

recorded pursuant to this Declaration. Notwithstanding any other provisions of the Governing Documents, until such time as Declarant is no longer entitled to create Annexable Property by annexation without the vote of the Members, the following actions, before being undertaken by the Members or the Association, shall first be approved in writing by Declarant:

(a) Specified Approvals. Any amendment or action requiring the approval of Declarant pursuant to this Declaration, and any amendment or action requiring the approval of first Mortgagees pursuant to this Declaration (the Association shall provide Declarant with all notices and other documents to which a Mortgagee is entitled pursuant to this Declaration, provided that Declarant shall be furnished such notices and other documents without making written request);

(b) Special Assessments. The levy of a Special Assessment for the construction of new facilities by the Association not originally included in the Sierra Canyon Common Areas; or

(c) Service/Maintenance Reductions. Any significant reduction of Sierra Canyon Common Area maintenance or other services or entering into contracts for maintenance or other goods and services benefiting the Association or the Sierra Canyon Common Area at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services.

Section 10.02. Exemptions From Restrictions Otherwise Applicable. Nothing in the Governing Documents shall limit and no Owner or the Association shall do anything to interfere with the right of Declarant, either directly or through their respective agents and representatives, to subdivide, re-subdivide, sell, resell, rent or re-rent any portion of Sierra Canyon, or the right of Declarant to complete excavation, grading, construction of Improvements or other development activities to and on any portion of Sierra Canyon owned by Declarant or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of Sierra Canyon so long as any Lot or any portion of the Overall Development is owned by Declarant. Such right shall include, but shall not be limited to, carrying on by Declarant and their respective agents and representatives of such grading work as may be approved by the County or other agency having jurisdiction, and erecting, constructing and maintaining within Sierra Canyon such structures, signs and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. Each Owner, by accepting a deed to a Lot, hereby acknowledges that any construction or installation by Declarant may impair the view of such Owner, and hereby consents to such impairment.

Section 10.03. Rights to Use Sierra Canyon Common Areas and Common Facilities in Connection With Development and Sales Activities. Declarant may enter upon the Sierra Canyon Common Area (including, without limitation any Recreation Center), for the benefit of Declarant or for the benefit of portions of the Overall Development whether or not then annexed, or any combination of them, to complete the development, improvement and sale of Lots and the construction of any landscaping or other Improvement to be installed on the Sierra Canyon Common Area. Declarant shall also have the right of nonexclusive use of the Sierra Canyon

Common Areas and the Common Facilities, without charge, for sales, display, access, ingress, egress, exhibition and occasional special events for promotional purposes, which right Declarant hereby reserves; provided, however, that such use rights shall terminate on the date on which Declarant no longer owns any Lots within Sierra Canyon and Declarant's unilateral right to annex portions of the Overall Development has expired. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein and all direct costs and expenses associated with Declarant sales and promotional activities (including, without limitation, any costs or expenses required to clean or repair any portion of the Sierra Canyon Common Area that are damaged or cluttered in connection with such activities) shall be borne solely by the Declarant and any other sponsor of the activity or event. The rights reserved to the Declarant by this section shall extend to any employee, sales agents, prospective purchasers, customers and/or representatives of the Declarant and shall continue for so long as the Declarant owns any Lots in Sierra Canyon. Without limiting the foregoing, the rights reserved to the Declarant in this Section 10.03 may include permitting access to and use of the Golf Course by prospective purchasers, customers and/or representatives of the Declarant.

Section 10.04. Amendment of Plans. Subject to approval, as necessary, by the Master Declarant, the Somerset Aesthetic Guideline Committee, and/or the City of Reno, Declarant may, from time to time as it deems fit, amend its plans for the Sierra Canyon development.

Section 10.05. Right to Enforce Architectural Review and Approval Requirements. For so long as the Declarant has the right to appoint the members of the Architectural Review Committee, the Declarant shall have the right to initiate action to correct or prevent any activity, condition or Improvement that is not in substantial compliance with approved plans and specifications to the same extent as the Association if: (a) the Committee has issued a Notice of Noncompliance; and (b) the Association, after having a reasonable opportunity to do so, is unable or unwilling to initiate enforcement action. In the event that such action is initiated by the Declarant and it is later determined by an arbitrator or a court of competent jurisdiction that the Owner of the subject Lot was, in fact, proceeding in violation of the approved plans and specifications, any reasonable costs incurred by the Declarant in initiating enforcement action, including reasonable attorneys fees, which are not the subject of an award of fees and/or costs against the offending Owner may be charged to the Association pursuant to Section 6.19, above (relating to Association funding of architectural review costs).

Section 10.06. Vacation Units. During any period in which Declarant is marketing Lots in Sierra Canyon, Declarant may construct and use vacation units. Vacation units are Lots with Residences that Declarant may own and operate for purposes of allowing potential purchasers to visit and stay at Sierra Canyon on a temporary basis to sample the lifestyle and tour the Common Facilities. Declarant may rent (or allow free use of) vacation units to prospective purchasers and other guests of Declarant for short-term vacation use. Vacation units may also be sold to third parties for single family residential use or other use in accordance with the Specific Plan. All authorized occupants of vacation units shall be entitled to use and enjoy the Sierra Canyon Common Areas including the Recreation Center and other recreational Common Facilities. A Use and Contribution Agreement may be entered into between the Declarant and the Association to provide for payment to the Association of an amount equal to the amount of the Regular Assessment payable by other Lots for each vacation unit.

**Section 10.07. Termination of Any Responsibility of Declarant.** In the event the Declarant conveys all of its rights, title and interest to any partnership, limited liability company, individual or individuals, corporation or corporations, in and to the Sierra Canyon development, and the acquiring person or entity is designated as a successor Declarant as to all Sierra Canyon conveyed, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of Declarant. This Article shall not terminate any responsibility of the Declarant for acts or omissions occurring prior to the conveyance to such partnership, individual or individuals, corporation or corporations. However, this shall not limit Declarant's right to enter into a contract or agreement dealing with such acts or omissions provided the contract or agreement is enforced by Declarant, if necessary.

**Section 10.08. No Amendment or Repeal.** So long as Declarant owns any Lots within Sierra Canyon, the provisions of this Article may not be amended or repealed without the consent of Declarant.

## ARTICLE XI Notices

**Section 11.01 Mailing Addresses.** Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to Declarant:

PN II, Inc.  
985 Sun City Lane  
Lincoln, California 95648  
(or to such other address as

Declarant may from time to time  
designate in writing to the Association)

If to any Owner:

To the street address of his or her Lot or to such  
other address as he or she may from time to time  
Designate in writing to the Association for purposes  
of notice.

If to the Association:

Sierra Canyon Association, at the principal office of  
the Association (or to such other address as the  
Association may from time to time designate in  
writing to the Owners)

**Section 11.02. Personal Service Upon Co-Owners and Others .** Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of Record of the Lot, or to any officer or agent for service of process of a

corporation which is the Owner of Record of the Lot, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 11.03. Deposit in United States Mail. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four (4) days after deposit in the United States mail in Washoe County.

## ARTICLE XII Term and Amendment of Declaration

Section 12.01. Term of Declaration. 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 in the Official Records of Washoe County, Nevada.

### Section 12.02. Amendment of Declaration.

(a) Amendment Prior to the Sale of Lots. Prior to the sale of Lots in Sierra Canyon, this Declaration may be amended by the Declarant with the consent of the Master Declarant.

(b) Amendment Following the Close of Escrow in the Sale of a Lot. Subject to subparagraphs (d) through (g), below, this Declaration may be amended by an instrument signed by more than fifty percent (50%) of the voting power of the Members of the Association. Any amendment must be recorded in the Official Records of Washoe County, Nevada or it has no effect. For purposes of this subparagraph (c), the signature of one of the Owners of any Lot that has more than one Owner of record shall be deemed sufficient.

(c) Lender Approvals. During the Declarant Control Period, 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 Sierra Canyon, 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.

(d) Declarant Approvals. The following provisions of this Declaration may only be amended or repealed with the prior consent of the Declarant:

(e) Master Declarant Approvals. The following provisions of this Declaration may only be amended or repealed with the prior consent of the Master Declarant:

(f) Approval of Owner of the Golf Course. The following provisions of this Declaration may only be amended or repealed with the prior consent of the owner of the Golf Course:

Section 12.03. Declarant's Right to Withdraw Real Estate From the Sierra Canyon Development With Master Declarant Consent. So long as the Master Declarant's approval is first obtained in writing, the Declarant shall have the right to withdraw real estate from the Sierra Canyon development unless the prior written consent of the Declarant. The granting or denial of consent shall be in the Master Declarant's sole discretion and, if approved, the consent shall be recorded concurrently with the recorded notice of withdrawal.

### **ARTICLE XIII Enforcement of the Declaration**

Section 13.01. Enforcement. Except as expressly limited herein, Association, Declarant and any Owner shall have the right to enforce the provisions of this Declaration now or hereafter imposed by arbitration as prescribed by Nevada Revised Statutes 38.300-360, or by any proceeding at law or in equity. Failure by the Association, Declarant or by any Owner to enforce any provision shall in no event be deemed a waiver of the right to do so thereafter. The Association may 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.

Section 13.02. Suspension of Privileges. References in this Section of the Master Declaration to the "Association" and the "Board" shall include the Sierra Canyon Association and its Board of Directors and the following provisions shall be added to the Section: If a Lot Owner or a tenant or guest of a Lot Owner, violates any provision of the Governing Documents of the Association, the Board of Directors may pursue any of the following remedies in accordance with NRS section 116.31031:

(a) Prohibit, for a reasonable time, the Owner or the tenant or guest of the Owner from:

(i) Voting on matters related to the Sierra Canyon development.

(ii) Using the Sierra Canyon Common Areas and Common Elements within Sierra Canyon. The provisions of this subparagraph do not prohibit the Lot Owner, the tenant or guest of the Owner from using any vehicular or pedestrian ingress or egress to go to or from the Lot, including any area used for parking.

(b) Impose a fine against the Owner or the tenant or guest of the Lot Owner for each violation, except that a fine may not be imposed for a violation that is the subject of a construction penalty pursuant to Section 6.14(d), above. The fine must be commensurate with the severity of the violation, but must not exceed \$100 for each violation. The limitations on the

amount of the fine do not apply to any interest, charges or costs that may be collected by the Association pursuant to this section if the fine becomes past due.

(c) If a fine is imposed pursuant to subparagraph (b) and the violation is not cured within fourteen (14) days, or within any longer period that may be established by the Board of Directors, the violation shall be deemed a continuing violation. Thereafter, the Board of Directors may impose an additional fine for the violation for each seven (7) day period or portion thereof that the violation is not cured. Any additional fine may be imposed without notice and an opportunity to be heard.

(d) Except as otherwise provided in subparagraph (c), above, the imposition of a fine pursuant to this section must comply with the requirements of subsection 6 of NRS 116.31065, namely that the person who is alleged to be in violation must have received notice of the violation that informs the noticed person of his or her opportunity to request a hearing on the alleged violation and at least thirty (30) days before the alleged violation, the person alleged to have violated the rule must have received notice of the rule's existence (including any amendments to the rule).

(e) Any past due fine shall bear interest at the rate established by the Association, not to exceed the legal rate per annum. Fines may also include any costs of collecting the past due fine at a rate established by the Association; provided, however that if the past due fine is for a violation that does not threaten the health, safety or welfare of the residents of the commoninterest community, the rate established by the association for the costs of collecting the past due fine: (i) may not exceed \$20, if the outstanding balance is less than \$200; (ii) may not exceed \$50, if the outstanding balance is \$200 or more, but is less than \$500; and (iii) may not exceed \$100, if the outstanding balance is \$500 or more, but is less than \$1,000. "Costs of collecting" include, without limitation, any collection fee, filing fee, recording fee, referral fee, fee for postage or delivery, and any other fee or cost that the Association may reasonably charge to Owners for the collection of a past due fine. "Costs of collecting" shall not include any costs incurred by the Association in connection with a civil action to enforce payment of a past due fine. The "outstanding balance" of a past due fine means the amount of the fine that remains unpaid before any interest, charges for late payment or costs of collecting the past due fine are added.

### Section 13.03. Owner and Association Obligations.

(a) Obligation to Follow Maintenance Recommendations and Schedules. All Owners and the Association shall be obligated to follow the Declarant's maintenance recommendations and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided with such Owner's Lot or the Sierra Canyon Common Area, or any improvements thereon, as well as all commonly accepted maintenance practices (collectively, "Maintenance Recommendations").

(b) Obligation to Retain Documents and Provide Copies to Successors. On or before the close of escrow in the initial sale of any Lot by the Declarant, the initial Owners of the Lot shall receive from the Declarant copies of certain documents in conjunction with the

purchase of the Lot, including copies of this Declaration, the Declarant's Maintenance Manual, maintenance recommendations from products manufacturers for manufactured products or appliances included with the Lot, a limited warranty, claim forms, and other documentation relating to the procedures for resolving disputes between Owners and the Declarant regarding alleged defects in the construction of Residences. By this provision, all Owners shall be obligated to retain these documents and provide copies of such documents to their successors in interest upon the sale or transfer of such Owner's Lot.

Section 13.04. Disputes Involving Declarant.

(a) AGREEMENT TO ARBITRATE.

IT IS AGREED THAT ANY DISPUTES BETWEEN THE ASSOCIATION OR ANY OWNERS, AND THE DECLARANT, ANY DIRECTOR, OFFICER, PARTNER, EMPLOYEE, CONTRACTOR (AS DEFINED IN NRS 40.615), SUBCONTRACTOR, DESIGN PROFESSIONAL OR AGENT OF THE DECLARANT (COLLECTIVELY "DECLARANT PARTIES") ARISING UNDER THE GOVERNING DOCUMENTS OR RELATING TO THE DEVELOPMENT, INCLUDING, WITHOUT LIMITATION, CLAIMS FOR BREACH OF CONTRACT, EXPRESS OR IMPLIED, BREACH OF WARRANTY, STRICT LIABILITY, NEGLIGENCE, NUISANCE, STATUTORY VIOLATION, MISREPRESENTATION, FRAUD, (INCLUDING CLAIMS IN ANY MANNER RELATING TO OR ARISING OUT OF A CONSTRUCTIONAL DEFECT AS DEFINED IN NRS 40.615 WHICH HAVE NOT BEEN RESOLVED AS PROVIDED IN NRS 40.680(2) (MEDIATION)), SHALL BE RESOLVED BY BINDING ARBITRATION PURSUANT TO NRS CHAPTER 38. OWNER AND ASSOCIATION HEREBY WAIVE ANY RIGHT OWNER OR ASSOCIATION MAY HAVE TO BRING AN ACTION IN COURT, INCLUDING, BUT NOT LIMITED TO, ANY SUCH RIGHT OF OWNER OR ASSOCIATION UNDER NRS 40.680, AND ANY RIGHT OWNER OR ASSOCIATION MAY HAVE TO BECOME A PARTY TO A CLASS ACTION CLAIM.

(b) RIGHT TO REPAIR. NOTHING SET FORTH IN THIS SECTION 13.04 IS INTENDED TO AFFECT THE RIGHTS OF THE DECLARANT, CONTRACTORS OR SUBCONTRACTORS UNDER NRS CHAPTER 40 TO REPAIR ANY CONSTRUCTIONAL DEFECT.

(c) RULES FOR THE ARBITRATION PROCEEDING. DISPUTES SHALL BE RESOLVED IN ACCORDANCE WITH THE CONSTRUCTION INDUSTRY ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION ("AAA"), THE AAA'S SUPPLEMENTARY PROCEDURES FOR CONSUMER/RESIDENTIAL CONSTRUCTION DISPUTES (COLLECTIVELY, THE "CONSTRUCTION INDUSTRY RULES") AND THE TERMS OF THIS AGREEMENT IN THE EVENT THE PROVISIONS OF THIS AGREEMENT ARE INCONSISTENT WITH THE CONSTRUCTION INDUSTRY RULES, THE CONSTRUCTION INDUSTRY RULES SHALL CONTROL. IF THE MATTER PROCEEDS TO ARBITRATION, DISCOVERY SHALL BE ALLOWED PURSUANT TO THE NEVADA RULES OF CIVIL PROCEDURE ("NRCP"). IN THE EVENT ANY PROVISION OF NRCP

**PERTAINING TO DISCOVERY IS INCONSISTENT WITH THE CONSTRUCTION INDUSTRY RULES, SUCH PROVISIONS OF NRCP SHALL PREVAIL. ARBITRATION OF ANY MATTER PURSUANT TO THIS CLAUSE SHALL NOT BE DEEMED A WAIVER OF THE ATTORNEY/CLIENT OR ATTORNEY/WORK PRODUCT PRIVILEGE IN ANY MANNER.**

**(i) ARBITRATOR. THE DISPUTE CONSTITUTING A CLAIM SHALL BE HEARD AND DETERMINED BY A SINGLE NEUTRAL ARBITRATOR WHO HAS EXPERTISE IN THE AREA OF THE DISPUTE. THE ARBITRATOR SHALL BE APPOINTED WITHIN A PERIOD OF TIME, WHICH IN NO EVENT SHALL BE MORE THAN SIXTY (60) DAYS FROM THE ADMINISTRATOR'S RECEIPT OF A WRITTEN REQUEST FROM A PARTY TO ARBITRATE THE CLAIM OR DISPUTE. IN SELECTING THE ARBITRATOR, THE PROVISIONS OF THE CONSTRUCTION INDUSTRY RULES SHALL APPLY.**

**(ii) JOINER OF PARTIES. THE PARTIES MAY JOIN OTHER PARTIES AS PROVIDED IN THE CONSTRUCTION INDUSTRY RULES. FOR EXAMPLE, THE DECLARANT MAY INCLUDE ITS CONTRACTOR AND ANY AND ALL SUBCONTRACTORS AND SUPPLIERS OR OTHER PARTIES IN THE ARBITRATION.**

**(iii) LOCATION OF ARBITRATION. THE VENUE OF THE ARBITRATION SHALL BE IN A LOCATION IN THE COUNTY WHERE THE PROPERTY IS LOCATED. UNLESS THE PARTIES AGREE OTHERWISE, THE ARBITRATION SHALL COMMENCE, BE CONDUCTED, AND CONCLUDE PROMPTLY IN ACCORDANCE WITH THE CONSTRUCTION INDUSTRY RULES.**

**(iv) AWARD. THE ARBITRATOR IS AUTHORIZED TO PROVIDE ALL RECOGNIZED REMEDIES AVAILABLE IN LAW OR IN EQUITY FOR THE CLAIMS. THE AWARD OF THE ARBITRATOR SHALL BE ACCOMPANIED BY DETAILED WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW. ANY AWARD RENDERED BY THE ARBITRATOR MAY BE CONFIRMED, ENTERED AND ENFORCED IN ANY COURT HAVING JURISDICTION OVER THE MATTER.**

**(v) STRICT CONFIDENTIALITY. EXCEPT AS MAY BE REQUIRED BY LAW OR FOR CONFIRMATION OF THE AWARD, NEITHER OF THE PARTIES NOR THE ARBITRATOR MAY DISCLOSE THE EXISTENCE, CONTENT OR RESULTS OF THE ARBITRATION HEARING WITHOUT THE PRIOR WRITTEN CONSENT OF BOTH PARTIES AND SUCH CONTENT AND RESULTS ARE STRICTLY CONFIDENTIAL.**

**(vi) ARBITRATION COSTS AND ATTORNEYS FEES. ANY COSTS TO INITIATE ARBITRATION SHALL BE ADVANCED BY THE PARTY INITIATING THE ARBITRATION, BUT THE COSTS OF ARBITRATION SHALL ULTIMATELY BE BORNE BY THE LOSING PARTY AND, IF THERE IS MORE**



THAN ONE LOSING PARTY, IN SUCH PROPORTIONS AS THE ARBITRATOR MAY DETERMINE. THE PREVAILING PARTY OR PARTIES IN SUCH ARBITRATION SHALL BE ENTITLED TO RECOVER REASONABLE ATTORNEYS' FEES FROM THE LOSING PARTY OR PARTIES IN SUCH AMOUNTS AS THE ARBITRATOR SHALL DETERMINE.

(v) STATUTES OF LIMITATION. THE ARBITRATION MUST BE FILED WITHIN THE STATUTE OF LIMITATIONS APPLICABLE TO THE CLAIM.

(d) OWNER AND ASSOCIATION ARE AGREEING TO HAVE ANY DISPUTE ARISING OUT OF THE MATTERS INCLUDED IN THIS SECTION 13.04 DECIDED BY ARBITRATION AS PROVIDED BY NEVADA LAW AND OWNER AND ASSOCIATION ARE GIVING UP ANY RIGHTS OWNER AND ASSOCIATION MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT, INCLUDING A JURY TRIAL.

#### ARTICLE XIV

##### Annexation of Additional Annexable Property to Sierra Canyon

Section 14.01. Annexations, Generally. Any or all of the real property identified in Exhibit "B" (the "Annexable Property") may be annexed to and made subject to this Declaration by any of the methods hereinafter set forth. In this Article XIV, any reference to the "annexed property" or to an "annexed Phase" shall mean the property that is described in a duly Recorded Notice of Annexation or Supplemental Declaration. In accordance with Article I, Section 6, of the Master Declaration, other real property, not identified in Exhibit "B", may be annexed to the Development and become subject to this Declaration by a Notice of Annexation duly recorded in the office of the Washoe County Recorder, provided, however, that: (a) the land so annexed is a part of the Somersett development or a tentative map approval; (b) the Master Declarant has approved of the annexation in the Master Declarant's sole discretion; and (iii) the annexation otherwise complies with Article I, Section 2w of the Master Declaration and the Act.

Section 14.02. Unilateral Annexations. Declarant shall have the right to annex from time to time all or any portions of the Annexable Property so as to be subject to this Declaration and so that membership in the Association shall be appurtenant to ownership of Lots within the annexed Phase. Such annexation shall not require the approval of the Association or its Board of Directors, but shall be subject to the prior consent of the Master Declarant in accordance with Article I, section 6, of the Master Declaration.

Section 14.03. Conveyances of Sierra Canyon Common Area. Prior to the conveyance by Declarant of any Lot within a Phase annexed to this Declaration, fee simple title to any Sierra Canyon Common Area to be owned by the Association within such Phase shall be conveyed to the Association free and clear of any and all encumbrances and liens, except current real property taxes, which taxes shall be prorated to the date of transfer, and reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

Section 14.04. Notice of Annexation.

(a) Effect of Recordation of a Notice of Annexation. Any annexation of portions of the Annexable Property to Sierra Canyon authorized by this Declaration shall be made by Recording a Notice of Annexation, or other similar instrument, with respect to the additional real property which shall be executed by Declarant or the Owner thereof and shall extend this Declaration to such real property. The recordation of such a Notice of Annexation shall constitute and effectuate the annexation of the additional real property described therein, and thereupon said real property shall become and constitute a part of Properties, become subject to this Declaration and encompassed within the general plan and scheme of the covenants conditions and restrictions contained herein, and become subject to Assessment by the Association and to the functions, powers and jurisdiction of the Association, and the Owners of Lots in said real property shall automatically become Members of the Association.

(b) Contents of Notice of Annexation. The Notice of Annexation shall include the following:

(i) Legal Description of the Annexed Property. A legal description of the property included in the annexed property, separately identifying Lots and any Sierra Canyon Common Areas;

(ii) Statement Regarding Commencement of Assessments. The Notice of Annexation shall provide for a specified date on which Assessments shall commence for Lots in the annexed Phase, provided that the date specified may not be later than the first day of the first month following the month in which the first Lot in the annexed Phase is conveyed to an Owner other than the Declarant;

(iii) Application of Equitable Servitudes. A statement that all of the covenants, conditions and restrictions of this Declaration and the Master Declaration shall apply to property within the Annexed Phase in the same manner as if the annexed property was originally covered by this Declaration; provided, however, that additional or revised covenants, conditions and restrictions applicable to the annexed property (collectively, "supplemental restrictions"), may be imposed when, in the sole discretion of the Declarant (but with the prior approval of the Master Declarant), it is deemed necessary or appropriate and to impose supplemental restrictions in order to reflect differences in the nature, design or use of the Improvements to be constructed on Lots or Sierra Canyon Common Areas in the annexed Phase.

Supplemental restrictions may not alter the general common plan or scheme created by this Declaration, revise any restriction imposed by a governmental entity as a condition of approval of the Development (without the consent of that entity) or revoke, modify or add to the covenants, conditions and restrictions imposed by this Declaration with respect to portions of the Development initially subject to this Declaration or annexed Property to the Development prior to the annexed Phase. If supplemental restrictions are considered necessary or appropriate for a particular annexed Phase, they shall be set forth in a Supplemental Declaration attached to, or incorporated in, the Notice of Annexation (see Section 14.05, below).

Additional real property may be annexed to the Development and become subject to this Declaration in accordance with this section. Although the present intention of the Declarant is to develop Sierra Canyon and the balance of the Annexable Property as residential subdivisions with Sierra Canyon Common Areas and Common Facilities in conformance with a plan of phased development, nothing in this Declaration shall be construed or interpreted to commit Declarant to the development or annexation of any portion of the Annexable Property in accordance with any present planning.

Section 14.05. Supplemental Declarations.

(a) Authority to Record Supplemental Declarations. During the course of developing the Property, it may become necessary or appropriate for Declarant to Record a Supplemental Declaration. Recordation of Supplemental Declarations by Declarant, with the prior consent of the Master Declarant, is hereby approved.

(b) Content of Supplemental Declarations. Any Supplemental Declaration shall describe the portion of the Annexable Property to which it is to apply, recite that the Supplemental Declaration is being Recorded pursuant to the authority conferred by this Section and may include, without limitation:

(i) Description of Sierra Canyon Common Areas and Common Facilities. A description of any Sierra Canyon Common Areas (including all Limited Common Elements, as that term is defined in the Act) and Common Elements within the annexed Phase;

(ii) Specification of Property Use Restrictions Applicable to the Annexed Property. Property use restrictions and design and building standards which shall apply solely to the Lots (and any Improvements constructed thereon) within the annexed Phase;

(iii) Front Yard Maintenance. Provisions describing the nature and extent of the Association's duties and responsibilities, if any, with respect to front yards or rear yards that are to be maintained by the Association as a Cost Center;

(iv) Designation of Cost Centers. A Supplemental Declaration may designate one or more Cost Centers within the annexed Phase by including the information described in Section 4.01(e), above;

Section 14.06. Reconciling Conflicts Among Documents. This Declaration shall control if there is any conflict between any Notice of Annexation or Supplemental Declaration and the provisions of this Declaration; provided, however, that to the extent that any provision hereof is expressly modified by a Supplemental Declaration, with the consent of the Master Declarant, no conflict shall be deemed to exist; and, provided further, that this Declaration and any Supplemental Declaration shall be construed so as to be consistent with one another to the extent that the reconciliation of provisions is reasonably possible. However, the inclusion in any Supplemental Declaration of covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, limitations, liens or charges which are more restrictive or more inclusive

than in the Governing Documents shall not be deemed to constitute a conflict with the provisions of this Declaration.

Section 14.07. De-Annexation and Amendment. Declarant has the right, at its sole option, to (a) amend a Notice of Annexation or a Supplemental Declaration, or (b) remove from the Development any property described in a Recorded Notice of Annexation or a Supplemental Declaration by executing and Recording a rescission of such document, so long as all of the following conditions are satisfied at the time of the execution of the amendment or rescission: (i) no Lot in the annexed Phase encumbered by the Notice of Annexation and/or Supplemental Declaration has been conveyed to an Owner; and (ii) Assessments have not commenced for any Lot in such annexed Phase. If Sierra Canyon Common Areas in the previously annexed Phase have been conveyed to the Association, then in the event of a rescission, such Sierra Canyon Common Area shall be conveyed back to Declarant promptly after the rescission. In the event of an amendment, if the amendment is such that some portion of that Sierra Canyon Common Area within the annexed Phase theretofore conveyed to the Association is excluded from the annexation, such portion shall be conveyed back to Declarant promptly after the amendment is adopted.

Section 14.08. Taxes and Assessments. All taxes and other Assessments relating to the Development in Phases authorized under Section 14.02, above, covering any period prior to annexation of the Phase shall be paid or otherwise provided for by the Declarant.

Section 14.09. Character of Sierra Canyon Common Area Improvements. The nature, design, quantity, quality and all other attributes of the Sierra Canyon Common Area, and the Common Facilities constructed or to be constructed within any annexed Phase, shall be determined in Declarant's sole and absolute discretion. The Association shall be unconditionally obligated to accept title to and maintenance responsibility for the Sierra Canyon Common Areas and Common Facilities, if any, when such title and maintenance responsibility are tendered by Declarant.

Section 14.10. Infrastructure Improvements. All intended infrastructure improvements in Phases that are annexed to the Development pursuant to Sections 15.02 and 15.03 of this Article shall be substantially completed or bonded to the satisfaction of the local governmental agency with authority therefor and the Federal National Mortgage Association prior to annexation and shall be consistent with the improvements originally constructed in the initial Phase of the Overall Development in terms of the quality of construction.

Section 14.11. Effect of Annexation.

(a) Application of Declaration to Annexed Phase. The Recordation of a Notice of Annexation shall constitute and effectuate the annexation of the Annexable Property described therein, and thereupon the annexed Phase shall become and constitute a part of the Development, and be subject to, and encompassed within, the general plan and scheme of this Declaration, subject only to such modification in said general plan as may be imposed by the Declaration of Annexation. Lots within the annexed Phase shall thereupon become subject to Assessment by the Association and to the functions, powers and jurisdiction of the Association, and the Owners of

Lots within the annexed Phase shall automatically become Members of the Association. Any Common Facilities (including private roads) which are included within the annexed Phase shall be conveyed to the Association, free of all liens and encumbrances, other than liens, rights-of-way or other encumbrances disclosed on the preliminary title report for the annexed Phase and approved by the Association. The conveyance of any Common Facilities in the annexed Phase to the Association shall occur immediately following Recordation of the Declaration of Annexation.

(b) Board's Obligation to Approve Budget Applicable to Phase. After a new Phase has been annexed, the Board shall approve a budget for the remainder of the current fiscal year for use upon commencement of Regular Assessments against Lots within the annexed Phase.

Section 14.12. Amendment of Annexation Provisions. Until such time as the Declarant no longer has any rights of unilateral annexation pursuant to Section 14.02, above, this Article may not be amended without the written consent of the Declarant and the Master Declarant, unless at the time of the amendment all property constituting Annexable Property has been annexed to the Development.

## ARTICLE XV Miscellaneous General Provisions

### Section 15.01. Construction.

(a) Restrictions Construed Together. All of the covenants, conditions and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the development of Sierra Canyon as set forth in the Recitals of this Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

(b) Restrictions Severable. Notwithstanding the provisions of subparagraph (a) above, the covenants, conditions and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

(c) Singular Includes Plural. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter, as the context requires.

(d) Captions. All captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.

(e) Exhibits. All Exhibits referred to herein, other than any references to exhibits that are attached to the Master Declaration, are deemed to be incorporated herein by reference, whether or not actually attached.

(f) References to the Declarant and the Association. Any reference in this Declaration to the Declarant or the Association shall include any successors or assignees of such entities' rights and powers hereunder subject, however, to the limitation on the definition of Declarant's successors (see Section 1.03(e), above).

(g) References to Statutes and Regulations. This Declaration contains many references to Nevada and federal statutes and/or regulations applicable to the Development, the Association and the Owners of Lots in the Development that are in effect as of the date that this Declaration is Recorded in the Official Records of Washoe County, Nevada. In the event that any statute or other law or regulation is subsequently amended in a way that renders the corresponding provision of this Declaration to be inconsistent or in conflict with the amended or revised statute or regulation, the provision of the Declaration shall be deemed to be automatically amended or rescinded to conform to the revised statutory or regulatory provision and the Board of Directors shall be authorized and empowered to execute, acknowledge and Record an Amendment reflecting that change in this Declaration without necessity of further Member approval, so long as the necessity for the change is confirmed in a legal opinion provided to the Association Board by its legal counsel.

Section 15.02. Rule Against Perpetuities. . If any interest purported to be created by this Declaration is challenged under the Rule against Perpetuities or any related rule of law, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest; the "lives in being" for computing the period of perpetuities shall be: (a) those which would be used in determining the validity of the challenged interest; plus (b) those of the issue of the Board who are living at the time the period of perpetuities starts to run on the challenged interest.

Section 15.03. Change of Circumstances. No change of conditions or circumstances shall operate to extinguish, terminate or modify any of the provisions of this Declaration.

Section 15.04. Declarant's Disclaimer of Representations. . Anything to the contrary in this Declaration notwithstanding, and except as otherwise may be expressly set forth in a recorded instrument with the County Recorder of Washoe County, Nevada, Declarant makes no warranties or representations whatsoever that the plans presently envisioned for the complete development of Sierra Canyon can or will be carried out, or that any land now owned or hereafter acquired by it is or will be subjected to this Declaration, or that any such land (whether or not it has been subjected to this Declaration) is or will be committed to or developed for a particular (or any) use, or that if such land is once used for a particular use, such use will continue in effect.

Section 15.05. Trademark/Trade Name Protection. Pulte Homes, Inc., Pulte Home Corporation and/or Del Webb Corporation are the owners of all the rights in the trademarks Del Webb, Sun City, Pulte Home and Sierra Canyon (collectively the "Del Webb Marks"), including but not limited to all rights in the Del Webb Marks in connection with Sierra Canyon. Neither the Association nor the Members have any license to use or other interest in the Del Webb Marks, however, the Association and Members may identify the Development as Sierra Canyon until such time as Pulte Home Corporation/Del Webb Corporation, in its sole discretion, determines

otherwise. In the event Pulte Home Corporation/Del Webb, in its sole discretion, provides written notice to the Association (which notice shall be deemed to be notice to each Member) that it shall no longer be permitted to use the Del Webb Marks to identify the Development, the Association and each Member shall immediately take steps to cease all use of the mark identified in said notice, and shall:

(a) immediately remove all signs, displays or other references containing the mark from the Development, and from any off-site location to the extent the sign refers to the Development;

(b) immediately destroy all stationary, descriptive literature or printed or written matter bearing the mark;

(c) immediately cease and desist from using the mark (or any other variation thereof) orally or in writing in referring to the Association or the Development, and

(d) take immediate action to effect changes to the documents of the Association reflecting the mark to eliminate the use of such mark as soon as possible, but in any event, within three months of the date of notice.

In addition to the foregoing, notice is hereby given that the name "Somerset" is a protected name and mark of the Master Declarant (see Article XII, Section 12, of the Master Declaration).

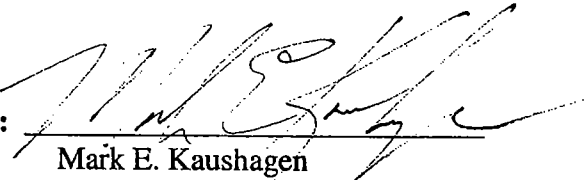
The provisions of this Section 15.05 may be enforced by any remedy at law or equity, including mandatory and/or prohibitory injunctions, and by accepting a deed in which this Declaration is deemed to be incorporated by reference, each Member acknowledges that in the event of non-performance of any of the above described restrictions, Pulte Homes, Inc., Pulte Home Corporation and/or Del Webb Corporation's remedies at law shall be deemed inadequate to enforce the terms of this Section.

*(Signatures on following page)*

DATED: March 26, 2004.

**DECLARANT:**

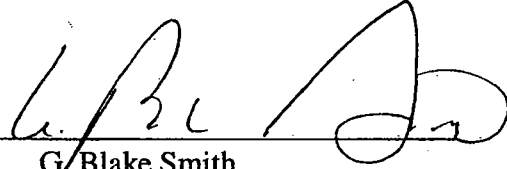
**PN II, INC.,**  
a Nevada corporation

By:   
Mark E. Kaushagen  
Vice President of PN, II, Inc.

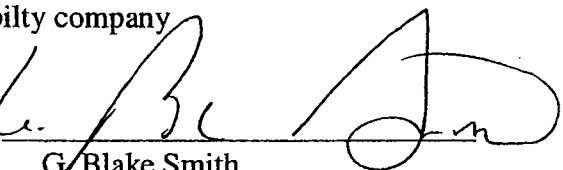
**MASTER DECLARANT:**

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

By: SR, Inc., Manager

By:   
G. Blake Smith

**SOMERSETT DEVELOPMENT  
COMPANY, a Nevada limited  
Liabilty company**

By:   
G. Blake Smith



STATE OF NEVADA

}  
}  
} SS  
}

COUNTY OF WASHOE

This instrument was acknowledged before me on March 30, 2004, by G. Blake Smith, President of SR, Inc. a Nevada corporation, Manager of Somerset Development Company, Ltd, a Nevada limited liability company.

Lucy Nell McGuire  
NOTARY PUBLIC

(My commission expires July 1, 2005)



**CERTIFICATE OF ACKNOWLEDGEMENT**

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF PLACER )

On March 26, 2004, before me, Chris A. Downum,

Notary Public, personally appeared MARK E. KAUSHAGEN

~~personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity (ies), and that by his/her/their signature(s) on the instrument the person(s), or entity upon behalf of which the person(s) acted, executed the instrument.~~

WITNESS my hand and official seal.

Chris A. Downum

Notary



Seal

OPTIONAL SECTION

Title of Document Notice of Annexation and Supplemental Declaration of Covenants, Conditions and Restrictions for Sierra Canyon by Del Webb at Somersett

Date of Document 03.26.04 No. of Pages sixty-three (63)

Other signature(s) not acknowledged G. Blake Smith

EXHIBIT "A"

DESCRIPTION OF  
INITIAL COVERED PROPERTY

All that real property situated in the County of Washoe, State of Nevada, bounded and described as follows:

Lots 1 through 57 inclusive, Common Areas "A," "B," "C," "D" and "E", all shown on the Map of Sierra Canyon at Somerset by Del Webb Village 1, Tract No. 4301, filed in the office of the County of Washoe, State of Nevada on February 5, 2004 as File No. 2990312 of Official Records.

Lots 58 through 102 inclusive, Common Areas "A," "B," "C," "D" and "E", all shown on the Map of Sierra Canyon at Somerset by Del Webb Village 2, Tract No. 4302, filed in the office of the County of Washoe, State of Nevada on February 5, 2004 as File No. 2990313 of Official Records.

Lots 1 through 87 inclusive, Common Areas "A," "B," "C" and "D", all shown on the Map of Sierra Canyon at Somerset by Del Webb Village 3, Tract No. 4305, filed in the office of the County of Washoe, State of Nevada on February 11, 2004 as File No. 2992873 of Official Records.

**EXHIBIT "B"**

**DESCRIPTION OF ANNEXABLE PROPERTY**

**PARCEL 1**

All that certain real property situated within a portion of the Southwest one-quarter (1/4) of Section Three (3), a portion of the West one-half (1/2) of Section Ten (10), Township Nineteen (19) North, Range Eighteen (18) East, Mount Diablo Meridian, City of Reno, County of Washoe, State of Nevada, being Parcel B as shown on that "Record Of Survey In Support Of A Boundary Line Adjustment For Somersett LLC", recorded in the office of the Washoe County Recorder, September 23, 2003, as Record Of Survey Map No. 4294, Document No. 2926692, Official Records of Washoe County.

**TOGETHER WITH**

All that certain real property situated within a portion of the West one-half (1/2) of the Southwest one-quarter (1/4) Section Ten (10), Township Nineteen (19) North, Range Eighteen (18) East, Mount Diablo Meridian, City of Reno, County of Washoe, State of Nevada, being Parcel 1 as shown on that "Parcel Map For Harry Bennetts", recorded in the office of the Washoe County Recorder, July 29, 2003, as Parcel Map No. 4065, Document No. 2895425, Official Records of Washoe County.

**TOGETHER WITH**

All that certain real property situated within a portion of the Southwest one-quarter (1/4) of the Southeast one-quarter (1/4) and the Southeast one-quarter (1/4) of the Southwest one-quarter (1/4) of Section Ten (10), Township Nineteen (19) North, Range Eighteen (18) East, Mount Diablo Meridian, City of Reno, County of Washoe, State of Nevada.

**CONTAINING:** 294.29 acres of land, more or less.

**PARCEL 2**

All that certain real property situated within a portion of the West one-half (1/2) of the Southeast one-quarter (1/4) of Section Nine (9), Township Nineteen (19) North, Range Eighteen (18) East, Mount Diablo Meridian, City of Reno, County of Washoe, State of Nevada, more particularly described as follows;

Beginning at a point on the southwest corner of Parcel 1 as shown on that "Parcel Map For Harry Bennetts", recorded in the office of the Washoe County Recorder, July 29, 2003, as Parcel Map No. 4065, Document No. 2895425, Official Records of Washoe County, said point being on the easterly line of said Section Nine (9), thence, leaving the easterly line of said Section Nine (9), North 88°29'40" West, 407.99 feet;

Thence, North 34°43'26" West, 1204.71 feet;

**EXHIBIT "B" (cont.)**

Thence, North 01°30'20" East, 639.91 feet;

Thence, South 87°02'14" East, 1120.36 feet, to the easterly line of said Section Nine (9);

Thence, along the easterly line of said Section Nine (9), South 01°30'20" West, 1583.20 feet, to the Point of Beginning.

CONTAINING: 33.13 acres of land, more or less.

**PARCEL 3**

All that certain real property situated within a portion of the North one-half (1/2) of the North one-half (1/2) of the Southeast one-quarter (1/4) of Section Ten (10), Township Nineteen (19) North, Range Eighteen (18) East, Mount Diablo Meridian, City of Reno, County of Washoe, State of Nevada.

TOGETHER WITH

All that certain real property situated within a portion of the South one-half (1/2) of the North one-half (1/2) of the Southeast one-quarter (1/4) of Section Ten (10), Township Nineteen (19) North, Range Eighteen (18) East, Mount Diablo Meridian, City of Reno, County of Washoe, State of Nevada.

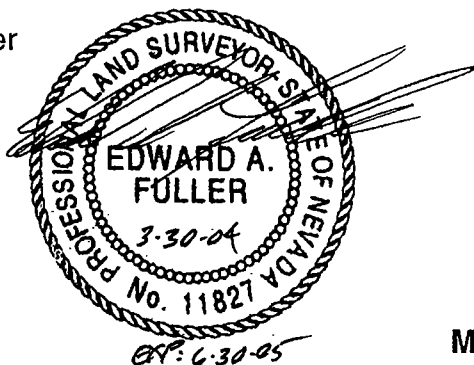
CONTAINING: 81.42 acres of land, more or less.

See Exhibit "B-1" attached hereto, and made a part hereof.

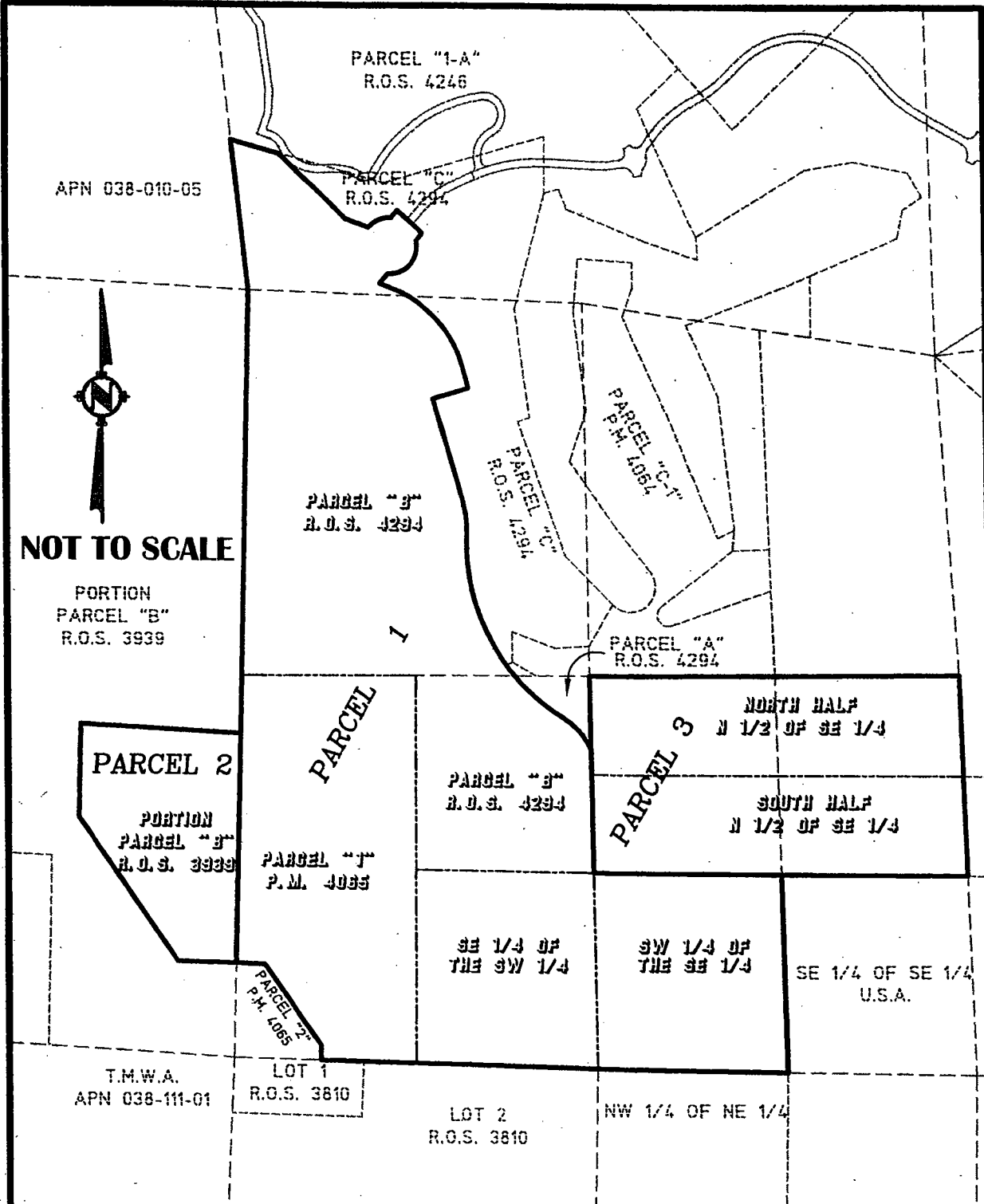
The above-described parcels are subject to all reservations and easements of record.

**BASIS OF BEARINGS:** The Basis of Bearings for these descriptions is the Nevada State Plane Coordinate System, West Zone (NAD 83/94), as determined from the found positions of the monuments known as "WW-992" and "R-353" using the coordinates as published by the City of Reno. (i.e. N 44°21'04" W)

Edward A. Fuller  
P.L.S. 11827



PREPARED BY THE FIRM OF  
**MACKAY & SOMPS CIVIL ENGINEERS, INC.**  
1380 GREG STREET, SUITE 210  
SPARKS, NEVADA 89431-6070  
(775) 355-7721



ANNEXABLE PROPERTY  
 408.84± ACRES TOTAL  
**EXHIBIT B-1**

**MACKAY & SOMPS**  
 CIVIL ENGINEERS, INC.  
 1380 GREG STREET, SUITE 210  
 SPARKS, NV. 89431 (775) 355-7721