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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SEQUOIA VILLAGE
GARDNERVILLE, NEVADA

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ARTICLE I
DEFINITIONS

Section 1. "Association" shall mean and refer to Sequoia Village Homeowners Association, a planned United Development, Phase I, its successors and assigns.

Section 2. "Board" shall refer to the Board of Directors of the Association.

Section 3. "Common Area" shall mean the property covered by this Declaration, excepting all residence lots granted or reserved. The Common Area is as shown on the Map.

Section 4. "Declarant" shall mean and refer to the undersigned and its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 5. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

Section 6. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the Properties, including contract seller, but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Properties" shall mean and refer to that certain real property hereinafter described, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II
THE ASSOCIATION

Section 1. Formation. The Association is a nonprofit corporation formed under the laws of Nevada. On the close and recording of the first condominium sale to an owner, the Association shall be charged with the duties and invested with the powers set forth in the articles, the by-laws and this declaration, including but not limited to, control and maintenance of the common area and any common area facilities.

Section 2. Association Action; Board of Directors and Officers. Except as to matters requiring the approval of members as set forth in this declaration, the articles, or the by-laws, the affairs of the Association shall be conducted by the board and such officers as the board may elect or appoint. Such election or appointment shall be in accordance with this declaration or the by-laws and their amendments. Except as otherwise provided in this declaration, the articles or the by-laws, all matters requiring the approval of members shall be deemed approved if members holding a majority of the total voting rights assent to them by written consent as provided in the bylaws or if approved by a majority vote of a quorum of members at any regular or special meeting held in accordance with the by-laws.

Section 3. Powers and Duties of Association.

(a) Powers. The Association shall have all the powers of a nonprofit corporation organized under the General Nonprofit Corporation Law of Nevada subject only to such limitations on the exercise of such powers as are set forth in the articles, the by-laws and this declaration. It shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under this declaration, the articles and the by-laws, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express

powers of the Association, including, without limitation, the following:

(b) Assessments. The Association shall have the power to establish, fix, and levy assessments against the owners of condominiums and to enforce payment of such assessments in accordance with the provisions of this declaration. However, the approval of members shall be required as to the amounts of all regular and special assessments except as otherwise provided in this declaration.

(c) Right of Enforcement. The Association in its own name and on its own behalf, or on behalf of any owner who consents can commence and maintain actions for damages or to restrain and enjoin any actual or threatened breach of any provisions of this declaration or of the articles or by-laws, or of the Association rules or any resolutions of the board, and to enforce by mandatory injunction, or otherwise, all of those provisions. In addition, the Association can suspend the voting rights, can suspend use privileges of the common area or can assess monetary penalties against any owner or other person entitled to exercise such rights or privileges for any violation of this declaration or the articles, by-laws, Association's rules, or board resolutions. However, any such suspension of use privileges cannot exceed a period of thirty (30) days for any one violation and cannot exceed Twenty-Five Dollars (\$25.00) for any one violation. Each suspended or fined owner or other person can appeal such action by filing written notice of his intention to appeal with the board. The action imposing the fine or suspension shall then become ineffective until the fine or suspension is unanimously approved by all board members at a regular or special meeting of the board at which all board members are present. The owner or other person to be fined or suspended can appear, be represented by counsel and be heard at the meeting. Except as provided in

this section, the Association does not have the power or authority to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of such owner's condominium if the owner does not comply with provisions of this declaration or of the articles or by-laws, or the Association rules of operation for common areas and facilities except when the loss or forfeiture is the result of the court judgment or an arbitration decision or a foreclosure or sale under a power of sale based on failure of the owner to pay assessments levied by the Association.

(d) Delegation of Powers. The Association acting by and through the board can delegate its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("manager"). Any agreement for professional management of the condominium project shall be terminable by either party with or without cause and without payment of a termination fee on thirty (30) days' written notice. The term of any such agreement shall not exceed one (1) year, although such agreement may be renewed from year to year by the board. If the development is professionally maintained or managed, the board shall not terminate professional management and assume self-management of the development without the consent of all first mortgagees.

(e) Association Rules. The Association shall have the power to adopt, amend and repeal its rules as it deems reasonable. The Association rules shall govern the use of the common area including but not limited to, any recreational facilities and private streets, by the owner or his family, guests, invitees or by any contract purchaser, or tenant or their respective family members, guests or invitees. However, the Association rules shall not be inconsistent with or materially alter any other provisions of this declaration, the articles or the by-laws. A

copy of the Association rules as adopted, amended or repealed, shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the development. In case any conflict between any Association rules and any other provisions of this declaration, the articles, or by-laws, the provisions of the Association rules shall be deemed to be superseded by the provisions of this declaration, the articles or the by-laws to the extent of any such inconsistency.

Section 4. Duties of the Association. In addition to the powers delegated to it by its articles or the by-laws, and without limiting their generality, the Association, acting by and through the board, or persons or entities described in Section 3(d) above, has the obligation to conduct all business affairs of common interest to all owners and to perform each of the following duties:

(a) Operation and Maintenance of Common Area. To operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the common area, and all its facilities, improvements, and landscaping, including any private driveways and private streets, and any other property acquired by the Association, including personal property, in a first-class condition and in a good state of repair. In this connection, the Association may enter into contracts for services or materials for the benefit of the Association or the common area, including contracts with declarant. The term of any such service contract shall not exceed one (1) year and shall be terminable by either party with or without cause and without payment of a termination fee upon thirty (30) days' written notice.

(b) Taxes and Assessments. To pay all real and personal property taxes and assessments and all other taxes levied against the common area, personal property owned by the Association or against the Association. Such taxes and assessments may be contested or compromised by the Association; provided that they

are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

(c) Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the common area and for condominiums when the condominiums are not separately billed. The term of any contract to supply any of the listed services shall not exceed one (1) year or, if the supplier is a regulated public utility, the shortest term not to exceed one (1) year for which the supplier will contract at the applicable regulated rate.

(d) Insurance. To obtain, from reputable insurance companies, and maintain the insurance described in Article VIII hereof.

(e) Enforcement of Restrictions and Rules. To perform such other acts, whether or not expressly authorized by this declaration, that may be reasonably necessary to enforce any of the provisions of this declaration, the articles and by-laws, and the Association's rules and board resolutions.

(f) When the First Unit is Sold. If any of the common area improvements in the development have not been completed, and if the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the declarant or his successors or assigns to complete such common area improvements, then the board shall consider and vote on the question of action by the Association to enforce the obligations under the bond with respect to any improvement for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that improvement in the "planned construction statement" appended to the bond. However, if the Association has given an extension in writing for the completion of any common

area improvement, the board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed within thirty (30) days after the expiration of the extension. If the board fails to consider and vote on the action to enforce the obligations under the bond, or if the board decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the board signed by members of the Association representing not less than ten percent (10%) of the total voting power of the Association, the board shall call a special meeting of members for the purpose of voting to override the decision of the board not to initiate action or to compel the board to take action to enforce the obligations under the bond. The meeting shall be called by the board by fixing a date not less than fifteen (15) days nor more than thirty (30) days after receipt by the board of said petition and by giving written notice to all owners entitled to vote in the manner provided in this declaration or in the by-laws for notices of special meetings of members of the Association. At the meeting, the vote in person or by proxy of a majority of the owners entitled to vote (other than declarant) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the board shall then implement this decision by initiating and pursuing appropriate action in the name of the Association.

Section 5. Limitations on Authority of Board. Except with the vote or written assent of members of the Association holding fifty-one percent (51%) of the voting rights of each class of members, the board shall not take any of the following actions:

(a) Incur aggregate expenditures for capital improvements to the common area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

(b) Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

(c) Pay compensation to members of the board or to officers of the Association for services performed in the conduct of the Association's business. However, the board may cause a member of the board or an officer to be reimbursed for expenses incurred in carrying on the business of the Association.

Section 6. Personal Liability. No member of the board, or of any committee of the Association, or any officer of the Association, or any manager or declarant, or any agent of declarant, shall be personally liable to any owner or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct.

Section 7. Regular Meeting and Notice. An organizational meeting shall be held as soon as practicable after incorporation of the Association, and the directors elected then shall hold office until the first annual meeting. All offices of the board of directors shall be filled at the organizational meeting.

The first annual meeting of members of the Association shall be held within forty-five (45) days after the closing of the sale of the condominium that represents the fifty-first (51st) percentile interest authorized for sale, but in no case later than six (6) months after the closing and recording of the sale of the first condominium within the development. Thereafter, regular meetings of members of the Association shall be held at least once in each calendar year at a time and place as prescribed in the by-laws. Special meetings may be called as provided for in the by-laws.

Notice of all members' meetings, regular or special, shall be given by regular mail, personal delivery or telegram to all owners and to any mortgagee who has requested in writing that such notice be sent to it and shall be given not less than ten (10) days nor more than thirty (30) days before the time of the meeting and shall set forth the place, date, and hour of the meeting, and the nature of the business to be undertaken. Any mortgagee, through its designated representative, shall be entitled to attend any such meeting but except as provided in these Covenants, Conditions and Restrictions shall not be entitled to vote at the meeting. All such meetings shall be held within the development at a place selected by the board. The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. If any meeting cannot be held because a quorum is not present, members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the date the original meeting was called, at which adjourned meeting the quorum requirement shall be at least twenty-five percent (25%) of the total votes. Any meeting of members at which a quorum is present may be adjourned for any reason to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present in person or by proxy. As long as a majority of the voting power of the Association resides in the declarant, or as long as there are two outstanding classes of membership in the Association, the election of twenty percent (20%) of the directors (the "specially elected directors") shall be determined at a special election held immediately before the regular election of directors (except in the case of the election of a specially elected director following removal of his predecessor). At the duly constituted meeting of members,

nominations for the specially elected director shall be made from the floor. When nominations have been closed, the special election shall take place. Declarant shall not have the right to participate in or vote in such special election (although declarant or declarant's representative may be present), and the candidates receiving the highest number of votes up to the number of specially elected directors to be elected shall be deemed to be the specially elected directors, and their term shall be the same as that of any other director. Unless members (excluding declarant) holding a majority of all voting rights (excluding any voting rights held by declarant) assent by vote or written consent, such specially elected directors cannot be removed. In case of the death, resignation, or removal of a specially elected director, his successor shall be elected at a special meeting of members, and the provisions set forth in this section respecting the election of a specially elected director shall apply as to the election of a successor. Except as provided in this declaration, the provisions of this declaration and of the articles and by-laws applicable to directors, including their election and removal, shall apply to a specially elected director.

Section 8. Financial Statements of the Association. The Association shall prepare, or cause to be prepared, a balance sheet and an operating statement for the Association as of the accounting dates set forth in this declaration, and copies of each shall be distributed to each member within sixty (60) days after the accounting dates. The account dates for the preparation of the balance sheet and operating statement are as follows:

(a) The first accounting date shall be the last day of the month closest in time to six (6) months from the date of closing of the first sale of a condominium within the development. The balance sheet shall be rendered as of that date, and the operating statement shall be rendered for the period commencing with the date of closing of the first sale of a condominium

within the development and ending as of the first accounting date. The operating statement for the first six (6) months accounting period shall include a schedule of assessments received or receivable, itemized by unit number and by the name of the person or entity assessed.

(b) The second and subsequent accounting date shall be last day of the Association's fiscal year (which fiscal year shall be a calendar year unless a different fiscal year is adopted). The balance sheet shall be rendered as of that date, and the operating statement shall be rendered for the fiscal year it covers, and both shall be distributed to the owners within ninety (90) days after the close of the fiscal year.

(c) Not less than sixty (60) days before the beginning of each fiscal year of the Association, the Association shall prepare, or cause to be prepared, a pro forma operating statement (budget) for the coming fiscal year and shall distribute a copy to each owner.

(c) Copies of each such balance sheet, operating statement and pro forma operating statement for the Association shall be mailed to any mortgagee who has requested in writing that such copies be sent to it.

Section 9. Inspection of Association Books and Records.

(a) Any membership register, books of account and minutes of meetings of the members, the board and committees of the board of the Association shall be made available for inspection and copying by any member of the Association, or his duly-appointed representative, or any mortgagee, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the development as the board prescribes.

(b) The board shall establish by resolution reasonable rules with respect to:

(i) Notice to be given to the custodian of the records of the Association by the member, representative or mortgagee desiring to make an inspection.

(ii) Hours and days of the week when an inspection may be made.

(iii) Payment of the cost of reproducing copies of documents requested by a member or by a representative or mortgagee.

(c) Every director of the Association shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

ARTICLE IV

MEMBERSHIP AND VOTING RIGHTS

Section 1. Every owner of a Lot which is subject to assessment shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. The Association shall have two classes of voting membership:

CLASS A. Class A members shall be all Owners with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot.

CLASS B. The Class B member(s) shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership exceed the total votes outstanding in the Class B membership, or

(b) Three (3) years from the date of recordation of this Declaration in the Office of the Recorder of the County of Douglas, State of Nevada.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) annual assessments or charges; and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents in the Properties and for the improvements and maintenance of the Common Area, and of the homes situated upon the Properties.

In addition to maintenance of the Common Area, the Association shall provide exterior maintenance on each Lot which is subject to assessment hereunder, as follows: paint, repair, replacement and care of roofs, gutters, down spouts, exterior building services, trees, shrubs, grass, walks and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

In the event that the need for maintenance or repair of a

Lot or the improvements thereon is caused through the willful or negligent acts of its Owner, or through the willful or negligent acts of the family, guests or invitees of the Owner of the Lot needing such maintenance and repair, the cost of such exterior maintenance shall be added to and become part of the assessment to which such Lot is subject.

Section 3. Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$ 100⁰⁰ per Lot.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year not more than five percent (5%) above the maximum assessment for the previous year without a vote of the membership.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above five percent (5%) by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

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

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting called for this purpose.

Section 5. Notice and Quorum for Any Action Authorized Under Sections 3 and 4 hereof. Written notice of any meeting called for the purpose of taking any action authorized under Sections 3 or 4 above shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At first such meeting called, the presence of members or of proxies entitled to cast sixty percent (60%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6. Uniform Rate of Assessment. Both annual and special assessments must be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

Section 7. Date of Commencement of Annual Assessments; Due Dates. The annual assessment provided for herein shall commence as to all Lots on the first day of the month following the conveyance of a residence lot to a third party purchaser. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is

binding upon the Association as of the date of its issuance.

Section 8. Effect of Nonpayment of Assessments; Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of six percent (6%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the property. No Owner may waive or otherwise escape liability for the assessment provided for herein by non-use of the Common Area or abandonment of his Lot.

Section 9. Subordination of the Lien to Mortgages. The lien of the assessment provided for herein shall be subordinate to the lien of any first mortgage. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof, shall extinguish the lien of such assessment as to payments which become due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

ARTICLE VI
ARCHITECTURAL CONTROL

Section 1. No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of exterior design and location in relation to surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee composed of three (3) or more representatives appointed by the Board. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restriction, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of the Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of 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 they shall be automatically extended for successive periods of ten (10) years. This Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than ninety percent (90%) of the Lot Owners, and thereafter by an instrument signed by not less than seventy-five percent (75%) of the Lot Owners. Any amendment must be recorded.

Section 4. Annexation.

(a) Additional residential property and Common Area may be annexed to the Properties with the consent of two-thirds (2/3) of each class of members.

(b) Additional land within the area described on the Map may be annexed by the Declarant without consent of Owners within ten (10) years of the date of this instrument provided that the FHA and VA determine that the annexation is in accord with the general plan heretofore approved by them.

Section 5. FHA/VA Approval. As long as there is a Class

B membership the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: Annexation of additional properties, dedication of the Common Area, and amendment of this Declaration of Covenants, Conditions and Restrictions.

COPY

ARTICLE VIII

INSURANCE

Section 1. Insurance for Common Area. The Association shall have the duty to purchase, carry and at all times to maintain in force, insurance covering all physical loss to the Common Area in an amount equal to the full insurable value of the Common Area, insurance to protect against any liability to the public or to the owners incident to the ownership or use of the Common Area, in such amounts and with such endorsements and coverage as shall be considered good sound insurance coverage and protection, a fidelity bond or bonds for all officers and employees of the Association having control over the receipt or disbursement of funds in such penal sums as shall be determined by the Association and workman's compensation insurance to the extent necessary to comply with any applicable law.

Section 2. Insurance for Residence Lots. The Association is not required to obtain insurance for the residence Lots. However, the Association may, upon the vote or written assent of members holding seventy-five percent (75%) of the voting power, obtain insurance covering residence lots for which the owners thereof failed to produce written evidence showing that adequate insurance for such residence located thereon has been obtained. In such case the coverage shall include, in addition to the coverage specified in Section 1 above, similar coverage for such residence lots plus insurance against loss or damage by fire and hazards covered by a standard extended coverage endorsement in an amount which shall be equal to the maximum insurable replacement value of all of the residence lots, as determined annually by the insurance carrier. If insurance for such residence lots is obtained, premiums may be paid in any one of the following manners, or in any other manner as the Board of Directors may deem most

advantageous and most equitable; all premiums may be paid by the Association, and the cost prorated among the owners either equally or on some other reasonable basis, through the annual assessment, or a special assessment or individual assessments; or, the Association, and the cost prorated among the owners either equally or on some other reasonable basis, through the annual assessment, or a special assessment or individual assessments; or, the Association may arrange with the insurance carrier to bill each owner individually for his portion of the total premium.

Section 3. Application of Proceeds. If insurance is obtained for the entire project, such insurance shall be for the interest of the Association and of all owners and their lenders holding trust deeds or unit ownership, as their interest may appear. If there are insurance proceeds resulting from damage to or destruction affecting more than one residence lot, or affecting one or more residence lots and the Common Area, the Association may designate a bank or trust company as insurance trustee, and the insurance proceeds shall be paid to said insurance trustee to be held in trust for the benefit of the Owners, their lenders or the Association, as their interest may appear.

ARTICLE IX

EASEMENTS

Section 1. Encroachments. There is reserved for the benefit of each residence lot an easement of maintenance and use to which the entire project shall be subject for any and all encroachments resulting from roof overhangs and any other causes attributable to the design and construction of improvements on any residence lot, and any and all encroachments resulting from construction errors, lateral shifting or settlement or any other cause, and any and all encroachments resulting from construction of sewer, water and electrical lines and other utilities.

Section 2. Ingress, Egress and Support. An easement for ingress, egress and support through the Common Area is appurtenant to each residence lot, and the Common Area is subject to such easements.

Section 3. Rights of Association. There is reserved to the Association an easement, to which the entire project shall be subject, of entry and of access for the performance generally of its rights and duties as provided in this Declaration. Entry into the residence of an Owner pursuant to this easement shall be restricted to reasonable times and must be preceded by reasonable notice to the occupant, unless entry is required by an emergency.

Section 4. Utilities. There is reserved an easement over, under and through each residence lot and the Common Area for installation, maintenance and repair of each and every utility service, including but not limited to sewage, water, electricity, gas, telephone and television service for this project and for each additional project referred to in the Declaration.

Section 5. Easement. In the event that there shall be located within any residence lot pipes, vents, outlets, wires or

other structures serving more than one residence lot, the Owner of each residence lot so served shall have and enjoy a perpetual easement for the maintenance and use of any such pipe, vent, outlet or other structure.

Section 6. Public Agencies. There is reserved an easement for ingress and egress through the Common Area for use by all law enforcement, fire protection, welfare and other related public or county agencies, their vehicles and personnel.

ARTICLE X

OCCUPANCY AND USE OF RESIDENCE LOTS AND COMMON AREA

Section 1. Single Family Use Only. Each lot shall be used for residential purposes and for no other purpose; provided, however, that Declarant may construct or maintain a sales office on or in any one or more of the residence lots.

Section 2. Insurance. Nothing shall be done or kept in any residence lot or in the Common Area which will increase any applicable rate of insurance, without the prior written consent of the Association. No owner shall permit anything to be done or kept in or on his residence lot or in the Common Area which will result in the cancellation of insurance on any residence lot or any part of the Common Area, or which would be in violation of any law.

Section 3. Buildings. Nothing shall be done in or on any residence lot which will impair the structural integrity of the building or buildings, or which will structurally change the building or buildings, or which would alter or add to the building or buildings, except as otherwise provided herein.

Section 4. Rules. The Association may adopt reasonable rules for the regulation of the occupancy and use of the residence lots and the Common Area, provided that such rules are approved in writing by a majority of the members of the Association.

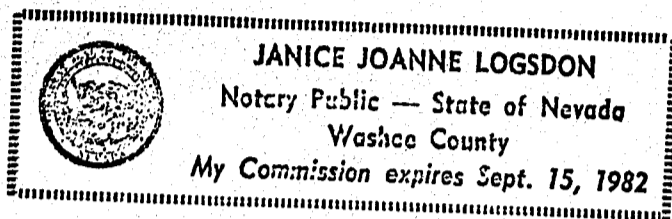
IN WITNESS WHEREOF, the undersigned has caused this Declaration of Covenants, Conditions and Restrictions of Sequoia Village to be executed this 25th day of October, 1979.

DECLARANT:

HALCOMB ENTERPRISE CO.

By *Phillip Halcomb*
Phillip Halcomb

Janice Joanne Logsdon
Notary Public



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27.

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