

GLENBROOK HOMEOWNERS' ASSOCIATION
WATER SERVICE MEMBERSHIP AGREEMENT

THIS AGREEMENT is made as of April 30, 1981, by
GLENBROOK HOMEOWNERS ASSOCIATION, a Nevada corporation
("Association")
and IRMA C. SULLIVAN ("Owner").

R E C I T A L S

A. Owner is the owner of the property within Glenbrook, Nevada, commonly called 1-050-03 & A 2037 The Back Road, more particularly described in Exhibit "A" attached hereto ("Property").

B. Association is the homeowners association formed in connection with the development by Glenbrook Properties, a Nevada corporation, of Glenbrook Units 1, 2 and 3 and, among other things, operates the GLENBROOK WATER COMPANY.

C. The Property is outside the area covered by Glenbrook Units 1, 2 and 3 and is not subject to the Declaration of Covenants, Conditions and Restrictions of Glenbrook that established the duties and powers of the Association.

D. Owner desires to become a Water Service Member of the Association in order to receive the benefit of various services provided by the Association.

NOW, THEREFORE, it is agreed as follows:

1. Service Membership.

Effective on the date hereof, Owner shall be a "Water Service Member" of the Glenbrook Homeowners' Association and shall be entitled to the benefits and be subject to the terms and conditions described hereafter.

2. Services Provided by the Association.

During the term of this Agreement, Association shall provide Owner with water service at a cost and on a basis substantially similar to that provided to regular members of the Association who own homes within Glenbrook Units 1, 2 and 3. Owner shall be solely responsible for the costs of any water pipe extensions and hook-up installation charges necessary to connect the owner's domestic water system to the Association's water main. The quantity of water to be provided is subject to general availability and in no event shall the Association be required to furnish water in excess of the lesser of 1,000 gallons per day or the amount of Owner's water rights transferred under Section 3 below. Water services shall be provided in accordance with Rules and Regulations from time to time established by the Board of Directors of the Association.

3. Water Rights.

In the event that Owner now owns or later acquires water rights, as a condition for the Association to provide water service to Owner, Owner agrees to transfer to the Association all of said water rights. Association shall be entitled to utilize such water rights and to co-mingle such water rights with other water rights owned by the Association throughout the term of this Agreement, subject to retransfer upon termination of the Agreement as described in Paragraph 6 below.

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4. Service Charges and Assessments.

Owner agrees to pay the Association promptly all charges and assessments relating to the services to be provided under this agreement. Water rates shall be established and payable in accordance with the tariff schedule of the Glenbrook Water Company. A copy of the current Tariff Schedule of Glenbrook Water Company is attached hereto as Exhibit "B". Assessments may be made from time to time by the Board of Directors of the Association to defer capital for the construction of water facilities only. Owner agrees to pay when due all assessments levied by the Board of Association under and in the manner set forth in Articles IX and X of the Glenbrook Restrictions, copies of which are attached hereto as Exhibit "C". Owner agrees that such provisions are incorporated herein by reference and shall apply to Owner with respect to the Property as though set forth in full. As a Water Service Member of the Association, Owner shall be entitled to vote on any proposed capital water improvement for which a vote of approval is required as if Owner were a regular member of the Association; thus Water Service Members shall be included within the number of members for which 2/3 approval is required for capital water improvement assessments under Section 10.2 of the Glenbrook Restrictions attached.

5. Default; Enforcement Lien to Secure Payment.

Water service may be discontinued pursuant to the Rules and Regulations of the Glenbrook Water Company. In addition, Association shall be entitled to any and all of the remedies and rights described in Articles VIII Paragraph 8.10 and IX of the Glenbrook Restrictions attached as Exhibit "C", including the right to foreclose the lien on the Property as described therein. Any mortgagee of the Property shall be entitled to the rights and protections of the provisions of Article XIII of the Glenbrook Restrictions, a copy of which is attached as Exhibit "C" and incorporated herein as if set forth in full.

6. Term; Termination.

Owner may terminate this Agreement for any reason upon 30 days written notice. Association may not terminate this Agreement without the consent of Owner. Upon termination of this Agreement by Owner, Association shall cease to provide water to the Property, and Association shall retransfer to Owner its interest in whatever rights Owner transferred to the Association under Paragraph 3 above. There shall be no proration or refund of any capital improvement assessment or other charges paid by Owner prior to such termination.

7. Incorporation by Reference and Recording.

Articles VIII (Paragraph 8.10), IX and X of the Glenbrook Restrictions are attached hereto marked Exhibit "C" and are incorporated herein by reference as if set forth in full.

8. Recordation of Agreement.

This Agreement may be recorded in the Official Records of Douglas County, Nevada. Exhibit "C", being a portion of Douglas County Records, Document No. 10264, Book 677, Pages 1150 through 1157, need not be re-recorded but shall be deemed a part hereof by this reference.

9. Not an Annexation of Glenbrook Restrictions.

This Agreement shall not be construed as an annexation of the Property to the Glenbrook Restrictions except to the extent specifically set forth herein.

EXHIBIT "A"

All that certain piece or parcel of land situate, lying and being in the County of Douglas, State of Nevada, and more particularly described as follows:

Beginning at a point on the easterly side line of a 30 foot roadway, marked by an iron pipe set in concrete, whence the meander corner between Sections 3 and 10, T. 14 N., R. 18, M.D.B. & M., bears N. $47^{\circ}51'$ W. 3486.93 feet and the northwest corner of the Schneider land bears S. $4^{\circ}13'$ E. 145.22 feet; thence N. $7^{\circ}49'$ W. 241.3 feet along the easterly side line of said roadway, to an iron pipe set in concrete; thence N. $13^{\circ}20'$ E., 158.7 feet along said side line to an iron pipe set in concrete; thence N. $72^{\circ}42'$ E. 214.01 feet to an iron pipe set in concrete on the westerly side of an irrigation ditch; thence S. $7^{\circ}34'$ E. 190.83 feet along said side line to an iron pipe set in concrete; thence S. $18^{\circ}04'$ E. 186.5 feet along said side line to an iron pipe set in concrete; thence S. $72^{\circ}42'$ W. 304.88 feet to the place of beginning.

Together with the tenements, heriditaments, and appurtenances thereunto belonging or appertaining and the reversion and reversions, remainder and remainders, rents, issues, and profits thereof and as an appurtenance to said real property, a perpetual easement to use in common with other persons to whom a like, lesser or other easement or any license or privilege in connection with the real property hereinafter described as been or in the future shall be granted by the Glenbrook Co., a Delaware corporation solely for recreational activities usually:

All that certain piece or parcel of land situate, lying and being in the County of Douglas, State of Nevada.

The point of beginning is a point marked by an iron pipe set in concrete, whence the meander corner between Sections 3 and 10, T. 14 N., R. 18 E., M.D.B. & M., bears N. $33^{\circ}13'$ W. 1627.24 feet.

The northerly boundary of the parcel hereinabove referred to is a line extending S. $69^{\circ}42'$ W. from said point of beginning to the water line of Lake Tahoe.

The easterly boundary of said parcel is a line extending from said point of beginning S. $20^{\circ}18'$ E. 300 feet to a point.

The southerly boundary of said parcel is a line extending from said last mentioned point S. $69^{\circ}42'$ W. to the water line of Lake Tahoe; and

The westerly boundary of said parcel is the water line of said Lake Tahoe.

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Water Service Tariff No. 1

Schedule RS

Residential Service Schedule

Availability:

Service is available hereunder in the utility's water service area, Douglas County, Nevada.

Applicability:

Service hereunder is available for residential purposes to any customer for use in a single family dwelling served through separate service connections.

Rate:

<u>Service Size</u>	<u>Annual Charge</u>
3/4 inch service connection	\$ 175.00
1 inch service connection	200.00
1 1/2 inch service connection	250.00
2 inch service connection	350.00

Minimum Charge:

Charges for periods less than a 12 month period will be computed (prorated) under the provisions of Rule 10 of the Company's Rules and Regulations.

Terms and Conditions:

Services hereunder shall be subject to the utility's Rules and Regulations governing water service.

Issued:

Issued by:

Effective:

Ronald C. Nahas

President

Advice No.

the Association as provided in these Restrictions. Said rules may restrict and govern the use of Project Common Area by any members, by the family of such member or by any invitee, licensee or lessee of such member. The Glenbrook Company has retained the right, to establish rules relating to the use of that portion of the Parcel II Common Area, General Forest Area and Recreational Common Area owned by it, and the Association may incorporate such rules in its Rules; the right of an Owner or the Board to enforce the Glenbrook Rules is limited to those Owners that are subject to these Restrictions and even though Owners are subject to comply with the Rules, it is acknowledged that such Rules may not be enforced by an Owner against the owners of Outside Owned Parcels that are not annexed under Article XI.

(b) Notification of Rules: A copy of the Rules, as they may be from time to time adopted, amended or repealed, shall be mailed or otherwise delivered to each Member and may be recorded. The recordation of said Rules shall have the same force and effect as if they were set forth in and were a part of these Restrictions. No Rules may be adopted which materially affect the rights, preferences, or privileges of any Owner as specifically set forth herein.

EXHIBIT C

8.10 Breach of Rules or Restrictions: In the event of a breach of any Rule or of any of the Restrictions contained in this Declaration by an Owner, his family, guests, employees, invitees, licensees or tenants, the Board, for and on behalf of itself and all other Owners, shall enforce the obligations of each Owner to obey such Rules or Restrictions in any manner provided by law or in equity, including, but not limited to, appropriate hiring of legal counsel, the pursuing of legal action, or suspension of the Owner's right to use the facilities of the Project Common Area or suspension of the Owner's voting rights; provided, however, such suspension may not be for a period in excess of thirty (30) days, after notice and hearing as herein provided, for an infraction of such Rules. In addition to the other remedies herein set forth, including, without limitation, assessing the cost of repairing any damage resulting from an infraction of the Rules, the Board, by majority vote, may levy a fine against such Owner, after appropriate notice and hearing as herein provided, in an amount not to exceed an amount equal to six (6) months of the assessments made under Section 9.2(a) for each such violation and the payment of such fine may be enforced in the same manner as set forth in Section 9.6 hereof. Prior to imposing any penalty provided herein for breach of any rules enacted hereunder or of the Restrictions contained in this Declaration, the Board shall send written notice to the Owner specifying the nature of the infraction and shall provide an opportunity to the Owner to a hearing before the Board regarding such infraction and the penalty to be imposed. In the event that the Board determines that said infraction has occurred and that a penalty shall be imposed, after a reasonable opportunity for a hearing has been provided, the determination of the Board shall be final. In the event legal counsel is retained or legal action is instituted by the Board pursuant to this paragraph, any settlement prior to judgment or any judgment rendered in any such action shall include costs of collection, court

costs, and reasonable attorneys' fees.

8.11 Liability of Members of Board: No member of the Board shall be personally liable to any of its other Board members, to the Members or to any other person, including Declarant, for any error or omission of the Association, its representatives and employees, or the Design Review Committee, provided that such Board Member has, upon the basis of such information as may be possessed by him, acted in good faith.

8.12 Amendment: The provisions of Section 8.1, 8.2 and 8.3 shall not be amended without the vote or written consent of a three-fourths (3/4) majority of all of the Owners of each class of the voting membership.

EXHIBIT C
ARTICLE IX

FUNDS AND ASSESSMENTS

9.1 Operating Fund: The Association shall maintain an operation fund, into which the Board shall deposit all funds paid to the Association as maintenance and operation assessments and special assessments. Said funds shall be held in trust by the Association for the use and benefit of its individual members and shall only be used for and applied to the common specific purposes of the Members as herein set forth.

9.2 Maintenance and Operations Assessments:

(a) Regular Assessments: Within thirty (30) days after the first conveyance of a Private Lot by Declarant to a Purchaser, the Board shall estimate the total charges to be paid out of the maintenance fund, including a reasonable reserve for contingencies and replacements, for the remainder of the Fiscal Year and shall equally assess said charges to all of the Owners, including the Declarant; provided, however, the Board may, but is not obligated to, determine that the owners of Outside Owned Parcels annexed pursuant to paragraph 11.1 shall be assessed less than a full equal assessment (but in no event less than one-half of a full assessment) for any Fiscal Year that the Board determines in good faith that the Outside Owned Parcels so annexed do not receive the same benefit of services of the Association and enjoyment of the Property Common Area as the other Private Lots to be assessed. The Board shall review such determination each Fiscal Year. Such reduced services for Outside Owned Parcels may include snow removal, road maintenance, beach maintenance, security and other similar services. Within thirty (30) days prior to the beginning of each subsequent Fiscal Year, the Board shall estimate the total charges to be paid out of the maintenance fund during such year (including a reasonable reserve for contingencies and replacement and less any expected surplus from the prior year). The Board shall allocate and assess said estimate of total charges to each Owner allocating said estimate equally among all of the Private Lots within the Property subject to a reduced assessment for the Outside Owned Parcels as described above. All funds of the Association shall be budgeted, allocated, assessed and collected for current maintenance and operation of the Project Common Area and the Property, for contingencies, for deferred maintenance and for replacement of capital improvements. Said

funds shall be used for the specific purposes for which said funds have been designated; however, in the event a surplus appears in one budget account, such surplus may be transferred to another budget account so long as the overall budgeted amount is not exceeded. Prior to ninety (90) days following the end of each Fiscal Year, each Owner shall receive an accounting of assessment receipts and disbursements for such Fiscal Year. If such accounting shows that a surplus of cash results in the current maintenance and operation account, the Board shall vote as to whether to refund all or a part of such surplus or as to whether such surplus shall be carried over to future assessment periods to reduce future assessments.

(b) Additional Assessments: If at any time during any Fiscal Year, the maintenance assessment proves inadequate for any reason, including nonpayment of any Owner's share thereof, the Board may levy a further assessment in the amount of such actual or estimated inadequacy, which amount shall be assessed to the Owners individually in the manner set forth in subparagraph (a) above. Such additional assessment shall not exceed twenty percent (20%) in the aggregate of the budgeted gross expenses of the Association for the fiscal year without the vote or written assent of a majority of each class of membership.

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(c) Increase in Regular Assessments: From and after July 1st of the year immediately following the conveyance of the first Private Lot to a Public Purchaser, the maximum annual Regular Assessment may be increased each Fiscal Year not more than twenty percent (20%) above the maximum assessment for the previous Fiscal Year without approval of a majority of each class of members by vote or written assent. The Association may change the maximum amount of the Regular Assessment prospectively for any period in excess of twenty percent (20%), provided that any such changes shall have the assent of a majority of each class of Members entitled to vote; such votes shall be cast in person or by proxy, at a meeting duly called for this purpose pursuant to written notice given to all voting members at least thirty (30) days in advance, which notice shall set forth the purpose of the meeting. In the event that a majority of the Class B membership are not present in person or by proxy at any such meeting as hereinabove provided, members not present may give their written assent to the action taken as long as such writings are executed and delivered to the Secretary of the Association within five (5) days after said meeting.

(d) Time and Manner of Payment of Assessments: Assessments shall be due and payable by the Owners to the Association during the Fiscal Year in equal quarterly installments, in advance, on or before the first day of each first, fourth, seventh, and tenth month of each Fiscal Year, or in such other manner as the Board shall designate. If not paid within thirty (30) days after its due date, each such charge shall thereafter bear interest at the rate of ten percent (10%) per annum until paid. If an installment of an assessment is not paid within thirty (30) days after its due date, the Board may declare the entire assessment for such Fiscal Year immediately due and payable in full.

If any suit or action is brought to collect any such charge, there shall be added to the amount thereof costs of suit and a reasonable amount of attorneys' fees to be fixed by the court and included in any judgment in any such suit or action.

9.3 Reimbursement Assessment: The Board shall levy an assessment against any Owner as a result of whose failure to comply with these Restrictions, the Rules or the Design Review Committee Rules, monies were expended by the Association from the Operating Fund in performing its functions under these Restrictions. Such assessments shall be for the purpose of reimbursing the Association, shall be limited to the amount so expended and shall be due and payable to the Association when levied.

9.4 Capital Improvement Fund: The Board shall maintain a Capital Improvement Fund, into which it shall deposit all monies paid to it as Capital Improvement Assessments. Said funds shall be deemed to be contributions to the capital account of the Association by the members and shall be so reflected on its books.

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The Board shall make disbursements from said Capital Improvement Fund as required in the performance of the functions for which the Capital Improvement Assessments are levied.

9.5 Capital Improvement Assessments:

(a) Upon approval by two-thirds (2/3) of each class of its voting members of a proposed capital improvement and the estimated total cost thereof pursuant to paragraph (a) of Section 10.1, such estimated total cost shall be assessed to all Members in equal amounts as a Capital Improvement Assessment.

(b) If at any time and from time to time a Capital Improvement Assessment proves or appears likely to prove inadequate for any reason, including nonpayment of any Owner's share thereof, the Board may, without obtaining any further approval from the Owners, levy a further Capital Improvement Assessment in the amount of such actual or estimated inadequacy, which shall be assessed to all such owners in equal amounts. If such additional assessment shall be in excess of five percent (5%) of the original assessment, the affirmative vote or written consent of two-thirds (2/3) of each class of members shall be required for such further assessment.

(c) Capital Improvement Assessments shall be due and payable by all owners in such installments and during such period or periods as the Board shall designate.

9.6 Default in Payment of Assessments:

(a) The assessments levied by the Board on behalf of the Association under this Article IX shall constitute separate assessments. Each assessment levied under this Article IX, together with interest, costs and reasonable

attorneys' fees shall be a separate, distinct and personal debt and obligation of the Owner against whom it is assessed, and shall bind his heirs, devisees, personal representatives and assigns. Each assessment levied under this Article IX shall also be a charge on the land and shall be a continuing lien upon the property against which such assessment is made. The Association shall have a separate lien and a separate lien is hereby created upon each Private Lot against which an assessment is made to secure the payment of any assessments under this Article IX. Each such lien shall likewise secure interest on the amount unpaid from the date that it became due and shall also secure costs of the suit and reasonable attorneys' fees in the event either an action or exercise of power of sale is used to collect such assessment, and the interest thereon.

(b) Upon request of any Parcel Owner, the Board shall execute and acknowledge a certificate stating that the indebtedness secured by the lien upon the Private Lot of said Owner has been paid, and such certificate shall be conclusive upon the Association. The Board shall furnish a copy of such certificate to any Owner upon request. A reasonable fee may be charged for the preparation of such statement.

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(c) Prior to the transfer of the Property Common Area to the Association, Declarant shall pay all of the costs of operation and maintenance of the Property Common Area and facilities that are incurred or expended. After the transfer of the Property Common Area to the Association, Declarant hereby covenants for each Private Lot owned by it within the Property, and each purchaser or Owner of any Private Lot by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other conveyance, and each Owner of an Outside Owned Parcel by annexing such parcel to the property subject to these Restrictions, covenants and agrees to pay to the Association each assessment made pursuant to this Article IX, at the time and in the manner herein provided and further covenants that the lien of each assessment may be foreclosed in the manner herein provided.

(d) Each Owner of a Private Lot subject to these Restrictions by acceptance of a deed or other conveyance therefor, whether from Declarant or subsequent Owners of Private Lots or by annexation as described in Article IX below, shall become personally obligated and agree to pay such charges that accrue after he received title thereto, plus costs of suit, and reasonable attorneys' fees as above provided and shall thereby vest in the Association the right and power to bring all actions for the collection of such charges, costs of suit and attorneys' fees, and for the enforcement of such liens. Such right and power shall continue in the Association and such obligations shall run with the land, so that the successive Owner or Owners of record of any Private Lot within the Property shall in turn become liable to pay all such charges which shall become a lien thereon during the time they are the record owner of such Private Lot within the Property. After a record Owner transfers of record any Private Lot owned by him, he shall not be liable for any charges thereafter to accrue against

such Private Lot. He shall remain personally liable, however, for all unpaid amounts due and owing at the time of transfer. A contract seller of any Private Lot shall continue to be liable for all such charges until a conveyance by deed of such property is recorded in the Office of the County Recorder of Douglas County, Nevada.

(e) The lien of each of the assessments provided for under this Article IX shall be subordinate to the lien of any first mortgage or mortgages or deeds of trust now or hereafter placed upon the properties subject to assessment; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to the sale of such property pursuant to a decree of foreclosure of any such first mortgage or deed of trust or pursuant to the exercise of a power of sale in such first mortgage or deed of trust. Such foreclosure sale shall not relieve such property from liability for any assessments thereafter becoming due nor from the lien of any such subsequent assessment. The foregoing subordination shall not apply to any secondary financing covering the properties subject to assessment and the lien created herein shall be superior to liens securing secondary financing.

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(f) Any assessment not paid within thirty (30) days after the due date shall be deemed to be in default and shall bear interest from the due date at the rate of ten percent (10%) per annum and the Board on behalf of 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 action shall be brought to foreclose the lien securing any assessment under this Article IX less than thirty (30) days following the mailing of a notice of default in the payment of an assessment when due signed by a majority of the Board to the Owner of such Private Lot and the recording of a copy of such notice in the Office of the Recorder of Douglas County, State of Nevada. Said notice shall state the amount of the assessment together with the interest, costs and reasonable attorneys' fees; a description of the Private Lot against which the same has been assessed and name or names of the record Owner or Owners thereof. Such notice of default in payment of an assessment and election to declare the entire amount thereof forthwith due and payable may be recorded and the lien of said assessment may be foreclosed either by an action brought to foreclose the same or, the Association may, at its option, foreclose the lien of said assessment by exercise of the power of sale herein granted to the Association, and all costs, charges and attorneys' fees shall be included in the amount to be recovered either by action or through exercise of power of sale.

(g) Each Owner does hereby grant to the Association the power to enforce and foreclose the lien of each assessment by power of sale in the manner herein provided. The Association may, after not less than three (3) months have elapsed after the recording of said notice of default, sell the Private Lot described in the notice of default in order to satisfy said assessment, costs and fees specified in the notice of default, and the costs incurred in connection with

the sale, including the cost of a search of title and additional attorneys' fees, after first giving notice of the time and place of such sale in the manner provided by the laws of the State of Nevada for the sale of real property under writ of execution. Said sale may be conducted by a member of the Board, or an attorney or other representative designated by the Association to conduct said sale. The time of said sale may be postponed from time to time by proclamation made to the persons assembled at the time and place previously appointed and advertised for such sale or to which such sale may have been postponed. Said sale shall be at public auction to the highest cash bidder. The Association may make purchase at said sale. The Association upon such sale, shall make, without warranty, execute and after due payment made, deliver to purchaser at said sale a deed conveying the Private Lot so sold, which shall convey to the Purchaser all of the title of the delinquent record Owner. The proceeds of the sale shall be applied first to the payment of the costs of the sale, then to the sums described in the notice of default. The balance then remaining shall be applied to the delinquent record Owner or to his heirs, executors, administrators or assigns. The deed given by the Association to the Purchaser at such sale shall be conclusive proof of all recitals contained therein, and shall be effectual and conclusive against the delinquent record Owner of the Private Lot so sold, his heirs and assigns.

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(h) Any Owner of a Private Lot purchased at execution sale, or at foreclosure, shall be bound by the restrictions, covenants, reservations, assessments and liens as provided herein, other than assessments or liens arising prior to such foreclosure sale, or to the commencement of the action resulting in sale under writ of execution.

(i) Upon payment of a delinquent assessment, together with the fees and costs incurred in connection therewith, the Board shall cause to be recorded in the same manner as the notice of default, a certificate stating the satisfaction and release of the lien upon payment by the delinquent Owner of the costs incident thereto. A failure to record such certificate of discharge within thirty (30) days after written demand by the Owner of such Private Lot shall entitle him to recover a penalty of ONE HUNDRED DOLLARS (\$100.00) from the Association, plus any actual damages that he may have sustained.

(j) In the event any Owner fails to pay any assessment when due, in addition to such other action as the Board of Directors may determine to be appropriate, the Board of Directors may deny such Owner the privilege of using or enjoying any of the Project Common Area, or the recreational facilities within such Common Area, until such Owner has paid all delinquent assessments and all fees and costs incurred by reason of such delinquency, subject to the provisions for notice, as provided in Paragraph 5.3.

9.7 Association Funds: The assessments collected by the Association shall be deposited into a separate account(s) with a savings and loan association or bank selected by the Board, which accounts shall be clearly designated as the GLENBROOK ACCOUNT. The assessments collected by the Association

shall be held in trust by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of the Property as provided in this Declaration. The Board shall allocate a portion of said funds as collected for the annual maintenance and operation of the Property as specified in the annual budget and the Board shall allocate a portion of said funds as collected as reserves for contingencies, replacement and deferred maintenance of the capital improvements of the Property as specified in the annual budget. Upon sale or transfer of any Private Lot by any Owner, the Owner's interest in the trust funds shall be deemed automatically transferred to the successor transferee of such Owner.

In the event that the Board retains a professional management service, the Board may delegate the authority to deposit or withdraw funds to responsible representatives of the professional management agent so retained. Said professional management agent may additionally be authorized to establish a common trustee account for deposit of assessments as collected. Any funds deposited in such common trustee account shall be allocated as previously specified herein.

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9.8 Failure to Fix Maintenance Assessments: The omission by the Board of Directors to fix the maintenance assessments hereunder before the expiration of any year, for that or the next year, shall not be deemed a waiver or modification in any respect of the provisions of these Restrictions, or a release of the Owner from the obligation to pay the assessments, or any installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed.

9.9 Property Exempt from Assessments: The following property subject to this Declaration shall be exempt from the assessments, charges and liens created herein:

(a) That portion of the property within an easement or that has been dedicated to and accepted by the County or other local public authority and devoted to public use shall be exempt from the lien or any assessment or charge that may be created pursuant to these Restrictions.

(b) All Project Common Area.

ARTICLE X

CAPITAL IMPROVEMENTS

10.1 Petition; Association Approval:

(a) A majority of the Owners may petition the Association for the construction, installation or acquisition of a capital improvement on the Project Common Area. As used herein, "capital improvements" relates only to new capital improvements and no such petition or approval shall be required to replace existing capital improvements or to make expenditures from any capital replacement reserve.

Such petition shall be in writing and be in such form and shall contain such information as the Board may require, including, without limitation, preliminary plans and cost estimates. The Board may, on its own motion, move for the construction, installation or acquisition of a capital improvement, in which case such motion shall be treated as if it were a petition duly submitted by an Owner.

(b) The Board shall approve the petition if it determines that the proposed capital improvement is desirable for the beneficial use and enjoyment of the Project Common Area by Owners.

(c) Upon the approval of such petition by the Board, the Board shall obtain firm bids on the total cost of constructing, installing or acquiring the proposed capital improvement, and the lowest acceptable bid or bids shall be deemed the estimated total cost of such capital improvements.

10.2 Owner Approval: If the estimated total cost of the proposed capital improvement exceeds the sum of FIVE THOUSAND DOLLARS (\$5,000.00) in any one Fiscal Year, the Board shall present the proposed capital improvement and the estimated total cost thereof to all Owners. Said improvements shall be deemed approved if two-thirds (2/3) of each class of Members votes to approve such capital improvement. Until such time as Declarant or its successors owns five (5) or less Private Lots, said vote shall exclude the vote of seventy-five percent (75%) of the vote of the Declarant or its successor in interest when voting on assessments for capital improvements in excess of FIVE THOUSAND DOLLARS (\$5,000.00) and for encumbering or disposing of Association property valued in excess of FIVE THOUSAND DOLLARS (\$5,000.00).

10.3 Construction of Improvements: After the levy of the capital improvement assessment pursuant to Section 9.5, and at such time and upon such terms and conditions as the Association may deem appropriate, but not exceeding the estimated total cost of such capital improvement determined pursuant to subparagraph (c) of Section 10.1 above, the Board shall cause to be constructed, installed or acquired, or contract for the construction, installation or acquisition of the proposed capital improvement.

10.4 Costs of Petition: If for any reason the construction, installation or acquisition of the proposed capital improvement is not approved by the Board or the Owners, all expenses incurred by the Association with respect to the proposed capital improvement shall be paid proportionately by the petitioning Owners and the Board may levy a special assessment against said Owners for the purpose of paying such expenses.

ARTICLE XI

ANNEXATION

11.1 Annexation of Outside Owned Parcels: At any time Declarant may annex, and from time to time for a period of

the work of constructing Private Lots within Parcel I, suitable for the construction thereon of a Single Family Residence Unit, and certain Property Common Area. If Declarant acquires other property within the Project, Declarant may undertake similar work with respect to the property so acquired and annexed hereto as described in Article XI. The completion of such work, the construction thereon of improvements, and the sale, rental and other disposal of said Private Lots is essential to the establishment and welfare of said property as a residential community. In order that said work may be completed and said Private Lots be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its contractors, or subcontractors from doing on the Property or any Private Lot thereof, whatever is reasonably necessary or advisable in connection with the commencement or completion of said work; or

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(b) Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Property, such structures as may be reasonably necessary for the conduct of its business of completing said work and establishing said Property as a residential community and disposing of the same in parcels by sale, lease, or otherwise; or

(c) Prevent Declarant from conducting on any part of the Property its business of completing said work and of establishing said Property as a residential community and of disposing of said Property in parcels or Lots by sale, lease or otherwise; or

(d) Prevent Declarant from maintaining such sign or signs on any of the Property owned by Declarant or the Association, as may be necessary for the sale, lease or disposition thereof.

(e) Require Declarant to go through the Design Review Committee procedure described in Article VII in respect to structures to be constructed by Declarant, provided such structures are consistent with the intent of the Design Review Committee rules. The provisions of this paragraph (e) shall only be effective for the period in which the Declarant maintains the right to appoint a majority of the Design Review Committee.

Nothing in this Article shall give the Declarant the right to damage any Private Lot not owned by Declarant, and Declarant's right to so use the property, except for the rights under subparagraph (d) above, shall terminate upon final completion of the subdivision improvements, except as required for maintenance and repair obligations conducted by Declarant which may continue after completion of subdivision improvements.

EXHIBIT C
ARTICLE XIII

RIGHTS OF MORTGAGEE'S AND TRUST DEED BENEFICIARY

13.1 General: Holders of first mortgages and trust deeds on the Property and Private Lots made for value and in good faith shall be entitled to the rights and privileges set forth in this Article.

13.2 Notice of Default: The mortgagee of a mortgage or beneficiary of a deed of trust, and/or their successors and assigns of a first mortgage or deed of trust on a Private Lot which mortgagee, beneficiary, successor assignee has requested in writing to the Association of such a notice, shall be entitled to written notification from the Association of any default by the mortgagor of any Parcel in the performance of such mortgagor's obligations under the Declaration, Articles, By-Laws and Rules that is not cured within thirty (30) days.

13.3 Non-Liability for Unpaid Assessments: Any first mortgagee or beneficiary of a first deed of trust who comes into possession of a Private Lot pursuant to the remedies provided in the mortgage or deed of trust, foreclosure of the mortgage or deed of trust shall take the property free of any claims for unpaid assessments or charges against the mortgaged Private Lot that accrue prior to the time such holder comes into possession of the Private Lot. JCS

13.4 Mortgagee's Approval: Unless at least seventy-five percent (75%) of the first mortgagees, based upon one (1) vote for each mortgage owned, of Private Lots have given their prior written approval, the Association shall not be entitled to:

(a) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer any real estate or improvements thereon which are owned, directly or indirectly, by the Association for the benefit of the Private Lots and the Owners thereof. The granting of easements for public utilities or other public purposes consistent with the intended use of such property by the Association and Owners shall not be deemed a transfer within the meaning of this clause;

(b) By act or omission, waive or abandon any scheme or regulations, or enforcement thereof, pertaining to architectural design, or exterior appearance of improvements located on said Private Lots, the exterior maintenance of Private Lots, the maintenance of party walls or common fences and driveways or the upkeep of lawns, plantings or other landscaping in the Property.

(c) Fail to maintain fire and extended coverage insurance on insurable common property owned by the Association in an amount not less than ninety percent (90%) of the replacement cost.

(d) Use hazard insurance proceeds for losses to any common property and improvements owned by the Association for other than the repair, replacement or reconstruction of such property and improvements.

13.5 Examination of Records: First mortgagees shall have the right to examine the books and records of the Association.

13.6 Insurance Proceeds and Condemnation Awards: No provision of this Declaration or the Articles shall give an Owner, or any other party, priority over any rights of the first mortgagees of Private Lots pursuant to their mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of the Property Common Area or otherwise.

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