

DECLARATION OF COVENANTS
CONDITIONS AND RESTRICTIONS

OF
SARATOGA SPRINGS ESTATES III
A
PLANNED UNIT DEVELOPMENT

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made this 22nd day of June, 1998, by Di Loreto Homes of Nevada, hereinafter referred to as "Declarant".

WITNESSETH:

WHEREAS, Declarant is the owner of all that certain real property in Douglas County, Nevada hereinafter known as SARATOGA SPRINGS ESTATES,*said subdivision containing all the lands shown on those certain plats filed as Document ~~980088~~ in the Office of the County Recorder of Douglas County, and (SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR LEGAL DESCRIPTION) *III

WHEREAS, Declarant considers it desirable and appropriate to establish covenants, conditions and restrictions upon the property in order to establish a general plan for the improvement of the property which shall benefit the use, occupancy and enjoyment of the property and to enhance and protect the value, desirability and attractiveness of the property.

NOW, THEREFORE, Declarant hereby declares that all of the property shall be held, sold, conveyed, encumbered, hypothecated, leased, rented, occupied, used and improved, subject to the following easements, restrictions, covenants and conditions, which are declared to be for the purpose of protecting the value and desirability of your property, and which shall run with and burden the property and be binding on all parties having or acquiring any right, title or interest in the property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof and are imposed upon the property and each interest therein, as a servitude in favor of each and every interest in the property as the dominant tenements.

ARTICLE I
DEFINITIONS

SECTION 1. "Association" shall mean and refer to SARATOGA SPRINGS ESTATES HOMOWNER'S ASSOCIATION, its successors and assigns.

SECTION 2. "Common Area" shall mean all real property and improvements thereon owned by the Association including but not limited to the open space areas intended for the common use and enjoyment of the Owners.

SECTION 3. "County" shall mean Douglas County, Nevada.

SECTION 4. "Declarant" shall mean and refer to DiLoreto Homes of Nevada, successors and assigns, if the rights of Declarant are assigned to said successors and assigns.

SECTION 5. "Lot" shall mean and refer to any parcel or plot of land shown upon any recorded subdivision, planned unit development or parcel map of the property.

THIS DOCUMENT IS BEING RE-RECORDED TO CORRECT
THE LEGAL DESCRIPTION AS CORRECTED HEREIN, AS
IT WAS ORIGINALLY INTENDED.

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SECTION 6. "Member" shall mean and refer to the person or entity which holds a membership in the Association.

SECTION 7. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any lot which is a part of the property, including Declarant and contract sellers, but excluding those having an interest in a lot merely as security for the performance of an obligation.

SECTION 8. "Property" shall mean and refer to all the real property described in Exhibit "A" attached hereto, and such additions thereto as may hereafter be brought within the legal description of the property.

SECTION 9. "Residence" shall mean and refer to a lot shown on the map of the property and shall also include the residential dwelling together with garages other structures and improvements on the same lot.

SECTION 10. "Roads" shall mean and refer to all improved streets and roadways intended for vehicular traffic within the Property.

ARTICLE II
USE AND BUILDING RESTRICTIONS

SECTION 1. Commercial Use. No part of a lot, residence or outbuilding shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or any non-residential purpose. The only exception hereunder shall be the permissibility of a construction office and sales facility during the development of the SARATOGA SPRINGS ESTATES project. Permission for any such temporary construction or sales facility must be obtained in writing from the Declarant, and may be revoked at any time by the Declarant.

SECTION 2. Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the property except such signs as may be used by Declarant or its sales agents in connection with the development and sale of the property; provided, however, that for a reasonable time, and from time to time an owner may display on his lot one (1) sign advertising its sale or lease by him so long as such sign complies with any customary and reasonable standards promulgated by the Declarant as to size, color, shape or other qualification for the permitted sign. Political signs, as allowed by the Douglas County Code also shall be permitted. Any permitted individual lot sign shall be commercially lettered and shall not exceed four (4) square feet in total area.

SECTION 3. Nuisance. No noxious, offensive or disturbing activity of any kind shall be permitted within any structure or upon any lot within the property, nor shall anything else be done in any residence, on any lot or the property which may be or become an annoyance to the neighborhood or which shall in any way interfere with the quiet enjoyment by each owner of his respective lot and residence, or which shall in any way increase the rate of insurance for Declarant or any owner. This section includes, but is not limited to, the discharge of firearms or fireworks, unmuffled motor vehicles, barking dogs, loudspeakers and other sources of noise.

SECTION 4. No Partitioning or Subdividing. No lot shall be subdivided, parceled or partitioned and no residence shall be erected on less than one lot. No deed, conveyance, transfer or agreement shall be executed or entered into by any owner which would effect or cause a separation into different ownerships, the surface and subsurface rights of any lot or residence or portion thereof.

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SECTION 5. Temporary Structures. No temporary residential structure of any form or type and no trailer, basement, tent, shack, barn or other outbuilding shall be constructed or used as any residence at any time, either temporarily or permanently, before completing construction of the main dwelling unit.

SECTION 6. Certificate of Occupancy. Upon commencement of construction of any residence or improvement therein within the property, all reasonable speed and diligence shall be employed by the owner to complete said construction, and completion must be effected within twelve (12) months as evidenced by a Certificate of Occupancy issued by the duly authorized governmental authority.

SECTION 7. Relocated Residences. Except for new structural components approved by the architectural review committee no existing, used, previously constructed or partially constructed structure of any type or nature, including but not limited to trailer homes, mobile homes, modular homes, prefabricated homes or manufactured housing, shall be moved from another place onto the property.

SECTION 8. Motor Driven Cycles. All motor driven cycles shall be used solely for the purpose of transportation. No racing or pleasure riding shall be carried on upon any lot or street or common area.

SECTION 9. Prohibition Against Reflective Building Materials. No building or structure shall be constructed or surfaced with a material that will cause sunlight to be reflected.

SECTION 10. Animals. No livestock, fowl or other animals other than dogs, cats, or other common and ordinary household pets may be kept on any lot in the subdivision. No household pets or other animals whatsoever will be kept or bred for commercial purposes on any parcels or lots. Furthermore, household pets shall not interfere with the reasonable comfort or safety of adjoining neighbors and shall not exceed a total of three (3) such pets per household for any lots less than one (1) acre in size. All animals, including household pets, are to be kept on a leash when in the common areas and all said animals are restricted to designated areas within the Common Area. Owners are responsible for cleaning up any mess that a pet creates within the Common Area.

SECTION 11. Antennas. No radio transmitting and receiving antennas for short wave or ham radio installations shall be installed.

SECTION 12. Satellite Dishes. No satellite dishes shall be permitted unless they are installed in a manner which meets with the approval of the architectural review committee.

SECTION 13. Utilities. All utility connections and service lines to each lot or residence must be installed underground, including electric service, water service, sewer service, gas service, television and telephone cable, in accordance with accepted construction and utility standards. All outdoor lighting shall be subdued and shielded in such a way as to prevent illumination of and glare to adjacent or nearby properties. Utility type "night lights" shall be prohibited.

SECTION 14. Unightly Items: Garbage Removal: Clotheslines. No refuse, unsightly or abandoned vehicles, debris, noxious material, discarded personal effects, construction materials not for immediate use, garbage, compost material or similar matter shall be permitted to accumulate on any lot or portion thereof, and shall be disposed of in accordance with accepted sanitary practice. Each owner shall maintain his lot in a neat, orderly and well-groomed manner, and he shall subscribe to a regularly scheduled and established garbage collection service. Each lot shall promptly be cleaned of all waste, debris, used building materials, garbage and other waste materials during the course of construction and following construction. No outdoor clotheslines are permitted on the lots or residences. All refuse containers, woodpiles, storage areas, oil tanks, machinery and equipment shall be prohibited upon any

lot or residence unless obscured from view from adjoining residences and lots and streets by a wall, fence or screen approved by the Declarant as to size, color or other qualifications for permitted fences or screens.

SECTION 15. Landscaping. Within six months of completion of the main dwelling unit, each front yard shall be landscaped in a manner suitable to the character and quality of the area; all landscaping shall be maintained to harmonize with and sustain the attractiveness of the development.

SECTION 16. Minimum Residence Floor Area. All single family dwelling units constructed shall have the following minimum square footage of enclosed living space floor area, exclusive of porches, patios, garage, basements, and other accessory structures: 1400 square feet if located on a 1/4 acre lot or on a 1/3 acre lot; and 1600 square feet if located on a 1/2 acre lot.

SECTION 17. Vehicles.

(a) Every single-family dwelling unit constructed within the property shall have on the same lot enough enclosed automobile storage space for at least two (2) automobiles.

(b) Except as provided in this section, no recreational vehicle or equipment shall hereafter be permitted to remain upon the property, including without limitation, streets, alleys or driveways, unless placed beyond the front dwelling setback on the garage side of the residence enclosed within a minimum 6' solid fence approved by the Architectural Review Committee. No RVs are permitted in rear yards.

(c) No automobile, recreational vehicle or equipment or commercial vehicle or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on a residence unless performed within a completely enclosed garage or other structure located on the property or any lot which completely screens the sight and sound of such activity from streets and neighboring residences. The foregoing restriction shall not be deemed to prevent temporary parking for loading or unloading of vehicles or washing and polishing and those activities normally incident to washing and polishing of vehicles.

(d) Recreational vehicles and equipment are permitted to be parked in front of a residence only in the following circumstances: (i) up to 48 consecutive hours twice each month; (ii) recreational vehicles and equipment owned by guests temporarily visiting an owner may be parked in front of such owner's residence for a period not to exceed one (1) week only if safe ingress and egress to adjoining properties is maintained.

(e) As used in this section "recreational vehicle or equipment" shall include trailers, boats, campers, trailer coaches, buses, house cars, motorhomes, off-road vehicles, or any other similar type of equipment or vehicle.

(f) As used in this section, "commercial vehicle" shall be defined as a truck of greater than 3/4 ton capacity and any vehicle with a sign prominently displayed on any part thereof advertising any kind of business or on which racks, materials and/or tools are visible. The type of motor vehicle license plate shall not be material to the foregoing definition.

(g) Temporary parking shall mean parking of vehicles belonging to guests of owners and commercial vehicles being used in the furnishing of services to the owners and parking of vehicles belonging to or being used by owners for loading and unloading purposes.

(h) Declarant reserves full right to take action within the parameters of these declarations against the maintenance and use of a vehicle on the property which violates the spirit and intent of this section.

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SECTION 18. Exterior Decor. No structure shall be painted or otherwise decorated in any color or in any manner which is not in keeping with the original approval of the Architectural Review Committee or is otherwise objectionable or detrimental to neighboring residences.

(a) The exterior woodwork of all houses, buildings and structures erected or constructed on any lot shall be painted with at least two (2) coats of paint, varnish or other stain or any approved coloration within thirty (30) days after completion and before occupancy. At no time will the exterior of any house, building or structure be allowed to approach the state of aesthetic deterioration such that it becomes a visual nuisance or objectionable to others in the neighborhood.

(b) Any proposed redecorating or alterations of the exterior of any residence or structure inclusive of repainting must be submitted to the architectural review committee for approval as to color scheme.

(c) Any proposed redecorating or alterations of the exterior of any residence or structure will be deemed the equivalent of new construction and must be submitted to the architectural review committee for approval prior to the commencement of such redecorating, alterations or remodeling.

(d) Redecoration or alterations, approved by the architectural review committee, shall be diligently and continuously pursued to affect the earliest possible completion of the improvements.

SECTION 19. Fences. No fencing shall be constructed in excess of six (6) feet in height. All fences shall be approved by the architectural review committee prior to installation. No fence shall permit gate access to any common areas.

SECTION 20. Excavation. No excavation or drilling for oil, shale, minerals, stone, gravel or earth shall be made upon any lot. Excavation for necessary construction purposes relating to residential units, retaining and court walls, outbuildings and pools, and for the purpose of contouring, shaping and generally improving any lot as a residence is permitted. No excavation shall commence for any purpose without prior approval in writing from the architectural review committee.

SECTION 21. Sewage. All lots shall be connected to the sewer mains during the construction of each dwelling unit. Declarant acknowledges the sewage treatment plant operated by Douglas County is located to the north of SARATOGA SPRINGS ESTATES and represents that it will not take any legal or any equitable action against Douglas County, Nevada, its agents, entities, or employees, as a result of the location of said plant. Owners are purchasing this property with the understanding that a sewage treatment plant operated by Douglas County, Nevada is located to the north of SARATOGA SPRINGS ESTATES and represent that they will not take any legal or any equitable action against Douglas County, Nevada or Declarant, its agents, entities, employees or Declarant as a result of the location of said plant.

SECTION 22. Water Service. Each lot shall subscribe to water service purveyor of the planned unit development, or its successor in interest, which shall maintain, repair and manage the installed domestic and irrigation systems. Each user shall pay all costs therefor, including all charges which may be levied upon such lands. The utility company for itself, its agents or assigns, is granted the right and easement to enter in and upon all lots within the subdivision at reasonable times as may be established in furtherance of the above purposes. Each lot owner is solely responsible for the maintenance and repair of any irrigation system within his own property.

SECTION 23. Avigation Easement. Aircraft noise from the Douglas County Airport extends into the area of SARATOGA SPRINGS ESTATES and may have a detrimental effect on your daily lifestyle. You are purchasing this property with this understanding and you represent that you will not take any legal or equitable action against Douglas County, Nevada or architectural review committee, their agent, entities, employees, or Declarant as a result of any noise generated by the Douglas County Airport. This section is further described by a recorded Avigation Easement.

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ARTICLE III
ARCHITECTURAL CONTROL

SECTION 1. Architectural Review. For the purpose of insuring a quality development of the area, an architectural review committee is established. Said committee shall consist of three (3) persons appointed by the Board of Directors of the Association. This committee shall review and approve all buildings, structures and other improvements placed on each lot, as well as make exceptions to these reservations and restrictions as necessary and proper, whether or not specific provision therefor is stated in any conveyance of a lot hereinafter made. The owner of each lot, by acceptance of title thereto or by taking possession thereof, covenants and agrees that no building shall be placed upon such lot unless and until the plans and specifications therefor and the plot plan have been approved in writing by the committee as herein provided. No structural alteration to the exterior appearance of these buildings or structures shall be made without approval as provided for herein.

SECTION 2. Submittal of Plans. Before any construction activity begins, the following shall be submitted to the Declarant: (a) two sets of complete construction plans, prepared and signed by the owner and architect and/or structural engineer, and (b) two sets of prints or drawings with samples showing external color scheme and materials, and (c) two copies of dimensioned plot plans showing building location with respect to parcel boundaries. Upon approval, one set of these exhibits shall be certified as "approved", and returned to the owner or his agent; the other set shall be filed with the Declarant.

SECTION 3. General Provisions.

(a) The architectural review committee may establish reasonable procedural rules and may assess a fee not to exceed \$50.00 per submission of plans in connection with review of plans and specifications, including without limitation, the number of sets of plans to be submitted; however, the architectural review committee may delegate its plan review responsibilities to one or more owners. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the architectural review committee. Unless any such rules are compiled with, such plans and specifications shall be deemed not submitted.

(b) The address of the architectural review committee shall be the place for the submittal of plans and specifications and the place where the current architectural standards shall be kept.

(c) The establishment of the systems herein for architectural approval shall not be construed as changing any rights or restrictions upon owners to maintain, repair, alter or modify or otherwise have control over the residence as may otherwise be specified in this declaration.

(d) In the event the architectural review committee fails to approve or disapprove such plans and specifications within thirty (30) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Declarant, such plans and specifications will be deemed approved. The approval or disapproval of such plans and specifications shall be final and conclusive.

SECTION 4. Review, Approval and Conformity of Plans. The committee shall examine and approve or stipulate reasonable changes or alterations in plans for any structure, dwelling unit, outbuilding, pool, hedge, fence or wall to be constructed on any lot. Said changes or alterations in plans duly submitted to the committee shall be made only in the best and continuing interest in maintaining a superior tone and quality of architecture throughout the subdivision. Approval of any plan or specification shall not prevent the committee from withholding approval of an identical plan or specification, or part thereof, when subsequently or additionally submitted for approval by the same or any other owner. Approval of any plan specification submitted to it shall not cause the committee or its members to be liable to any person in any way.

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Approval by the committee of any plans may be withheld due to noncompliance with any of the requirements of this declaration or due to reasonable disapproval of the committee as to the location of the building site upon any lot; appearance, construction materials to be used, the grading plan, the harmony of a proposed structure site with the surrounding area and homes, and the influence or effect any structure may have upon the view, outlook, or adjacent or neighboring lots. All out buildings shall be constructed to match the single family dwelling units, including roof, siding, and color.

The architectural review committee may, from time to time, adopt and promulgate architectural standards to be administered hereunder. The architectural standards may include, among other things, those restrictions and limitations upon the owner set forth below:

(a) Time limitations for the completion of any improvement for which approval is required pursuant to the architectural standards;

(b) Conformity of complete improvements to plans and specifications approved by the architectural review committee; provided, however, as to purchasers and encumbrances in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating residence and its owner and specifying the reason for the notice, executed by the architectural review committee, shall be filed of record in the office of the County Recorder, and given to such owner within thirty (30) days of the expiration of the time limitation described in subsection (a), above, or unless legal proceedings shall have been instituted to enforce compliance of completion within said thirty (30) day period, the completed architectural improvements shall be deemed to be in compliance with plans and specifications approved by the architectural review committee and in compliance with the architectural standards promulgated by the architectural review committee from time to time, but only with respect to purchasers and encumbrances in good faith and for value;

(c) Such other limitations and restrictions as the architectural review committee in its reasonable discretion shall adopt, including without limitation, the regulation of the following: construction, reconstruction, exterior addition, change or alteration to or maintenance of any building structure, wall or fence, including surface and location of such dwelling or structure, and the placements, species and height of any trees, bushes, ground cover, plants or other landscaping materials; and

SECTION 5. Appointment and Removal of Architectural Review Committee Members. The right to appoint and remove all members of the architectural review committee, shall be and hereby is vested solely in the Board of Directors of the Association.

SECTION 6. Nonliability for Approval of Plans and Specifications. Plans and specifications shall be considered for approval by the architectural review committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances, and by approving such plans and specifications the Declarant assumes no liability or responsibility therefor, or for any defect in any structures constructed from such plans and specifications. Each owner shall be responsible for complying with the requirements of the County as to improvements installed on his residence.

ARTICLE IV REPAIR AND MAINTENANCE

SECTION 1. Repair and Maintenance by Owner. Every owner shall:

(a) Continuously maintain the exterior of his residence, walls, fences and roof of such residence in good condition and repair; and

(b) Install and thereafter perpetually maintain in attractive condition landscaping and sprinkling systems in accordance with the provisions of this Article and Section 19 of Article II.

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SECTION 2. Standards for Maintenance and Installation.

(a) Maintenance of the exterior of the residences, including without limitation, walls, fences and roofs shall be accomplished in accordance with the architectural standards and, if required by the architectural standards, only after approval of the Declarant; and

(b) All slopes or terraces on any residence shall be maintained so as to prevent any erosion thereof upon adjacent streets or adjoining residences.

ARTICLE V
PROPERTY RIGHTS

SECTION 1. Owners' Easements of Enjoyment. Every Owner shall have a right to use the Roads, and to an easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

a) the right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) the operator of the golf course shall establish rules and regulations and fees for use of the golf course for other than golfing purposes, if any, which said rules and regulations shall be made available to owners.

(c) the right of the Association to suspend the voting rights and right to use of the Common Area by an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 60 days for any infraction of its published rules and regulations;

(d) the right of the Association to dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument signed by simple majority of each class of Members agreeing to such dedication or transfer has been recorded, except that Declarant or his heirs, successors, and assigns has the right to dedicate, sell or transfer all or an part of the Common Area to any public agency, authority, or utility for a period of five (5) years without consent.

SECTION 2. Delegation of Use of Common Area. Any Owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

SECTION 3. Waiver of Partition or Subdivision. There shall be no judicial partition or subdivision of the Common Area or any one or more Lots, nor shall Declarant or any person acquiring any interest in the Property or any part thereof seek any judicial partition or subdivision thereof; provided, however, that if any Lot shall be owned by two or more co-tenants in common or as joint tenants, nothing contained herein shall be deemed to prevent a judicial partition as between co-tenants so long as such judicial partition does not result in any physical partitioning.

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SECTION 4. Severability. No Owner shall in any way sever his Lot from his interest in the Common Area.

SECTION 5. Open Space. Each Lot shall be used as a residence and for no other purpose. The portion of the Common Area so designated on the map of the Property as to be used as open space and to be used for recreational purposes shall be maintained pursuant to the terms of the Declaration for the use and benefit of the Lots and occupants thereof. No designated open space or common area shall at any time be used for the temporary or permanent storage of any recreational vehicle. As further described within these CC&Rs, Declarant reserves the right to cure any encroachments within common areas without any prior notification.

ARTICLE VI
MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Members. Every Owner of a Lot shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot. Engineers, attorneys, accountants and other experts rendering assistance to the Association may be Members in the Association without owning a Lot; however, such Members will not be subject to assessment and shall have no voting rights.

SECTION 2. Voting Rights. The Association shall have two classes of voting membership:

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

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

- (a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or
- (b) On January 1, 2005.

ARTICLE VII
ASSESSMENTS

SECTION 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (a) annual assessments and charges, and (2) special assessments for capital improvements, repairs and maintenance, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such

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assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them.

SECTION 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Property, and for the ownership, improvement, maintenance of the roads and the Common Area.

SECTION 3. Annual Assessments. Promptly after the conveyance by Declarant of the first Lot to an Owner and not less than 30 days prior to the beginning of each calendar year thereafter, the Association shall estimate the net cash requirements for the balance of the calendar year or the ensuing fiscal year, as the case may be, necessary for the Association to operate and maintain the roads and the Common Area (including maintaining reasonable reserves) and to perform all of its duties in accordance with this Declaration. Each Lot shall be assessed for its pro rata share of the amount so estimated. Any Lot not yet conveyed to an Owner by Declarant shall not be included in computing the pro rata share of each Owner. After the initial assessment, maximum annual assessments may be increased 10% (ten percent) above the annual assessment for the previous year without a vote of the members of the Association. Any increase in excess of 10% (ten percent) shall require the favorable vote by simple majority or more of both classes of members. The Board of Directors of the Association may fix the annual assessment at any amount not in excess of the maximum. The annual assessment shall be payable to the Association in equal monthly installments.

SECTION 4. Special Assessment for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of capital improvements to the roads, or to the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent by simple majority of the votes of each class members who are voting in person or by proxy at a meeting fully called for this purpose.

SECTION 5. Payment. The Association shall inform each Owner in writing of all assessments against his Lot. The annual assessment shall be due and payable upon notice to the Owner of the amount of the assessment. Special assessments shall be payable in full on the first day of the first month next following the date on which the Owner is informed of such assessment, unless other provision is made therefor. Each assessment shall become delinquent ten (10) days after it is due. All such assessments shall be paid to the Association or to any commercial banking institution designated by the Association to handle the receipt and disbursement of all such funds pursuant to the direction of the Association. The Association, upon request and for a reasonable charge, shall furnish an Owner a certificate executed by an officer setting forth the status of payment of all assessments against an Owner. For purposes of this section, notice shall be deemed given if made in writing, addressed to the Owner at the address of his Lot, either personally delivered or mailed via First Class U.S. Mail with postage prepaid.

SECTION 6. Procedure for Assessment Requiring Vote of Members. Any assessment requiring the vote of the members of the Association shall be done at either the annual or special meeting of the Members pursuant to the By-Laws of the Association except as provided in Section 3.

SECTION 7. Uniform Basis of Assessment. Both annual and special assessments must be fixed on a uniform basis for all Owners pro rata for each Lot owned.

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SECTION 8. Effect of Nonpayment of Assessment; Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Property. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use or abandonment of his Lot or the Common Area.

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

ARTICLE VIII
GENERAL PROVISIONS

SECTION 1. Enforcement. The Declarant or any owner shall have the right to enforce against any other owner or owners by proceeding at law or in equity, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of this Declaration or any amendment hereto, including the right to prevent the violation of any such restrictions, conditions, covenants or reservations and the right to recover damages for such violation.

SECTION 2. No Waiver. Failure by the Declarant or any owner to enforce any covenant, condition or restriction herein contained in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same or any other covenant, condition or restriction.

SECTION 3. Cumulative Remedies. All rights, options and remedies of Declarant or the owners under this Declaration are cumulative, and not one of them shall be exclusive of any other, and Declarant and the owners shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in this Declaration.

SECTION 4. Severability. Invalidation of any one or a portion of these covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

SECTION 5. Covenants to Run with the Land; Term. The covenants, conditions and restrictions of this Declaration shall run with and bind the property and shall inure to the benefit of and be enforceable by any owner, their respective legal representatives, heirs, successors and assigns, until January 1, 2005, after which time said covenants, conditions and restrictions shall be automatically extended for successive periods of fifteen (15) years, unless an instrument, signed by a majority of the then owners has been recorded at least one (1) year prior to the end of any such period, agreeing to change said covenants, conditions and restrictions in whole or in part.

SECTION 6. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

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SECTION 7. Singular Includes Plural. Wherever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

SECTION 8. Nuisance. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement, or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Declarant or any owner. Such remedy shall be deemed cumulative and not exclusive.

SECTION 9. Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment reasonable attorneys' fees and costs of such suit.

SECTION 10. Obligations of Declarant. So long as Declarant is utilizing the right described in the section entitled "Construction by Declarant" in the article in this Declaration entitled "General Provisions", Declarant shall not be subject to the provisions of the article entitled "Architectural Control" or the provisions of the article entitled "Use Restrictions".

SECTION 11. Effect of Declaration. This Declaration is made for the purposes set forth in the recitals to this Declaration and Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portions of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

SECTION 12. Personal Covenant. To the extent the acceptance of a conveyance of a residence creates a personal covenant between the owner of such residence and Declarant or other owners, such personal covenant shall terminate and be of no further force or effect from and after the date when a person or entity ceases to be an owner.

SECTION 13. Nonliability of Officials. To the fullest extent permitted by law, the Declarant shall not be liable to any owner for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which the Declarant reasonably believed to be the scope of its duties.

SECTION 14. Leases. Any agreement for the leasing or rental of a residence (hereinafter in this section referred to as a "lease") shall provide that the terms of such lease shall be subject in all respects to the provisions of this Declaration.

Said lease shall further provide that any failure by the lessee thereunder to comply with the terms of the foregoing documents shall be default under the lease. All leases shall be in writing. Any owner who shall lease his residence shall be responsible for assuring compliance by such owner's lessee with this Declaration; provided, however, the obligation of the foregoing sentence shall not apply to Declarant in the event Declarant leases a residence for a term of twenty (20) years or more and such lease, or memorandum thereof, is recorded. No residence shall be leased for transient or hotel purposes, which shall be defined as rental for any period less than thirty (30) days or any rental whatsoever, if the occupants of the residence are provided customary hotel services such as room service for food and beverage, maid service, furnishing laundry and linen and bellboy service.

SECTION 15. Construction by Declarant. Nothing in this Declaration shall limit the right of Declarant to construct such additional improvements as Declarant deems advisable prior to completion of improvements upon and sale of the entire development. Such right shall include, but shall not be

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limited to, erecting, constructing and maintaining on the property such structures and displays as may be reasonably necessary for the conduct of business of completing the work and disposing of the same by sale, lease or otherwise. This Declaration shall not limit the right of Declarant at any time prior to acquisition by title by a purchaser from Declaration to establish on the property additional licenses, reservations and rights of way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the development. Declarant reserves the right to alter its construction plans and designs as it deems appropriate. The rights of Declarant hereunder may be assigned by any successor or successors to all or part of said entity's respective interest in the development, by an express assignment incorporated in a recorded deed of lease, as the case may be, transferring such interest to such successor. Declarant shall exercise its rights contained in this provision in such a way as not to unreasonably interfere with the owner's rights to use and enjoy the property.

SECTION 16, Amendments, Subject to the other provisions of this Declaration, this Declaration may be amended as follows:

(a) Until such time there are owners other than the Declarant, amendments or modifications shall be effective when executed by Declarant and when recorded in the official records of the County. Thereafter any amendments shall require the affirmative written assent or vote of not less than 75% of the voting power of the owners;

(b) In addition to the foregoing, any amendment or modification of the article hereof entitled "Architectural Control" shall additionally require the prior written approval of not less than 75% of the owners;

(c) An amendment or modification that requires the vote and written assent of the owners as herein above provided shall be effective when executed by the Declarant, who shall certify that the amendment or modification has been approved as herein above provided, and when recorded in the official records of the County.

SECTION 17. Acceptance of Provisions by Grantees. Each Grantee hereafter of any portion of interest in the project and any purchaser under grant or contract of sale, or lessee under any lease covering any portion or interest in the project, accepts the same subject to all the restrictions, conditions, covenants and reservations provided for in this Declaration.

SECTION 18. Purpose. The purpose of these covenants is to insure the use of the property for attractive residential purposes only, to prevent nuisances, to prevent the impairment of the attractiveness of the property, to maintain the desired tone of the community and thereby to secure to each subsequent site owner the full benefit and enjoyment of his home, with no greater restriction upon the free and undisturbed use of his site than is necessary to insure the same advantage to the adjacent owners. Anything tending to detract from the attractiveness and value of the property for residence purposes will not be permitted.

SECTION 19. Arbitration. If one or more owners are unable to agree on the meaning or effect of any part of this Declaration, the dispute shall be conclusively settled by arbitration.

DATED this 31 day of June 1998.

DI LORETO HOMES OF NEVADA
DECLARANT

By Thomas A. Di Loreto
Thomas A. Di Loreto
Vice President

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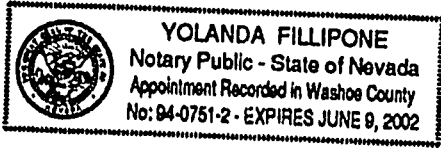
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State of Nevada)
) ss.
County of Washoe)

On this 22nd day of June, 1998, before me, a Notary Public, personally appeared THOMAS A. DI LORETO, Vice President of Di Loreto Homes of Nevada, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to this instrument.

Yolanda Fillipone
Notary Public
My Commission Expires 6/9/02



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EXHIBIT "A"

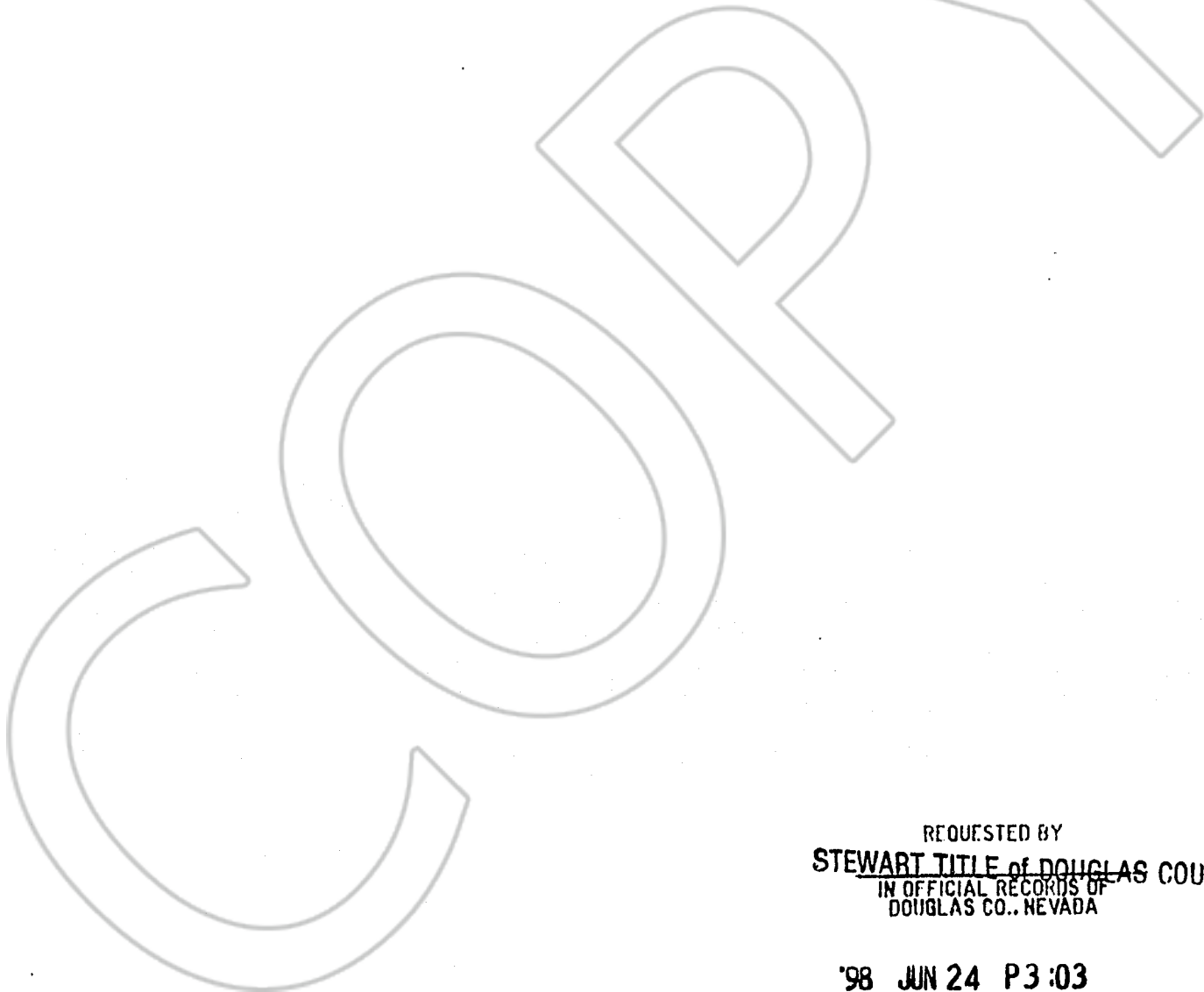
LEGAL DESCRIPTION

ESCROW NO.: 98070070

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Lots 79 through 83 in Block A, Lots 84/through 93 in Block B, Lots 94 through 106 in Block C, Lots ~~117~~ through 113 in Block D, Lots 114 through 124 in Block E, Lots 56 through 60 in Block F, Lots 61 through 67 in Block G, Lots 68 through 78 in Block H, as shown on the final map #98-045-3 of SARATOGA SPRINGS ESTATE UNIT NO. III, A PLANNED UNIT DEVELOPMENT, recorded in the Office of the County Recorder of Douglas County, Nevada, on June 23, 1998, in Book 698, Page 5063, as Document No. 442616.

Portion of APN's 21-290-77, 21-360-26 & 21-360-01.



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

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LINDA SLATER
RECORDER
\$21.00 PAID K2 DEPUTY

REQUESTED BY
STEWART TITLE of DOUGLAS COUNTY
IN OFFICIAL RECORDS OF
DOUGLAS CO. NEVADA

1999 SEP 21 AM 10: 54

LINDA SLATER
RECORDER

\$22⁰⁰ PAID *KJ* DEPUTY

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