

ASSEMBLY BILL NO. 290—ASSEMBLYMEN PARKS
AND PIERCE (BY REQUEST)

MARCH 21, 2005

Referred to Committee on Judiciary

SUMMARY—Makes various changes to provisions relating to
common-interest communities. (BDR 10-951)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State: No.

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EXPLANATION – Matter in *bolded italics* is new; matter between brackets ~~omitted-material~~ is material to be omitted.

AN ACT relating to common-interest communities; requiring a member of an executive board of an association in a common-interest community who stands to personally profit from a matter before the board to disclose the matter and abstain from voting on such matter; prohibiting an association from requiring a unit's owner to obtain any approval from the association in order to rent or lease the unit unless the association is acting in accordance with the declaration or certain laws and regulations; requiring that bids for an association project be opened at a meeting of the executive board; making various changes concerning high-rise residential common-interest communities; providing that a purchaser may cancel the contract of purchase with a unit's owner in certain circumstances; and providing other matters properly relating thereto.

THE PEOPLE OF THE STATE OF NEVADA, REPRESENTED IN
SENATE AND ASSEMBLY, DO ENACT AS FOLLOWS:

- 1 **Section 1.** Chapter 116 of NRS is hereby amended by adding
2 thereto the provisions set forth as sections 1.5 to 4.3, inclusive, of
3 this act.
4 **Sec. 1.5. 1. “*High-rise residential common-interest***
5 ***community” means a common-interest community in which a***
6 ***majority of the units are or will be:***



* A B 2 9 0 R 3 *

- 1 (a) *Located in one or more high-rise residential buildings; and*
- 2 (b) *Designed or intended for residential or hotel-condominium*
- 3 *use.*

4 2. As used in this section, “high-rise residential building”

5 means a building that:

6 (a) *Is part of a common-interest community, has at least five*

7 *floors above ground level, including the ground floor, and has a*

8 *majority of its interior square footage designed or intended for*

9 *residential or hotel-condominium use; or*

10 (b) *When completed, will be part of a common-interest*

11 *community, will have at least five floors above ground level,*

12 *including the ground floor, and will have a majority of its interior*

13 *square footage designed or intended for residential use.*

14 **Sec. 2.** *A member of an executive board who stands to gain*

15 *any personal profit or compensation of any kind from a matter*

16 *before the executive board shall:*

17 1. *Disclose the matter to the executive board; and*

18 2. *Abstain from voting on any such matter.*

19 **Sec. 3.** 1. *Except as otherwise provided in the declaration,*

20 *an association may not require a unit’s owner to secure or obtain*

21 *any approval from the association in order to rent or lease his*

22 *unit.*

23 2. *The provisions of this section do not prohibit an*

24 *association from enforcing any provisions which govern the*

25 *renting or leasing of units and which are contained in this chapter*

26 *or in any other applicable federal, state or local laws or*

27 *regulations.*

28 **Sec. 4.** 1. *If the association solicits bids for an association*

29 *project, the bids must be opened at a meeting of the executive*

30 *board.*

31 2. As used in this section, “association project” includes,

32 without limitation, a project that involves the maintenance, repair,

33 replacement or restoration of any part of the common elements.

34 **Sec. 4.3.** 1. *In a high-rise residential common-interest*

35 *community:*

36 (a) *Votes allocated to a unit may be cast pursuant to a proxy in*

37 *accordance with the provisions of the governing documents;*

38 (b) *The governing documents may include provisions for*

39 *casting votes pursuant to a proxy that are different from the*

40 *provisions of NRS 116.311; and*

41 (c) *If authorized by the governing documents, a unit’s owner*

42 *may give a proxy to any other person, including a general proxy*

43 *authorizing the holder of the proxy to vote as he wishes on any*

44 *matter on behalf of the unit’s owner. Such a proxy may be a*



1 *continuing proxy unlimited as to time, but revocable upon written*
2 *notice.*

3 *2. If the governing documents for a high-rise residential*
4 *common-interest community are silent on a matter that is covered*
5 *by the provisions of NRS 116.311, the provisions of NRS 116.311*
6 *control until the governing documents provide otherwise.*

7 **Sec. 4.7.** NRS 116.003 is hereby amended to read as follows:

8 116.003 As used in this chapter and in the declaration and
9 bylaws of an association, unless the context otherwise requires, the
10 words and terms defined in NRS 116.005 to 116.095, inclusive, *and*
11 *section 1.5 of this act* have the meanings ascribed to them in those
12 sections.

13 **Sec. 5.** NRS 116.1203 is hereby amended to read as follows:

14 116.1203 1. Except as otherwise provided in subsection 2, if
15 a planned community contains no more than 12 units and is not
16 subject to any developmental rights, it is subject only to NRS
17 116.1105, 116.1106 and 116.1107 unless the declaration provides
18 that this entire chapter is applicable.

19 2. Except for NRS 116.3104, 116.31043, 116.31046 and
20 116.31138, the provisions of NRS 116.3101 to 116.3119, inclusive,
21 *and sections 2 to 4.3, inclusive, of this act*, and the definitions set
22 forth in NRS 116.005 to 116.095, inclusive, *and section 1.5 of this*
23 *act*, to the extent that such definitions are necessary in construing
24 any of those provisions, apply to a residential planned community
25 containing more than six units.

26 **Sec. 5.3.** NRS 116.212 is hereby amended to read as follows:

27 116.212 1. If the declaration provides that any of the powers
28 described in NRS 116.3102 are to be exercised by or may be
29 delegated to a profit or nonprofit corporation that exercises those or
30 other powers on behalf of one or more common-interest
31 communities or for the benefit of the units' owners of one or more
32 common-interest communities, or on behalf of a common-interest
33 community and a time-share plan created pursuant to chapter 119A
34 of NRS, all provisions of this chapter applicable to unit-owners'
35 associations apply to any such corporation, except as modified by
36 this section.

37 2. Unless it is acting in the capacity of an association described
38 in NRS 116.3101, a master association may exercise the powers set
39 forth in paragraph (b) of subsection 1 of NRS 116.3102 only to the
40 extent expressly permitted in:

41 (a) The declarations of common-interest communities which are
42 part of the master association or expressly described in the
43 delegations of power from those common-interest communities to
44 the master association; or



(b) The declaration of the common-interest community which is a part of the master association and the time-share instrument creating the time-share plan governed by the master association.

3. If the declaration of any common-interest community provides that the executive board may delegate certain powers to a master association, the members of the executive board have no liability for the acts or omissions of the master association with respect to those powers following delegation.

4. The rights and responsibilities of units' owners with respect to the unit-owners' association set forth in NRS 116.3103, 116.31032, 116.31034, 116.31036, 116.3108, 116.31085, 116.3109, 116.311, 116.31105 and 116.3112 *and section 4.3 of this act*, apply in the conduct of the affairs of a master association only to persons who elect the board of a master association, whether or not those persons are otherwise units' owners within the meaning of this chapter.

5. Even if a master association is also an association described in NRS 116.3101, the certificate of incorporation or other instrument creating the master association and the declaration of each common-interest community, the powers of which are assigned by the declaration or delegated to the master association, may provide that the executive board of the master association must be elected after the period of the declarant's control in any of the following ways:

(a) All units' owners of all common-interest communities subject to the master association may elect all members of the master association's executive board.

(b) All members of the executive boards of all common-interest communities subject to the master association may elect all members of the master association's executive board.

(c) All units' owners of each common-interest community subject to the master association may elect specified members of the master association's executive board.

(d) All members of the executive board of each common-interest community subject to the master association may elect specified members of the master association's executive board.

Sec. 5.7. NRS 116.3106 is hereby amended to read as follows:

116.3106 1. The bylaws of the association must provide:

(a) The number of members of the executive board and the titles of the officers of the association;

(b) For election by the executive board of a president, treasurer, secretary and any other officers of the association the bylaws specify;



(c) The qualifications, powers and duties, terms of office and manner of electing and removing officers of the association and members of the executive board and filling vacancies;

(d) Which powers, if any, that the executive board or the officers of the association may delegate to other persons or to a community manager;

(e) Which of its officers may prepare, execute, certify and record amendments to the declaration on behalf of the association;

(f) Procedural rules for conducting meetings of the association;

(g) A method for amending the bylaws; and

(h) Procedural rules for conducting elections.

2. Except as otherwise provided in the declaration, the bylaws ~~may~~ :

(a) *May* provide for any other matters the association deems necessary and appropriate ~~to~~; and

(b) *In a high-rise residential common-interest community, may include provisions authorized pursuant to section 4.3 of this act.*

3. The bylaws must be written in plain English.

Sec. 6. NRS 116.31085 is hereby amended to read as follows:

116.31085 1. Except as otherwise provided in this section, a unit's owner may attend any meeting of the units' owners of the association or of the executive board and speak at any such meeting. The executive board may establish reasonable limitations on the time a unit's owner may speak at such a meeting.

2. An executive board may not meet in executive session to *open or consider bids for an association project or to* enter into, renew, modify, terminate or take any other action regarding a contract, unless it is a contract between the association and an attorney.

3. An executive board may meet in executive session only to:

(a) Consult with the attorney for the association on matters relating to proposed or pending litigation if the contents of the discussion would otherwise be governed by the privilege set forth in NRS 49.035 to 49.115, inclusive, or to enter into, renew, modify, terminate or take any other action regarding a contract between the association and the attorney.

(b) Discuss the character, alleged misconduct, professional competence, or physical or mental health of a community manager or an employee of the association.

(c) Except as otherwise provided in subsection 4, discuss a violation of the governing documents, including, without limitation, the failure to pay an assessment.

(d) Discuss the alleged failure of a unit's owner to adhere to a schedule required pursuant to NRS 116.310305 if the alleged failure may subject the units' owner to a construction penalty.



1 4. An executive board shall meet in executive session to hold a
2 hearing on an alleged violation of the governing documents unless
3 the person who may be sanctioned for the alleged violation requests
4 in writing that the hearing be conducted by the executive board at an
5 open meeting. The person who may be sanctioned for the alleged
6 violation is entitled to attend the hearing and testify concerning the
7 alleged violation, but the person may be excluded by the executive
8 board from any other portion of the hearing, including, without
9 limitation, the deliberations of the executive board.

10 5. Except as otherwise provided in this subsection, any matter
11 discussed by the executive board when it meets in executive session
12 must be generally noted in the minutes of the meeting of the
13 executive board. The executive board shall maintain minutes of any
14 decision made pursuant to subsection 4 concerning an alleged
15 violation and, upon request, provide a copy of the decision to the
16 person who was subject to being sanctioned at the hearing or to his
17 designated representative.

18 6. Except as otherwise provided in subsection 4, a unit's owner
19 is not entitled to attend or speak at a meeting of the executive board
20 held in executive session.

21 **Sec. 7.** NRS 116.311 is hereby amended to read as follows:

22 116.311 1. If only one of several owners of a unit is present
23 at a meeting of the association, that owner is entitled to cast all the
24 votes allocated to that unit. If more than one of the owners are
25 present, the votes allocated to that unit may be cast only in
26 accordance with the agreement of a majority in interest of the
27 owners, unless the declaration expressly provides otherwise. There
28 is majority agreement if any one of the owners cast the votes
29 allocated to that unit without protest made promptly to the person
30 presiding over the meeting by any of the other owners of the unit.

31 2. Except as otherwise provided in this section, votes allocated
32 to a unit may be cast pursuant to a proxy executed by a unit's owner.
33 A unit's owner may give a proxy only to a member of his immediate
34 family, a tenant of the unit's owner who resides in the common-
35 interest community, another unit's owner who resides in the
36 common-interest community, or a delegate or representative when
37 authorized pursuant to NRS 116.31105. If a unit is owned by more
38 than one person, each owner of the unit may vote or register protest
39 to the casting of votes by the other owners of the unit through an
40 executed proxy. A unit's owner may revoke a proxy given pursuant
41 to this section only by actual notice of revocation to the person
42 presiding over a meeting of the association.

43 3. Before a vote may be cast pursuant to a proxy:

44 (a) The proxy must be dated.

45 (b) The proxy must not purport to be revocable without notice.



1 (c) The proxy must designate the meeting for which it is
2 executed.

3 (d) The proxy must designate each specific item on the agenda
4 of the meeting for which the unit's owner has executed the proxy,
5 except that the unit's owner may execute the proxy without
6 designating any specific items on the agenda of the meeting if the
7 proxy is to be used solely for determining whether a quorum is
8 present for the meeting. If the proxy designates one or more specific
9 items on the agenda of the meeting for which the unit's owner has
10 executed the proxy, the proxy must indicate, for each specific item
11 designated in the proxy, whether the holder of the proxy must cast a
12 vote in the affirmative or the negative on behalf of the unit's owner.
13 If the proxy does not indicate whether the holder of the proxy must
14 cast a vote in the affirmative or the negative for a particular item on
15 the agenda of the meeting, the proxy must be treated, with regard to
16 that particular item, as if the unit's owner were present but not
17 voting on that particular item.

18 (e) The holder of the proxy must disclose at the beginning of the
19 meeting for which the proxy is executed the number of proxies
20 pursuant to which the holder will be casting votes.

21 4. A proxy terminates immediately after the conclusion of the
22 meeting for which it is executed.

23 5. A vote may not be cast pursuant to a proxy for the election
24 or removal of a member of the executive board of an association
25 unless the proxy is exercised through a delegate or representative
26 authorized pursuant to NRS 116.31105.

27 6. The holder of a proxy may not cast a vote on behalf of the
28 unit's owner who executed the proxy in a manner that is contrary to
29 the proxy.

30 7. A proxy is void if the proxy or the holder of the proxy
31 violates any provision of subsections 1 to 6, inclusive.

32 8. If the declaration requires that votes on specified matters
33 affecting the common-interest community must be cast by the
34 lessees of leased units rather than the units' owners who have leased
35 the units:

36 (a) The provisions of subsections 1 to 7, inclusive, apply to the
37 lessees as if they were the units' owners;

38 (b) The units' owners who have leased their units to the lessees
39 may not cast votes on those specified matters;

40 (c) The lessees are entitled to notice of meetings, access to
41 records and other rights respecting those matters as if they were the
42 units' owners; and

43 (d) The units' owners must be given notice, in the manner
44 provided in NRS 116.3108, of all meetings at which the lessees are
45 entitled to vote.



9. If any votes are allocated to a unit that is owned by the association, those votes may not be cast, by proxy or otherwise, for any purpose.

10. The provisions of this section do not apply to a high-rise residential common-interest community to the extent that its governing documents include provisions authorized pursuant to section 4.3 of this act for casting votes pursuant to a proxy that are different from the provisions of this section.

Sec. 8. NRS 116.3115 is hereby amended to read as follows:

116.3115 1. Until the association makes an assessment for common expenses, the declarant shall pay all common expenses. After an assessment has been made by the association, assessments must be made at least annually, based on a budget adopted at least annually by the association in accordance with the requirements set forth in NRS 116.31151. Unless the declaration imposes more stringent standards, the budget must include a budget for the daily operation of the association and the money for the reserve required by paragraph (b) of subsection 2.

2. Except for assessments under subsections 4 to 7, inclusive:

(a) All common expenses, including a reserve, must be assessed against all the units in accordance with the allocations set forth in the declaration pursuant to subsections 1 and 2 of NRS 116.2107.

(b) The association shall establish an adequate reserve, funded on a reasonable basis, for the repair, replacement and restoration of the major components of the common elements ~~of the association~~ *of the association*. The reserve may be used only for those purposes, including, without limitation, repairing, replacing and restoring roofs, roads and sidewalks ~~of the association~~ *of the association*, and must not be used for daily maintenance.

3. Any past due assessment for common expenses or installment thereof bears interest at the rate established by the association not exceeding 18 percent per year.

4. To the extent required by the declaration:

(a) Any common expense associated with the maintenance, repair, restoration or replacement of a limited common element must be assessed against the units to which that limited common element is assigned, equally, or in any other proportion the declaration provides;

(b) Any common expense or portion thereof benefiting fewer than all of the units must be assessed exclusively against the units benefited; and

(c) The costs of insurance must be assessed in proportion to risk and the costs of utilities must be assessed in proportion to usage.

5. Assessments to pay a judgment against the association may be made only against the units in the common-interest community at



1 the time the judgment was entered, in proportion to their liabilities
2 for common expenses.

3 6. If any common expense is caused by the misconduct of any
4 unit's owner, the association may assess that expense exclusively
5 against his unit.

6 7. The association of a common-interest community created
7 before January 1, 1992, is not required to make an assessment
8 against a vacant lot located within the community that is owned by
9 the declarant.

10 8. If liabilities for common expenses are reallocated,
11 assessments for common expenses and any installment thereof not
12 yet due must be recalculated in accordance with the reallocated
13 liabilities.

14 9. The association shall provide written notice to the owner of
15 each unit of a meeting at which an assessment for a capital
16 improvement or the commencement of a civil action is to be
17 considered or action is to be taken on such an assessment at least 21
18 calendar days before the meeting. Except as otherwise provided in
19 this subsection, the association may commence a civil action only
20 upon a vote or written agreement of the owners of units to which at
21 least a majority of the votes of the members of the association are
22 allocated. The provisions of this subsection do not apply to a civil
23 action that is commenced:

24 (a) To enforce the payment of an assessment;

25 (b) To enforce the declaration, bylaws or rules of the
26 association;

27 (c) To proceed with a counterclaim; or

28 (d) To protect the health, safety and welfare of the members of
29 the association. If a civil action is commenced pursuant to this
30 paragraph without the required vote or agreement, the action must
31 be ratified within 90 days after the commencement of the action by
32 a vote or written agreement of the owners of the units to which at
33 least a majority of votes of the members of the association are
34 allocated. If the association, after making a good faith effort, cannot
35 obtain the required vote or agreement to commence or ratify such a
36 civil action, the association may thereafter seek to dismiss the action
37 without prejudice for that reason only if a vote or written agreement
38 of the owners of the units to which at least a majority of votes of the
39 members of the association are allocated was obtained at the time
40 the approval to commence or ratify the action was sought.

41 10. At least 10 days before an association commences or seeks
42 to ratify the commencement of a civil action, the association shall
43 provide a written statement to all units' owners that includes:

44 (a) A reasonable estimate of the costs of the civil action,
45 including reasonable attorney's fees;



(b) An explanation of the potential benefits of the civil action and the potential adverse consequences if the association does not commence the action or if the outcome of the action is not favorable to the association; and

(c) All disclosures that are required to be made upon the sale of the property.

11. No person other than a unit's owner may request the dismissal of a civil action commenced by the association on the ground that the association failed to comply with any provision of this section.

Sec. 9. NRS 116.31163 is hereby amended to read as follows:

116.31163 The association or other person conducting the sale shall also mail, within 10 days after the notice of default and election to sell is recorded, a copy of the notice by first-class mail to:

1. Each person who has requested notice pursuant to NRS 107.090 or 116.31168;

2. Any holder of a recorded security interest encumbering the unit's owner's interest who has notified the association, 30 days before the recordation of the notice of default, of the existence of the security interest; and

3. A purchaser of the unit, if the unit's owner has notified the association, 30 days before the recordation of the notice, that the unit is the subject of a contract of sale and the association has been requested to furnish the certificate required by ~~subsection 2 of~~ NRS 116.4109.

Sec. 10. NRS 116.4109 is hereby amended to read as follows:

116.4109 1. Except in the case of a sale in which delivery of a public offering statement is required, or unless exempt under subsection 2 of NRS 116.4101, a unit's owner *or his authorized agent* shall furnish to a purchaser ~~[before an offer to purchase a unit becomes binding on the purchaser:]~~ *a resale package containing all the following:*

(a) A copy of the declaration, other than any plats and plans, the bylaws, the rules or regulations of the association and the information statement required by NRS 116.41095;

(b) A statement setting forth the amount of the monthly assessment for common expenses and any unpaid assessment of any kind currently due from the selling unit's owner;

(c) ~~[The]~~ *A copy of the* current operating budget of the association and ~~[a]~~ *current year-to-date* financial statement for the association, which must include a summary of the ~~[financial components of the study of the]~~ reserves of the association required by NRS 116.31152 ~~[;]~~ *and which must include, without limitation,*



1 *a summary of the information described in paragraphs (a) to (e),*
2 *inclusive, of subsection 2 of NRS 116.31152; and*

3 (d) A statement of any unsatisfied judgments or pending legal
4 actions against the association and the status of any pending legal
5 actions relating to the common-interest community of which the
6 unit's owner has actual knowledge.

7 2. The ~~[association, within]~~ *purchaser may, by written notice,*
8 *cancel the contract of purchase until midnight of the fifth*
9 *calendar day following the date of receipt of the resale package*
10 *described in subsection 1, and the contract for purchase must*
11 *contain a provision to that effect. If the purchaser elects to cancel*
12 *a contract pursuant to this subsection, he must hand deliver the*
13 *notice of cancellation to the unit's owner or his authorized agent*
14 *or mail the notice of cancellation by prepaid United States mail to*
15 *the unit's owner or his authorized agent. Cancellation is without*
16 *penalty, and all payments made by the purchaser before*
17 *cancellation must be refunded promptly. If the purchaser has*
18 *accepted a conveyance of the unit, the purchaser is not entitled to:*

19 (a) *Cancel the contract pursuant to this subsection; or*

20 (b) *Damages, rescission or other relief based solely on the*
21 *ground that the unit's owner or his authorized agent failed to*
22 *furnish the resale package, or any portion thereof, as required by*
23 *this section.*

24 3. *Within 10 days after receipt of a written request by a unit's*
25 *owner [] or his authorized agent, the association shall furnish [a*
26 *certificate containing] all of the following to the unit's owner or his*
27 *authorized agent for inclusion in the resale package:*

28 (a) *Copies of the documents required pursuant to paragraphs*
29 *(a) and (c) of subsection 1; and*

30 (b) *A certificate containing the information necessary to enable*
31 *the unit's owner to comply with paragraphs (b) and (d) of*
32 *subsection 1. [A unit's owner providing a]*

33 4. *If the association furnishes the documents and certificate*
34 *pursuant to subsection [1-is not] 3:*

35 (a) *The unit's owner or his authorized agent shall include the*
36 *documents and certificate in the resale package provided to the*
37 *purchaser, and neither the unit's owner nor his authorized agent*
38 *is liable to the purchaser for any erroneous information provided by*
39 *the association and included in the documents and certificate.*

40 ~~[3-]~~ (b) *The association may charge the unit's owner a*
41 *reasonable fee to cover the cost of preparing the certificate*
42 *furnished pursuant to subsection 3. Such a fee must be based on*
43 *the actual cost the association incurs to fulfill the requirements of*
44 *this section in preparing the certificate. The Commission shall*



1 *adopt regulations establishing the maximum amount of the fee an*
2 *association may charge for preparing the certificate.*

3 (c) *The association may charge the unit's owner a reasonable*
4 *fee, not to exceed 25 cents per page, to cover the cost of copying*
5 *the other documents furnished pursuant to subsection 3.*

6 (d) *Except for the fees permitted pursuant to paragraphs (b)*
7 *and (c), the association may not charge the unit's owner any other*
8 *fees for preparing or furnishing the documents and certificate*
9 *pursuant to subsection 3.*

10 5. Neither a purchaser nor the purchaser's interest in a unit is
11 liable for any unpaid assessment or fee greater than the amount set
12 forth in the *documents and* certificate prepared by the association. If
13 the association fails to furnish the *documents and* certificate within
14 the 10 days allowed by ~~[subsection 2,]~~ *this section*, the seller is not
15 liable for the delinquent assessment.

16 ~~[4.]~~ 6. Upon the request of a unit's owner ~~[.]~~ *or his authorized*
17 *agent or upon the request of* a purchaser to whom the unit's owner
18 has provided a ~~[certificate]~~ *resale package* pursuant to ~~[subsection 1~~
19 ~~or an]~~ *this section or his* authorized agent, ~~[of the unit's owner or~~
20 ~~the purchaser,]~~ the association shall make the entire study of the
21 reserves of the association which is required by NRS 116.31152
22 reasonably available for the unit's owner, purchaser or authorized
23 agent to inspect, examine, photocopy and audit. The study must be
24 made available at the business office of the association or some
25 other suitable location within the county where the common-interest
26 community is situated or, if it is situated in more than one county,
27 within one of those counties.

28 **Sec. 11.** NRS 116.41095 is hereby amended to read as
29 follows:

30 116.41095 The information statement required by NRS
31 116.4103 and 116.4109 must be in substantially the following form:

32
33 BEFORE YOU PURCHASE PROPERTY IN A
34 COMMON-INTEREST COMMUNITY
35 DID YOU KNOW . . .

36 1. *YOU GENERALLY HAVE 5 DAYS TO CANCEL THE*
37 *PURCHASE AGREEMENT?*

38 *When you enter into a purchase agreement to buy a home or unit*
39 *in a common-interest community, in most cases you should receive*
40 *either a public offering statement, if you are the original*
41 *purchaser of the home or unit, or a resale package, if you are not*
42 *the original purchaser. The law generally provides for a 5-day*
43 *period in which you have the right to cancel the purchase*
44 *agreement. The 5-day period begins on different starting dates,*
45 *depending on whether you receive a public offering statement or a*



resale package. Upon receiving a public offering statement or a resale package, you should make sure you are informed of the deadline for exercising your right to cancel. In order to exercise your right to cancel, the law generally requires that you hand deliver the notice of cancellation to the seller within the 5-day period, or mail the notice of cancellation to the seller by prepaid United States mail within the 5-day period. For more information regarding your right to cancel, see Nevada Revised Statutes 116.4108, if you received a public offering statement, or Nevada Revised Statutes 116.4109, if you received a resale package.

2. YOU ARE AGREEING TO RESTRICTIONS ON HOW YOU CAN USE YOUR PROPERTY?

These restrictions are contained in a document known as the Declaration of Covenants, Conditions and Restrictions ~~[(C, C & R's) that should be provided for your review before making your purchase. The C, C & R's]~~ **(CC&Rs)**. *The CC&Rs* become a part of the title to your property. They bind you and every future owner of the property whether or not you have read them or had them explained to you. The ~~[C, C & R's,]~~ **CC&Rs**, together with other "governing documents" (such as association bylaws and rules and regulations), are intended to preserve the character and value of properties in the community, but may also restrict what you can do to improve or change your property and limit how you use and enjoy your property. By purchasing a property encumbered by ~~[C, C & R's,]~~ **CC&Rs**, you are agreeing to limitations that could affect your lifestyle and freedom of choice. You should review the ~~[C, C&R's]~~ **CC&Rs** and other governing documents before purchasing to make sure that these limitations and controls are acceptable to you.

~~[2.]~~ **3. YOU WILL HAVE TO PAY OWNERS' ASSESSMENTS FOR AS LONG AS YOU OWN YOUR PROPERTY?**

As an owner in a common-interest community, you are responsible for paying your share of expenses relating to the common elements, such as landscaping, shared amenities and the operation of any ~~[homeowner's]~~ **homeowners'** association. The obligation to pay these assessments binds you and every future owner of the property. Owners' fees are usually assessed by the ~~[homeowner's]~~ **homeowners'** association and due monthly. You have to pay dues whether or not you agree with the way the association is managing the property or spending the assessments. The executive board of the association may have the power to change and increase the amount of the assessment and to levy special assessments against your property to meet extraordinary expenses. In some communities, major components *of the common elements* of the



community such as roofs and private roads must be maintained and replaced by the association. If the association is not well managed or fails to ~~{maintain}~~ *provide* adequate *funding for* reserves to repair, replace and restore common elements, you may be required to pay large, special assessments to accomplish these tasks.

~~{3-}~~ 4. IF YOU FAIL TO PAY OWNERS' ASSESSMENTS, YOU COULD LOSE YOUR HOME?

If you do not pay these assessments when due, the association usually has the power to collect them by selling your property in a nonjudicial foreclosure sale. If fees become delinquent, you may also be required to pay penalties and the association's costs and attorney's fees to become current. If you dispute the obligation or its amount, your only remedy to avoid the loss of your home may be to file a lawsuit and ask a court to intervene in the dispute.

~~{4-}~~ 5. YOU MAY BECOME A MEMBER OF A ~~{HOMEOWNER'S}~~ *HOMEOWNERS'* ASSOCIATION THAT HAS THE POWER TO AFFECT HOW YOU USE AND ENJOY YOUR PROPERTY?

Many common-interest communities have a ~~{homeowner's}~~ *homeowners'* association. In a new development, the association will usually be controlled by the developer until a certain number of units have been sold. After the period of developer control, the association may be controlled by property owners like yourself who are elected by homeowners to sit on an executive board and other boards and committees formed by the association. The association, and its executive board, are responsible for assessing homeowners for the cost of operating the association and the common or shared elements of the community and for the ~~{day-to-day}~~ *day-to-day* operation and management of the community. Because homeowners sitting on the executive board and other boards and committees of the association may not have the experience or professional background required to understand and carry out the responsibilities of the association properly, the association may hire professional *community* managers to carry out these responsibilities.

~~{Homeowner's}~~ *Homeowners'* associations operate on democratic principles. Some decisions require all homeowners to vote, some decisions are made by the executive board or other boards or committees established by the association or governing documents. Although the actions of the association and its executive board are governed by state laws, the ~~{C, C & R's}~~ *CC&Rs* and other documents that govern the common-interest community, decisions made by these persons will affect your use and enjoyment of your property, your lifestyle and freedom of choice, and your cost of living in the community. You may not agree with decisions made by the association or its governing bodies even though the decisions are



1 ones which the association is authorized to make. Decisions may be
2 made by a few persons on the executive board or governing bodies
3 that do not necessarily reflect the view of the majority of
4 homeowners in the community. If you do not agree with decisions
5 made by the association, its executive board or other governing
6 bodies, your remedy is typically to attempt to use the democratic
7 processes of the association to seek the election of members of the
8 executive board or other governing bodies that are more responsive
9 to your needs. If ~~[persons controlling the association or its~~
10 ~~management are not complying with state laws or the governing~~
11 ~~documents, your remedy is typically to seek]~~ *you have a dispute*
12 *with the association, its executive board or other governing bodies,*
13 *you may be able to resolve the dispute through the complaint,*
14 *investigation and intervention process administered by the Office*
15 *of the Ombudsman for Owners in Common-Interest Communities,*
16 *the Nevada Real Estate Division and the Commission for*
17 *Common-Interest Communities. However, to resolve some*
18 *disputes, you may have* to mediate or arbitrate the dispute and, if
19 mediation or arbitration is unsuccessful, *you may have to* file a
20 lawsuit and ask a court to resolve the dispute. In addition to your
21 personal cost in mediation or arbitration, or to prosecute a lawsuit,
22 you may be responsible for paying your share of the association's
23 cost in defending against your claim. ~~[There is no government~~
24 ~~agency in this State that investigates or intervenes to resolve~~
25 ~~disputes in homeowner's associations.~~

26 ~~—5.]~~ **6. YOU ARE REQUIRED TO PROVIDE PROSPECTIVE**
27 ~~[BUYERS]~~ **PURCHASERS** OF YOUR PROPERTY WITH
28 INFORMATION ABOUT LIVING IN YOUR COMMON-
29 INTEREST COMMUNITY?

30 The law requires you to provide ~~[to]~~ a prospective purchaser of your
31 property ~~[, before you enter into a purchase agreement,]~~ *with*
32 a copy of the community's governing documents, including the
33 ~~[C, C & R's,]~~ **CC&Rs**, association bylaws, and rules and
34 regulations, as well as a copy of this document. You are also
35 required to provide a copy of the association's current *year-to-date*
36 financial statement, *including, without limitation, the most recent*
37 *audited or reviewed financial statement, a copy of the*
38 *association's* operating budget and information regarding the
39 amount of the monthly assessment for common expenses, including
40 the amount set aside as reserves for the repair, replacement and
41 restoration of common elements. You are also required to inform
42 prospective purchasers of any outstanding judgments or lawsuits
43 pending against the association of which you are aware. ~~[You are~~
44 ~~also required to provide a copy of the minutes from the most recent~~
45 ~~meeting of the homeowner's association or its executive board.]~~ For



more information regarding these requirements, see Nevada Revised Statutes ~~116.4103 and 116.4109.~~

~~6.] 116.4109.~~

7. YOU HAVE CERTAIN RIGHTS REGARDING OWNERSHIP IN A COMMON-INTEREST COMMUNITY THAT ARE GUARANTEED YOU BY THE STATE?

Pursuant to provisions of chapter 116 of Nevada Revised Statutes, you have the right:

(a) To be notified of all meetings of the association and its executive board, except in cases of emergency.

(b) To attend and speak at all meetings of the association and its executive board, except in some cases where the executive board is authorized to meet in closed, executive session.

(c) To request a special meeting of the association upon petition of at least 10 percent of the homeowners.

(d) To inspect, examine, photocopy and audit financial and other records of the association.

(e) To be notified of all changes in the community's rules and regulations and other actions by the association or board that affect you.

~~7.]~~ **8. QUESTIONS?**

Although they may be voluminous, you should take the time to read and understand the documents that will control your ownership of a property in a common-interest community. You may wish to ask your real estate professional, lawyer or other person with experience to explain anything you do not understand. You may also request assistance from the *Office of the* Ombudsman for Owners in Common-Interest Communities, Nevada Real Estate Division, at (telephone number).

Buyer or prospective buyer's initials: _____

Date: _____

