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Conformed Copy
03/30/2004 11:13A Fee:104.00
RPTT 0.00
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NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION

OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

SIERRA CANYON BY DEL WEBB AT SOMERSETT

**NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SIERRA CANYON BY DEL WEBB AT SOMERSETT
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**NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SIERRA CANYON BY DEL WEBB AT SOMERSETT**

THIS NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS FOR SIERRA CANYON BY DEL WEBB AT SOMERSETT is made this 26th day of March, 2004, by PN II, INC., a Nevada Corporation ("Declarant"), with reference to the facts set forth in the following "Recitals".

RECITALS

A. PROPERTY OWNED BY DECLARANT. Declarant is the owner in fee simple of that certain real property situated in the City of Reno, County of Washoe, State of Nevada, more particularly described in Exhibit "A", attached hereto and incorporated herein by reference (the "Initial Covered Property"). The Initial Covered Property, and any portion of the Annexable Property that is subsequently annexed thereto in accordance with is referred to at times in this Supplemental Declaration by its common name, "Sierra Canyon". The real property comprising Sierra Canyon was acquired by Declarant from Somersett Development Company LTD, a Nevada limited liability company, and Somersett, LLC, a Nevada limited liability company (hereinafter referred to collectively as the "Master Declarant").

B. RIGHT TO ANNEX. Declarant intends to construct, market and sell Lots and Residences within Sierra Canyon in Phases. Pursuant to that plan of development, Declarant may add to Sierra Canyon all or any of the real property described in Exhibit "B" attached hereto and incorporated herein by this reference (the "Annexable Property") in accordance with the annexation procedures set forth in Article I, section 6, of the Master Declaration and Article XIV, below. Any Annexable Property so annexed will thereupon be subject to this Declaration and the Master Declaration (as defined in Recital D, below) and become a part of Sierra Canyon.

C. NATURE OF DEVELOPMENT. Declarant intends to establish a plan of common interest ownership and to develop Sierra Canyon, including any Annexable Property which may hereafter be annexed thereto, as a planned community within the meaning of Nevada Revised Statutes section 116.110368 and to subject Sierra Canyon to certain covenants, conditions, restrictions and limitations set forth herein, in accordance with the provisions of Nevada's Uniform Common Interest Ownership Act (NRS Chapter 116, or any successor statutes or laws) (the "Act). To that objective, Declarant, with the consent of the Master Declarant, desires and intends to impose on Sierra Canyon mutually beneficial restrictions, limitations, easements, Assessments and liens under a comprehensive plan of improvement and development for the benefit of all the Owners, the Lots and the Association's Sierra Canyon Common Area and Common Elements within Sierra Canyon and the future Owners of said Lots and Association Sierra Canyon Common Area Property.

D. MASTER COMMUNITY. Sierra Canyon is situated within the master planned community known as "Somerset" ("Master Community") and is subject to that certain First Amended and Restated Declaration of Covenants, Conditions and Restrictions for Somerset, recorded on December 6, 2002, as Document No. 2773205 in the Office of the Recorder of Washoe County, State of Nevada (the "Master Declaration"). Recordation of this Notice of Annexation and Supplemental Declaration and annexation of Sierra Canyon to the Master Community is specifically authorized and contemplated by Article I, section 6, of the Master Declaration.

E. INTENT OF THIS SUPPLEMENTAL DECLARATION. It is the intent of the Declarant, with the consent of the Master Declarant, as evidenced by the Master Declarant's consent to the recordation of this Notice of Annexation and Supplemental Declaration, as set forth below, to cause this Supplemental Declaration to impose covenants and restrictions on the Property comprising Sierra Canyon that are in addition to, and in some respects a modification of, the covenants and restrictions imposed by the Master Declaration. Recordation of this Supplemental Declaration is contemplated by Article II, Section 17 of the Master Declaration. Sierra Canyon In connection with the Declarant's development plans, this Supplemental Declaration also causes the transfer by the Master Declarant of certain Special Declarant's Rights, as defined in Nevada Revised Statutes section 116.110385 and Section 1.03, below. The exercise of those transferred, Special Declarant's Rights by the Declarant are limited to Sierra Canyon and by the terms and conditions set forth in this Supplemental Declaration.

F. MANNER OF DEVELOPMENT. Declarant intends to develop Sierra Canyon in ten (10) Phases. If developed in accordance with the Declarant's present plan of phased development Sierra Canyon will include one thousand and sixty (1,060) Lots. This number will increase if additional Lots are approved for development and are annexed to Sierra Canyon in accordance with Article XV, below. The Initial Covered Property will include one hundred and eighty-nine (189) Lots and certain lot(s) that will be conveyed to the Association as Sierra Canyon Common Area (as hereinafter defined). Notwithstanding the foregoing plan summary, Declarant makes no guarantee that Sierra Canyon will be construed as presently proposed. Each Lot shall have appurtenant to it a membership in the Sierra Canyon Association, a Nevada nonprofit corporation (the "Association") and a membership in the Somerset Owners Association, a Nevada nonprofit corporation (the "Master Association").

G. SENIOR HOUSING DEVELOPMENT. This Supplemental Declaration provides for a planned unit development that is designed to provide housing for senior citizens. Each Residence in Sierra Canyon must be occupied either by at least one "Age Qualified Occupant" as defined in Section 1.02 (a), below. By restricting the occupancy of residences in this fashion, the Declarant intends to qualify Sierra Canyon's housing for older persons under the terms and conditions of the federal Fair Housing Amendments Act of 1988 (Pub.L 100-430 (1988) and applicable regulations thereunder (the "Fair Housing Act").

NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION

In accordance with the above Recitals, the Declarant, with the consent of the Master Declarant, hereby declares that Sierra Canyon is, and shall be, held, conveyed, hypothecated,

encumbered, leased, rented, used and occupied subject to the following limitations, restrictions, easements, covenants, conditions liens, and charges contained in the Master Declaration, as amended, modified, and supplemented by this Supplemental Declaration, all of which are declared and agreed to be in furtherance of a plan of ownership for a common interest community as described in Nevada Revised Statutes section 116.110323 or any successor statutes or laws for the subdivision, improvement, protection, maintenance, and sale of planned communities within Sierra Canyon, and all of which are declared and agreed to be for the purpose of enhancing, maintaining and protecting the value and attractiveness of Sierra Canyon. All of the limitations, restrictions, easements, covenants, conditions, liens and charges contained in the Master Declaration, as supplemented by this Supplemental Declaration, shall run with the land, shall be binding on and inure to the benefit of all parties having or acquiring any right, title or interest in Sierra Canyon, shall be enforceable equitable servitudes and shall be binding on and inure to the benefit of the successors-in-interest of such parties.

As supplemented by the covenants and restrictions set forth in this Supplemental Declaration, the Master Declaration remains in full force and effect with respect to Sierra Canyon and the Owners of the Lots within Sierra Canyon. All modifications of the Master Declaration and supplemental covenants and restrictions, set forth below, apply only to the Lots, Sierra Canyon Common Areas and other parcels within Sierra Canyon and to those persons who acquire any interest therein.

ARTICLE I

General Provisions/Compliance with NRS Chapter 16

Section 1.01. Applicability. This Declaration is made in compliance with the Uniform Common Interest Ownership Act, Chapter 116 of the Nevada Revised Statutes (the "Act").

Section 1.02. Definitions and Other Basic Provisions. The following terms as used in this Declaration are defined as follows:

(a) "Age-Qualified Occupant" shall mean any person fifty-five (55) years of age or older who Occupies a Residence.

(b) "Annexable Property" means the property more particularly described in Exhibit B", attached hereto. All or any portion of the Annexable property may be annexed to the Initial Covered Property and thereby become a part of the Sierra Canyon development in accordance with the procedures for annexation set forth in Article XIV, below.

(c) "Annual Assessment" shall mean and refer to any Assessment imposed by the Association in accordance with Section 3.02, below.

(d) "Architectural Review Committee" means the Sierra Canyon Architectural Review Committee, as constituted and empowered pursuant to Article VI, below.

(e) "Articles" means the Articles of Incorporation of the Sierra Canyon Association, a Nevada nonprofit corporation.

(f) "Assessments" is a collective term that means and refers to any Annual, Special or Cost Center Assessment duly levied by the Association against Owners and their Lots.

(g) "Association" means the Sierra Canyon Association, a Nevada nonprofit corporation, that has jurisdiction within the Sierra Canyon by Del Webb at Somerset development.

(h) "Board" and "Board of Directors" means the Board of Directors of the Association.

(i) "Bylaws" means the Bylaws of the Association and "Articles" means the Articles of Incorporation of the Association.

(j) "City" means the City of Reno, State of Nevada, and its various departments and divisions.

(k) "Common Elements" means any improvements that may at any time be located or constructed within any portion of the Sierra Canyon Common Area and owned by the Association, including, but not limited to: the recreation facility and its parking areas and landscaping, neighborhood parks, pedestrian trails within the Sierra Canyon Common Areas and open spaces, and the entrance features and landscaping at the entrances to the Sierra Canyon development.

(l) "Common Expense" means any use of Association funds authorized by this Declaration and Article IX of the Bylaws and includes, without limitation: (a) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Sierra Canyon Common Areas and Common Elements, any portions of the Lots that the Association is obligated to maintain or repair as a Cost Center; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors; (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Sierra Canyon Common Areas and Common Elements and any portions of any Lots that the Association is obligated to maintain, repair, or replace as a Cost Center, and for nonpayment of any Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents. In the context of a Cost Center, the Common Expenses for which the Cost Center was created must be funded solely by Cost Center Assessment revenues received from those Owners whose Lots are within the Cost Center

(m) "County" means the County of Washoe, State of Nevada.

(n) "Cost Center" means a designation, assigned by the Association or by the Declarant at the time property is Annexed to Sierra Canyon, to a discrete portion of Sierra Canyon (and to the Owners of Lots located therein) for the purpose of expense accounting and Assessments, all as more particularly provided in Sections 4.01(e) and 4.02(b)(ii), below. A Cost Center is likely to be created when the Association is maintaining property or Common Facilities

located within a portion of Sierra Canyon that is designated as a Cost Center and the use and enjoyment of that property or Common Facilities is fully or partially restricted to Owners of the Lots within the designated Cost Center.

(o) "Declarant" means any references in this Supplemental Declaration to the "Declarant" shall mean and refer to PN II, INC., a Nevada Corporation. The Declarant, as so defined, shall have no rights to assign its rights and privileges as the Declarant to any successor entity, other than an entity wholly owned by the Declarant, without the prior written consent of the Master Declarant, such consent not to be unreasonably withheld. The Declarant shall only have the Declarant rights stated in this Supplemental Declaration. All other Declarant rights shall be retained by the Master Declarant.

(p) "Declarant Control Period" means the period of time during which the Declarant has the power and authority to appoint a majority of the members of the Association's Board of Directors as provided in the Bylaws and NRS section 116.31032. During this period, the Declarant, or persons designated by it, may appoint or remove the officers of the Association and members of the Association's Board of Directors.

(q) "Declaration" means this Declaration and any future amendments hereto.

(r) "Design Guidelines" means the Design guidelines and procedural rules of the Architectural Review Committee, adopted pursuant to Section 6.09, below.

(s) "Development" means and refers to the common interest development commonly known as Sierra Canyon that is being developed pursuant to this Declaration, the Master Declaration and the other Governing Documents of the Association and the Master Association.

(t) "Governing Documents" means is a collective term that means and refers to this Declaration and to the Articles, the Bylaws and the Association Rules of the Association and to Master Declaration and the other governing documents of the Master Association, as those documents may be amended or supplemented from time to time.

(u) "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.

(v) "Limited Sierra Canyon Common Areas" means any portion of the Sierra Canyon Common Area that are designated by this Declaration, any Supplemental Declaration applicable to a Phase of the Sierra Canyon development for the exclusive use of one or more, but fewer than all of the Units. Limited Sierra Canyon Common Areas are limited Common Elements as that term is defined in NRS §116.110355.

(w) "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 the City, or as otherwise specified herein.

(x) "Maintenance Manual" refers to the manual or manuals which may be prepared by the Declarant or its agents and provided to the Association and to each Owner specifying obligations for maintenance of the Sierra Canyon Common Area and Common Facilities by the Association and maintenance of Lots and Residences by the Owners, as updated and amended from time to time. The Declarant may, in its discretion, create a Maintenance Manual for the Association ("Association Maintenance Manual") relating to its maintenance obligations with respect to the Sierra Canyon Common Areas and Common Facilities and a Maintenance Manual for the Owners ("Owner Maintenance Manual") relating to their maintenance obligations with respect to Lots and Residences within the Development. "Maintenance Manual" shall also refer to any amendments or supplements to any Maintenance Manual that the Declarant may adopt and provide to the Association and/or the Owners from time to time.

(y) "Maintenance Obligations" means the obligations imposed on the Association and each Owner by this Declaration to perform: (i) all reasonable maintenance obligations and schedules identified in the Maintenance Manual that pertain to the Association's/Owner's property at the times and in a manner consistent with the terms, recommendations and requirements of the applicable Maintenance Manual; (ii) any maintenance obligations and schedules contained in any warranty offered by Declarant or any manufacturer of any products or components originally installed in a Residence or Common Facility; and (iii) any maintenance obligations and/or schedules otherwise provided, in writing, by the Declarant or a manufacturer to the Association or the Owners. "Maintenance Obligations" shall also include and refer to any commonly accepted maintenance practices to prolong the useful life of the materials and construction of the Association's Sierra Canyon Common Areas and Common Facilities and Residences within the Development.

(z) "Master Declarant" means and refers to SOMERSETT DEVELOPMENT COMPANY LTD., a Nevada limited liability company, and SOMERSETT, LLC, a Nevada limited liability company.

(aa) "Master Declaration" means that certain First Amended and Restated Declaration of Covenants, Conditions and Restrictions for Somerset, recorded on December 6, 2002, as Document No. 2773205 in the Office of the Recorder of Washoe County, State of Nevada, and any subsequent amendments or supplements thereto.

(bb) "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 13.06, below.

(cc) "Notice of Annexation" means any Notice of Annexation that is recorded in the Official County Records pursuant to Article I, section 6 of the Master Declaration, and Article XIV, below.

(dd) "Occupy", "occupancies" or "Occupancy" means staying overnight in a particular Residence for at least sixty (60) days in any calendar year. The term "Occupant" shall refer to an individual who Occupies a Residence.

(ee) "Owner" means any person or legal entity, including Declarant, who holds fee simple title to any Lot in the Sierra Canyon development. "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 Residence (even if said lessee, renter or occupant has long term rights of possession and control of the Residence) 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 Residence all rights of an Association member for that Residence 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 Residence. At the time a lessee, renter or occupant ceases to occupy a Residence 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).

(ff) "Phase" means the property described in Exhibit "A", and any real property (Sierra Canyon Common Areas and Lots) that are subsequently annexed to Sierra Canyon pursuant to a single Notice of Annexation.

(gg) "Property" means the Initial Covered Property, as described in Exhibit "A", attached hereto, and any Annexable Property that is subsequently annexed thereto pursuant to a Supplemental Declaration. At times herein the Property is referred to as "Sierra Canyon"

(hh) "Qualified Occupant" means any of the following Occupants:

(i) any Age-Qualified Occupant;

(ii) any person nineteen (19) years of age or older who Occupies a Residence with an Age-Qualified Occupant;

(iii) any person nineteen (19) years of age or older who Occupied a Residence with an Age Qualified Occupant and who continues, without interruption, to Occupy the same Residence as his or her primary domicile, after termination of the Occupancy of the Age-Qualified Occupant; and

(iv) Any guest of a Qualified Occupant under fifty-five (55) years of age who resides in a Residence for periods of time, not to exceed sixty (60) days total for each such guest in any calendar year.

Notwithstanding the above definitions, an Occupant of an ancillary "guest house" or inlaw suite" on a Lot, unless also a Qualified Occupant of the primary Residence on the Lot, shall not be a Qualified Occupant.

(ii) "Residence" means collectively all Lots, Multi-Family Residences and Nonresidential Areas.

(jj) "Sierra Canyon" is the name of the common interest community that the Declarant has planned for development within Sierra Canyon.

(kk) "Sierra Canyon Common Area" means all of the real property designated as such in this Declaration or pursuant to final maps recorded with respect to any Phase of the Sierra Canyon development and all real property interests (e.g. , fee title or easements) acquired by the Association, whether from Declarant or otherwise. The Sierra Canyon Common Areas are limited common elements within the Sierra Canyon phases of the Somerset Subdivision.

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

(mm) "Somerset" means and refers to the master planned community that is being developed, marketed and sold by the Master Declarant in accordance with the plan of development set forth in the Master Declaration, and other governmental approvals.

(nn) "Somerset Aesthetic Guideline Committee" means the committee by that name that was organized by the Master Declarant pursuant to Article VI of the Master Declaration.

(oo) "Special Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.03, below.

(pp) "Special Individual Assessment" means an Assessment levied against an Owner and his or her Lot pursuant to Section 3.04, below.

Section 1.03. Other Basic Provisions. The "Other Basic Provisions" enumerated in Article I, Section 2, of the Master Declaration are supplemented in the following respects with respect to the Sierra Canyon development:

(a) Article I, Section 2, subparagraph as of the Master Declaration enumerates certain Special Declarant Rights. With the consent of the Master Declarant, in order to implement the plan of common interest development contemplated by this Supplemental Declaration the Declarant shall have the following Special Declarant Rights within the Sierra Canyon development:

(i) To create Residences or Common Elements, subdivide Units or convert Units into Common Elements, or withdraw real estate within Sierra Canyon in all areas described on Exhibit "A" and "A-I ", 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;

(ii) To complete improvements indicated on plats and plans or in this Declaration within any portion of Sierra Canyon at any time during the term of this Declaration;

(iii) To exercise as a special Declarant's right any development right reserved in this subparagraph (a) and in subparagraphs (b) through (e), below;

(iv) To maintain sales offices, management offices, or security offices, construction offices, equipment and material storage areas, signs advertising Sierra Canyon, and to conduct other activities reasonably related to the development of Sierra Canyon at any time within the term of this Declaration. The right of the Declarant to decide the number, size, location and relocation of improvements within Sierra Canyon, shall be exercised in its sole discretion;

(v) To use easements through Sierra Canyon, including the Sierra Canyon Common Areas, for the purpose of making improvements within Sierra Canyon whether said easements exist now or are hereafter created, within the term of this Declaration;

(vi) To appoint or remove any officer of the Association or any member of its Board of Directors and Architectural Review Committee during any portion of the Declarant Control Period (as defined in Section 1.02(q), above, and as defined in the Act);

(vii) To exercise the rights stated in Article I, Sections 3 (entitled "Lot Boundary Relocations") and 4 (entitled "Lot Subdivision") of the Master Declaration with respect to Declarant's development activities within Sierra Canyon.

(b) As to any developmental right which may be exercised by the Declarant with regard to different parcels of real estate within Sierra Canyon at different times:

(i) 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

(ii) Any development right exercised by the Declarant in any portion of Sierra Canyon that is subject to that developmental right does not require the exercise of that developmental right in any other portion of the remainder of Sierra Canyon.

(c) There are no other conditions or limitations under which the rights described in (a), above, may be exercised or will lapse.

(d) Each of the Lots within Sierra Canyon shall have the following allocated interests:

(i) A fraction or percentage of the Common Expenses of the Association equal to one (1) divided by the total number of Lots which have reached the Assessment Threshold. This allocation is established because during the phased construction of Sierra Canyon when Common Expenses of the Association benefit fewer than all the Lots (i.e.,

the Lots which have Residences that are capable of being occupied are benefited by the expenses), and should be assessed exclusively against the benefited Lots; and

(ii) One vote in the Association for each Lot, plus one vote for each Lot annexed in the future. The withdrawal of Lots by Declarant or other reduction in the number of Lots does not affect the liability for Common Expenses of each remaining Lot and may increase the proportionate share of responsibility for Common Expenses of 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 accordingly.

(e) In the event that future phases of Sierra Canyon include any Sierra Canyon Common Areas or Common Elements that will be added to the Association's Sierra Canyon Common Areas or Common Elements after the date on which Owners other than the Declarant may elect a majority of the members of the Association's Board of Directors, the Declarant or successor declarant who is constructing such additional Common Elements is responsible for:

(i) Paying all expenses related to the additional Common Elements which are incurred before the conveyance of the additional Common Elements to the association; and

(ii) Except as otherwise provided in NRS 116.31038, delivering to the Association that Declarant's share of the amount specified in the study of the reserves which satisfies the requirements of NRS 116.31152.

As used in this subparagraph (e) "successor declarant" includes, without limitation, any successor declarant who does not control the Association.

(f) Sierra Canyon is a senior citizen housing development that is intended to qualify as "housing for older persons" exempt from the age restriction prohibition contained in the Fair Housing Act". In order to satisfy the requirements of the Fair Housing Act, at least eighty percent (80%) of the occupied Residences within Sierra Canyon shall be occupied by at least one person fifty-five (55) years of age or older; the Association shall publish and adhere to policies and procedures which demonstrate an intent by the Association to provide housing for persons fifty-five (55) years of age or older; and the Association shall maintain, through reliable surveys and affidavits, verification of the ages of its residents, which can be produced in response to a complaint filed under the Fair Housing Act.

ARTICLE II Sierra Canyon Association

Section 2.01. Associations with Jurisdiction within Sierra Canyon By Del Webb at Somersett.

(a) The Master Association. Lot Owners in Sierra Canyon are members of the Somersett Owners Association, a Nevada nonprofit corporation. Among other things, the Master

Association owns, manages, and maintains the Sierra Canyon Common Areas within Somerset, as defined in Article I, section 2g, of the Master Declaration. As so defined, the Sierra Canyon Common Areas include, among other properties, a Par-3 golf course and a recreation and community center that is known as The Club At Town Center. Because Sierra Canyon by Del Webb at Somerset will have its own recreation facilities owned by the Sierra Canyon Association, membership in the Master Association shall not, in and of itself, confer any rights on Lot Owners within Sierra Canyon to access, use or enjoy the recreational facilities of The Club at Town Center.

(b) Sierra Canyon at Somerset Association. Sierra Canyon Association shall be a nonprofit Nevada corporation formed under Chapter 82 of the NRS.116.31.02. The Association is not authorized to have and shall not issue any capital stock. Not later than the date of recordation of this Notice of Annexation and Supplemental Declaration for Sierra Canyon, the Declarant shall cause the Articles of Incorporation of the Association 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 of Incorporation, Bylaws, and this Declaration. On or before the first close of escrow for the sale of a Lot in each Phase of Sierra Canyon to an Owner other than the Declarant, the Declarant shall convey fee simple title to the Sierra Canyon Common Area located in that Phase to the Association, and thereupon the Association shall be charged with the duties and invested with the powers set forth in the Governing Documents, including, but not limited to, the ownership, control, maintenance and repair of the Sierra Canyon Common Area and common elements. All Owners of Lots in Sierra Canyon shall be Members of the Association.

Section 2.02. Association Action, Board of Directors and Officers. The Association shall have all powers enumerated in NRS. 116.31.02 which do not conflict or are not inconsistent with the powers stated in the Governing Documents. With the exception of those matters requiring approval of members of the Association under the Governing Documents or Nevada law, the affairs of the Association shall be conducted and all corporate powers shall be exercised by the Board of Directors and such officers as the Board may elect or appoint. Except as otherwise provided in the Governing Documents or Nevada law, all matters requiring the approval of the Members of the Association shall be deemed approved if approved by a majority of a quorum of the Members.

Section 2.03. Officers and Members of Board. The governing body of the Association shall be the Board of Directors. The Board may act in all instances on behalf of the Association, subject to the provisions of this Declaration and the Association's Articles of Incorporation and Bylaws and the applicable provisions of Nevada law.

Section 2.04. Declarant Control. Subject to the provisions of NRS 116.31032 and during the maximum time period stated in NRS 116.3 (the "Declarant Control Period") the Declarant shall control the Association. During the Declarant Control Period, the Declarant, or persons designated by it, may appoint or remove the officers and members of the Board.

Section 2.05. Association Membership. Every Owner shall be a member of the Association. If a Lot is owned by more than one person, all co-Owners of the Lot shall share the privileges of such membership, subject to reasonable Board regulation, such reasonable fees as

may be established by the Board from time to time, and any restriction on the use and enjoyment of the Association's recreational Common Elements by persons who are not Age Qualified Occupants. All co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by an officer, director, partner, member or trustee, or by any other individual having apparent authority or designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

Section 2.06. Voting Rights.

(a) Single Class of Membership. The Association shall have one class of membership composed of all Owners. Each Owner shall have one equal vote for each Lot in which the Owner holds an interest, provided that there shall only be one vote for each Lot and no vote shall be exercised with respect to any property that is exempt from the payment of Assessments.

(b) Special Declarant's Rights. The Special declarant's rights, including the right to approve, or withhold approval of, actions proposed under this Declaration or the other Governing Documents of the Association during the Declarant Control Period, are specified in the relevant sections of this Supplemental Declaration and in the Bylaws and Articles of the Association. The Declarant may appoint a majority of the members of the Board of Directors during the Declarant Control Period, as stated in the Bylaws.

(c) Proxy Voting. Members may vote directly or by proxy as provided in the Bylaws.

(d) Consent of Members in Lieu of Meeting. The Board of Directors shall determine whether votes shall be cast in person or by proxy at a meeting of the members of the Association or by mail as permitted by NRS section 82.276. When action is solicited by written consent of the members, the action shall carry if authorized by at least a majority of the voting power of the Members unless a greater proportion of the voting power is required for such action under the Bylaws or Nevada law.

(e) Suspension of Voting Rights. Voting rights may be temporarily suspended under those circumstances described in Article XII, section 2, of the Master Declaration, as modified by Paragraph 13, below.

(f) Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Lot to which it is appurtenant, and then, only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Lot shall pass automatically to the purchaser upon the recordation of a deed evidencing the transfer of title. In the case of an encumbrance recorded with respect to any Lot, the mortgagee shall not possess any membership rights until the mortgagee becomes an Owner by foreclosure or acceptance of a deed in lieu thereof. Tenants who are delegated rights of use pursuant to the rental or lease of a Residence do not thereby become members of the Association, although the tenant and his or her family and guests shall at all times be subject to

Sierra Canyon use restrictions and enforcement/disciplinary provisions of the Governing Documents. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 2.07. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots within Sierra Canyon and to enforce payment of such Assessments, as more particularly provided in Article III, below. Any Assessments levied by the Association against its Members shall be levied in accordance with, and pursuant to, the provisions of this Declaration.

Section 2.08. Powers and Authority of the Association.

(a) Powers, Generally. The Association shall have the responsibility of owning, managing and maintaining the Sierra Canyon Common Areas and Common Elements within Sierra Canyon and discharging the other duties and responsibilities imposed on the Association by the Governing Documents for the benefit of its members. In the discharge of those obligations, the Association shall have all of the powers of a Nevada nonprofit corporation, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents or applicable State or federal law. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon are set forth in Article IX of the Bylaws.

(b) Maintenance of Sierra Canyon Common Areas and Common Elements.

(i) Maintenance Generally. The Association shall maintain its Sierra Canyon Common Areas and Common Elements in good condition and repair. The Association shall also have the right and power, but not the obligation, to take such actions and adopt such rules as may be necessary or appropriate for control, relocation and management of wildlife, snakes, rodents and pests within any portion of the Sierra Canyon Common Area. In the event that any Limited Sierra Canyon Common Areas are established within any Phase of Sierra Canyon, all costs and expenses incurred by the Association to maintain, repair or replace that Limited Sierra Canyon Common Area shall be assessed solely to Owners of Lots in the area as a Cost Center Assessment in accordance with Section 3.01(e), below. Other Common Expenses of the Association that are not related to Limited Common Elements or other areas of Sierra Canyon that are designated as Cost Centers shall be allocated among and assessed against all Lots as part of the Association's Annual Assessment.

(ii) Association Maintenance Caused by Owner Negligence. If the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder, is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability

insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 3.04, below.

(iii) Association Defaults in Maintenance Responsibilities. In the event the Association fails to properly perform its maintenance responsibilities hereunder, the Declarant may, so long as the Declarant owns any land within Sierra Canyon, upon not less than ten (10) days prior notice and an opportunity for the Association to cure such failure, cause such maintenance or necessary repairs to be performed and in such event, shall be entitled to reimbursement from the Association for all costs incurred.

(iv) Owner Defaults in Maintenance Responsibilities. If an Owner fails to perform maintenance or repair functions on the Owner's Lot for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within fifteen (15) days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under subparagraph (c), below, to enter the Owner's Lot and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing before the Board of Directors or its duly appointed Compliance Committee. Expenses incurred by the Association in the course of performing its work can be recovered from the defaulting Owner as a Special Individual Assessment in accordance with Section 3.04, below.

(v) Cooperative Maintenance Obligations.

(A) Cooperation Among Association, Owners Generally. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and (with respect to Lots adjacent to the Golf Course), and the agents and maintenance personnel of the Association in the prosecution of their respective maintenance activities.

(B) Execution of Maintenance Agreements. The Association may contract with the Declarant, and/or the Master Association to discharge any Sierra Canyon Common Area maintenance and repair obligation hereunder in order to achieve economies of scale or to efficiently and cost effectively share maintenance equipment, maintenance personnel or contractors and other resources so long as the Board of Directors makes a reasonable determination that the terms and conditions of such maintenance agreements are competitive with, or more favorable than, the Association could obtain if the same or a similar contract was entered into with a third party contractor.

(c) Association's Limited Right of Entry.

(i) Right of Entry, Generally. Without limiting the foregoing description of powers, but in addition thereto, the Association and its agents shall have the right and power to enter any Lot to perform the Association's obligations under this Declaration, including: (A) obligations to enforce the Architectural Review and approval requirements (including, without limitation, any requirements pertaining to landscape installation and

maintenance), or land use restrictions of Articles V and VI, below; (B) any obligations with respect to construction, maintenance and repair of adjacent Sierra Canyon Common Area; or (C) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, any portion of Sierra Canyon or the Owners in common.

(ii) Limitations on Exercise of Right. The Association's right of entry pursuant to this subparagraph (c) shall be subject to the following:

(A) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of an emergency originating in or threatening the Lot where entry is required or any adjoining Lots or Sierra Canyon Common Area. The Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(B) In all non-emergency situations involving routine repair and/or maintenance activities, the Association, or its agents, shall furnish the Owner or his or her lessee with at least twenty-four (24) hours prior written notice of its intent to enter the Lot, specifying the purpose and scheduled time of such entry, and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing on the Lot.

(C) In all non-emergency situations involving access by the Association for purposes of enforcing the Governing Documents against an Owner in default, the Association's entry shall be subject to observance of the notice and hearing requirements imposed by Nevada Revised Statutes section 116.31085, subparagraph 5.

(D) In no event shall the Association's right of entry hereunder be construed to permit the Association or its agents to enter any Residence without the express permission of the Owner or tenant.

Section 2.09. Fee Title In Sierra Canyon Common Area. The Declarant shall convey fee simple title to the Sierra Canyon Common Areas and Common Elements located in each phase of Sierra Canyon to the Association, free of all encumbrances and liens, with the exception of current real property taxes (which shall be prorated as of the date of such conveyance) and any easements, conditions and reservations then of record, including those set forth in this Declaration. Such conveyance shall be made prior to, or concurrently with, the first transfer or conveyance by a Declarant of a Lot in such phase to a purchaser.

Section 2.10. Supplemental Declarations. Nothing contained herein shall prohibit or impair the right of the Declarant to record additional or supplemental covenants, conditions and restrictions ("Supplemental Declarations") which apply to only a portion of the Sierra Canyon development, in order to (among other purposes), establish rights and obligations regarding Limited Sierra Canyon Common Areas and/or to designate Cost Centers, so long as all Owners subject thereto and the Declarant consent, and provided further that any conflict between the provisions of any Supplemental Declaration shall be governed by the provisions hereof. For so

long as the Master Declarant retains any special declarant's rights under the Master Declaration, recordation of a Supplemental Declaration by the Declarant shall also require the consent of the Master Declarant. See Section 15.05, below.

ARTICLE III Association Assessments

Section 3.01. Assessments, Generally.

(a) Agreement to Pay. Declarant, for each Lot owned by it in Sierra Canyon and each Owner, by its acceptance of a deed for each Lot 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. The obligation of Owners to pay Assessments shall commence on the first day of the month next following the first sale of a Lot in the Phase in which the Owner's Lot is located. An Owner shall not be assessed for Common Expenses unless the Assessment Threshold for his or her 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 of Incorporation 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 III.

(b) Assessment Obligations to the Master Association. Lot Owners are also encouraged to read Article III of the Master Declaration which pertains to the obligation of Lot Owners in Sierra Canyon to pay Assessments to the Master Association. Because Owners of Lots and residents of Sierra Canyon do not have rights as members of the Master Association, or as tenants or guests of members of the Master Association to access and use the The Club at Town Center (which is a recreational Common Element of the Master Association), Sierra Canyon Owners pay annual assessments to the Master Association at a rate which is less than the annual assessment paid by other members of the Master Association. Specifically, the Master Association annual assessment that is levied on Sierra Canyon Owners and their Lots does not include any common expenses (including reserve contributions) that are attributable to the Master Association's ownership, maintenance, repair or operation of The Club at Town Center and its facilities.

(c) Personal Obligations. Each Assessments, 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 Assessments at the time such Assessments or installment became due and payable. If more than one person or entity was the Owner, the personal obligation to pay such Assessments or installment respecting such real estate shall be both joint and several. Subject to the provisions of Article IX, Section 2, below, a purchaser of a Lot shall be jointly and severally liable with the seller for all unpaid Assessments against the Lot 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 the Owner's Lot or by non-use of any Association facilities.

(d) 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 as specified in the Governing Documents of the Association, 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.

(e) Designation of Cost Centers. The Declarant in a Supplemental Declaration, shall have the power and authority to designate Lots and Sierra Canyon Common Areas within Sierra Canyon as a Cost Center for purposes of expense accounting and the equitable allocation of Common Expenses in accordance with Sections 3.02(b) and 3.05, below. A Cost Center is likely to be designated under any of the following circumstances: (i) when the Association will be responsible for maintaining, repairing or replacing a Common Facility or improvement that either disproportionately benefit some Owners (or is only available to some Owners) to the exclusion of other Owners; (ii) when the Association will be responsible for maintaining certain portions of Lots that either disproportionately benefit some Owners (or is only available to some Owners) to the exclusion of other Owners; or (iii) when certain Owners of Lots are receiving services from the Association that are in addition to, or significantly greater than, the services provided to other Owners or residents. Under those circumstances, the disproportionately or exclusively benefited Lots may be designated as a Cost Center and the Owners of those Lots will be obligated to pay a Cost Center Assessment Component (see Section 4.02((b)(ii), below) to defray the expenses incurred by the Association to provide the special benefits or services.

In accordance with section 116.3115 of the Act, any Common Expense associated with the maintenance, repair, restoration or replacement of any limited Sierra Canyon Common Area must be assessed solely to the Owners of Lots to which the Limited Sierra Canyon Common Area is appurtenant. Similarly any Common Expense or portion thereof that benefits fewer than all of the Lots must be assessed exclusively against the Lots that are benefited. For example, if a Phase was developed to include private streets accessed by a gated entrance and the Association was responsible for the repair, maintenance and eventual replacement of the streets and the gates and other entry features, the Lots that are accessed by the private roads and gated entrance could be designated as a Cost Center and the cost of the Association's obligations with respect to the private streets, gates and other entry features could be recovered from the Owners of those Lots as a Cost Center Assessment Component.

No Cost Centers have been established with respect to the Initial Covered Property. However, as portions of the Annexable Property are subjected to this Declaration, new Cost Centers within the annexed Phase may be designated in the Supplemental Declaration Recorded with respect to the annexed Phase which shall (i) identify the Lots comprising the Cost Center; (ii) identify the Common Facilities, maintenance areas or other services that will exclusively or disproportionately benefit the Owners of Lots within the Phase; and (iii) provide for the allocation of Common Expenses attributable to the identified Common Facilities or services to Owners within the Cost Center as a Cost Center Assessment Component of their Regular Assessment. Ordinarily the Cost Center Assessment Component shall be allocated equally among all Lots in the Cost Center unless it is reasonably anticipated that the value of the services