvement, operation, maintenance and repair of the Somerset Country Club, Canyon Nine Golf Course or Nonresidential Areas.
- c. a non-exclusive easement for the benefit of the Somerset Country Club, Association and Nonresidential Areas for overspray of water or fertilizer (and other chemicals), or runoff on any portion of the Subdivision from any irrigation system serving the Nonresidential Areas, Canyon Nine Golf Course, other Common Area or Somerset Country Club, including the use in any irrigation system of nonpotable water (e.g., untreated surface water or effluent from a sanitary sewer treatment plant).
- d. a non-exclusive easement for the benefit of the Somerset Country Club, Association and Nonresidential Areas, to the extent reasonably necessary, over the Subdivision for the installation, operation, maintenance, repair, replacement, monitoring and controlling of irrigation systems and equipment; including, without limitation, wells, pumps and pipelines, serving all or portions of the Somerset Country Club, Canyon Nine Golf Course, other Common Area, or Nonresidential Areas.

- e. a non-exclusive easement for the benefit of the Somersett Country Club, Association and Nonresidential Areas, to the extent reasonably necessary, over the Subdivision for the installation, maintenance, repair, operation, replacement and monitoring of utility facilities, lines, wire, drainage pipelines and other utility facilities serving the Somersett Country Club, Canyon Nine Golf Course, other Common Area, or Nonresidential Areas.
- f. a nonexclusive easement for the benefit of the Somersett Country Club, Association and Nonresidential Areas over the Subdivision for natural drainage of storm water runoff from the Somersett Country Club, Canyon Nine Golf Course, other Common Area, or Nonresidential Areas, and for the emission of light during nighttime hours and noise at all times associated with events (e.g., clubhouse functions) and activities (e.g., maintenance, golf play, etc.).
- g. a nonexclusive easement for the benefit of the Somersett Country Club and Canyon Nine Golf Course over the Subdivision for the construction, maintenance and repair of golf cart paths, ponds and drainage ways used by or for the benefit of the Somersett Country Club and Canyon Nine Golf Course in reasonable locations to be mutually agreed by Declarant, the Association and the Somersett Country Club Owner.

Section 4. No Liability for Use of Certain Easements. Declarant, Association, Somersett Country Club owner and Nonresidential Areas Owners (including their architects, engineers, consultants, builders, contractors, affiliates, successors, assigns, officers, directors, employees, agents and representatives) shall not be liable to each other or to other Owners for damage or injury caused by errant golf balls, overspray or runoff of irrigation or other use of the easements granted by the provisions of this Article.

Section 5. Ownership and Operation of Somersett Country Club. Declarant, Association and Somersett Country Club owner make no representations or warranties with regard to the continuing existence, ownership or operation of the Somersett Country Club, if any (including whether the Somersett Country Club will be public or private), and no purported representation or warranty in such regard by any person, either written or oral, shall be effective. Further, the ownership and operation of the Somersett Country Club may change at any time and from time to time by virtue of (but without limitation) the creation or conversion of the ownership or operating structure of the Somersett Country Club to an "equity" club or similar arrangement whereby the Somersett Country Club or the right to operate it is transferred to an entity or entities which are owned or controlled by members. No consent of the Association or any Owner shall be required to effectuate such transfer or conversion.

Section 6. No Right to Use. Neither membership in the Association nor ownership or occupancy of a Unit shall confer any ownership interest in or right to use the Somersett

Country Club. Somerset Country Club owner shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Somerset Country Club (e.g. Somerset Country Club membership rights) including, without limitation, eligibility for and duration of use rights, categories of use and 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 provisions of any outstanding membership documents. Membership privileges and use of the Canyon Nine Golf Course, on the other hand, shall be determined by the Board of Directors of Association.

Section 7. Somerset Country Club View Impairment. In addition to Section 3 of Article V, neither the Declarant, the Association (as to the Canyon Nine Golf Course) nor the Somerset Country Club owner (as to the Somerset Country Club) warrant, guarantee or represent that any view over and across the Somerset Country Club or Canyon Nine Golf Course from Units or Common Areas will be preserved without impairment. Neither the Somerset Country Club owner nor the Association shall have any 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 Somerset Country Club or Canyon Nine Golf Course, as well as to construct safety or security-related improvements such as fences and screens, from time to time. In addition, the Somerset Country Club owner or Association may, in their sole and absolute discretion, change the location, configuration, size and elevation of the trees, bunkers, tees, fairways and greens, holes or other improvements on the Somerset Country Club or Canyon Nine Golf Course from time to time and may also emit light during nighttime hours for events (e.g., clubhouse functions) and activities (e.g., maintenance). Damages arising from any such additions, improvements or changes to the Somerset Country Club or Canyon Nine Golf Course which may diminish or obstruct any view from the Units or any expressed or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed by Declarant, Association and Somerset Country Club owner.

Section 8. Somerset Country Club Member Rights to Use Club at Town Center and Canyon Nine Golf Course. Members of the Somerset Country Club who are not members of the Association ("Non-member Users") nevertheless shall have the right of use of the Club at Town Center and the Canyon Nine Golf Course. As a condition of such use rights, the Board may, and shall, require the payment of such fees by Non-member Users as are reasonably similar to that portion of annual assessments paid by Owners attributable to the use and operation of the Club at Town Center, and the Canyon Nine Golf Course, respectively and as applicable. The method and timing of the payment of such fees shall be within the discretion of the Board, reasonably exercised. In all other regards, use and enjoyment of the Club at Town Center and the Canyon Nine Golf Course by Non-member Users shall be upon and subject to all Rules and Regulations, and terms and provisions of this Declaration applicable to an Association member's use and enjoyment thereof. Neither the Board nor the Association may deny or impair the Non-member Users' rights to use the Club at Town Center or the Canyon Nine Golf Course without the express written consent of the owner and operator of the Somerset Country Club, and, in addition, Declarant during any period of time Declarant continues to be developing the

Subdivision, and marketing and selling Units, it being the intent that Non-member Users have assured rights of use to the Club at Town Center and the Canyon Nine Golf Course on such economic and other terms and conditions of use as are on an equitable and reasonable par with members of the Association as to the use of such facilities; provided, however, that the foregoing shall not impair or preclude the Association from suspending or terminating Non-member User rights, or imposing fines, on a similar basis as would be applicable to Association members, for failure to abide with fee payment and usage requirements in effect pursuant to and as authorized by this Section.

In addition, the Board shall have the discretion to adopt similar use rights to the Club at Town Center by Association members who otherwise at any given time are not subject to annual assessments attributable to such right of use. For example, as of the recording of this Declaration, Owners in the Subdivision community known as "Sierra Canyon By Del Webb At Somerset" are Association members, but do not pay Association assessments for use of the Club at Town Center and are, therefor, not entitled to use the Club at Town Center. As above provided, the Board may adopt such policies and conditions allowing any such Owner(s) to use the Club at Town Center in keeping with the terms and provisions of this Section concerning Non-member Users.

Section 9. Limitation on Amendments. In recognition of the fact that the provisions of this Article are for the benefit of the Somerset Country Club, Association, Multi-Family Units and Nonresidential Areas, no amendment to this Article may be made without the written approval of each landowner benefited by the amendment.

ARTICLE VIII:

OTHER EASEMENTS

Section 1. Reservation. The following easements (also constituting irrevocable licenses) over each Lot and all Common Areas, and the right of ingress and egress to the extent reasonably necessary to exercise such easements, are reserved to Declarant and are granted for the benefit of the utility purveyors, Association and the Declarant:

- a. **Utilities.** Such easements for the installation, maintenance and operation of all utilities as shown on recorded final maps of the Subdivision or otherwise specified in this Section, together with the right to extend all utility services within such easements to other areas being developed within the Subdivision (including street lights) and the right to cut, trim or remove structures, trees and plantings wherever necessary in connection with such installation, maintenance and operation. Utilities for purpose of this Section shall include without limitation water, sewer, gas, electric power, cable TV, telephone and communications. Utilities shall also

include telecommunications and electronic communication lines and facilities of Declarant and Somerset Technology, LLC.

- b. **Fencing Facing Common Area.** An easement on all applicable Lots to install or maintain (including repair and reconstruction) Lot fencing which faces Common Area, the Somerset Country Club, Canyon Nine Golf Course, Multi-Family Units or Nonresidential Areas. The Association shall decide for each specific Lot, in the Association's sole discretion, whether any said fencing shall be installed or maintained, in order to enhance or preserve the general appearance of the Subdivision. The Association shall have the right, but not the obligation to do so. Any said fencing located on a Lot not so maintained by the Association shall be maintained by the Lot Owner. The Association may elect to maintain, in its sole discretion, only the side of said fencing facing away from the Lot, in which case the Lot Owner shall maintain the remainder of the fence. In the event the Association elects to maintain a Lot Owner's fence as specified in this subsection, the Lot Owner shall not be charged the expense therefor other than as part of the Lot Owner's pro rata assessment for all Association costs.
- c. **Common Areas.** An easement on, over and under all Common Areas in the Subdivision for the purpose of installing, maintaining and operating utilities to serve any portion of the Subdivision; for purposes of drainage control; for access to any Lot; for the purpose of construction or maintenance of Common Area improvements or Subdivision improvements; and for providing access to undeveloped portions of the Subdivision for any and all purposes at any and all times, including, but not by way of limitation, the right to use said Common Areas during construction of improvements on undeveloped portions of the Subdivision. Utility easements granted by this Subsection are assignable to any utility purveyor requiring use of the easement.
- d. **Signs.** An easement within ten feet (10') of a street or other Common Area for the installation of street signs, regulatory signs, wildlife signs and traffic signs (or other signs reasonably related to the regulation or enforcement of provisions of this Declaration) on all Subdivision Lots, together with the right to cut, trim or remove trees and plantings wherever necessary in connection with such installation, maintenance, repair and reconstruction.
- e. **Snow Plowing and Snow Placement.** An easement within ten feet (10') of any street or other Common Area upon all Subdivision Lots for the placement of snow plowed from that adjacent street or Common Area,

provided that this easement is not intended to create a snow storage or dumping area on any Subdivision Lot, but only to allow the berming and placement of snow plowed from a street or other Common Area immediately adjacent to a Lot in order to clear the street of snow for the safe passage of vehicles and pedestrians on the street or other Common Area.

- f. **Right of Entry.** The Association shall have the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons or to perform maintenance allowed or required of Association pursuant to provisions of this Declaration or pursuant to City requirements, as well as for the purpose of insuring or enforcing compliance with this Declaration, which right may be exercised by any member of the Board or the Committee, officers, agents, employees, and managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in an emergency situation or as provided in Article VI, Section 8, entry shall only be during reasonable hours and after notice to the Lot Owner. This right of entry shall include the right of the Association to enter upon any Lot to cure any condition which may increase the possibility of a fire or other hazard in the event a Lot Owner fails or refuses to cure the condition within a reasonable time after request by the Board. However, the right granted by this Subsection shall not authorize entry into any occupied single family dwelling without permission of the occupant, except by emergency personnel acting in accordance with law in their official capacities.

Section 2. Construction Impacts Easement. During development of the Subdivision the construction of streets, utilities, homes, structures and other improvements (generally, the "Construction") will produce substantial dust, noise, light (during nighttime hours) and other adverse impacts ("Impacts") within the Subdivision to Owners and their guests, invitees and licensees which may be alleged in the future to constitute a nuisance or otherwise impair the use and enjoyment of the Units. The term "Impacts" is intended to be construed liberally to include all adverse consequences of Construction activity which might be an annoyance or nuisance, particularly without limitation dust and noise. An easement is hereby granted to all homebuilders, developers, contractors and others (including the Owners for whom they are agents, and their employees, representatives, officers, directors, subcontractors, consultants and agents) creating Impacts during Construction in the Subdivision to cause Impacts to occur. The easement granted in this Section is also a negative covenant running with the land and burdening all Units. The Easement rights granted herein do not allow or provide a defense against violations of state, federal or local laws, the Aesthetic Guidelines, the Handbook or any rules, regulations or policies of the Committee or Association regarding conduct and activities of construction contractors or their agents.

Section 3. Transfer of Easements. A conveyance of Common Area to the Association shall also transfer to the Association all easements herein reserved to Declarant which are necessary or convenient to the obligation of the Association to carry out its duties prescribed herein, which transfer shall not diminish the rights in and to said easements herein reserved to Declarant. Nothing set forth herein shall be construed to impose on Declarant any duty or obligation of maintenance of Common Areas or improvements thereon after conveyance of the Common Areas to the Association.

Section 4. Use or Maintenance by Owners. The areas of any Lot affected by the easements reserved in this Article shall not be improved with structures placed or permitted to remain (or other activities undertaken) thereon which may damage or interfere with the use of said easements for the purposes herein set forth.

Section 5. Liability for Use of Easement. No Owner shall have any claim or cause of action against the Declarant, the Association, or the Nonresidential Areas Owners arising out of the use or nonuse by any person of any easement reserved or created by this Declaration.

Section 6. Modification. None of the easements and rights granted under this Article VIII may be modified, terminated or abridged without the written consent of the persons in whose favor such easements run.

ARTICLE IX:

PROTECTION OF LENDERS

Section 1. Encumbrance of Lots Permitted. Any Unit may be encumbered with a deed of trust.

Section 2. Breach of Covenants. A breach by an Owner of any of the provisions of this Declaration shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value; provided, however, the provisions of this Declaration shall be binding upon the Owners whose title thereto is acquired under foreclosure, trustee's sale, or otherwise.

Section 3. Notice of Default. Upon written request to the Association, the beneficiary of a first deed of trust encumbering real estate subject to this Declaration shall be entitled to written notification from the Association of any default by the Owner of that real estate in the performance of such Owner's obligations under this Declaration that is not cured within ninety (90) days.

Section 4. Insurance Proceeds and Condemnation Awards. No provision of this Declaration or the Association Articles shall give an Owner, or any other party, priority over any rights of a first deed of trust beneficiary in the case of a distribution to the Owner of insurance proceeds or condemnation awards.

Section 5. Appearance at Meetings. Because of its financial interest in the Subdivision, any beneficiary of a first deed of trust may appear (but cannot vote) at meetings of the members and the Association Executive Board.

Section 6. Examination of Records. Beneficiaries of first deeds of trust shall have the right to examine the books and records of the Association and can require the submission of financial data concerning the Association, including annual reports, audits and operating statements as and when furnished to the Owners.

ARTICLE X:

LIMITATION OF RESTRICTIONS

Section 1. General/Assignment. Declarant and any Successor Declarant may be undertaking the work of constructing improvements to the Subdivision or on Lots. The completion of such construction and the sale or other disposal of the Lots is essential to the establishment and welfare of the Subdivision as a residential community. The rights granted to Declarant which are contained in this Article are personal to Declarant and any Successor Declarant, and may only be transferred by a written, express assignment duly recorded from the Declarant to a Successor Declarant, or from Successor Declarant to another Successor Declarant, and are not assigned merely by the conveyance of title to Units, without such an express assignment. Declarant may assign its rights as to a portion of the Subdivision by express, recorded assignment to a Tract Builder, who shall then be the Successor Declarant as to those Lots subject to the assignment. Such a partial assignment may provide for limitations or qualifications of a Successor Declarant's rights, in the sole discretion of Declarant.

Section 2. Limitations on Restrictions. Nothing in this Declaration shall be understood or construed to:

- a. Prevent Declarant, its contractors or subcontractors from doing on the Subdivision or on any Lot whatever is reasonably necessary or advisable in connection with the commencement or completion of the work described in Section 1 of this Article;
- b. Prevent Declarant or its representatives from erecting, constructing, and maintaining on any part of the Subdivision such structures as may be reasonably necessary for the conduct of its business of completing the

work, establishing the Subdivision as a mixed use community, and disposing of the Units by sale, lease, or otherwise;

- c. Prevent Declarant from maintaining such signs on any part of the Subdivision owned by Declarant or by the Association as may be necessary for the sale, lease, or disposition of Units;
- d. Prevent Declarant from utilizing prefabricated structures or temporary structures as sales offices or for construction activities; and
- e. Allow any Owners or Association to enforce any provision of Articles IV, V and VI against Declarant, it being the intent of this subsection to exempt Declarant completely from compliance with the provisions of Articles IV, V and VI regarding Declarant's activities and Lots owned by Declarant.

Section 3. Modification. The provisions of this Article may not be amended, terminated or abridged without the written consent of the Declarant.

ARTICLE XI:

COMPLIANCE WITH PUD CONDITIONS

Section 1. Handbook Compliance. Any provisions of the Handbook which are required to be set forth in this Declaration, and are not so set forth, shall be incorporated herein by reference. Any provisions of the Handbook setting forth rights or obligations of the Association which are not set forth in this Declaration shall also be incorporated herein by reference.

Section 2. Public Access Easements. Certain Common Areas within the Subdivision shall be open to the public or shall have public access on or over them. These Common Areas include areas for access to a public trail system and access roads benefiting parcel owners outside the Subdivision. Access easements for these purposes on portions of the above-described Common Area may be granted by Declarant or the Association to the City on behalf of the public or to other entities, at reasonable times and subject to reasonable restrictions imposed by the Association to reconcile issues of security, privacy and nonaccess for private residential areas of the Subdivision with the right of limited public access.

Section 3. Termination of Declaration upon Public Dedication of Real Estate. If portions of the Subdivision are dedicated in fee simple to the City, another governmental entity or a utility purveyor for public use purposes (e.g., water storage tanks, well sites, sewer lines and facilities, streets, open space, public trails, parks, fire stations, drainage channels or basins), then upon dedication this Declaration shall be terminated as to the real property so dedicated. Any

real property dedicated to the Association as Common Area (or designed as Common Area but not yet dedicated to the Association) may be dedicated to the City or another governmental entity for public purposes pursuant to this Section, including a general assessment district, special assessment district, or maintenance district. Land designated to be Common Area as open space, wetlands, wildlife mitigation areas or greenbelts may be dedicated to a governmental entity or a nonprofit entity for the purpose of preservation and enhancement, instead of being dedicated to the Association. Dedications specified in this Section must have the written consent of the Declarant.

Section 4. SAD and Impact Fee Credits. A portion of the streets and utilities benefiting the Subdivision have been built, or will be built, by the Declarant, with partial reimbursement to the Declarant therefor from bond proceeds funded from a special assessment district ("SAD") approved by the City of Reno. Assessments against all Units in the Subdivision have been, or will be, imposed to repay the SAD bonds (together with interest, costs and fees), payable by Unit Owners. The Regional Transportation Commission ("RTC") has issued, or will issue, regional road impact fee credits to the Declarant for costs of certain streets Declarant has constructed, or will construct, which have been subject to SAD bond proceeds reimbursement to Declarant. Said impact fee credits are the sole property of Declarant and no Unit Owner shall have any interest therein or right thereto, including any right to the value thereof. All Unit Owners hereby release and disclaim any said interest in favor of Declarant.

ARTICLE XII:

MISCELLANEOUS GENERAL PROVISIONS

Section 1. Complaints/Enforcement. In addition, the Association, Declarant and any Owner shall have the right to submit a grievance regarding any violation and/or enforce the provisions of this Declaration or of the Act, now or hereafter imposed: (1) as provided by NRS 116.745 – 116.795; (2) by arbitration as prescribed by Nevada Revised Statutes 38.300-360; and/or (3) by any proceeding at law or in equity. To the extent they are not inconsistent with NRS Chapter 116, the Association may also establish and impose administrative procedures for resolving claims or disputes arising from the interpretation, application, or enforcement of any provisions stated herein or specified in the Articles, Bylaws, or rules and regulations adopted by the Association or the Committee.

If the Board receives a written complaint from a unit's owner alleging that the Board has violated any provision of the Act or any provision stated in the Articles, Bylaws, or Declaration, the Board shall proceed as required by NRS 116.31087.

Section 2. Suspension of Privileges. Notwithstanding any term or provision of this Declaration to the contrary, the Board may suspend all voting rights, other membership rights and all rights to use the Association's Common Areas (except for Common Areas necessary for

ingress and egress to and from a Unit) of any Owner for any period during which any continuing violation of the provisions of this Declaration by such Owner after the existence thereof has been declared by the Board, including a violation by virtue of the failure of a member to comply with the Rules and Regulations of the Association. The foregoing notwithstanding, during any period in which assessments of any kind on an Owner's Unit are delinquent, all voting rights, other membership rights, and all rights to use the Association's Common Areas (except for Common Areas necessary for ingress and egress to and from such Owner's Unit) shall be suspended automatically until such delinquency is cured.

Section 3. Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions, which shall remain in full force and effect.

Section 4. Amendment. This Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time it shall be automatically extended for successive periods of ten (10) years, unless more than fifty percent (50%) of the Owners with voting power agree to terminate this Declaration, effective at the end of the then current term or ten (10) year extension period, in which case a notice signed by said Owners must be executed and recorded. Subject to the provisions of Article I, Section 5, Article VII, Section 8, Article VIII, Section 6, Article X, Section 3 and Article XI, Section 7, this Declaration may be amended by the consent and approval of Association members holding not less than fifty-one percent (51%) of the voting rights within the Association at the time such Amendment is approved. For purposes of this Section, the signature of one of the Owners, for a Lot or other Unit with more than one Owner, shall be deemed sufficient. During the period of Declarant control as described in Article II, Section 5, if any amendment to this Declaration is not approved by the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, including any successor thereto, if such agency purchases any note, or guarantees or insures the payment of any note, secured by a first deed of trust on any Lot in the Subdivision, then the amendment shall be valid but nevertheless shall have no force and effect on the rights of said agencies regarding any said secured Lot.

Section 5. Declarant Consent To Withdrawal Of Real Estate. Notwithstanding an assignment by Declarant to a Successor Declarant of all or part of Declarant's rights, no said Successor Declarant shall have the right to withdraw real estate unless the prior written consent of the Declarant, in Declarant's sole discretion, is granted and recorded concurrently with the recorded notice of withdrawal.

Section 6. Approval Or Consent of Declarant. In all circumstances described herein in which Declarant has the right of approval or consent, said approval or consent and any request for approval shall be in writing. Declarant shall have a minimum of thirty (30) days after a request to approve or deny. If Declarant has not issued its written approval or denial within said thirty (30) days, the request shall be deemed approved. Any partial assignment of Declarant

rights to a Tract Builder or other person relating to a specified portion of the Subdivision acquired by that Tract Builder or person shall not include any rights of approval or consent granted by this Declaration to Declarant. Declarant reserves all said rights.

Section 7. Liability. Declarant shall have no liability for repairs or maintenance of roads, or other improvements, including utility lines, located within the Common Areas of the Subdivision from and after the date of conveyance of such Common Areas to the Association. Neither Declarant, County, the Committee, Association, nor any Owner shall be deemed liable in any manner whatsoever to any other Owner in the Subdivision or third party for any claim, cause of action or alleged damages resulting from:

- a. design concepts, aesthetics, latent or patent errors or defects in design or construction relating to improvements constructed on Lots, whether shown or omitted on any plans and specifications which may be approved by the Committee, or any buildings or structures erected therefrom; and
- b. any waiver of or failure to enforce a provision hereof, or failure to inspect or certify compliance with approved plans and specifications.

Section 8. Attorneys Fees and Costs. In any action to enforce or administer the provisions hereof, the prevailing party shall be entitled to reasonable attorneys fees and costs.

Section 9. Cumulative Rights/Waiver. Remedies specified herein are cumulative and any specification of them herein shall not be taken to preclude an aggrieved party's resort to any other remedy at law or in equity. No delay or failure on the part of any aggrieved party to invoke an available remedy in respect of a violation of any provision of this Declaration shall be held to be a waiver by that party of any right available to him upon the recurrence or continuance of said violation or the occurrence of a different violation.

Section 10. Grantee's Acceptance. Each grantee or purchaser of real estate subject to this Declaration shall, by acceptance of a deed conveying title thereto, or the execution of a contract for the purchase thereof, whether from Declarant or a subsequent Owner, accept such deed or contract upon and subject to each and all of the provisions of this Declaration and to the jurisdiction, rights, powers, privileges and immunities of Declarant and of the Association. By acceptance such grantee or purchaser shall for himself (his heirs, personal representatives, successors and assigns) covenant, consent and agree to and with Declarant, and to and with the grantees and subsequent Owners to keep, observe, comply with and perform all of the provisions of this Declaration and shall further agree to the continuation and completion of the Subdivision and all parts and projected Lots therein.

Section 11. Captions. Paragraph captions in this Declaration are for convenience only and do not in any way limit or amplify the terms or provisions hereof.

Section 12. Use of the Word "Somerset". No person shall use the word "Somerset", or Somerset logo, or any derivative of either, or any other term which Declarant may select to name or identify the Subdivision or any component thereof, in any printed or promotional material without the Declarant's prior written consent. However, Owners may use the word "Somerset" in printed or promotional matter solely to specify that particular property is located within the Subdivision, and the Association shall be entitled to use the word "Somerset" in its name and in the normal conduct of its business.

Section 13. Interpretation. The Association shall have sole right and authority to interpret any of the provisions of this Declaration, which interpretation shall, so long as the same is reasonable, be conclusive.

Section 14. Choice Of Law/Venue. This Declaration shall be construed and enforced in accordance with the laws of the State of Nevada, and venue for any action arising from this Declaration shall be in Washoe County, Nevada.

Section 15. Gender And Number. Unless the contract otherwise requires, when used herein, the singular includes the plural and vice versa, and the masculine includes the feminine and neuter and vice versa.

Section 16. Conflicts. In all circumstances of conflicts in provisions, the provisions of the Act shall govern over the provisions of the Articles of Incorporation, Association Bylaws or this Declaration; the provisions of the Association Articles of Incorporation shall govern over the provisions of the Association Bylaws or this Declaration; and the provisions of this Declaration shall govern over the provisions of the Association Bylaws.

ARTICLE XIII:

COMMUNITY DISCLOSURES

Attached hereto as **Schedule 13** are disclosures applicable to various matters affecting all or portions of the Subdivision and for which Declarant and the Association deem it advisable to disclose to all Owners. The right is hereby reserved to Declarant and the Association to supplement and amend such disclosures, and add new disclosures, to this Declaration of similar type and nature, without being deemed to have amended this Declaration thereby. Any such modified, supplemental or new disclosure shall be deemed effective upon the Association's or Declarant's recordation of a certificate of change to **Schedule 13** in Official Records, Washoe County, Nevada, making reference to this Declaration and setting forth such modification, supplement or new disclosure.

ARTICLE XIV:
CERTIFICATE OF AMENDMENT

This Declaration also comprises a certificate of amendment ("Certificate") of the First Amended Declaration as required pursuant to NRS 116.2117(5), and by his signature below, the President of the Association hereby certifies that the execution and recording of this Declaration has been approved and consented to by Owners holding more than fifty percent (50%) of the voting power of the Association.

IN WITNESS WHEREOF, the Association, by and through its President, duly authorized, has executed this Declaration and Certificate.

SOMERSETT OWNERS ASSOCIATION,
a Nevada non-profit corporation

By: _____
G. BLAKE SMITH
Its: President

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on _____, 2005,
by G. BLAKE SMITH, as President of SOMERSETT OWNERS ASSOCIATION, a Nevada
non-profit corporation.

NOTARY PUBLIC
My Commission Expires: _____

EXHIBIT "A"

**Legal Description
(Subdivision)**

EXHIBIT “A-1”

**Legal Description
(Annexable Property)**

EXHIBIT "D"

SELECTED USES FROM REGIONAL ROAD IMPACT FEE SCHEDULE RTC MANUAL (April 6, 1998)

Land Use	Unit	Daily VMT
Residential		
Single-Family Detached	Dwelling	15.3
Multi-Family	Dwelling	10.37
Office		
General Office Building	1000 GFA	16.13
Medical Office	1000 GFA	41.55
Commercial Retail		
Com/Re <50,000 GFA	1000 GFA	18.39
Com/Re 50-99K	1000 GFA	24.53
Com/Re 100-199K	1000 GFA	27.88
Com/Re 200-299K	1000 GFA	30.06
Com/Re 300-399K	1000 GFA	32.49
Com/Re 400-499K	1000 GFA	35.39
Com/Re 500-999K	1000 GFA	33.6
Com/Re >1,000,000 GFA	1000 GFA	33.49
Drive-In Bank	1000 GFA	48.45
Fast Food Restaurant	1000 GFA	52.49
Convenience Store	1000 GFA	61.27
Industrial		
General Light Industrial	1000 GFA	9.5
Manufacturing	1000 GFA	4.42
Warehouse	1000 GFA	6.62
Mini-Warehouse	1000 GFA	3.78

SCHEDULE 13

DECLARANT DISCLOSURES

This **Schedule 13** sets forth certain disclosures concerning the Subdivision, which may or may not specifically affect a given Unit. Nevertheless, each Owner by acceptance of a deed to his Unit is hereby expressly deemed to have notice of the following disclosures and accepts such deed with full knowledge and understanding of such disclosures and the risk or impact of the matters and information set forth therein, and agrees to be bound by each and every of the terms thereof. As used in this **Schedule 13**, the term "Buyer" shall be deemed synonymous with the term "Owner".

POWER LINES AND ELECTRIC AND MAGNETIC FIELDS.

Electric and Magnetic Fields ("EMF") are invisible lines of force that surround anything carrying electricity. These fields are part of our every day lives and are present in such things as appliances, computers, home wiring, and power lines. There have been scientific studies done on the effects of EMF, and many of these have been inconclusive or inconsistent. Some studies have reported an association between EMF and certain types of cancer for persons living or working near high current lines and related electrical facilities. Other scientific studies have reported no such relationship.

Exposure to EMF for most people comes from appliances and household or workplace wiring. Electrical transmission and distribution lines and substations can add to exposure for those who live or work close to them. The strength of a field depends on the voltage level and the amount of current flow. The amount of current flowing through a power line varies as the demand for electric power changes. The strength of a magnetic field falls off sharply as you move away from its source, whether it is an electrical appliance or a power line.

Not only is there concern among experts as to whether health risks are associated with EMF exposure, but also there may be consequences resulting from perceptions relating to EMF exposure. Some people have claimed or experienced emotional distress resulting from fears relating to EMF exposure. Others have worried about or experienced diminution of property values relating to EMF exposure, or the possibility of what may be discovered from further research on the subject. It is possible that future scientific research may lead to new conclusions on health risks associated with EMF, which could adversely affect people's lifestyle choices and property values.

In selecting and purchasing a home site, Buyer should be aware of the location and capacity of nearby underground and overhead power lines, transformers, and other related electrical facilities. Buyer should also be aware of the electrical service, wiring,

and application locations within the house itself. Buyer should make decisions relating to the purchase of a home site on the basis of Buyer's research on the subject of EMF, Buyer's own assessment of risk, and Buyer's lifestyle choices. Declarant makes no representations or warranties, express or implied, related to EMF.

Two high voltage transmission lines (60kV and 120kV) of Sierra Pacific Power Company (the "power lines") traverse Somerset from the eastern boundary to the western boundary. On the eastern side of the project, near homes currently being constructed, these transmission lines are installed underground pursuant to recorded easements. Copies of the recorded easements and alignments of the transmission lines are available at Declarant's office. Neither transmission line runs under any custom Lot in Somerset.

Neither Declarant, nor Sierra Pacific Power Company, the entity which operates the power lines, has any obligation to provide insurance, indemnity or other protection to Somerset owners, and residents or their guests from damage or injury associated with the power lines or EMF. Furthermore, no representations or warranties of any kind have been or are being made in this regard. Buyer hereby expressly assumes the risk of damage or injury from living in proximity to the power lines or from EMF. Buyer hereby represents that Buyer is not relying on any statements or representations made by any representatives of Declarant or any homebuilder with respect to such risk.

By acceptance of a deed for its Lot, Buyer agrees to indemnify and hold harmless Declarant, and its affiliated entities, members, officers, directors, employees, contractors and agents or any of them, from any liability for disease, pollution, injury, damage, costs or expenses incurred or suffered by Buyer, Buyer's family, guests, real or personal property and pets from the power lines or EMF.

Since the information provided here is only accurate as of the date this document was prepared, Buyer should make inquiries as to the current status of research on EMF.

Below are some of the many sources of information on this subject.

Physical Sciences Library
University of Nevada
Chemistry Building, Room 316
Reno, NV 89507
(775) 784-6716

Environmental Protection Agency
4220 S. Maryland Parkway
Building C, Room 526
Las Vegas, NV 89119
(702) 798-2476

Carnegie Mellon University
Department of Engineering
and Public Policy
Pittsburgh, PA 15213
(412) 268-2670

Electric Power Research Institute
P.O. Box 10412
Palo Alto, CA 94303
(510) 934-4212

Sierra Pacific Power Co.
Environmental Affairs
P.O. Box 10100
Reno, NV 89520
(775) 689-4754

State of Nevada
Environmental Protection
333 W. Nye Lane, Room 138
Carson City, NV 89710
(775) 687-4670

Declarant makes no warranties, express or implied, about the existing or future environmental conditions in or on the property, including possible present or future pollution of the air, water, or soil from any sources, such as underground migration or seepage (including radon gas or electric and magnetic fields). Declarant expressly disclaims any liability for any type of damages--whether direct, indirect, or consequential--which the real estate, the house, or its inhabitants may suffer because of any existing or future environmental conditions.

NORTHGATE GOLF COURSE.

Northgate Golf Course is not a part of Somerset. It is owned by Washoe County and operated by the Reno-Sparks Convention and Visitors Authority. Neither Declarant nor anyone else associated with Declarant has an ownership interest or control over the continued operation, maintenance, or continued existence of Northgate Golf Course; and no representations, warranties or guarantees whatsoever are made in this regard. Buyers in Somerset who consider Northgate Golf Course an attractive nearby facility, or who rely on the enjoyment of Northgate Golf Course, do so at their own risk in the event the golf course is closed or converted to a different use, such as residential or commercial development.

PETROLEUM PIPELINE DISCLOSURE AND RELEASE.

A high-pressure underground petroleum pipeline owned by Kinder Morgan/Southern Pacific Pipe Lines, Inc. traverses Somerset from the eastern boundary to the western boundary. A copy of the recorded easement and alignment of the pipeline is available at Declarant's office. The pipeline does not run under any Lot in Somerset, but Buyer's Lot may be located near the pipeline. Buyer may obtain maps from the Declarant sales office showing the location of the pipeline and the proximity of Buyer's Lot thereto.

The pipeline transports gasoline, jet fuel and other petroleum products under very high pressure. A leak or rupture of the pipeline could cause extensive pollution above and below the ground, affecting Buyer's homesite. A rupture of the pipeline resulting in fire or explosion would have significant impact on surrounding properties, including the possibility of death or injury.

Neither Declarant, nor Southern Pacific Pipe Lines, Inc., the entity which owns the pipeline, has any obligation to provide insurance, indemnity or other protection to Somerset owners, and residents or their guests and pets from any such damage or injury arising out of or in connection with the presence of the pipeline. Furthermore, no representations or warranties of any kind have been or are being made with respect to the use, physical condition, operation, safety or regulation of the pipeline. Buyer hereby expressly assumes the risk of damage or injury from living in proximity to the pipeline, including consequences detrimental to the use and enjoyment of the Lot Buyer is purchasing. Buyer hereby represents that Buyer is not relying on any statements or representations made by any representatives of Declarant, or any homebuilder with respect to such risk. Buyer has been advised to consult with Buyer's own insurance agent with regard to obtaining insurance against such risks.

Furthermore, Buyer agrees to indemnify and hold harmless Declarant, and its affiliated entities, officers, directors, members, employees, representatives and agents or any of them, from any liability for disease, pollution, injury, damage, costs or expenses incurred or suffered by Buyer or Buyer's family, guests, real or personal property, and pets by a leak or rupture of the pipeline, or any other consequences arising from residing near the pipeline.

OPEN SPACE COMMON AREA/TRAILS.

Somerset Lots are surrounded by substantial acreage of open space and recreation areas (including golf courses) which are part of the project. The location and total acreage of open space may increase or decrease as development progresses in the project. Certain improvements can be constructed in the open space (water tanks, wells, pipe lines, access roads, utilities, etc.) which are necessary for development of Somerset or access to surrounding real property. Motorized vehicles (e.g., dirt bikes, four wheel drive cars, trucks, etc.) will not be allowed to use any public or Association open space for recreational purposes, although certain dirt roads through Somerset open space allow motorized access to public land and access for nearby property owners outside the Somerset project, pursuant to access easements.

Public trails are planned to be constructed within open space. Trails are part of the City and County trail program, providing access to greenbelts, open space and public lands for the community. The Association is solely responsible for construction and maintenance of these public trails within Somerset. The public must be provided reasonable access

into Somerset for trail use, once the trails are constructed. Golf courses, however, will have restricted access and public trails may not be constructed through them. Golf cart paths traverse common areas and open space in several locations. In addition, bike paths will be constructed in or adjacent to some major streets. The public will also be allowed access to bike paths.

TRAILS AND PEAVINE ACCESS DISCLOSURE AND RELEASE.

The Lot you are purchasing in Somerset may be located adjacent to or near the Somerset trail system and/or access to Peavine Mountain or access to other areas outside the Somerset master planned community. The entire trail system is maintained by the Association and is open and accessible to the public. The trail system contains asphalt, concrete, decomposed granite, and dirt paths and parking areas. The trail system includes two (2) trailheads designated for motorized vehicle access to Peavine Mountain. Access to the trail system for walking, bicycling, or motorized vehicle use is identified at the trailheads. The trailheads may contain picnic tables, bollard lighting, trash cans and signage. Neither you nor your family, guests, pets, house, yard, furniture, vehicles, equipment, facilities or other property can block access to the trail system, alter or change the trails, or cause damage to surrounding vegetation.

Ownership of property adjoining the Somerset trail system and/or access to Peavine Mountain or access to other areas outside the Somerset master planned community has special considerations and risks attached to it. Trail system users may trespass on your property to gain access to the trailheads. Trail system maintenance equipment may be noisy and may be operated at all times of the day and night. There may be odors caused by close proximity to the trail system and/or access points. You may be disturbed or suffer a loss of privacy because of the activities of trail system users. Views may be obscured in the future by growth and planting of trees and foliage, and changes to the trail system and/or access points may impair views, access or other advantages related to the proximity of the trail system and/or access points.

Neither Declarant nor the Association has any obligation to provide insurance, indemnify or otherwise protect owners or residents within Somerset, including their family, guests, property and pets from any such noise, lack of privacy, damage or injury. Furthermore, no representations or warranties of any kinds have been or are being made with respect to the continued existence, use, physical condition, operation or regulation of the trail system and/or access points. Buyer hereby expressly assumes the risk of lack of privacy, damage or injury from living in proximity to the Somerset trail system and/or access to Peavine Mountain or access to other areas outside the Somerset master planned community, including activities detrimental to the use and enjoyment of the Lot Buyer is purchasing. Buyer hereby represents that Buyer is not relying on any statements or representations made by any representatives of Declarant, the Association or any

homebuilder with respect to such risk. Buyer has been advised to consult with Buyer's own insurance agent with regard to obtaining insurance against such risks.

Buyer agrees to indemnify and hold harmless Declarant, the Association, and their affiliated companies, officers, directors, members, managers, contractor, subcontractors, employees and agents, or any of them, from any liability for all injury, damage, costs or expenses caused by any activity on or in connection with the trail system and/or access points causing injury or damage to Buyer or Buyer's family, guests, property and pets.

GOLF COURSES DISCLOSURE AND RELEASE.

The Lot you are purchasing in Somerset may be located adjacent to or near the Northgate Golf Course, which is a public golf course, the Somerset Country Club golf course or the Par 3 Canyon Nine Golf Course (each, a "golf course"). Ownership of property adjoining a golf course has special considerations and risks attached to it. You, your family, guests, pets, house, yard, furniture, vehicles, equipment, facilities and other property may be damaged by golf balls which are hit into your Lot or into another portion of Somerset you use. Golf balls can cause serious physical injury or death as well as broken glass and other house or property damage. Golfers may trespass on your property to retrieve their golf balls. Water used to irrigate a golf course may spray over on your Lot, particularly when the wind blows. Golf course maintenance and operating equipment (such as irrigation systems, compressors, blowers, mulchers, tractors, mowers, utility vehicles and pumps) may be noisy and may be operated at all times of the day and night. Light from nighttime clubhouse activities or maintenance operations may be offensive to nearby residents. There may be odors caused by irrigation and fertilizer on the turf of a golf course. You may be disturbed or suffer a loss of privacy because of golf cart traffic and golfers. Tournaments held on a golf course are likely to increase the noise and traffic and result in further loss of privacy. Pesticides and chemicals may be applied to a golf course throughout the year and reclaimed water, treated waste water or other sources of nonpotable water may be used for irrigation of a golf course. Access directly from any home site in Somerset to a golf course is prohibited, including walking, hiking or jogging. Views of a golf course may be obscured in the future by growth and planting of trees and foliage, and changes in the location or configuration of holes and other features may impair views or advantages to proximity of a golf course.

No golf course owner or operator has any obligation whatsoever to provide insurance, indemnity or other protection to Somerset owners and residents or their guests and pets from any such light, noise, damage or injury. Furthermore, no representations or warranties of any kind have been or are being made with respect to the continued existence, use, physical condition, operation or regulation of a golf course property. Buyer hereby expressly assumes the risk of damage from golf balls and other golf course activities, including activities detrimental to the use and enjoyment of the Lot Buyer is purchasing. Buyer hereby represents that Buyer is not relying on any statements or

representations made by any representative of Declarant or any homebuilder with respect to such risk. Buyer has been advised to consult with Buyer's own insurance agent with regard to obtaining insurance against such risks.

Buyer agrees to hold harmless Declarant, and each owner and manager of a golf course and its and their affiliated entities, officers, directors, members, employees, representatives, contractors, subcontractors, and agents or any of them, from all liability for any injury, damage, costs or expenses caused by any activity on or in connection with any golf course causing injury or damage to Buyer and Buyer's family, guests, real or personal property, and pets and Buyer hereby expressly assumes all risk with respect to the foregoing.

ROCKERY WALLS.

Certain Lots will be improved with rockery walls as part of the required and approved grading. Rockery walls provide a favorable habitat for wild rodents such as ground squirrels, chipmunks, etc., that can acquire plague through the bite of an infected flea. The rock walls provide an urban interface with these wild rodents. There is a risk of disease transmission to humans and domestic animals, especially cats, and for this reason the public should not handle any wild rodents. Providing this disclosure to Buyers moving into areas having rockery walls is intended to reduce the risk of disease transmission, and Buyer assumes all risk attendant to the potential for such disease transmission.

SCHOOLS.

No school sites have been provided or required within the Subdivision; and it is not contemplated that any school site will be located within the Subdivision in the future.

* * *



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PARKS AGREEMENT
CITY OF RENO



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04/09/2003
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PARK AGREEMENT TO BE SUBMITTED NO LATER THAT THE 750th BUILDING
PERMIT

FIRE STATION DEVELOPMENT AGREEMENT

BETWEEN

CITY OF RENO,
a municipal corporation

AND

SOMERSETT DEVELOPMENT COMPANY LTD.,
a Nevada limited liability company

and

SOMERSETT, LLC,
a Nevada limited liability company

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FIRE STATION DEVELOPMENT AGREEMENT

THIS AGREEMENT ("Agreement") is entered into this 20th day of August, 2002, by and between the **CITY OF RENO**, a municipal corporation ("City"); and **SOMERSETT, LLC**, a Nevada limited liability company, and **SOMERSETT DEVELOPMENT COMPANY LTD.**, a Nevada limited liability company, (collectively "Developer"). In consideration of the mutual covenants and agreements hereinafter set forth the parties agree as follows.

1. GENERAL.

1.1 Developer owns or controls 2,076 acres of real property located in the City of Reno, constituting almost all of the development known as "Somerset" (the "Project"). A project site plan is attached as Exhibit "A". The Project is a planned unit development under the City of Reno Case No. LDC01-00184 ("PUD") for development of 2,568 residential units as well as civic, commercial, business, golf course and other uses.

1.2 Developer has voluntarily agreed and offered to donate to the City a fire station site, construct the fire station and purchase a pumper truck, pursuant to the provisions of this Agreement.

1.3 Developer's design and construction of the fire station for the City and the purchase of a pumper truck, as specified in Exhibit "B", shall be referred to collectively as the "Work".

1.4 The plans and specifications on Exhibit "B" are intended to describe the general intent of the parties for the design of the Work to be performed by Developer and type of materials to be used. City may modify, substitute or add specifications which do not increase the cost of the Work. The quality and kind of materials shall be comparable to the Sun Valley Fire Station, subject to review and approval of the Architectural Review Committee of the Somerset Homeowners Association, except that the Sun Valley Fire Station is designed for two companies, whereas the fire station contemplated by this Agreement shall be designed for one company. The gross floor space of the building shall not exceed 5,000 square feet, unless City pays the additional cost for a larger building.

1.5 Upon completion of construction and dedication to the City of the fire station, the station shall be named the "Somerset Fire Station", and may carry any numerical or other designation deemed appropriate by the City.

2. **DEDICATION OF STATION SITE.**

2.1 **Location.** City and Developer have agreed that the general location of the fire station site shall be within the area shown on Exhibit "A". The parties shall mutually agree on an exact size and location for the parcel, and shall execute and cause to be recorded an Irrevocable Offer Of Dedication, with a legal description of the fire station site, on or before commencement of fire station construction by Developer. Unless otherwise agreed by the parties, the size of the fire station site shall be approximately one (1) acre; provided that the site plan of the site approved by the City allows for satisfactory access, vehicle circulation and operational needs of the City.

2.2 **Future Change In Location.** The parties agree that the location of the fire station site may be changed in the future by mutual agreement, and both parties agree to cooperate in relocating the fire station site within the Project if the needs of either party reasonably require a relocation, and an alternative site owned by Developer is available in the Project which will fulfill the needs of both parties.

3. **DEVELOPER PERFORMANCE OF THE WORK.**

3.1. **Design.** On or before the City approval of the issuance of a building permit for the 1,100th Residential Unit (as hereinafter defined) in the Project, Developer shall initiate discussions with the City fire officials regarding the final design of the fire station and City's specifications for the pumper truck. Developer shall thereafter diligently and in good faith draft plans and specifications for the fire station construction and Developer shall follow City's specifications for the pumper truck. City shall deliver to Developer all current plans and specifications for the pumper truck, upon Developer's request. Upon completion of the plans and specifications for the fire station by Developer, the following procedures shall apply:

- a. **Plan Approval For Fire Station.** Developer shall deliver to City all plans and specifications for the fire station. City shall either approve or disapprove such plans and specifications within sixty (60) days of delivery. In the event that the City disapproves such plans and specifications, it shall specify the reasons for such disapproval and the parties shall attempt to resolve its concerns. In the event those concerns cannot be resolved, the matter shall be resolved by arbitration in accordance with the dispute resolution provisions of Section 8 below.

- b. **Pumper Truck Order.** Upon City approval of the fire station construction contracts as specified in Subsection 3.1.c below, the sum set forth in subsection 3.4 for the pumper truck shall be paid to the City and the City shall be responsible for the ordering and payment of the pumper truck. The amount designated for the pumper truck, shall be reserved in the Account and shall not be expended for any purpose except payment for the pumper truck when due.
- c. **Construction Contracts Approval.** Prior to approval of a building permit for any portion of the fire station, Developer shall deliver to City all construction contracts for the Work for review and approval regarding consistency with plans and specifications submitted for approval pursuant to Subsection 3.1.a above. City shall either approve or disapprove the said construction contracts within fourteen (14) days of delivery. In the event that City disapproves such construction contracts, it shall specify the reasons for such disapproval and the parties shall attempt to resolve its concerns. In the event those concerns cannot be settled, the matter shall be resolved by arbitration in accordance with the dispute resolution provisions of Section 8 below. Upon approval Developer shall enter into the construction contracts. The construction contracts shall contain provisions prohibiting mechanic's liens by any party who may acquire lien rights arising from design or construction of the fire station on any portion of the Units, and shall further contain provisions requiring the contractors to indemnify, defend and hold all owners of Units and the City harmless from any such liens.
- d. **Change Orders.** All change orders for the fire station construction contracts must have prior written approval of the City.
- e. **City's Representative.** The Chief of the Fire Department or his designee shall act as the City's representative with respect to design and construction of the fire station and pumper truck, the disbursement of funds requiring City approval under Subsection 4.3, and other matters related to the performance of this agreement by the City.

3.2 **No Bond.** No bond or other security shall be required for the Work, except as provided in Subsections 5.3 and 5.4.

3.3 **Construction.** Developer shall construct the fire station in accordance with the approved plans and specifications, and shall diligently pursue that portion of the Work to completion. Completion of construction of the fire station shall take place not later than the date of issuance of the 1,400th building permit for a Residential Unit in the Project. All off-site improvements (e.g., streets and utilities) necessary for operation of the fire station shall be completed and ready for public use on or before the completion of construction of the fire station, at Developer's cost and expense. Off-site improvements shall include traffic control devices and a median break if required by the City.

The improved fire station site shall be dedicated free of charge to City on or before the date of issuance of a certificate of occupancy for the fire station.

3.4 **Cost Exceeding Contributions.** Except as provided in Subsection 1.4 and in this Subsection, if the cost of design and construction of the Work exceeds the Contributions made, as provided in Section 4 below, Developer shall be solely liable for any excess, and shall nevertheless complete the Work at its cost and expense, provided that the maximum cost of the pumper truck for which Developer shall be liable is \$300,000 (increased annually on January 1st of each year (commencing January 1, 2003) by a percentage of said amount equal to the Consumer Price Index (All items-San Francisco) of the U.S. Department of Labor for the previous calendar year).

The parties agree that the payment to the City of the sum of \$300,000 as adjusted pursuant to this Subsection satisfies the requirements of Developer to provide a fire pumper truck, which requirement is set forth as condition number 6 in the letter issued by the Office of the City Clerk dated May 29, 1998, approving a request for zoning map amendment from large lot residential to planned unit development. This amount is sufficient to purchase a basic functional fire pumper truck and if the City desires additional improvements to the design or particular specifications for such a vehicle, it shall be responsible for any attendant costs associated therewith.

4. **CONTRIBUTIONS FROM RESIDENTIAL UNITS.**

4.1 **Duty To Contribute/Amount.** The duty to contribute shall apply to the portions of the Project master planned for development under the PUD ("Units"). Certain nonresidential uses ("Nonresidential Units") within the Project shall be subject to the duty to make Contributions (e.g., business, office, commercial and industrial uses (but not civic uses, such as parks, schools, recreational amenities (e.g., golf course, fitness center, community center or homeowner association facilities), open space, wetlands, common area, government-owned facilities, streets, flood control improvements, etc.). The duty to contribute shall apply to each and every "Residential Unit" in the Project (i.e., each single family and each multi-family dwelling). Once a Contribution is made for each Unit, that Unit shall be completely released from all further obligations to contribute under this Section 3 without the need to record a release of the lien and charge of this Agreement as to said Unit, and said Unit owner shall have no liability if Contributions are not timely made for other Units or any Developer obligations of this Agreement are not performed.

The amount owed (the "Contribution") for each Unit shall be as follows:

<u>Type of Unit:</u>	<u>Amount Per Unit:</u>
Single Family Dwelling- each lot under 17,500 s.f.	\$ 550.00
Single Family Dwelling - each lot 17,500 s.f. or more	\$1,100.00
Multi-Family Dwelling (each unit)	\$ 350.00
Nonresidential Units	\$ 1.00 for each sq. ft. of ground floor area, or prorated portion thereof

4.2 **Contribution Paid To Account.** All Contributions required by this Section 4 shall be deposited into the Account. The Developer shall be the owner of the funds in the Account, and the City is granted hereby an equitable lien in the proceeds of the Account. In addition, City is hereby granted a continuing security interest in all proceeds of the Account to secure all obligations and performance of Developers duties under this Agreement. This security interest will be the first and only priority security interest in the Account and Developer agrees to provide and execute all documents reasonably required to perfect this security interest including the filing of any UCC forms. Developer shall maintain the security interest created by this Agreement as a perfected security interest having the priority described in this Subsection and shall pay all costs related thereto. Developer shall defend such equitable lien and/or security interest against the claims and demands of all persons whomsoever. Upon default by Developer of a term and condition of this Agreement, City shall be entitled to foreclose on its equitable lien and/or pursue its security interest and take possession of all Contributions and interest deposited into the Account. At such time, City shall be assigned all unpaid Contributions for Units, which shall be collected by City for the uses and purposes provided herein. Developer shall not assign any interest in the Account nor pledge or encumber in any manner all or part of the proceeds in the Account as security for any other purpose without the written approval of the City in a form agreed to by the City Attorney's Office.

4.3 **Disbursement From Account.** Except as specified in Subsection 4.6 and in this Subsection, all proceeds of the Account shall be expended only to pay for the pumper truck or to reimburse Developer for costs of design and construction of the fire station. Subject to the provisions of Subsection 4.6, prior to withdrawing funds from the Account for payment of costs for the fire station, Developer shall deliver to City a request to approve the payment accompanied by verification

of costs incurred by Developer for the fire station. City shall review and approve or deny any reasonably-related costs of the fire station within fourteen (14) days. Such approval shall not be unreasonably withheld if the cost is reasonably related to the Work. Failure to disapprove a request in a timely manner shall be deemed approval. If Developer is required under the Internal Revenue Code to pay federal income tax on the interest accrued in the Account, City shall approve the withdrawal of sufficient funds from the Account to pay Developer's income tax liability when due, and said tax shall be deemed a proper expenditure from proceeds of the Account.

4.4 **Time To Contribute.** Prior to City issuance of a building permit for each Unit in the Project, the Contribution required by this Agreement shall be paid to the City by the owner of said Unit and the City shall deposit such Contribution into the account on a monthly basis. City shall have the right to delay or deny the issuance of any building permit for a Unit for which the Contribution has not been paid. The approval of building permits, parcel maps, tentative maps, special use permits, records of survey, final subdivision maps, or approval of certificates of occupancy for civic uses (which are not Units) within the Project shall not trigger the obligation to make Contributions hereunder.

4.5 **Certificate Of Compliance With The Agreement.** Upon payment of the Contribution for a Unit required herein, or upon verification that a portion of the Project is not subject to the duty to contribute because it has been improved or set aside for a civic use, City shall, irrespective of any existing default under this Agreement by Developer, upon request of the property owner execute in recordable form a Certificate Of Compliance With The Agreement which, when recorded in the office of the Washoe County Recorder, shall terminate this Agreement as a lien and charge upon real property released. Upon the payment for all Units to the Account, the City shall execute in recordable form, a Certificate of Compliance With The Agreement which, when recorded in the Office of the Washoe County Recorder's Office, shall terminate this Agreement as a lien and charge upon the Project. No such recorded Certificate terminating the lien and charge upon a portion of Units or the Project shall operate to terminate any outstanding obligations of the Developer or City, including any unperformed obligation of Developer to perform the Work or to contribute for all other Units not subject to the recorded Certificate or to pay Contributions which have not been

paid. A Certificate shall only operate to terminate the lien and charge of this Agreement as a covenant running with the land for the release real property.

4.6 **Completion Of Construction.** If Developer completes construction of the fire station and City accepts dedication of the fire station prior to the time all Contributions are made hereunder, any Contributions made thereafter shall be paid from the Account to Developer without the requirement of City approval of the withdrawal. If Developer's cost of the Work does not exceed the maximum aggregate Contributions required from all Units, all Contributions required hereunder shall nevertheless continue to be required and Developer shall be entitled to receive as its sole property said Contributions.

5. **COVENANTS RUNNING WITH THE LAND/ASSIGNMENT.**

5.1 **Recordation.** In order to provide notice, to bind all future owners of the property within the Project regarding obligations for Contributions specified in Article 4 of this Agreement, and to provide them with the benefits hereof, a Memorandum of Agreement in the form attached as Exhibit "C" shall be recorded in the Office of the Washoe County Recorder. The terms and provisions of this Agreement regarding obligations or Contributions specified in Article 4 shall constitute covenants running with the land for the Units, except that no successor in interest to all or part of the Units shall assume Developer's obligation to perform the Work, as specified in Article 3 of this Agreement, unless a said successor to Developer is assigned said obligation and expressly assumes said obligation, subject to City approval, as provided in Subsection 5.3 hereof.

5.2 **Assignment Of Obligation To Contribute.** By execution of a grant deed or a quitclaim deed of a Project landowner's right, title and interest in any portion of the Units, all obligations of the landowner for Unit Contributions which have not at that time become due as provided in Subsection 4.4 shall be assigned to and assumed by the new owner, and former landowner shall have no liability therefor in the event of a subsequent default by the successor in the assigned obligation to make a Contribution. Except as provided in Subsection 5.3, other obligations of Developer hereunder shall not be assignable without the prior written consent of City.

5.3 **Assignment Of Developer's Obligation To Perform the Work.** Developer may assign its obligation to perform the Work, as specified in Article 3 of this Agreement, subject to City

approval of the assignee, said approval shall not be unreasonably withheld, provided that Developer also concurrently assigns all its right, title and interest in the Account and provided further that the approved assignee assumes all obligations of Developer herein. Upon said approved assignment, Developer shall have no liability in the event of a subsequent default by the approved assignee in its obligation to perform to Work. If at the time of the assignment the Work has not been performed, City may require a performance bond to secure the assignee's obligation to perform the Work, in an amount equal to the shortfall between the funds in the Account and the projected costs of the Work.

5.4 **Minimum Developer Interest In Project.** Prior to Developer completing the Work, if Developer (or Developer's approved assignee under Subsection 5.3) reduces its fee ownership interest in the Project to less than twenty percent (20%) of all Units for which Contributions have not been paid, City may in its sole discretion require Developer to post a satisfactory performance bond securing Developer's obligation to perform the Work, in an amount equal to the shortfall between the funds in the Account and the projected costs of the Work.

5.4 **Subordination.** The parties agree that this Agreement, and all terms and conditions hereof, shall be junior to and subordinated to the recorded priority of all deeds of trust encumbering all or any portion of the Units which are recorded subsequent in time to this Agreement, provided any such deed of trust secures the payment of loan proceeds used to purchase or construct improvements which benefit the Units subject to subordination. Nothing contained in this Agreement grants any right nor imposes any obligation on a trustee or a beneficiary of a deed of trust encumbering all or any portion of the Units. Upon request, City shall execute recordable subordination agreements consistent with the provisions of this Subsection.

6. **TERM.**

6.1. This Agreement shall terminate fifty (50) years from the date hereof.

7. **MISCELLANEOUS.**

7.1 The parties further agree as follows:

- a. **Governing Law; Venue.** This Agreement is being executed and delivered in Washoe County, Nevada, and is intended to be performed in the State of Nevada, and the laws of Nevada shall govern the validity, construction, enforcement and interpretation of this Agreement. Venue for any legal action arising out of this Agreement shall be in Washoe County, Nevada.

- b. **Entirety and Amendments.** This Agreement embodies the entire Agreement between the parties and supersedes all prior Agreements and understandings, if any, relating to the Property, and may be amended or supplemented only by an instrument in writing executed by the party against whom enforcement is sought, provided that nothing contained in this Subsection 7.1.b. shall be interpreted to change, amend or modify the conditions of Project approval by the City. No oral statements or representations made before or after the execution of this Agreement regarding the subject matter of this Agreement are binding on a party, nor may any such oral statements or representations be relied on by a party.
- c. **Invalid Provisions.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable. The Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of the Agreement. The remaining provisions of the Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement.
- d. **Parties Bound and Assignment.** This Agreement shall be binding upon and inure to the benefit of the parties, and their respective heirs, personal representatives, successors and assigns.
- e. **Further Acts.** In addition to the acts recited in this Agreement to be performed, the parties agree to perform, or cause to be performed, any and all further acts as may be reasonably necessary to consummate the obligations contemplated hereby.
- f. **Headings.** Headings used in this Agreement are used for reference purposes only and do not constitute substantive matter to be considered in construing the terms of this Agreement.
- g. **Attorneys' Fees.** In the event that any action is necessary to enforce the rights of any party hereto, the prevailing party in any such action shall be entitled to reasonable costs and attorneys' fees.
- h. **Notice.** All notices given pursuant to this Agreement shall be in writing and shall be given by personal delivery, by facsimile transmission, by United States mail or by United States express mail or other established express delivery service (such as Federal Express), postage or delivery charge prepaid, addressed to the appropriate party at the address set forth below:

City of Reno
City Attorney's Office
P. O. Box 1900
Reno, NV 89505
Telephone: (775) 334-2050
Facsimile: (775) 334-2420

With a copy to: City of Reno, Fire Chief
P.O. Box 1900
Reno, Nevada 89505
Telephone: (775) 334-2300
Facsimile: (775) 334-3826

Somerset, LLC
Somerset Development Company Ltd.
100 West Liberty Street, Suite 990
Reno, NV 89501
Telephone: (775) 323-1405
Facsimile: (775) 323-1498

The persons and addresses to which notices are to be given may be changed at any time by any party upon written notice to the other party. All notices given pursuant to this Agreement shall be deemed given upon receipt.

- i. **Receipt Defined.** For the purpose of this Agreement, the term "receipt" shall mean any of the following: (a) the date of delivery of the notice or other document as shown on the return receipt; (b) the date of actual receipt of the notice or other document; or (c) in the case of refusal to accept delivery or inability to deliver the notice or other document, the earlier of: (i) the date of the attempted delivery or refusal to accept delivery; (ii) the date of the postmark on the return receipt; or (iii) the date of receipt of notice of refusal or notice of nondelivery by the sending party.
- j. **Third Party Beneficiaries.** Except as provided in Subsection 5.1 of this Agreement, no persons other than the parties are intended to be beneficiaries of the terms and provisions hereof, and no said third parties shall have the right to enforce any provision of this Agreement. In particular, no lender, creditor, holder or beneficiary with an interest in a deed of trust, encumbrance, charge or lien against any Residential Units shall have any interest in the proceeds in the Account.

8. **ARBITRATION.**

8.1 Any dispute arising from rights or obligations of this Agreement shall be submitted to arbitration pursuant to the Rules of the American Arbitration Association. The decision of the arbitrator shall be final and binding on both parties.

9. **INDEMNITY.**

9.1 Developer agrees to indemnify, defend and hold City harmless from all liability or claims of damages (including costs and attorneys fees) of any third party arising from Developer's obligations to perform the Work hereunder.

In Witness Whereof, the parties have executed this Agreement on the day and year written above.

APPROVED AS TO LEGAL FORM:

CITY OF RENO:

By: Gracey L. Chase
CITY ATTORNEY

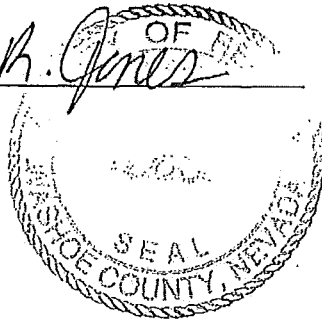
By: Jeff Griffin
JEFF GRIFFIN, MAYOR

ATTEST:

DEVELOPER:

By: Summett R. Jones
CITY CLERK

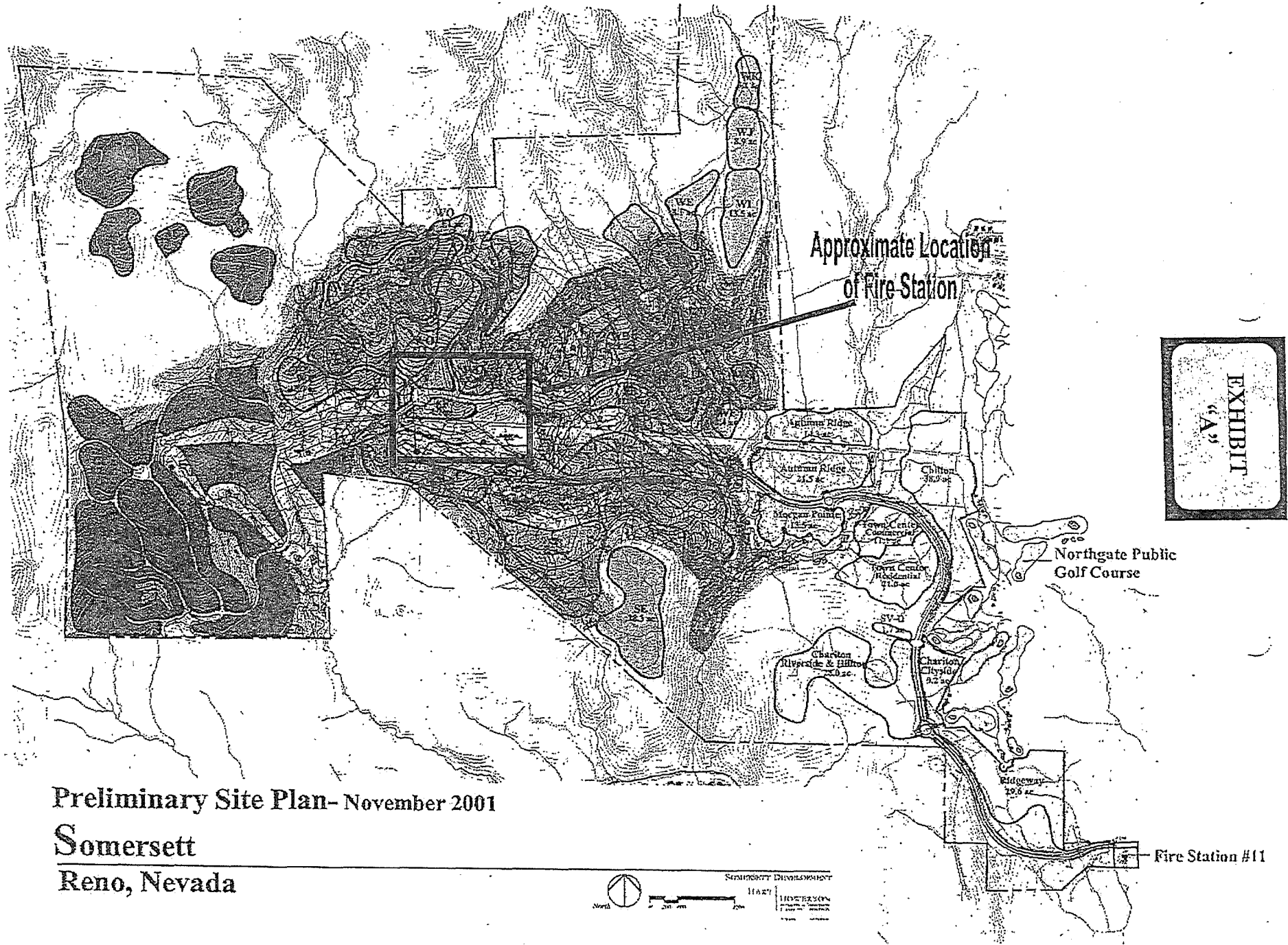
SOMERSETT DEVELOPMENT
COMPANY LTD., a Nevada limited
liability company



By: L. B. AD
Title: Manager

SOMERSETT, LLC,
a Nevada limited liability company

By: L. B. AD
Title: Manager



Preliminary Site Plan- November 2001

Somerset
Reno, Nevada

Fire Station #11

SOMERSETT FIRE STATION

The Somerset Fire Station shall be comparable to the Sun Valley Fire Station (Station #15, but designed for one company) in floor plans and in materials, construction and elevations. It is the intent of this exhibit to specify general plans which are acceptable to the parties, however, the actual plans may vary. The fire station is generally described as follows:

1. Fire Station - Estimated cost \$1,000,000; gross square footage - 5,000
 - < Four (4) bedrooms (10' x 20' each)
 - < Two (2) bathrooms (handicap accessible) with showers
 - < Lounge (comfortable for 6 to 8 people) and dining area (8 to 10 capacity)
 - < Kitchen (space for three refrigerators)
 - < Supervisors Office (8' x 10')
 - < Two truck garage (26' wide, 60' deep, four automatic roll-up doors, 1,560 sq. ft. - drive through)
 - < Exercise room (12' x 14')
 - < Mechanical room (8' x 10')
 - < Equipment room (10' x 10')
 - < Asphalt parking spaces per code
 - < Landscaping per code

SOMERSETT FIRE STATION PUMPER TRUCK

The Somerset Fire Station pumper truck shall be fully equipped, Class A pumper, built to Reno Fire Department specifications.

When Recorded Return To:

Somerset Development Company Ltd.
c/o Robert M. Sader, Esq.
462 Court Street
Reno, NV 89501

MEMORANDUM OF AGREEMENT

Notice is hereby given on this 20th day of August, 2002 that the **CITY OF RENO**, a municipal corporation ("City"); and **SOMERSETT DEVELOPMENT COMPANY LTD.**, a Nevada limited liability company, and **SOMERSETT, LLC**, a Nevada limited liability company, (collectively "Developer"), have on this date entered into a certain Fire Station Development Agreement ("Agreement") requiring a payment of:

<u>Type of Unit:</u>	<u>Amount Per Unit:</u>
Single Family Dwelling- each lot under 17,500 s.f.	\$ 550.00
Single Family Dwelling - each lot 17,500 s.f. or more	\$1,100.00
Multi-Family Dwelling (each unit)	\$ 350.00
Nonresidential Units	\$ 1.00 for each sq. ft. of ground floor area, or prorated portion thereof

for all said units within that certain real property described on Exhibit "A", attached hereto and incorporated herein, as a contribution for capital costs of construction of a city fire station and purchase of a pumper truck serving the Somerset Planned Unit Development. The Agreement shall terminate fifty(50) years from the date hereof, unless terminated earlier by agreement of the parties. The payment of the contribution amount stated above for each residential and nonresidential unit shall take place on or before issuance of a building permit for a unit required to contribute, and said payment operates to release said unit (and its owner, so long as said owner is not the Developer) from any further obligation under the Agreement, and also operates to automatically release the record

encumbrance of this Memorandum against said unit without the necessity of any specific, subsequently recorded release.

In Witness Whereof, the parties have executed this Agreement on the day and year written above.

APPROVED AS TO LEGAL FORM:

By: *Troy A Chase*
CITY ATTORNEY

ATTEST:

Sydney R. Jones
CITY CLERK

CITY OF RENO:

By: *Jeff Griffin*
JEFF GRIFFIN, MAYOR

DEVELOPER:

**SOMERSETT DEVELOPMENT
COMPANY LTD., a Nevada
limited liability company**

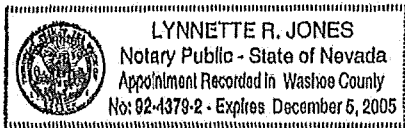
By: *L. B. Do*
Title: *manager*

**SOMERSETT, LLC, a Nevada
limited liability company**

By: *L. B. Do*
Title: *manager*

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on August 27, 2002 by
JEFF GRIFFIN as the MAYOR of the CITY OF RENO, a municipal corporation.



NOTARY: Lynnette R. Jones

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

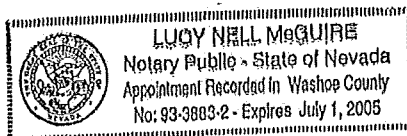
This instrument was acknowledged before me on July 19, 2002 by
G. Blake Smith as Manager of SOMERSETT DEVELOPMENT
COMPANY LTD., a Nevada limited liability company.



NOTARY: Lucy Nell McGuire

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on July 19, 2002 by
G. Blake Smith as Manager of SOMERSETT, LLC a Nevada limited liability
company.



NOTARY: Lucy Nell McGuire

APNS: 038-720-10, 038-720-11, 038-380-03, 038-380-08, 038-380-09, 038-380-10

When Recorded, Return To:

Reno City Attorney's Office
c/o Tracy L. Chase, Deputy City Attorney
P.O. Box 1900
Reno, Nevada 89505

**THIRD AMENDMENT TO FIRE STATION AGREEMENT
AND MEMORANDUM OF AGREEMENT**

This Third Amendment ("Third Amendment") amends portions, as specifically set forth herein, of that certain Fire Station Development Agreement ("Agreement") and the Memorandum of Agreement ("Memorandum") dated August 20, 2002, as amended, by and between the City of Reno ("City"), a municipal corporation; and Somerset Development Company Ltd., a Nevada limited liability company, and Somerset, LLC, a Nevada limited liability company (collectively "Developer"). The Memorandum was recorded in the office of the Recorder of Washoe County, Nevada on December 6, 2002 as Document No. 2773204. The defined terms used in the Original Agreement shall have the same meanings when used herein.

On September 3, 2003, the Planning Commission for the City of Reno approved a certain tentative map (City of Reno Case No. LDC04-00027) for the purpose of adding 863 single family units to a development known as "Somerset" (the "Project"). This approval was not appealed and was final. Accordingly, on October 24, 2003, City

Council approved and the parties entered into a First Amendment to Fire Station Agreement and Memorandum of Understanding ("First Amendment"), to reflect the addition of such real property and residential units. Such document was recorded in the official records of the office of the Recorder of Washoe County, Nevada on November 24, 2003, as Document No. 2958221.

On January 11, 2006, City Council approved and the parties entered into a Second Amendment to Fire Station Agreement and Memorandum of Understanding ("Second Amendment"), to amend Section 3.1.b of the Agreement to allow Developer to purchase the Pumper Truck directly from a manufacturer and to donate such apparatus to the City. Developer has purchased the Pumper Truck and the City has received this donation.

The parties now desire to enter into this Third Amendment for purposes of modifying Sections 1.4, 3.3, 4.1, 7.1(h) and Exhibit B of the Agreement for the purpose of making amendments thereto and replacing the text as modified below:

Section 1.4 - The last line of this section, which reads "The gross floor space of the building shall not exceed 5,000 square feet, unless City pays the additional cost for the larger building" is deleted. The remaining portions of this section are not modified and shall remain in full force and effect.

Section 3.3 - The second line of this section, which reads "Completion of construction of the fire station shall take place not later than the date of issuance of the 1,400th building permit for a Residential Unit in the Project" is deleted and replaced with the following text: "Developer shall complete the construction of the fire station on or before September 30, 2007, unless such time is extended in writing for good cause at the

discretion of the Fire Chief for the City of Reno.” The remaining portions of this section are not modified and shall remain in full force and effect.

Section 4.1 – The following text is added at the end of Section 4.1:

In the future, the Reno Fire Department, in its discretion, may recommend as part of the planning process for the City of Reno that future residential or other development(s), as allowed by law, other than the current Project as defined and approved on the effective date of this Amendment, which are located in the vicinity of primary or secondary response areas of the fire station should contribute to the Account. This recommendation will be based upon response times and other justifying factors. In addition, other landowners or developers may agree to contribute voluntarily to the Account. If either of the above events occur and the applicable approval is received in the administrative/planning process relating thereto, such funds may be used as approved or as directed under the terms of the voluntary contribution for funding the cost of design and construction of the Work and other obligations and may be placed into the Account for costs or reimbursement of the Developer in accordance with Section 4.3 of this Agreement.

Notwithstanding the foregoing, the parties agree that contributions received in connection with condition #5 of The Sharlands Planning Unit No. 1, approved by the City of Reno in Case No. LDC06-00347, shall be deposited into the Account (as the dedicated account) and expended as set

forth in the condition, which states: "Prior to approval of any final map, the applicant shall provide payment into a dedicated account for the purchase of fire department apparatus equipment in amount of three hundred dollars (\$300.00) per residential unit to the satisfaction of the City of Reno Fire Department staff."

Additionally, all parties acknowledge that: (1) the estimated useful life of the constructed fire station is anticipated to be approximately twenty (20) years and this will be a factor, among others, in the recommendation process outlined above; (2) the planning process for the City of Reno is an administrative process and cannot be contractually limited or pre-conditioned; (3) a recommendation by the Reno Fire Department to include other residential property must be constitutionally, legally and factually supported; (4) a recommendation is not binding on any administrative or public body, including City Council; (5) approval of a recommendation will be through the administrative and public process, with notice as required by law; and (6) a recommendation may become binding, when and if approved by the City of Reno, and provided that such decision is a final decision, as defined by applicable law. The parties further acknowledge that if in the future, the City of Reno determines to utilize impact fees for fire station development the Reno Fire Department reserves its rights to not make a recommendation.

The remaining portions of this section are not modified and shall remain in full force and effect.

Section 7.1(h) – Developer’s address for notice purposes is replaced with the

following text:

Somersett, LLC
Somerset Development Company Ltd.
P.O. Box 34360
Reno, NV 89533
Telephone: (775) 323-1405
Facsimile: (775) 323-1498

Exhibit “B” – This exhibit is replaced in its entirety with the following text:

EXHIBIT “B”
SOMERSETT FIRE STATION

The Somersett Fire Station shall be a one company turn-key fire station with approximately 6040± square feet, and shall be comparable to the Sun Valley Fire Station (Station #15) in the quality and kind of materials, and shall be constructed in accordance with Permit #LDP 06-01133. All construction shall comply with applicable codes and laws.

IN WITNESS HEREOF, the parties have executed this Third Amendment effective on the day any year of the last signature written below.

CITY OF RENO:

Robert A. Cashell, Sr., Mayor

DEVELOPER:

**SOMERSETT DEVELOPMENT
COMPANY, LTD., a Nevada
limited liability company**

By: Smith Realty Finance, a
Nevada corporation

Its: Manager

Date: _____

By: _____
G. Blake Smith, President
Date: _____

ATTEST:

**SOMERSETT, LLC, a Nevada
limited liability company**

City Clerk

By: Smith Realty Finance, a
Nevada corporation
Its: Manager

By: _____
G. Blake Smith, President

APPROVED AS TO FORM:

APPROVED AS TO FORM:

City Attorney's Office

McDonald Carano Wilson, LLP

ACKNOWLEDGMENTS – NRS 240.1665

STATE OF NEVADA)
COUNTY OF WASHOE)

This instrument was acknowledged before me on this _____ of
_____, 2006, by Robert A. Cashell, Sr., as Mayor, of the City of
Reno, a municipal corporation.

(Signature of notarial officer)

(Title and rank)

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on this _____ day of
_____, 2006 by G. BLAKE SMITH, as President of Smith Realty Finance, Inc.,
manager of SOMERSETT LLC, a Nevada limited liability company.

(Signature of notarial officer)

STATE OF NEVADA)
) ss.
COUNTY OF WASHOE)

This instrument was acknowledged before me on this _____ day of _____, 2006 by G. BLAKE SMITH, as President of Smith Realty Finance, Inc., manager of SOMERSETT DEVELOPMENT COMPANY, LTD., a Nevada limited liability company.

(Signature of notarial officer)



2834470
04/09/2003
185 of 259

WASHOE COUNTY SCHOOL
DISTRICT AGREEMENT



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TO BE ADDED AS NECESSARY



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04/00/2883
107 of 259

PRELIMINARY SEWER REPORT



SOMERSETT SEWER

The Somerset Development sanitary sewer system will be handled with three separate offsite sewer lines: Mae Anne Offsite, Eastern Offsite, and Western Offsite, that will discharge into the Lawton-Verdi Interceptor. (Ref. Figure 1 for locations)(Ref. Table 1 for contributions) The Reno-Sparks Joint Wastewater Treatment Facility will ultimately treat the sewage from the Somerset Development.

The Mae Anne offsite sewer line Conveys sewage from Ridgeway, Riverside ph1, and Commercial Pad (Ref. Table 1). This line has the adequate Capacity to handle the proposed flows. (Ref. Somerset Parkway ph1 Sewer Report dated Sept. 2001)

The Eastern Offsite line conveys sewage from all of Planning Area 1,3, and most of 2 (Ref. Table 1). There are no existing conditions that prohibit a gravity flow sewer through Mogul to the Lawton-Verdi Interceptor therefore the Eastern Offsite line should be sized to handle the necessary flows. The Lawton-Verdi Interceptor was designed to convey the Somerset Development

The Western Offsite line conveys sewage from all of Planning Area 4,5,6 and some of 2 (Ref. Table 1). There are no existing conditions that prohibit a gravity flow sewer through Mogul to the Lawton-Verdi Interceptor therefore the Western Offsite line should be sized to handle the necessary flows. The Lawton-Verdi Interceptor was designed to convey the Somerset Development



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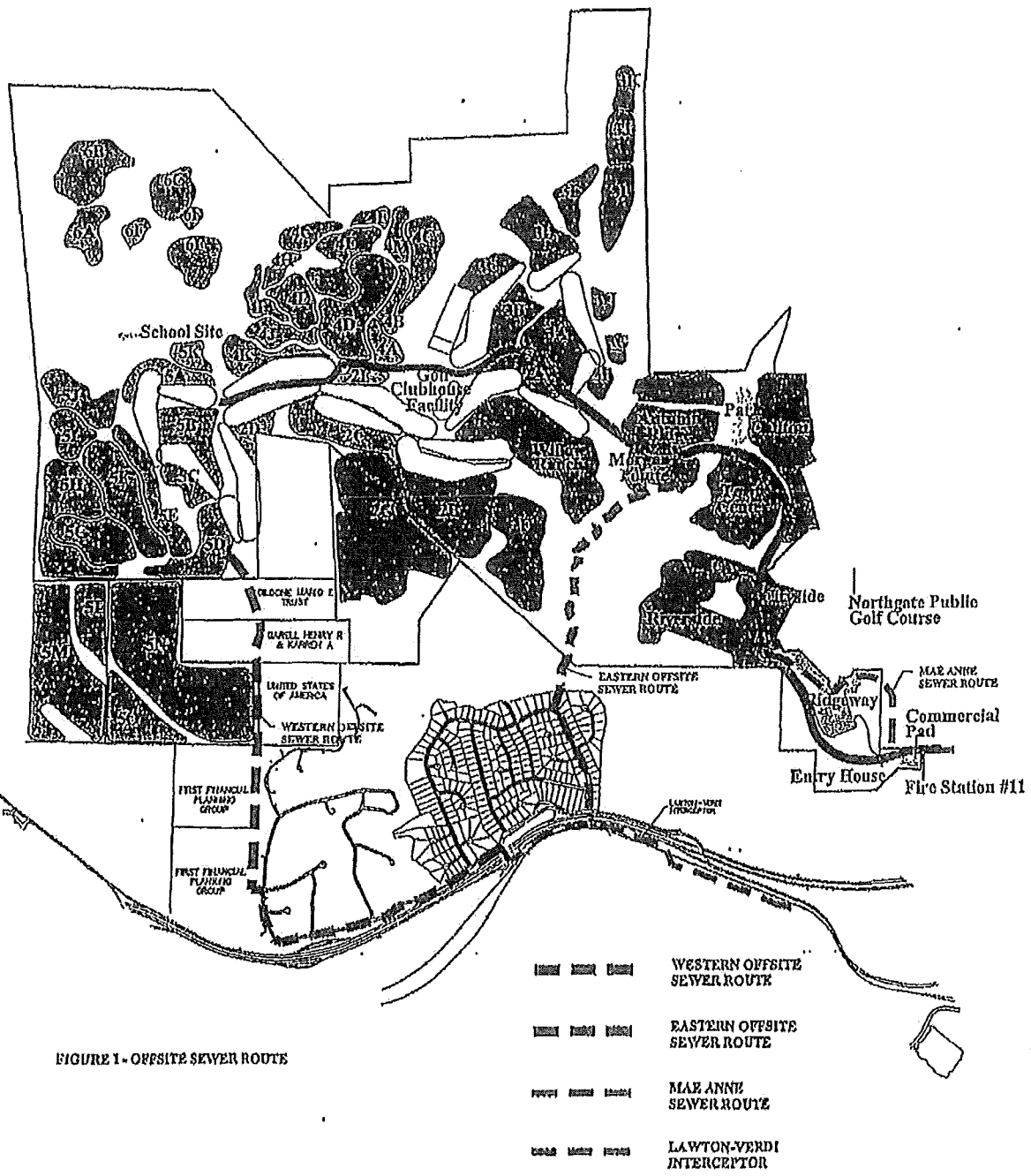


FIGURE 1 - OFFSITE SEWER ROUTE



TABLE 1

NEW DESIGNATION	# OF LOTS	Discharge (GPD)	Offsite Route	NEW DESIGNATION	# OF LOTS	Discharge (GPD)	Offsite Route
AREA 1				AREA 4			
RIDGEWAY	21	22,050	Mag Anne	4A	40	50,400	Western
CITYSIDE	22	23,100	Eastern	4B	10	10,500	Western
RIVERSIDE	39	40,950	Eastern	4C	26	27,300	Western
CHILTON	50	52,500	Eastern	4D	41	85,050	Western
AUTUMN RIDGE	70	82,860	Eastern	4E	51	53,550	Western
TOWN CENTER (COM)		37,878	Eastern	4F	5	5,250	Western
TOWN CENTER (RES)	200	210,000	Eastern	4G	10	10,500	Western
1A	10	10,500	Eastern	4H	6	6,300	Western
TOTAL		479,928		4I	9	9,450	Western
				4J	38	37,800	Western
AREA 2				AREA 5			
MORGAN POINTE	41	43,050	Eastern	4K	33	34,650	Western
WILLOW RANCH	98	102,900	Eastern	4L	10	10,500	Western
2A	23	24,150	Eastern	4M	10	10,500	Western
2B	92	96,800	Eastern	TOTAL		351,750	
2C	38	39,900	Western				
2D	13	13,650	Western	5A	44	46,200	Western
2E	30	31,500	Eastern	5B	158	165,900	Western
2F	15	16,750	Western	5C	62	65,100	Western
2G	80	84,000	Eastern	5D	60	63,000	Western
TOTAL		451,500		5E	60	63,000	Western
AREA 3				AREA 6			
3A	49	51,450	Eastern	5F	49	51,450	Western
3B	50	62,800	Eastern	5G	54	56,700	Western
3C	7	7,350	Eastern	5H	91	95,550	Western
3D	20	21,000	Eastern	5I	27	28,350	Western
3E	16	16,800	Eastern	5J	54	56,700	Western
3F	4	4,200	Eastern	5K		0	Western
3G	6	6,300	Eastern	5L	38	39,900	Western
3H	6	6,300	Eastern	5M	81	85,050	Western
3I	20	21,000	Eastern	5N	281	274,050	Western
3J	16	16,800	Eastern	5O	129	135,450	Western
3K	5	5,250	Eastern	TOTAL		1,228,400	
TOTAL		211,050		6A	2	2,100	Western
				6B	3	3,150	Western
				6C	2	2,100	Western
Q=3X350X=UNITS				6D	2	2,100	Western
CAPATE=350 gpd				6E	2	2,100	Western
DWELLING=3 CAPATA				6F	2	2,100	Western
						13,650	

UPDATED
SANITARY SEWER REPORT
FOR
SOMERSETT EASTERN SEWER

prepared for



SOMERSETT
It's Great To Be Home.

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INTRODUCTION

The following report describes the potential impact to the Somerset Eastern Sanitary Sewer System (ESS) due to proposed density changes. Utilizing the updated density changes, ESS will ultimately consist of 1,297 single family residential units, 108 townhomes , a recreational center, a maintenance facility, and a club house, and a commercial site consisting of 0.83+/- acres (Ref. Sanitary Sewer Display and Vicinity Map). The majority of the ESS has already been constructed and is currently in use.

DESIGN STANDARDS

Current design standards were used in analyzing the effects of connecting to the existing facilities. Sewage contributions were calculated based on peak flows and occupancy rates from the City of Reno Public Works Design Manual. Below is a breakdown of the sewage contributions for the various areas:

Single family residential (sewer main)	350 gallons/capita/day
Single family residential (sewer trunk)	250 gallons/capita/day
Commercial	10,000 gallons/acre/day
Public Facility	3,200 gallons/acre/day
Office	3,200 gallons/acre/day

The occupancy rate is assumed to be three (3) for single-family residential and two (2) for condominium/apartment/townhome (multi-family).

SEWER ANALYSIS

The *Somerset Sanitary Sewer Discharge Analysis* (Table 1) shows the sewer contributions of the individual subdivisions within Somerset and the other contributing areas. The *Eastern Sewer - Unit Comparison Table* (Table 2) shows only the Somerset subdivisions that contribute to the ESS and compares the unit counts from the original Somerset P.U.D. to the unit counts for the proposed density changes. Nine (9) units of Village 2E are conveyed to ESS; the remaining fifty

three (53) units are conveyed to the Somerset Western Sanitary Sewer System (WSS). Since the density of 2E is increasing by 5 units, the analysis conservatively assumes that all five additional units contribute to ESS.

Utilizing the updated density changes (Ref. Table 1), ESS will ultimately consist of 1,434 Equivalent Residential Units (ERU); 1,297 single family residential units (1,297 ERU), 154 townhomes (103 ERU), a recreational center (16 ERU), a maintenance facility (1 ERU), and a club house (17 ERU), with an additional commercial site of 0.83+/- acres (8,300 gpd).

Based on the *Eastern Sewer - Unit Comparison Table* (Table 2) the total unit count designated by the original Somerset P.U.D. excluding off-site areas were 1,112 units (1,112 ERU) contributing to the ESS. The total unit count with the proposed density changes is 1,157 units (1,106 ERU) contributing to the ESS. Therefore, the proposed density changes would increase the number of units contributing to the ESS by 45, however decrease the amount of ERU's by 6 due to proposed land use changes.

Based on the *Somerset Sanitary Sewer Discharge Analysis* (Table 1) the total peak discharge in the ESS including off-site areas (Northgate 12 and Mogul Meadows) and the proposed density changes would be 1.514 mgd. The original *Master Sewer Report for Somerset Eastern Offsite Sewer* prepared by Summit Engineering (Ref. Appendix) states that the total peak design flow was 1.959 mgd.

CONCLUSION

The total peak discharge of the ESS with the proposed density changes is 1.514 mgd which is 0.445 mgd less than what was originally anticipated in the original *Master Sewer Report for Somerset Eastern Offsite Sewer* prepared by Summit Engineering and should not create a negative impact to the existing system.