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NO. 2000.108

DOUGLAS COUNTY

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SECURITY AND IMPROVEMENT AGREEMENT

***** SUBDIVISION/PARCEL MAP REFERENCE DATA *****

BARBARA REED
CLERK
[Signature]
DEPUTY

FINAL MAP NO. 99-052 ("Final Map" herein)

TENTATIVE PARCEL MAP/SUBDIVISION NO. (If Applicable) _____ ("Project" herein)

DEVELOPER: Theodore Gaines
(Name of Person or Business Entity)

P.O. Box 2713
(Street Address)

Gardnerville, Nevada 89410
(City) (State) (Zip)

PLANNING COMMISSION APPROVAL DATE (If Applicable) 8-17-99

BOARD OF COMMISSIONERS APPROVAL DATE (If Applicable) 10-07-99

ADMINISTRATIVE HEARING PANEL APPROVAL DATE (If Applicable) _____

SITE IMPROVEMENT PERMIT NO. 00141-01 ("Improvement Plans" herein)

ESTIMATED COSTS: IMPROVEMENTS: \$ 149,637.50

FORM OF IMPROVEMENT SECURITY: Cash
 Certificate of Deposit
 Letter of Credit

NAME AND ADDRESS OF ISSUER OF LETTER OF CREDIT

Gaines Co.
(Name of Person or Business Entity)

P.O. Box 2713
(Street Address)

Gardnerville NV 89410
(City) (State) (Zip)

EFFECTIVE DATE OF AGREEMENT:

Recording Date of Final Map
(To Be Inserted by County)

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SECURITY AND IMPROVEMENT AGREEMENT

THIS SECURITY AND IMPROVEMENT AGREEMENT ("Agreement" herein) is made and entered into by and between the County, a municipal corporation ("County" herein), and the Developer whose name and address is set forth above in the Subdivision/Parcel Map Reference Data.

RECITALS

A. Developer anticipates or has filed with the County a Final Map, identified above in the Subdivision/Parcel Map Reference Data, of a proposed subdivision, phase of a subdivision, or parcel map pursuant to the Nevada Revised Statutes and Title 20 (the Douglas County Consolidated Development Code).

B. A tentative map has previously been approved, subject to the Nevada Revised Statutes and Douglas County Code, with standard requirements and conditions of approval, which is on file in the Office of the County Clerk and the Community Development Department.

C. Douglas County Code establishes, as a condition precedent to the approval of a Final Map, that the Developer comply with the conditions of approval and either, (i) complete, in compliance with County standards, all of the improvements and land division work required by Nevada Revised Statutes, Douglas County Code, and the conditions of approval; or (ii) enter into a secured agreement with the County to complete the improvements and land division work within a period of time specified by the Douglas County Code.

D. In consideration of approval of the Final Map for the proposed Project by the County prior to completion of improvements, Developer desires to enter into this Agreement whereby Developer promises to install and complete, at its sole expense, all public improvement work required by the County for the proposed Project. Developer has secured this Agreement by improvements security required by the Douglas County Code.

E. Improvement plans, and related specifications, number as designated in the Subdivision/Parcel Map Reference Data, for the construction, installation and completion of the Improvements identified in Schedule A hereto, have been prepared by the Developer, approved by the County Engineer, and are on file in the County's Community Development Department. Said Improvement Plans, and related specifications, are incorporated herein by this reference.

NOW, THEREFORE, in consideration of the approval and recordation by the County of the Final Map, Developer and County agree as follows:

1. DEVELOPER'S OBLIGATION TO CONSTRUCT IMPROVEMENTS

A. Developer shall, at its sole expense, and in compliance with the provision of Nevada Revised Statutes, the Improvement Plans, and all applicable County standards, furnish, construct, install and guarantee the Improvements generally described in the tentative map, Douglas County Code and the conditions of approval. All improvements shall be completed within twenty-four (24) months of the effective date of the Agreement. Developer agrees to inform the County in writing of progress of completed improvements an estimated completion dates for remaining improvements on or before the 12th, 18th and 23rd month of the agreement.

B. Developer shall acquire and dedicate, or pay the cost of acquisition of, all rights-of-way, easements and other in real property for the construction or installation of the Improvements, free and clear of all liens and encumbrances. The Developer's obligations with regard to the acquisition by

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County of off-site rights-of-way, easements and other interests in real property shall be subject to a separate agreement between Developer and County.

C. Subject to any time extensions granted in accordance with Section 4, Developer shall complete all Improvements within twenty-four months of the effective date of the agreement; provided, however, that if the County Engineer reasonably determines that accelerated construction of the Improvements is essential in order to protect the public health, welfare and safety, including, without limitation, providing for the orderly Subdivision of the surrounding area, the County Engineer shall give Developer not less than fifteen (15) calendar days prior written notice to commence or accelerate installation and construction of improvements, or any portion thereof. The notice shall describe the work to be done by the Developer, the time within which the work will commence, and the period within which the work will be completed. All or any portions of said Improvements may be required to be constructed or completed at a specified time. If the Developer objects to the commencement or acceleration of the Improvements as specified by the County Engineer, the Developer may appeal the decision of the County Engineer to the Board of County Commissioners. Any such appeal shall be filed with the County Clerk within ten (10) days after receipt by Developer of the written notice from the County Engineer.

D. If improvements to be constructed by Developer include monumentation, such monumentation shall be installed no later than thirty (30) days after the County's acceptance of all other Improvements pursuant to Section 2. As used herein, "monumentation" shall mean the setting of survey monuments and tie points in accordance with Nevada Revised Statutes and Douglas County Code, and the delivery to the County Engineer of tie notes for said points.

E. Developer shall, at its sole expense, replace or repair all existing and newly constructed public improvements, public utility facilities, and surveying or Subdivision monuments which are destroyed or damaged as a result of any work under this Agreement. Any such replacement or repair shall be subject to the approval of the County Engineer.

F. Until any category of Improvements is accepted by the County, Developer shall be responsible for the care and maintenance of such improvements and shall bear all risks of loss or damage to said improvements. Neither County, nor its officers, agents and employees, shall have any liability for any accident, loss or damage to the Improvements prior to their completion and acceptance by the County.

G. Developer shall, at its expense, obtain all necessary permits and licenses for the construction and installation of the Improvements, give all necessary notices, and pay all fees required by the federal, state, county, town or improvement district and all taxes required by law.

H. Not less than fifteen (15) days prior to commencement of work on the Improvements, Developer shall give written notice to the County Engineer of the date fixed for such commencement of work in order that the County Engineer shall have adequate time to schedule all necessary inspections.

2. INSPECTION OF WORK AND FINAL ACCEPTANCE

A. Developer shall at all times maintain proper facilities and safe access for inspection for the Improvements by the County Engineer.

B. Upon completion of the work on all or any category of the Improvements specified in Schedule A, the Developer may request a final inspection by the County Engineer. If the County Engineer determines that all or any specified category of the Improvements have been completed in

accordance with this Agreement and in compliance with the Improvement Plans and all applicable County standards, then the County Engineer shall certify the completion of such Improvements. Developer shall bear all costs of inspection and certification for acceptance.

C. Acceptance of all or any specified category of the Improvements by the County Commissioners shall be made upon recommendation and certification of the County Engineer following inspections of said Improvements pursuant to subparagraph B above. The Board of County Commissioners shall act upon the County Engineer's recommendation within forty-five (45) days following certification by the County Engineer that such Improvements have been completed. Acceptance by the County Commissioners shall not constitute a waiver by the County of any defects in the Improvements.

3. GUARANTEE AND WARRANTY OF THE IMPROVEMENTS

A. If, within a period of one year following the acceptance by the County Commissioners of the last of the Improvements specified in Schedule A, any Improvements or part of any Improvements furnished, installed or constructed by the Developer, or any of the work performed under this Agreement, fails to comply with any requirements of this Agreement, or Nevada Revised Statutes, Douglas County Code, or the Improvement Plans and related specifications, the Developer shall, without delay and without cost to the County, repair, replace, or reconstruct any defective or otherwise unsatisfactory part or parts of the Improvements. Developer's obligations hereunder shall include the repair, replacement or reconstruction of all irrigation systems and all trees, shrubs, ground cover and landscaping for such one (1) year period.

B. Should the Developer fail or refuse to act promptly or in accordance with subparagraph A above, or should the exigencies of the situation require repair, replacement or reconstruction to be undertaken before the Developer can be notified, then the County may, at its discretion, make the necessary repairs or replacements or perform the necessary reconstruction. If the Developer's improvement security does not cover the total cost of such repair, replacement or reconstruction, the Developer shall reimburse the County for any excess costs incurred.

C. The security furnished for the Developer's obligation to construct and install the Improvements described herein shall not be reduced below ten percent (10%) unless and until a warranty bond is posted for the warranty period.

4. TIME EXTENSIONS

A. Upon a showing of the Developer of good cause, the date of commencement of work on the Improvements, or the duration of the Completion Period, may be extended by the County Engineer, with the written concurrence of the County Manager. As used herein, "Good Cause" may include, without limitation, delay resulting for an act of the County, acts of God or force majeure; and strikes, boycotts or similar job actions by employees or labor organizations which prevent the conduct of the work.

B. A time extension may be granted without notice to any surety or sureties of the Developer and shall not affect the validity of this Agreement nor release the surety or sureties on any bond given as an improvement security pursuant to this Agreement.

C. As a condition of any time extension provided for herein, the County Engineer, with the written concurrence of the County Manager, may require the Developer to furnish new or modified improvement security guaranteeing performance of this Agreement, as extended, in an increased amount necessary to compensate for any projected increase in the Estimated Total Cost of

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Improvements, as determined by the County Engineer.

5. IMPROVEMENT SECURITY

A. Prior to the County's execution of this Agreement, Developer shall provide as security to the County in an amount equal to one hundred fifty percent (150%) of the Estimated Total cost of the Improvements, Grading and Monumentation as set forth in Schedule A and in accordance with established County policy. With this security, the form of which shall be subject to County's prior approval, the Developer assures faithful performance under this agreement and guarantees the Improvements for one (1) year after the completion and acceptance of the last of such Improvements against any defective workmanship or material or any unsatisfactory performance pursuant to Section 3 hereof.

B. Modifications of the Improvement Plans and related specifications, and modification of the Improvements, not exceeding ten percent (10%) of the original Estimated Total Cost of Improvements, shall not relieve or release any improvement security furnished by Developer pursuant to this Agreement. If any such modifications exceed ten percent (10%) of the Estimated Total Cost of the Improvements. Developer shall furnish additional improvement security for performance and guarantee, and for payment, as required by subparagraph A above, for one hundred fifty percent (150%) of the revised Estimated Total Cost of the Improvements.

6. REDUCTION OR RELEASE OF IMPROVEMENT SECURITY

A. Partial release or reductions in the Developer's improvement security may be authorized prior to the County's acceptance of all Improvements required hereunder, as provided in this section.

B. Upon acceptance of all or any specified category of the Improvements by the County Commissioners and upon request of the Developer, the improvement security may be reduced or released as follows:

1. Security for Performance and Guarantee: Security may be released incrementally following the completion and documentation of the completion of work and approval by the County Engineer. Securities will be released incrementally in conformance with Schedule A and only upon completion of all improvements in a related category of Schedule A. Unless the Developer submits a warranty bond (where applicable) or additional security in an amount equal to ten percent (10%) of the Estimated Total Cost of the Improvements, security shall not be reduced or released in an amount greater than ninety percent (90%) of the total security amount thereof prior to the expiration of the one (1) year guarantee and warranty period specified in Section 3.A. nor until any claims filed during the one (1) year warranty period have been settled.

C. If Developer's obligations relating to any Improvements, such as the water system or sewer system, are subject to the approval of another governmental agency, the County shall not release the improvement security therefor until the obligations are performed to the satisfaction of such other governmental agency. Such agency shall have two (2) months after Developer's performance of the obligation to register its satisfaction or dissatisfaction. If at the end of that period it has not registered its satisfaction or dissatisfaction, it shall be conclusively deemed that the Developer's performance of the obligation was satisfactorily completed.

7. INDEMNIFICATION OF COUNTY BY DEVELOPER

A. Neither the County, nor its officers, agents and employees, shall be liable or

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responsible for any accident, injury, loss, or damage to either property or person attributable to or arising out of the construction or installation of the Improvements. Developer shall indemnify, hold harmless and defend the County, its officers, agents and employees, from and against any and all losses, claims, costs, expenses, liabilities, damages, actions, causes of action and judgments, including reasonable attorneys' fees, arising out of or attributable to Developer's performance under this Agreement.

B. Developer's obligations under this section are not conditioned or dependent upon the County, or its officers, agents and employees, who prepared, supplied or reviewed any Improvement Plans or related specifications in connection with the Project Improvements, or has insurance or other indemnification covering any of these matters.

C. Developer's obligation to indemnify, hold harmless and defend the County shall extend to injuries to persons and damages to or alleged taking of property resulting from the design or construction of the Project, and the Improvements required herein, and shall likewise extend to adjacent property owners asserting claims based upon the diversion of waters caused by the Developer's design or construction of public drainage systems, streets, and other public facilities or improvements. The County's acceptance of the Improvements shall not constitute an assumption by the County of any responsibility or liability for any damage or alleged taking of property referenced herein. County shall not be responsible or liable for the design or construction of the Project or the Improvements constructed or installed pursuant to the approved Improvement Plans or the Final Map, unless the particular Improvement design was required by the County over the written objection of the Developer, which objection stated that the Improvement design was potentially dangerous or defective and set forth an alternative design. After County's acceptance of the Improvements, the Developer shall remain obligated to correct or eliminate all dangerous conditions created by defects in design or construction; provided, however, that the Developer shall not be responsible for routine maintenance. Developer's obligations hereunder shall remain in effect for ten (10) years following acceptance of the Improvements by the Board of County Commissioners. Developer acknowledges and agrees that Developer shall be responsible and liable for the design and construction of the Improvements and other work done pursuant to this Agreement, and County shall not be liable for any acts or omissions in approving, reviewing, checking, correcting or modifying any Improvement Plans or related specifications, or in inspecting, reviewing or approving any work or construction of Improvements. The Developer's improvement security shall not be required to secure the Developer's obligations under this subparagraph beyond the one (1) year guarantee and warranty period.

8. OWNERSHIP OF IMPROVEMENTS

Ownership of all or any category of the Improvements constructed and installed by the Developer pursuant to this Agreement shall vest in the County (or other specified governmental agency) upon acceptance of Improvements by the Board of County Commissioners or other applicable agency or board.

9. DEFAULT AND BREACH BY THE DEVELOPER AND REMEDIES OF THE COUNTY

A. Upon the occurrence of any of the following events, the Developer shall be deemed to be in default under this Agreement:

1. Subject to any time extensions granted in accordance with Section 4, failure to commence construction and installation of the Improvements by the commencement date set forth above in the Subdivision/Parcel Map Reference Data:

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2. Failure to correct or cure any defect in the Improvements during the one (1) year guarantee and warranty period as required in Section 3.A.;

3. Subject to any time extensions granted in accordance with Section 4, failure to perform substantial construction work, after commencement of work on the Improvements, for a period of thirty (30) days after written notice from the County;

4. Insolvency, appointment of a receiver, or the filing of any petition in bankruptcy, whether voluntary or involuntary, and such is not cured or discharged within a period of thirty (30) days);

5. Commencement of a foreclosure action against the Project or any portion thereof, or any conveyance by the developer in lieu or in avoidance of foreclosure; or

6. Failure to perform any other obligations in accordance with the terms and provisions of this Agreement within thirty (30) days after written notice from the County.

B. County reserves to itself all remedies available to it at law or in equity for any breach of Developer's obligations under this Agreement. County shall have the right, without limitation of other rights or remedies, to draw upon or utilize any improvement security furnished hereunder to mitigate County's damages in the event of Developer's default.

C. Developer acknowledges that the Estimated Total Costs and improvement security amounts set forth herein may not reflect the actual cost of construction or installation of the Improvements, and consequently, County's damages for Developer's default shall be measured by the cost of completing the required Improvements. If the damages incurred by the County in taking over the completing of the Improvements exceeds the principal amount of the improvement security, then the Developer shall reimburse the County in the amount of such excess damages.

D. County may, without liability for doing so, take possession of, and utilize in completing the Improvements, such materials, appliances, plant and other property belonging to Developer as may be on the site of the work and necessary for the performance of the work. Developer hereby consents to entry by the County and its forces, including contractors, upon any real property in the Project owned by the Developer or by any assignee of this Agreement, in the event the County elects to maintain or complete the work on the Improvements following Developer's default.

E. Developer acknowledges and agrees that, upon approval of the Final Map, County will confer substantial rights upon the Developer, including the right to sell, lease or finance lots within the Subdivision, and that such approval constitutes the final act necessary to permit the division of land within the Subdivision. As a result, County will be damaged to the extent of the cost of construction or installation of the Improvements upon Developer's failure to perform its obligations under this Agreement. Developer further acknowledges that any determination as to whether a reversion to acreage or rescission of approval of the Final Map constitutes an adequate or necessary remedy for Developer's default shall be within the sole discretion of the County.

F. The County's failure to take an enforcement action with respect to a default, or to declare a default or breach, shall not be construed as a waiver of that default or breach or any subsequent default or breach of the Developer.

G. If County sues to compel Developer's performance of this Agreement, or to recover damages or costs incurred in completing or maintaining the work on the Improvements, Developer agrees to pay all attorneys' fees and other costs and expenses of litigation incurred by the County in

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connection therewith, even if the Developer subsequently resumes and completes the work.

10. RELATIONSHIP OF THE PARTIES

Neither Developer, nor any of the Developer's contractors, employees or agents, are or shall be deemed to be, agents of the County in connection with the performance of Developer's obligations under this Agreement.

11. ASSIGNMENT

A. Developer shall not assign this Agreement without the prior written consent of the County. Any attempted or purported assignment in violation of this subparagraph A shall be null and void and shall have no force or effect.

B. The sale or other disposition of the Subdivision shall not relieve Developer of its obligations hereunder. If Developer intends to sell the Project, or any portion thereof, to any other person or entity, the Developer may request a novation of this Agreement and substitution of improvement security. Upon the County's approval of the novation and substitution of improvement security, the Developer may request a release or reduction of the improvement security furnished pursuant to this Agreement.

12. NOTICES

All notices required or provided for in this agreement shall be in writing and delivered in person or by mail, postage prepaid, and addressed as follows:

If to the County: Douglas County Engineer
Community Development Department
P.O. Box 218
Minden, NV 89423

If to the Developer: To the address set forth above in the Subdivision/Parcel Map Reference Data, or to such other address as may subsequently be designated in written notice to the County.

Notice shall be effective on the date that it is delivered in person, or, if mailed, on the date of deposit in the United States mail.

13. ENTIRE AGREEMENT

This agreement constitutes the entire Agreement of the parties with respect to its subject matter. All modifications, amendments, or waiver of any terms of this Agreement shall be in writing and signed by the duly authorized representatives of the parties. In the case of the County, the duly authorized representative, unless otherwise specified herein, shall be the County Engineer.

14. SEVERABILITY

The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect.

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15. INCORPORATION OF SUBDIVISION/PARCEL MAP REFERENCE DATA AND RECITALS

The Subdivision/Parcel Map Reference Data, the Recitals and Schedule A are incorporated into this Agreement.

16. GOVERNING LAW

This Agreement shall be governed by the laws of the State of Nevada.

17. EFFECTIVE DATE OF THE AGREEMENT

This Agreement shall be and become effective as of the date of recordation of the Final Map.

18. TERM OF AGREEMENT

The term of this Agreement shall be twenty-four (24) months from the effective date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers, thereto duly authorized, as of the dates set forth below their respective signatures.

"DEVELOPER"

GAINES CO
(Type or print exact name of person or business entity)

By: [Signature]
(Signature of authorized officer)

Theodore GAINES Trust
(Type or print name of authorized officer)

OWNER
(Title of authorized officer)

Date: 7-25-2000

"COUNTY"

→
OWNER

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DOUGLAS COUNTY COMMUNITY DEVELOPMENT

By: Carl Puchner

FOR Eric Teitelman, County Engineer

Date: _____

DOUGLAS COUNTY MANAGER

By: Daniel Holler

Dan Holler, Manager

Date: 8-1-00

REQUESTED BY
DOUGLAS COUNTY
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

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LINDA SLATER
RECORDER

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CERTIFIED COPY

The document to which this certificate is attached is a full, true and correct copy of the original on file and on record in my office.

DATE: August 8, 2000
B. Reed Clerk of the 9th Judicial District Court
of the State of Nevada, in and for the County of Douglas.

By: Christine Gullett Deputy

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