

**CAUGHLIN RANCH HOMEOWNERS ASSOCIATION
ADMINISTRATIVE RULES
AND
FINE STRUCTURE**

[EFFECTIVE NOVEMBER 17, 2003]

TO: All Members of the Caughlin Ranch Homeowners Association (“Association”).

Chapter 116 of the Nevada Revised Statutes (“NRS”) requires the Board of Directors of the Association to provide notice to all members or unit owners of the applicable provisions of the Association’s governing documents that form the basis for the Association’s Administrative Rules and Fine Structure.

BACKGROUND

In 1984, the Association was formed. The Association’s By-Laws were adopted by the Board of Directors (“Board”) on July 16, 1984. The Articles of Incorporation of the Association (“Articles”) were filed on July 31, 1984, in the Office of the Secretary of State, State of Nevada. The Declaration of Protective Covenants Caughlin Ranch (“Declaration” or “CC&Rs”) was recorded on August 8, 1984, as Document No. 942122 in the official records of Washoe County, Nevada

The Declaration benefits and burdens each property within the Caughlin Ranch community. The original Declaration was recorded with Juniper Trails Unit One. Supplemental Declarations are (and will be) recorded before homes or lots are sold within each subsequent subdivision. The recordation of each Supplemental Declaration burdens the subject property with the same requirements of the original Declaration, which may be amended by the Supplemental Declaration, and annexes all new properties into the Caughlin Ranch master association. Section III of the Declaration includes 37 Residential Restrictions and other obligations referenced in other sections of the Declaration. Some Supplemental Declarations modify the restrictions as they apply to that specific property.

The Association’s authority to adopt administrative rules and fines stems from the By-Laws. Article V, Section 1, of the By-Laws which empower the Association:

To conduct, manage and control the affairs of the corporation, and to make such rules and regulations therefore not inconsistent with law, with the Articles of Incorporation or the By-Laws, as they may deem best.

Article 3 of the Association’s Articles address enforcement and empower the Association:

To enforce charges, assessments, restrictions, covenants, conditions and agreements existing upon or created for the benefit of the real property located within the Development;

In 1998, to clarify the Board’s authority to adopt a fine structure in conjunction with its authority to adopt administrative rules and regulations for the enforcement of the restrictions and covenants, the Association’s members amended the Declaration (the amendment was approved by 70% of the Association’s membership) and the amendment was recorded with the Washoe County Recorder on November 20, 1998, as Document No. 2277352 (the “1998 Amendment”). Included in the 1998 Amendment was specific direction to the Association to impose fines adopted by the Board and to adopt rules and regulations and impose a fine structure to remedy violations of the Declaration.

The following sections of the Declaration were amended (the new language is shown in italics) in the 1998 Amendment. Sections dealing with the fine structure and enforcement are as follows:

Section III, Paragraph L., was amended to read as follows:

L. Section V.,E. Duties of Association. The Association shall have the duty of enforcing the provisions of this Declaration including the duty to commence and maintain an action to enjoin any breach or threatened breach of the provisions hereof *and to impose fines adopted by the board for the enforcement thereof*. In addition to such enforcement remedies as may be contained in the Articles and By-Laws of the Association, failure of any member to comply with the rules and regulations of the Association shall be deemed to be a violation of this Declaration and enforceable by this Association as other violations of this Declaration. . . .

Section IX was amended to read as follows:

Section IX., A. Enforcement. Declarant and each person to whose benefit the Declaration inures, including the Association, may proceed at law or in equity to prevent the occurrence, continuation or violation or any provision of this Declaration, and the court in such action may award the successful party reasonable attorneys' fees. If funds are required to commence an action, a special assessment may be imposed on the lots affected to cover such costs. *In addition, the Board may adopt rules and regulations and a fine structure may be imposed to remedy violations of this Declaration.*

RESIDENTIAL RESTRICTIONS

In the Declaration, there are 37 Residential Restrictions that affect all Caughlin Ranch properties:

- | | | | |
|----|--|-----|--|
| A. | Accessory Outbuildings | S. | Utility Lines |
| B. | Completion of Construction | T. | No Commercial Enterprises |
| C. | Prohibition Against Used Structures | U. | Temporary Structures |
| D. | Maintenance of Lots | V. | Peaceful Enjoyment |
| E. | Disposal of Sanitary Waste | W. | Excavation |
| F. | Fences | X. | Certificate of Occupancy |
| G. | Nuisances | Y. | Clotheslines |
| H. | Signs | Z. | Landscaping |
| I. | Animals | AA. | Garage |
| J. | Garage and Refuse Disposal | BB. | No-Commercial Leasing |
| K. | Concealment of Trash Receptacles | CC. | Chimneys |
| L. | Antennas | DD. | Building Heights |
| M. | Travel Trailers, Motor Homes and Boat Storage | EE. | Driveways |
| N. | Defacing or Removal of Common Area Improvement | FF. | Exterior Lighting |
| O. | Limited Access | GG. | Exterior Walls and Trims |
| P. | Docks and Piers | HH. | Mailboxes |
| Q. | Re-subdivision or Joinder of Lots | II. | Roofs |
| R. | Operation of Motor Vehicles | JJ. | Removal of Trees, Rocks, Shrubs or Other Natural Forms |
| | | KK. | Construction Procedures |

CHANGES TO CHAPTER 116 OF NRS

During the 2003 Session of the Nevada Legislature, Nevada's lawmakers approved Senate Bill 136 ("SB 136"), which amends several sections of NRS Chapter 116. Previously, associations were allowed to fine a homeowner for violation of the CC&Rs, if the association provided a procedure for the homeowner to appeal the fine. However, SB 136 requires that the association now provide a hearing before the fine can be assessed for the violation and allows the Association's Board to appoint a Hearing Committee to review alleged CC&R violations and assess fines to homeowners.

AMENDED PROCEDURES FOR CC&R ENFORCEMENT

In accordance with the new law, the Association's Board has adopted changes to the procedures for CC&R enforcement in conformance with amendments to Chapter 116 of NRS. The following are the amended procedures for enforcement of the Residential Restrictions, as of November 17, 2003:

1. Upon the verification of a violation of the CC&Rs, the property owner is to be sent a letter by regular mail and is encouraged to take action to remedy the violation. The property owner is notified because the property is burdened by the CC&Rs and the owner is responsible for the property and any activities by tenants or occupants. All letters will be mailed to the same address where dues statements are mailed or to the last known address for the owner.
2. CRHA staff is to follow-up after 3 working days from mailing the letter. If the violation continues, staff will send a letter by certified mail demanding immediate conformance with the CC&Rs. In the letter, the owner will be notified of the violation(s), the specific fine applicable to the violation(s), and that a hearing has been scheduled before the Hearing Committee on a specific date and time where the owner may appear to contest the proposed fine.
3. If the owner refuses receipt of the certified letter, this will not preclude the Hearing Committee from conducting the hearing on the scheduled date and, if appropriate, imposing a fine for the violation.
4. The owner may pay the fine and the hearing will be cancelled. The owner may also execute a written waiver of the right to the hearing. In such cases, the homeowner's action will become part of the record of the Hearing Committee, and a written response will be provided to the homeowner.
5. The payment of the fine does not exempt the owner from complete compliance with the requirements of the CC&Rs.
6. The Board intends to set hearings on each violation. The hearings may be held as often as two times each month, depending on the volume of violations. At these hearings, the Hearing Committee will review each violation set for that hearing unless the owner has paid the fine or provided a written waiver of the hearing. The three (3)-member panel of the Committee will consist of at least one (1) Board member and members of the Advisory Committee or the Architectural Control Committee. The Association staff will present the matter to the Committee along with any documentation furnished by the owner. The owner will be given an opportunity to present additional information and address the Hearing Committee. The Hearing Committee will make a determination at the meeting and will have the following options:
 - 6.1 Dismiss the matter;
 - 6.2 Assess the fine and require payment within 30 days;
 - 6.3 Postpone the assessment of the fine and direct Association staff or the owner to provide more information. In the event the owner is required to provide more

information, and the owner fails to provide the information by the next Committee meeting, then the Committee shall decide the issue based only on the information before the Committee; or

6.4 The Hearing Committee may grant reasonable variances or adjustments to the amount of the fine where literal application thereof, in the opinion of the Hearing Committee, will create hardship to the homeowner and will not be materially detrimental or injurious to other Caughlin Ranch Homeowner Association members.

6.5 If the owner is not present, the owner will be notified by mail of the Hearing Committee's decision, including the assessment of fines.

7. **Appeal** The owner will have the option to appeal the Hearing Committee's decision to the Association's Board of Directors. The appeal to the Board must be made in writing and must set forth the reasons the owner believes the Hearing Committee's decision should be changed. All written appeals must be received at the Association's office within ten (10) days of the Hearing Committee's decision, or, if the owner was not present when the decision was made, the date the Hearing Committee's decision is mailed to the owner. The Board will review the appeal at the next regularly scheduled Board meeting so long as the appeal can be timely included on the Agenda for that meeting. The Association will notify the owner by regular mail of the date and time of the Board Meeting when the appeal will be heard. If the owner does not appear at the scheduled Board meeting, the Board will proceed to decide the appeal based on the materials submitted by Association staff and the appellant. In deciding the appeal, the Board will have the same options as the Hearing Committee (see above) and is not bound by the decision of the Hearing Committee. If the owner is not present at the meeting, there will be a written response sent to the homeowner regarding the Board's decision.

8. **Continuing Violations** NRS 116.31031(5) provides that if a fine is imposed against the owner and the violation is not cured within 14 days, the violation shall be deemed a continuing violation. The Board has determined that the 14 day period begins on the date the first letter is mailed to the owner by the Association. NRS 116.31031(5) provides that thereafter, the Hearing Committee or Board may impose an additional fine for the violation for each 7-day period or portion thereof that the violation is not cured and any additional fine may be imposed without notice and an opportunity to be heard.

9. **Interest and Costs** Any past due fine incurs interest at the rate of 1.5% per month commencing with the date the fine is entered, unless the fine is paid within 30 days in which case the interest is waived. In addition, the Association may include costs of collecting the past due fine at a rate established by the Association and as allowed by NRS 116.31031.

10. **Lien** The Association's staff is directed by the Board to file a lien against an owner's property for any homeowner's fine that remains delinquent for 90 days. The homeowner will be charged a lien fee of \$100 in addition to the fines and continuation fines filed against the property.

11. **Lien Release** Upon receipt of the full payment of the fine(s), penalty(ies), continuation fine(s), interest, potential collection costs and lien fee, the Association will promptly cause to be recorded a release of the lien against the property.

FINE STRUCTURE

The Board has approved the following fine structure, effective November 17, 2003:

<u>DESCRIPTION OF VIOLATION</u>	<u>INITIAL FINE</u>	<u>CONTINUATION FINE</u>
A. Accessory Outbuilding	\$50*	\$25/week*
B. Completion of Construction		
• house or remodel	\$100*	\$50/week*
• deck / trellis	\$100*	\$25/week*
C. Prohibition Against Used Structures	\$100*	\$50/week*
D. Maintenance of Lots		
• complete lack of maintenance (dead landscape)	\$100	\$50/week
• lack of proper exterior painting and/or staining	\$50	\$50/week
• weed removal	\$50	\$25/week
• debris removal	\$50	\$25/week
• inadequate watering	\$25	\$10/week
• lack of proper mowing	\$25	\$10/week
E. Disposal of Sanitary Waste	\$100	\$100/week
F. Fences and Pet Enclosures		
• initial construction w/o ACC approval	\$50*	\$25/week*
• maintenance	\$25	\$10/week
• painting or staining w/o ACC approval	\$50*	\$25/week
G. Nuisances		
• abandoned vehicle removal	\$50	\$50/week
• storage of personal effects	\$50	\$25/week
• refuse/ noxious material removal	\$50	\$50/week
H. Signs		
• Removal of non-conforming “for sale” sign	\$50	\$50/week
• Other signs	\$50	\$50/week
• political sign (staff are instructed to remove all political signs immediately)	\$50	\$50/week
I. Animals		
• more than 2 animals and less than 4 animals	\$25	\$25/week
• more than 3 animals and less than 5 animals	\$50	\$50/week
• more than 4 animals and less than 6 animals	\$75	\$75/week
• 6 or more animals	\$100	\$100/week
J. Garbage and Refuse Disposal	\$50	\$50/week
K. Concealment of Trash Receptacles	\$10	\$5/week
L. Antennas (Enforcement not restricted by federal law)	\$25	\$25/week

DESCRIPTION OF VIOLATION	INITIAL FINE	CONTINUATION FINE
M. Travel Trailer, Motor Home and Boat Storage	\$100	\$10/day
N. Defacing or Removal of Common Area Improvements	\$100**	\$50/week**
O. Limited Access	None	None
P. Docks and Piers	None	None
Q. Resubdivision or Joinder of Lots	None	None
R. Operation of Motor Vehicle off of streets and roadways. Motorized vehicles are prohibited on all paths, trails, walkways, or common areas.	\$50	\$50/per occurrence
S. Utility Lines	None	None
T. No Commercial Enterprise	\$100	\$50/week
U. Temporary Structure	\$***	\$***
V. Peaceful Enjoyment	\$50	\$25/week
W. Excavation	\$100*	\$50/week*
X. Certification of Occupancy	None	None
Y. Clothesline	\$25	\$25/occurrence
Z. Landscaping	\$100*	\$50/ week*
AA. Garage	\$100*	\$50/week*
BB. Commercial Leasing	\$100	\$50/week
CC. Chimneys	\$100*	\$50/week*
DD. Building Height	\$100*	\$50/week*
EE. Driveways	\$100*	\$50/week*
FF. Exterior Lighting	\$50*	\$50/week*
GG. Exterior Walls and Trims	\$50*	\$50/week*
HH. Mailboxes	\$50	\$25/week
II. Roofs	\$100*	\$50/week*
JJ. Removal of Trees, Rocks, Shrubs or Other Natural Forms	\$100**	\$50/week**
KK. Construction Procedures	\$***	\$***

***Note:** The fine indicated will be assessed, unless the violation is a violation of the ACC's Rules and Regulations.

****Note:** The homeowner is personally responsible for the replacement and/or repair of any damage to the Association's common areas in addition to the fine.

*****Note:** Construction violations are enforced through the ACC's Rules and Regulations

SECTION IV. ARCHITECTURAL CONTROL COMMITTEE (“ACC”)

Construction of Improvements without ACC Approval:

<u>DESCRIPTION OF VIOLATION</u>	<u>INITIAL FINE</u>	<u>CONTINUATION FINE</u>
Deck	\$100*	\$50/week*
Fence	\$100*	\$50/week*
Changing Paint/ Stain Color of House	\$100*	\$50/week*
Landscaping Changes	\$100*	\$50/week*

*Note: The fines indicated will be assessed, unless the violation is a violation of the ACC’s Rules and Regulations.

ACC RULES AND REGULATIONS

The Board has determined that violations of the ACC’s Rules and Regulations constitute a special class of violations, which have an affect on the health, safety and welfare of the Caughlin Ranch community. With the passage of SB136, the Nevada Legislature has acknowledged that construction penalties are not a fine. Accordingly, these violations will be enforced by the ACC and the Association’s staff in accordance with NRS Chapter 116 and the ACC’s Rules and Regulations.

CONSTRUCTION AGREEMENTS AND ENFORCEMENT

In addition to the Residential Restrictions identified in the Declaration, the Architectural Control Committee has adopted a series of Rules and Regulations pursuant to Section IV(D) of the Declaration to enforce the restrictions regarding construction procedures. There is a potential construction penalty of \$250 per occurrence for each violation of the ACC’s Rules and Regulations, and other remedies as specified in the construction agreements. Construction penalties are not fines, and shall be enforced in accordance with NRS Chapter 116. The Board has adopted the following procedures for enforcement of the ACC’s Rules and Regulations (in this section, the term “owner” shall apply to property owners, Declarants and/or Merchant Builders):

1. In the event a property owner, declarant, or merchant builder, has violated the ACC’s Rules and Regulations, except as provided in paragraph 2 below, the property owner, declarant, or merchant builder, will be sent a warning letter regarding the specific violation of the ACC’s Rules and Regulations, warning the owner, declarant, or merchant builder that the violation could result in a construction penalty of \$250 payable by the owner, if the violation is not immediately remedied or stopped.
2. Violations of the ACC’s or Declaration’s rules prohibiting construction during certain hours or on Sunday may subject an owner to an immediate fine of up to \$250.00 if the contractor is informed of the violation by the Association staff or any member of the Association and the contractor or employee does not immediately cease work and leave the premises. Repeat violations of these construction hour rules after notice has first been given will subject the owner to the same fine of \$250 per occurrence.
3. When there is a second violation for the same offense, a second warning letter is sent and the property owner, declarant, or merchant builder is reminded about the construction penalty of \$250 payable by the owner, if the violation is not immediately remedied or stopped.

4. If the violation continues, Association staff will send a letter to the owner by certified mail demanding immediate conformance with the CC&Rs and ACC Rules and Regulations. In the letter, the owner will be notified of the violation(s), the specific construction penalty(ies) applicable to the violation(s), and that a hearing has been scheduled before the Hearing Committee on a specific date and time where the owner, declarant, or contractor, may appear to contest the construction penalty.

5. If the owner refuses receipt of the certified letter, this will not preclude the Hearing Committee from conducting the hearing on the scheduled date and, if appropriate, imposing a construction penalty for the violation.

6. The owner may pay the construction penalty and the hearing will be cancelled. The owner may also execute a written waiver of the right to the hearing. In such cases, the homeowner's action will become part of the record of the Hearing Committee, and a written response will be provided to the homeowner.

7. The payment of the fine does not exempt the owner from complete compliance with the requirements of the CC&Rs and ACC's Rules and Regulations.

8. The Board intends to set hearings on each violation. The hearings may be held as often as two times each month, depending on the volume of violations. At these hearings, the Hearing Committee will review each violation set for that hearing unless the owner has paid the fine or provided a written waiver of the hearing. The three (3)-member panel of the Committee will consist of at least one (1) Board member and members of the Advisory Committee or the Architectural Control Committee. The Association staff will present the matter to the Committee along with any documentation furnished by the owner or respondent. The owner or respondent will be given an opportunity to present additional information and address the Hearing Committee. The Hearing Committee will make a determination at the meeting and will have the following options:

8.1 Dismiss the matter;

8.2 Assess the construction penalty and require payment within 30 days;

8.3 Postpone the assessment of the construction penalty and direct Association staff or the owner to provide more information. In the event the owner is required to provide more information, and the owner fails to provide the information by the next Committee meeting, then the Committee shall decide the issue based only on the information before the Committee; or

8.4 The Hearing Committee may grant reasonable variances or adjustments to the amount of the construction penalty where literal application thereof, in the opinion of the Hearing Committee, will create hardship to the owner and will not be materially detrimental or injurious to other Caughlin Ranch Homeowner Association members.

8.5 If the owner is not present when the decision is rendered, the owner will be notified by mail of the Hearing Committee's decision.

9. **Appeal** The owner will have the option to appeal the Hearing Committee's decision to the Association's Board of Directors. The appeal to the Board must be made in writing and must set forth the reasons the owner believes the Hearing Committee's decision should be changed. All written appeals must be received at the Association's office within ten (10) days of the Hearing Committee's decision, or, if the owner was not present when the decision was made, the date the Hearing Committee's decision is mailed to the owner. The Board will review the appeal at the next regularly scheduled Board meeting so long as the appeal can be timely included on the Agenda for that meeting. The Association will notify the owner by regular mail of the date and time of the Board Meeting when

the appeal will be heard. If the owner does not appear at the scheduled Board meeting, the Board will proceed to decide the appeal based on the materials submitted by Association staff and the appellant. In deciding the appeal, the Board will have the same options as the Hearing Committee (see above) and is not bound by the decision of the Hearing Committee. If the owner is not present at the meeting, there will be a written response sent to the owner regarding the Board's decision, including the assessment of fines.

10. **Continuing Violations** Except as provided in paragraph 2 above regarding hours of construction and construction on Sunday, if an owner, declarant, or merchant builder, does not cure the violation within 14 days, the violation shall be deemed a continuing violation. The Board has determined that the 14 day period begins on the date the first letter is mailed to the owner by the Association. In such an event, the Association may impose an additional construction penalty for the violation for each 7-day period or portion thereof that the violation is not cured and any additional construction penalty may be imposed without notice and an opportunity to be heard.

11. **Interest and Costs** Any past due construction penalty incurs interest at the rate of 1.5% per month commencing with the date the construction penalty is entered, unless the construction penalty is paid within 30 days in which case the interest is waived. In addition, the Association may include costs of collecting the past due construction penalty at a rate established by the Association.

12. **Lien** The Association's staff is directed by the Board to file a lien against an owner's property for any construction penalty that remains delinquent for 90 days or, if the Association's staff become aware that the property is about to be sold, the Association's staff are authorized to immediately record a lien for the amount of the construction penalty to secure payment through the sale of the property. The owner will be charged a lien fee of \$100 in addition to the construction penalties and continuation construction penalties filed against the property.

13. **Lien Release** Upon receipt of the full payment of the fine(s), penalty(ies), continuation fine(s), interest, potential collection costs and lien fee, the Association will promptly cause to be recorded a release of the lien against the property.

CONSTRUCTION PENALTIES AND VIOLATION OF THE ACC'S RULES AND REGULATIONS

Construction agreements and construction penalties represent a specific set of circumstances that are different from most CC&R violations. Typically, it is not the property owner who violates the ACC's Rules and Regulations. Instead, it is typically a contractor, subcontractor, or employees of each. Regardless of the person responsible for the violation, the owner is responsible to the Association for all construction penalties imposed by the Association. The owners' remedy against the responsible party is not the business of the Association. The ACC's Rules and Regulations, construction agreements, procedures and construction penalties remain without change.

<u>DESCRIPTION OF VIOLATION</u>	<u>INITIAL CONSTRUCTION PENALTY</u>	<u>CONTINUATION CONSTRUCTION PENALTY</u>
VIOLATION OF ACC's RULES AND REGULATIONS	\$250	\$250/occurrence

SECTION IX. REMEDIES

The above Rules and Regulations and Fine Structure are in addition to and not a substitute for other remedies the Association may elect to enforce under the law. The Association is not limited by the Declaration to enter into other agreements with property owners, declarants, or merchant builders, and enforcing those agreements in accordance with the laws of the State of Nevada.

Finally, the Association reserves the right at any time to proceed, at law or in equity, to prevent the occurrence, continuation or violation of any provision of the Declaration or the ACC's Rules and Regulations. When appropriate, the Board will direct the Association's staff to file for Arbitration in accordance with Chapter 38 of NRS, when circumstances warrant legal action.